

**APPENDIX 4: T. J. MORRIS LTD OPERATOR STATEMENT**



## **Operator Statement**

### **Proposed Distribution Centre, Omega Zone 8, St Helens**

#### **Introduction**

This Operator Statement has been written by TJ Morris Limited in support of the proposed development of a third distribution centre at Omega Zone 8 which is the subject to of a planning application that was validated by St Helens on 22<sup>nd</sup> January 2020 with the reference P/2020/0061/HYBR.

#### **Business Overview**

TJ Morris Limited ('TJM') was established over 40 years ago by Tom Morris, who opened his first shop in Old Swan, Liverpool. The business has grown organically to become one of the largest privately-owned companies in the UK, currently employing over 25,000 members of staff and, as a result of rapid growth, is one of the UK's fastest growing discount retailers.

The business currently has more than 540 stores throughout the UK (including more than 30 on Merseyside) and plans to expand to over 1,200 stores employing over 55,000 staff. The company's head office and existing c. 1m square feet distribution centre is located at AXIS Liverpool, with more than 1,500 staff on site.

Home Bargains ('HB') is the trading name of TJM and has become a household retail name across many parts of the UK, particularly on Merseyside. HB operates within the discount, or value retail sector. The brand strap line is "Top Brands – Bottom Prices". The discount retail sector has seen significant growth in recent years as shoppers have been attracted by the quality of products and competitive pricing.

The success of discount retailing and their ability to offer such low prices is based on a combination of low profit margins, driven efficiency, and high productivity. The efficiency of HB's operation extends across all aspects of their business including both their trading format and their store replenishment logistics operations.

The business' ethos is to 'sell the best branded products at the lowest possible price'. For Home Bargains to sell a particular product it needs to be between 10% and 30% cheaper than elsewhere. Approximately, 70% of the retail's stock is regular lines, whilst the other 30% changes continually. This business model allows prices to be kept to a minimum.

HB's principal range includes health and beauty products, medicines, baby products, household products, toys and games, pet food, home furnishings and ornaments, seasonal products, ancillary food and drink products and a limited clothing range.

## Operational Logistics Overview

TJ Morris Limited currently has two existing distribution centres in the UK supplying its existing but fast-growing network of Home Bargains stores:

- Liverpool ('Axis site')
- Amesbury ('Solstice site')

The Axis site, illustrated in Figure 1 below, was TJM's first distribution centre. It has been expanded since it first opened in early 2000s and now provides over 1m square feet across two linked buildings with a capacity to serve approximately 350 stores. The facility has been more recently expanded through the creation of an enlarged training centre and buyer's office in 2016/17. It is currently operating at 100% capacity and it includes a High-Bay warehouse.



**Figure 1: TJM distribution centre at Axis, Liverpool**

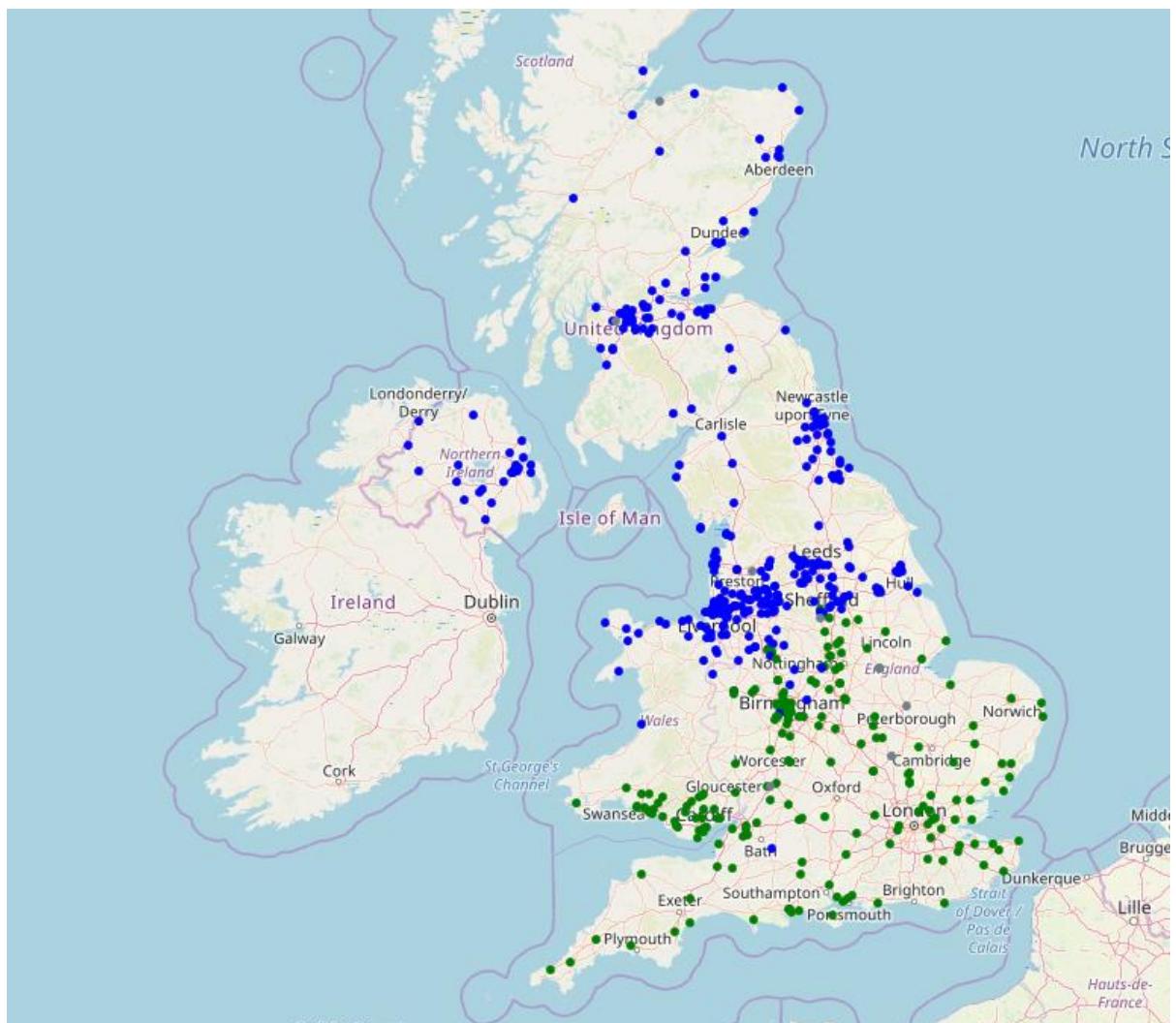
In July 2013, TJM completed the freehold purchase of 64 acres of land at Solstice Park for a southern regional distribution centre. Planning consent was originally granted by Wiltshire Council in 2010, but the proposal was amended to suit TJM's requirements, with planning permission subsequently secured for a bespoke distribution centre extending to 1,013,150 square feet. Work commenced on site in August 2013 and the facility was completed in the autumn of 2015 and has been operational since.

TJM's second distribution has been a vital addition to support store growth in the south of the country. The Solstice site has capacity to serve approximately 350 stores and is currently operating at 50% capacity. A photograph of the facility, which also includes a High-Bay warehouse is provided below.



**Photograph of TJM distribution centre at Solstice Park, Amesbury**

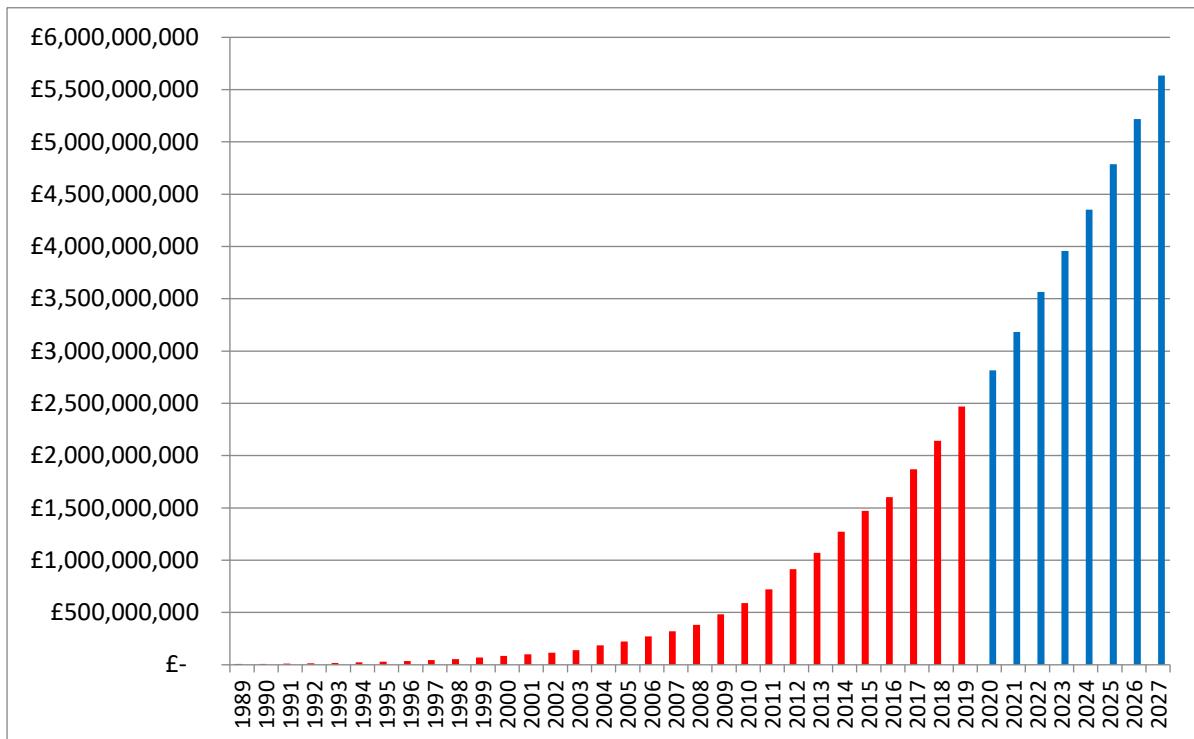
The distribution centres at the Axis and Solstice sites are highly automated and currently supply over 540 Home Bargains retail stores across the UK, as illustrated in Figure 2 below. Store locations shown in blue are supplied by the Axis site and store locations in green are supplied by the Solstice site.



**Figure 2: TJM distribution centre supply network**

As mentioned, the Axis site is currently operating at 100% capacity and the Amesbury site is currently at approximately 50% capacity. The Amesbury site will reach capacity in approximately three years' time.

To continue its planned growth in stores TJM needs a third distribution centre to enable the company to double its turnover to £5.0 billion, with approximately 800 stores. Beyond this, additional distribution capacity will be required, and is being planned, to continue TJM's growth to approximately 1,200 stores and £8 billion turnover. TJM's medium-term turnover growth is illustrated in Figure 3 below.



**Figure 3: TJ Morris Ltd planned medium-term turnover growth**

Figure 4 below illustrates the planned growth to 800 stores and from which of the three distribution centres each of those stores will supplied. Stores coloured black will supplied from Axis, red from the proposed distribution centre at Omega Zone 8 and yellow from the Solstice site.

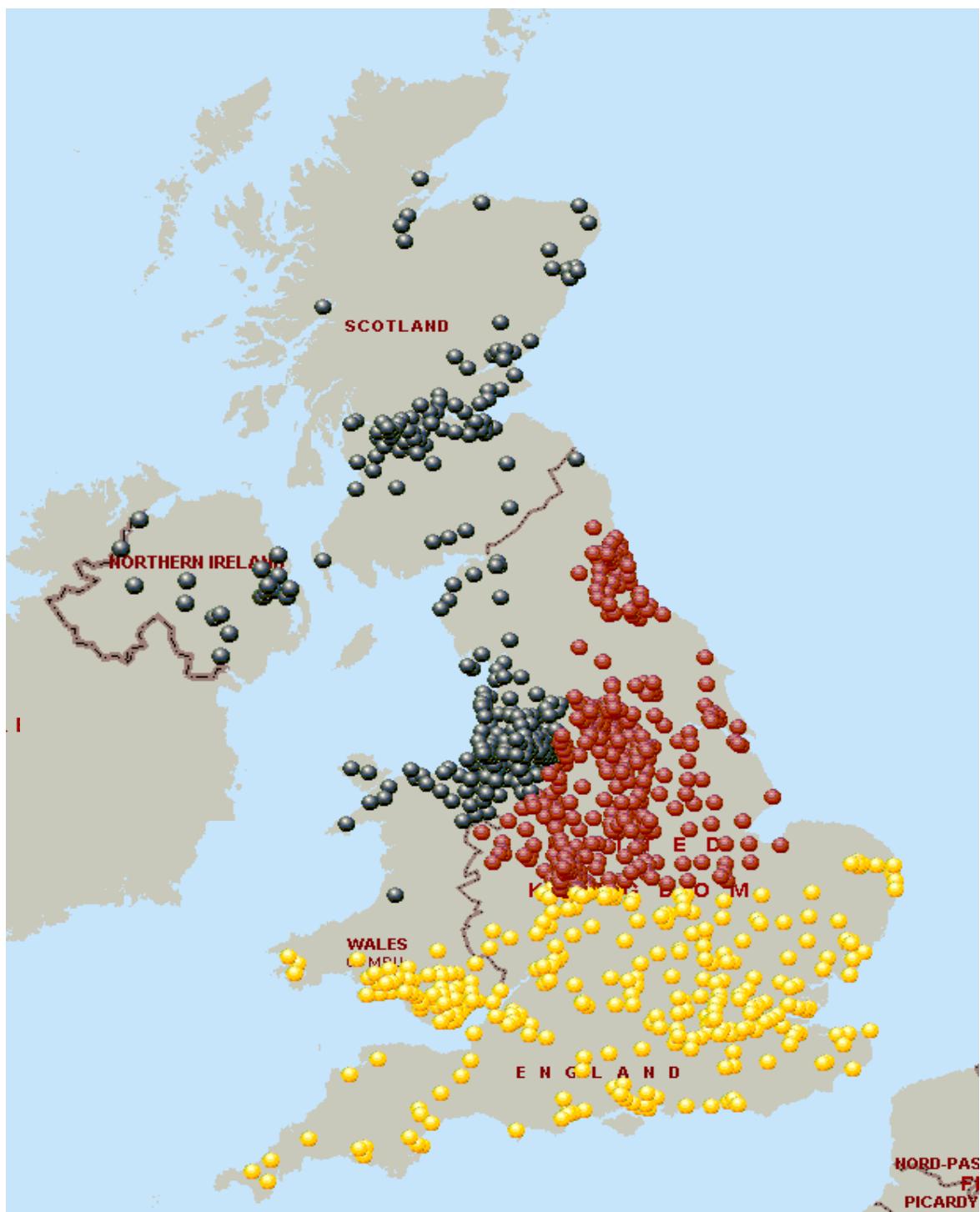


Figure 4: Planned growth in store supply chain network



## **Planning for a third distribution centre**

### Context

As explained above, the driving force behind the third distribution centre is to meet the needs of TJM's planned store growth over the next 5 years and beyond. As mentioned, TJM has over 540 retail outlets which are currently being served by two existing distribution centres. Those distribution centres have finite capacity and Axis is already operating at full capacity. TJM's plan is to grow to 800 stores by 2026. If this is to be achieved another distribution centre is required.

### Construction & Fitout Programme

As mentioned, TJM's distribution centres are highly automated and this is also the case of the third distribution centre, which is to house one of the most advanced picking systems in the world. TJM has signed a £150 million contract with German logistics and order picking systems specialist, WITRON, who will undertake the full systems installation within the distribution centre. The scale and nature of the installation means WITRON will require access to the eastern High-Bay warehouse before the rest of the building is completed. This is necessary because of the lengthy programme of works to install the internal automation.

The construction of the distribution centre including tender period and construction lead in is c. 2 years. Alongside this and specifically when the High-Bay has been constructed, WITRON will start their installation around 9 months into the wider build programme. WITRON will then be on site for c. 21 months, completing the installation of the internal picking systems, which will be completed in three phases, as different sections of the warehouse are completed.

Overall, the construction and fitout programme from tender document preparation to the completed installation of the internal automation is 3.5 years. In order to accelerate the programme, the building tender process has already started, and the intention is to appoint a contractor on the grant of planning consent. This is c. 6 months work meaning at the point consent is secured, there is a c. 3-year programme of construction and fitout works.

### Site Delivery

TJM's planned store growth along with a lengthy construction and fitout programme has placed importance on speed of site delivery as a key factor when determining which site to acquire. If TJM cannot deliver a fully operational distribution centre by Autumn 2023, the store rollout will be undermined, and the business will not be able to expand as planned. The site selection process has been heavily influenced by this along with several other factors, as we will discuss below.

### Omega Zone 8: Rationale

The TJM Board has determined that the site Omega Zone 8 meets the needs of their expanding retail operations over the next 8-10 years. TJM uses data which enables us to forecast planned growth in store numbers, analysing population density per existing and possible store location and likely availability of suitable stores. This analysis lead to the conclusion that the best location for a third distribution centre was in the north, in a band running from Liverpool across to Hull. Freehold site opportunities were then assessed and evaluated across the target area.



It might be seen as unusual that TJM would want a second logistics facility on Merseyside, but if you consider the location of TJM's existing store network (Figure 2) and the planned growth (Figure 4) it is plain to see that the location of Omega Zone 8 is very logical. It will remove pressure from the Axis site, and it will enable TJM to service its existing and proposed network more efficiently.

Finding a site that is capable of accommodating c. 1m square feet of floorspace including a High-Bay warehouse that is strategically well linked to the motorway network without constraints that would hamper 24/7 logistics use was difficult. There were only a very small number of sites which were deliverable within the timescales that could accommodate our requirement. As mentioned, speed of site delivery has been a significant and influencing factor when looking at alternative sites.

The specific advantages of the Omega Zone 8 site are set out below.

- Speed of delivery given it is a relatively unconstrained site.
- Proximity to a large source of skilled, engineering, technical labour.
- Excellent motorway and road connections allowing an efficient link to the wider store network.
- Significant distance from the closest noise sensitive receptors meaning the proposed 24/7 operation would not be fettered.
- Proximity to the Axis site which also contains the TJM head office; this assists with construction, ramp-up, management and operation of the site.
- Relieves pressure on the Axis site which operating at 100% capacity with Omega Zone 8's proximity offering logistics efficiencies that would not otherwise be secured.

All these factors weigh heavily in favour of Omega Zone 8 as a preferred location for a third distribution centre.

#### *Omega Zone 8: Design Development & Expansion Land*

The size and shape of the building is a direct product of the requirements of the automation layout within it, and the number of stores that it is intended to serve.

The building essentially acts as an envelope to the automation layout and the yards to service (this function is explained in detail below). The building is designed to critical minimum dimensions to allow the automation to function efficiently. The orientation of the building reflects TJM's operational requirements with the inbound yard closest to the entrance and the offices addressing the approach from the Omega West estate road.

There is no other practical alternative in terms of either location or orientation of the building without either compromising the operational needs of the business – both in terms of the proposed operation and future operational requirements as a result of ongoing, rapid business growth - or sterilising large parts of the wider site. There are also constraints which have required the siting of the building further west as opposed to be located on the site's frontage directly addressing the estate road.



As mentioned, one of the reasons Omega Zone 8 was selected by TJM is because it is a relatively unconstrained site. However, when acquiring a site of this size, there will also be constraints, so TJM's prerogative has been to position the proposal at the part of the site which is least constrained, to minimise any programme risk. The primary constraints in this case include:

- overhead pylons, requiring diversion; and
- a major watercourse, requiring diversion.

These are shown on the constraints drawing prepared by Fairhurst which appears as Appendix 1. Positioning the building away from these constraints reduces the programme risk as it means that the warehouse (and notably the High Bay) can be constructed ahead of the diversions being in place.

Each of the constraints poses a risk to the programme which as mentioned has been one of the key criteria driving the site search that will enable TJM to deliver a fully operational distribution centre by Autumn 2023.

The sting of the building also fundamentally allows for the provision of land required for future expansion of the proposed distribution centre operation. As part of the business strategy, it is very important that an investment of this scale is supported by sufficient surplus land that will enable future business requirements to be met. For example, both the Amesbury and Axis sites are supported by Vehicle Maintenance Units (VMU) and training centres. Those are both future requirements at Omega Zone 8 and land needs to be available for those to be delivered. The land also provides potential for additional warehousing (you will note that the Axis site has two warehouse buildings connected by a bridge link) and lorry parking, both which would arise from ongoing business expansion.

The proximity to the Axis site has already been cited as a benefit to the Omega Zone 8 site given that distribution centre is operating at capacity and the proposed distribution centre will be alleviating that pressure. Axis has successfully expanded over the years and now occupies significantly more land than it did originally, which has come about as a result of rapid growth. That growth has been capable of being accommodated due to the availability of adjacent land, albeit in the case of Axis that has been in part achieved by land opportunities as they have presented themselves. TJM has learnt that this opportunity should be established as early as possible in order to provide as much business certainty as possible. That means securing additional land to support the proposed distribution centre; without this the viability of the overall project would be jeopardised.

The expansion land reflects the combination of constraints, the size and orientation of the distribution centre (which as explained is a consequence of the automation within it), and TJM's need for further land to enable other associated development to be constructed in due course.

As we will come on to discuss, the overall height of the building is dictated by what happens inside it and the automation that is required to achieve the required commercial efficiencies that make the operation viable.

### Omega Zone 8: Operational Overview

Omega Zone 8 will be of a similar size, will handle similar volumes and will have similar stock holding to the TJ Morris Ltd sites at Axis and Amesbury. While TJM's exiting sites are highly automated, Omega West will be significantly more automated than the TJ Morris sites at Liverpool and Amesbury. Consequently, the total investment required (e.g. Omega £270 million v Amesbury £150 million) and the number of high-skilled engineering and machine operator jobs will be significantly higher.

Figure 5 below shows the main system components/sections within the Omega Zone 8 distribution centre.

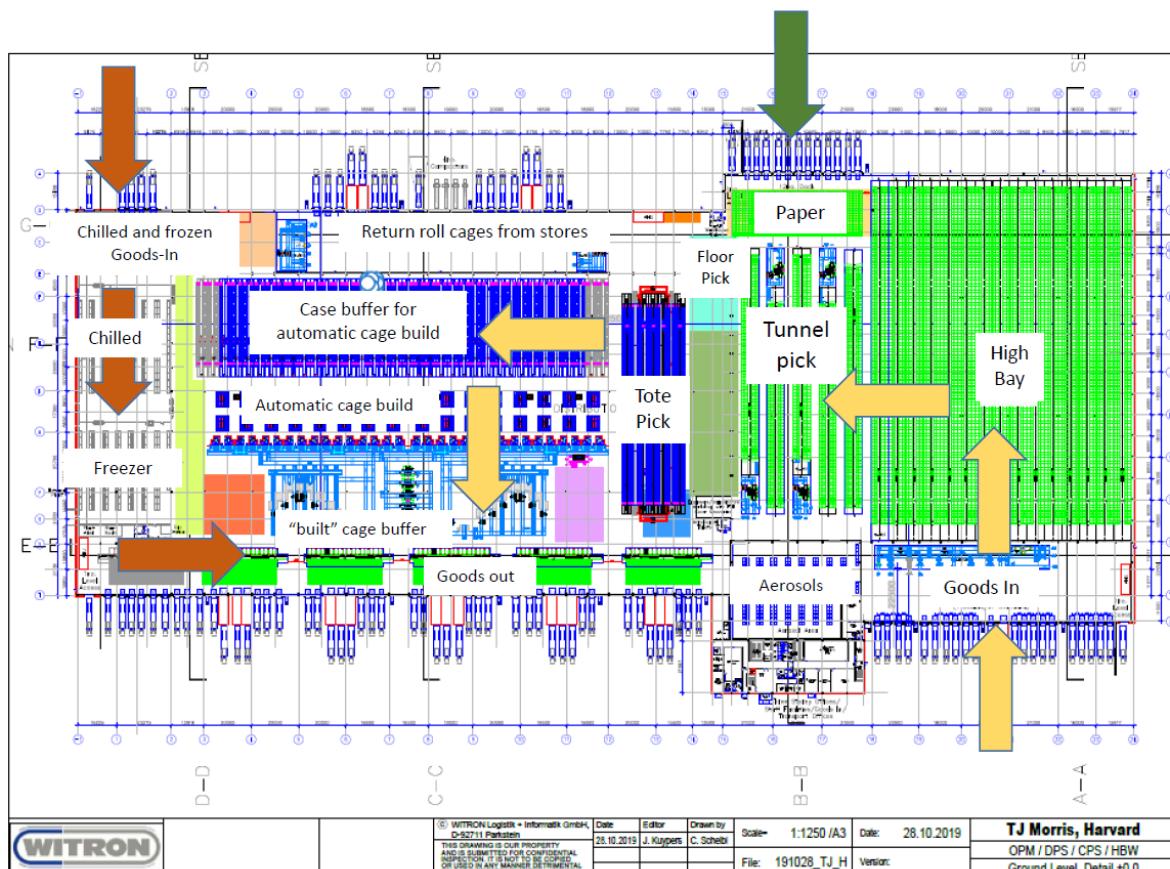


Figure 5: Main system components/sections within the proposed distribution centre

These sections are as follows:

- Goods-In
- High Bay
- Case Buffer for Automatic Cage Build
- Automatic Cage Build
- Tunnel Pick
- Tote Pick
- Paper



- Floor Pick
- Aerosols
- Chilled and Frozen Goods-In
- Chilled
- Freezer
- Goods-Out

A description of each of the sections is provided below.

#### **Goods-In**

All goods, excluding paper and chilled and frozen, are received at “Goods-In”. They are checked and then put into the automation system, unless they are Aerosols or products for “Floor Pick” (cannot be handled by automation) in which case they are manually moved to these sections.

#### **High-Bay**

This is the main storage area for stock. Stock is held here to feed, as required, to the following areas:

- Automatic Cage Build
- Tote Pick
- Tunnel Pick

The High-Bay is sized to provide the stock cover required for the particular products to be stored and picked. Fast moving products from UK based suppliers may have stock cover as low as 4-5 days. Slower moving products from Far Eastern suppliers may have stock cover of up-to 3-4 months.

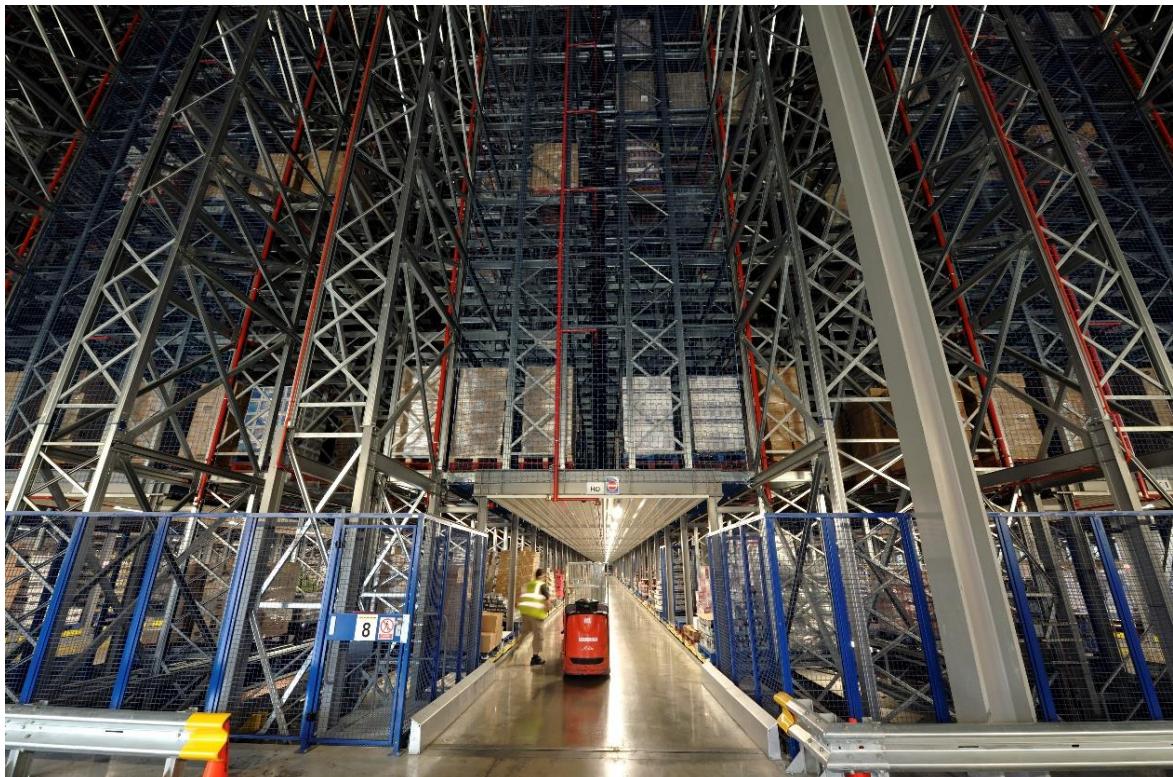
The High-Bay has been sized to provide stock cover of 18 days, in-line with the stock cover at the existing distribution warehouses in Axis and Amesbury which use a similar High-Bay system. 18-day stock cover for this type of retail operation is very low. Industry norms are at least 40 days, which, if used here, would double the size of the High-Bay.

The reason why “High-Bay” is used widely for bulk storage within the retail industry is because of the efficiency it offers, both in terms of labour and space, as well as safety. Each point is explained below.

- Labour – all movements within the High-Bay are carried out automatically by robotic cranes avoiding the need for Fork Lift Truck (FLT) drivers.
- Safety – because there is no use of manually operated FLTs, the risk of dropping pallets and hitting racking is greatly reduced. Also, being operator free, if a pallet does fall accidentally, it will also only produce damage to equipment, not to personnel.
- Space – being “High” and densely packed, the required volume of pallets can be stored in an area three or four times smaller than would be required for a system with manual FLT storage.

Space efficiency is the most important benefit. If a non-High-Bay solution was to be used, practically the whole of the proposed distribution centre would be required just to store 18-days’ worth of stock.

This would then mean the overall size of warehouse would have to double, resulting in a significantly greater land-take. As a result, without the High-Bay of the size proposed, the site would not be feasible or indeed viable for TJM. An internal photo of the Axis site High-Bay is provided below.



Photograph of High-Bay area (with tunnel pick) at TJM's Axis site



**Photograph of High-Bay at TJM's Amesbury site**

#### **Case Buffer for Automatic Cage Build and Automatic Cage Build**

These sections represent the major technical difference between our Liverpool and Amesbury sites and the Omega Zone 8 proposed installation.

At Axis and Amesbury all stock is manually picked and placed into cages. At Omega, approximately 80% of products on cages will be automatically picked and placed ("built") into cages. This will be the first installation of this type of technology in the UK.

To carry out this function, the system, supplied by WITRON, decides what store-orders will need to be built for a pre-defined period (e.g. the next 12 hours). It then pulls the required pallets from the High-Bay, automatically de-layers the cases of stock from the pallet, places the individual cases onto a tray and stores the trays in an intermediate buffer. When an individual store order is to be built, it then pulls the required cases from the intermediate buffer and sends them to one of the automatic cage building machines. At this machine, the case is automatically removed from the tray and the case is slid and gently placed into the required position in the cage.

The advantages of this system are:

- Labour saving (carried out automatically)
- Improved health and safety (no lifting by operators)
- Better stacking of products (less product damage, safer stacking – stock less likely to fall off)

- Store friendly packing (system ensures all products for, say, “aisle one” in store (etc.) are placed on the same cage – hard to achieve in a conventional warehouse)
- More product types can be handled (not limited by the number of pick faces, as in a conventional warehouse)



Photograph of individual cases placed into trays for intermediate storage prior to cage build



Photograph of Automatic Cage Build

### Tunnel Pick

Stock is stored in the High-Bay and fed automatically to the “pick faces” in the tunnel-pick area. Picking in this area is carried out manually. This is used for products which are too big to be stored on trays for automatic cage building (very similar to system at Liverpool and Amesbury, see photograph above).

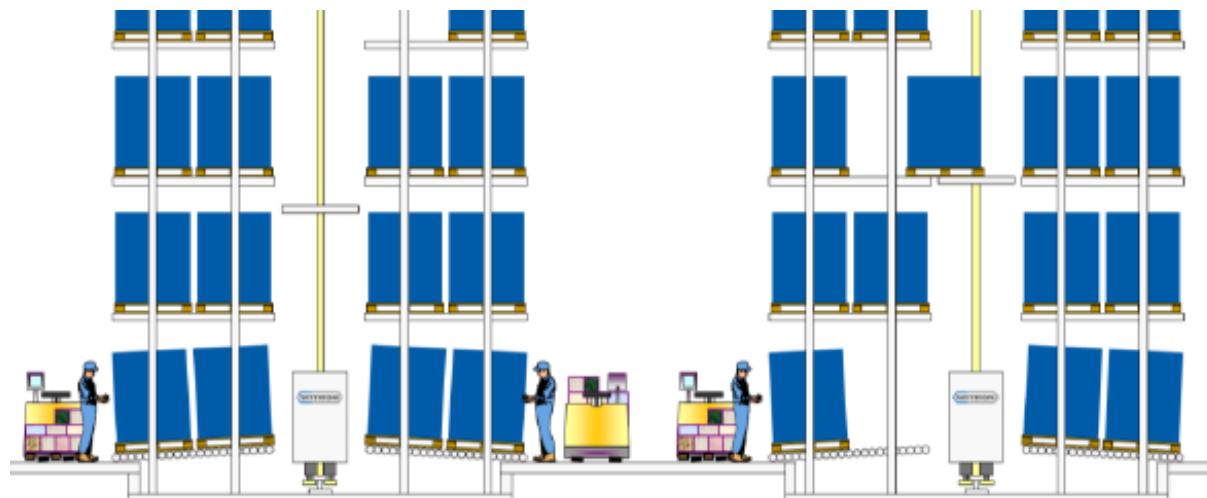


Figure 6: Tunnel Pick

### Tote Pick

Small or delicate products are picked, manually, into totes, photographed below. This system is very similar to the system currently used by TJ Morris Ltd at Liverpool and Amesbury. Totes are automatically stored and feed to the picker via robotic cranes.



Figure 7: Tote Pick



## **Remaining sections**

Below is a list of the remains sections of the distribution centre.

- Paper
- Floor Pick
- Aerosols
- Chilled and Frozen Goods-In
- Chilled
- Freezer
- Goods Out

These are manual operations and use manual replenishment (FLT's) and manual picking. Goods-Out also has automatic storage of picked cages.

## **Recruitment, Training & Career Opportunities**

### **Plans**

TJM's plan is to build a third generation highly automated distribution centre on the proposed site at Omega Zone 8. The distribution centre will bring over 1,000 employment and training opportunities to local and surrounding areas: Warrington, Widnes, St Helens, Manchester and Liverpool.

The new distribution site represents a strategy of innovation and continued investment by the company to support its ambitious growth plans.

### **Partners & Job**

We will work in close partnership with government departments and local recruitment agencies to implement our recruitment strategy for the various roles; from supply chain, operations, engineering and technical roles to support and administration. The table below provides a full breakdown of projected future employment assuming 100% operational capacity (as mentioned the operational capacity of the warehouse will be reached when it is servicing c. 400 stores).

AREA	Peak		Average	
	TOTAL FTE per SHIFT	TOTAL ANNUAL FTE	TOTAL FTE per SHIFT	TOTAL ANNUAL FTE
TRANSPORT HUB	16	29	16	29
HR	6	7	6	7
H&S	1	1	1	1
TRAINING	11	12	11	12
SECURITY	6	16	6	16

AREA	Peak		Average	
	TOTAL FTE per SHIFT	TOTAL ANNUAL FTE	TOTAL FTE per SHIFT	TOTAL ANNUAL FTE
ENGINEERING AND FACILITIES	46	206	46	206
CLEANING & BUILD MAINT	21	44	21	44
CANTEEN	5	24	5	24
WAREHOUSE	162	768	136	617
HGV DRIVERS	67	300	56	250
Vehicle Maintenance Unit (future installation)	11	24	11	24
<b>Total</b>	<b>352</b>	<b>1,431</b>	<b>315</b>	<b>1,230</b>

**Table 1: Forecast FTE job generation at Omega Zone 8 (100% operational capacity)**

Within the first year TJM will want to move to three-shift, 24-hour-a-day operation. This will require a full management team (warehouse and transport) and a full engineering team to be in place. Full HR, training and H&S functions will also need to be in place, as will canteen, cleaning and building maintenance and security. These are all roles where the level of employment will not change, regardless of the operating capacity of the distribution centre. In addition to these roles, there are the warehouse operatives and HGV drivers. These roles have a direct relationship to the number of stores the distribution centre serves; there is a linear relationship between operating capacity and the total headcount of warehouse operatives and HGV drivers.

TJM's target is to reach 40% operational capacity at the end of year one. This shown in the context of HGV driver and warehouse operatives in the table below along with fixed roles to give total annual FTE (peak and average) employment in the first year of opening the facility.

AREA	Peak		Average	
	TOTAL FTE per SHIFT	TOTAL ANNUAL FTE	TOTAL FTE per SHIFT	TOTAL ANNUAL FTE
TRANSPORT HUB, HR, H&S, TRAINING, SECURITY, ENGINEERING & FACILITIES, CLEANING & BUILD MAINTENANCE, CANTEEN	112	339	112	339
WAREHOUSE	65	307	54	247
HGV DRIVERS	27	120	22	100

AREA	Peak		Average	
	TOTAL FTE per SHIFT	TOTAL ANNUAL FTE	TOTAL FTE per SHIFT	TOTAL ANNUAL FTE
<b>Total (40% operational capacity)</b>	<b>204</b>	<b>766</b>	<b>188</b>	<b>686</b>

**Table 2: Total forecast job generation at Omega Zone 8 (40% operational capacity)**

Future employment will also be generated when the Vehicle Maintenance Unit is constructed. This will result in a further 24 total annual FTE roles.

The projected job creation is both realistic and conservative. Some elements will be similar to TJM's Amesbury site (e.g. HR). Some will be similar to TJM's Axis site (e.g. transport hub). Some will be unique to Warrington: (e.g. engineering). The figures have been collated by taking each individual element into account.

In terms of how this employment converts in a total estimated salary cost including pension and National Insurance Contributions, the table below provides this information by role.

	roles	avg salary	Capacity		
			100%	50%	75%
Engineering/Technicians	123	36,645.00	4,507,335.00	2,253,667.50	3,380,501.25
Cleaning / Building Maint	53	25,569.00	1,355,157.00	677,578.50	1,016,367.75
Warehouse	631	23,201.00	14,639,831.00	7,319,915.50	10,979,873.25
Drivers	250	45,320.00	11,330,000.00	5,665,000.00	8,497,500.00
Transport	26	38,434.45	999,295.70	499,647.85	749,471.78
H&S	1	51,500.00	51,500.00	25,750.00	38,625.00
Training	2	36,050.00	72,100.00	36,050.00	54,075.00
Security	13	30,900.00	401,700.00	200,850.00	301,275.00
Canteen	8	22,660.00	181,280.00	90,640.00	135,960.00
IT	6	45,320.00	271,920.00	135,960.00	203,940.00
			33,810,118.70	16,905,059.35	25,357,589.03

**Table 3: Estimated total salary costs at Omega Zone 8**

TJM's third distribution warehouse will therefore generate annual salaries of approximately £17m at Year-1 and £34m at full operational capacity.

### Training and Development

The provision of employment is only the beginning and with a long-standing and successful company-wide policy to promote from within, employees will benefit from training opportunities to support career progression.



Training and personal development is central to the company's long-term plans and the proposed new site will be home to a dedicated distribution training team who will create bespoke training programmes to ensure we have the skills we require.

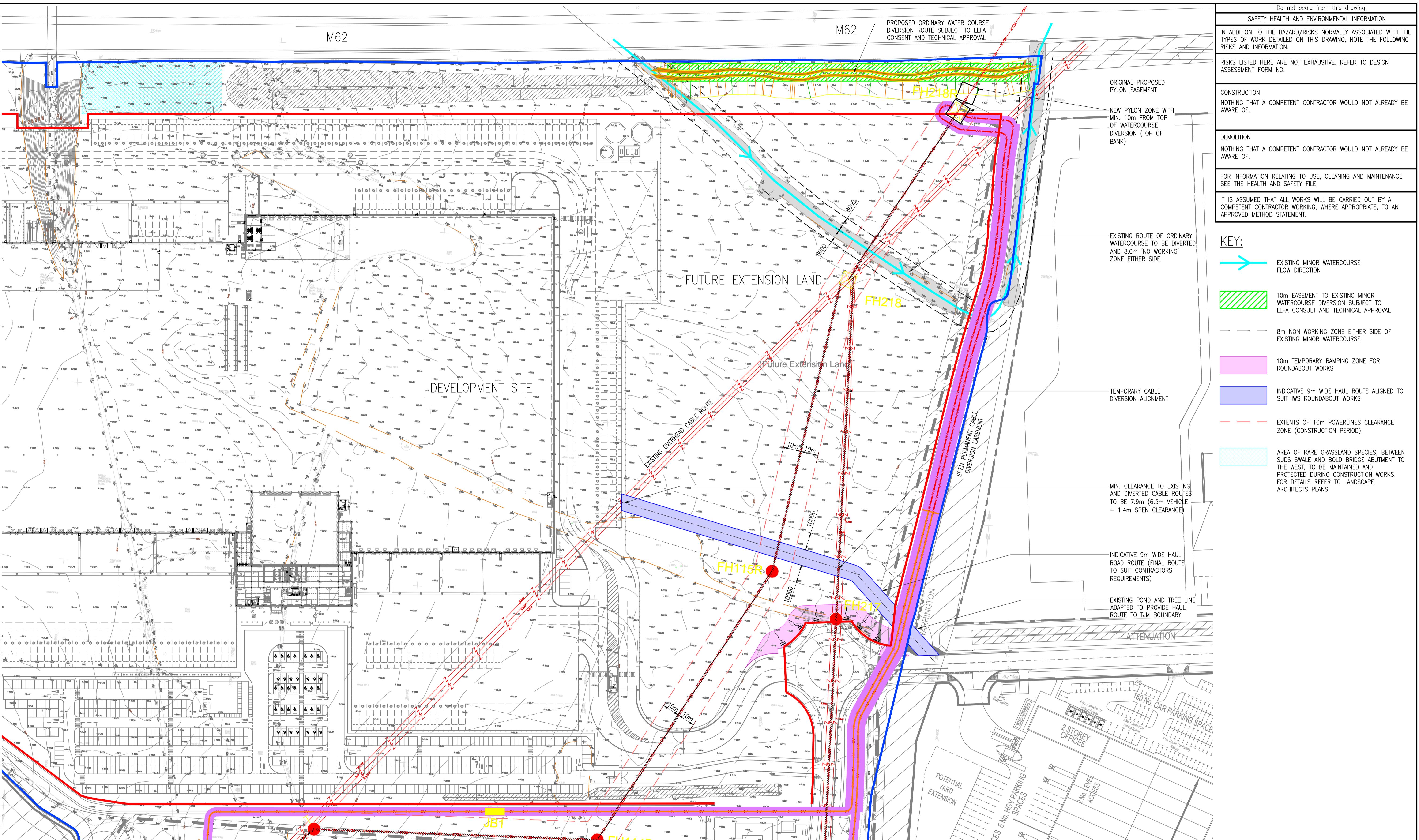
In turn, individuals will benefit from greater job security, financial and career progression and job satisfaction, all of which facilitates real personal growth and social mobility.

#### **Policy**

The company's approach to training, together with fair recruitment practices and flexible working arrangements, will enable us to attract a diverse workforce from a range of different backgrounds.



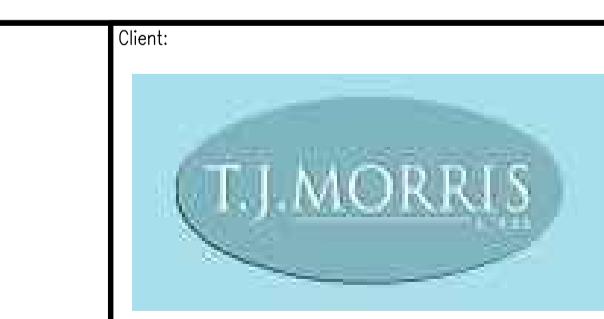
## **Appendix 1 – Site Constraints**



Rev.	Date	Description	Drawn	Checked	Approved	

Notes:

1. THIS DRAWING IS TO BE READ IN CONJUNCTION WITH ALL RELEVANT ARCHITECTS AND ENGINEERS DRAWINGS, DETAILS AND SPECIFICATIONS.
2. CONTRACTOR IS TO CHECK AND CONFIRM ALL DIMENSIONS ON SITE PRIOR TO COMMENCING WORKS.
3. ANY DISCREPANCIES BETWEEN THE ENGINEERS DRAWINGS AND SITE CONDITIONS TO BE REPORTED TO THE ENGINEER IMMEDIATELY AND INSTRUCTIONS RECEIVED BEFORE PROCEEDING.
4. TEMPORARY WORKS SHALL BE THE RESPONSIBILITY OF THE CONTRACTOR. PROPOSALS TO BE SENT TO THE ENGINEER FOR COMMENT.



Project Title:  
**OMEGA ZONE 8  
ST. HELENS  
NEW DISTRIBUTION HUB**

Drawing Title:  
**EXPANSION LAND  
SITE CONSTRAINT  
GENERAL ARRANGEMENT**

Scale of A1:	Status:
1:1000	Preliminary
Drawn:	Checked:
PMJ	DNT
Date:	Date:
16/03/20	23/04/20
Drawing No.:	Revision:
131504/9100	-