



1 WATERHOUSE SQUARE, 138-142 HOLBORN, LONDON EC1N 2TQ
Switchboard 020 7282 2000 • Fax 020 7282 2040 • Website <http://www.rail-reg.gov.uk>

OFFICE of
RAIL REGULATION

Ms Hazel Walker
Group Company Secretary
Network Rail Infrastructure Limited
40 Melton Street
London
NW1 2EE

8 June 2005

Dear Ms Walker,

Condition 12: consent to property activities

1. Under Condition 12 of Network Rail's Network Licence, I enclose a notice of consent to Network Rail carrying out its property-related activities.
2. As part of the next Periodic review, ORR intends to reconsider the most appropriate way to treat income from Network Rail's non-core businesses. Until this work is complete, we think that consent in perpetuity should not be given. Network Rail is also aware that we consider that expenditure on its wholly-commercial property activities should be subject to a cap to mitigate the risk of Network Rail's resources being diverted away from its core business activities.
3. To address these issues, we have made the consent valid for twelve months, although it may be extended by way of a Notice from this Office, and included an expenditure cap on the items in Schedule 2.

Yours sincerely,

Tim Martin

Tim Martin

Tim Martin, Director of Industry Monitoring and Analysis

Telephone 020 7282 2139 • Fax 020 7282 2042
E-mail tim.martin@orr.gsi.gov.uk



Doc # 208227.01



Group Company Secretary
Network Rail Infrastructure Limited
40 Melton Street
London
NW1 2EE

8 June 2005

NETWORK LICENCE CONDITION 12: CONSENT OF THE OFFICE OF RAIL REGULATION

1. Under Condition 12 of the network licence, the Office of Rail Regulation (ORR) hereby consents:

- (a) for the purpose of paragraph 1 of Condition 12, to the licence holder, and its subsidiary undertakings, conducting any business and carrying on any activity of a type set out in paragraph 2(a) of this consent and of the type set out in paragraph 2(b) provided that such business or activity is conducted or carried on in accordance with the conditions set out in paragraph 3;
- (b) for the purpose of paragraph 2 of Condition 12, to the licence holder acquiring or retaining shares in any relevant body corporate which is a subsidiary of the licence holder, such shares having been acquired or retained for the purpose of any business or activity which the licence holder could conduct or carry on in accordance with the terms of paragraph 1(a) of this consent; and
- (c) for the purpose of paragraph 2 of Condition 12, to the licence holder acquiring or retaining shares in a relevant body corporate which conducts business only for the purpose of any business or activity which the licence holder could conduct or carry on in accordance with the terms of paragraph 1(a) of this consent.

2. The types of business or activity referred to in paragraph 1 of this consent are:

- (a) each of the businesses and activities numbered 1 to 10 in Schedule 1 to this consent, provided that, in the case of that numbered business or activity, it primarily is, or primarily consists of ancillary services related to:

Tim Martin, Director of Industry Monitoring and Analysis

Telephone 020 7282 2139 • Fax 020 7282 2042
E-mail tim.martin@orr.gsi.gov.uk

Doc # 208281.01





- (i) the provision or operation of the licence holder's network;
 - (ii) the provision or operation of a station or stations of which the licence holder or a relevant body corporate is the operator within the meaning of section 6(1) of the Railways Act;
 - (iii) permitting another person to use any land or other property comprised in a station primarily for the provision or operation of a station;
 - (iv) the maintenance, renewal and replacement of any station of which the licence holder or a relevant body corporate is the operator as referred to in paragraph (ii) above or which the licence holder or a relevant body corporate has permitted another person to use as referred to in paragraph (iii) above;
 - (v) the improvement, enhancement and development of a station in so far as such improvement, enhancement or development is for the purpose of its use as a railway passenger station or railway passenger terminal (including any approaches, forecourt, cycle store or car park);
 - (vi) the provision of and the operation of any light maintenance depot, including (a) the maintenance, renewal, replacement, improvement, enhancement and development of a light maintenance depot primarily for the purpose of its use for the provision of light maintenance services and (b) permitting another person to use a light maintenance depot primarily for the provision of light maintenance services; and
 - (vii) permitting another person to use any land or other property for the operation of a network; and
- (b) any of the businesses and activities listed in Schedule 2 to this consent.

3. The conditions referred to in paragraph 1 of this consent in relation to a business or activity of a type set out in paragraph 2(b) are:

- (a) the aggregate amount of all the investments in all such businesses and activities does not in any one relevant year exceed the specified expenditure plus 10 per cent; or
- (b) in respect of any investment causing the aggregate amount of all the investments in such businesses and activities in any one relevant year to exceed the specified expenditure plus 10 per cent:
 - (i) ORR has given prior written consent to the making of that investment; or
 - (ii) that investment is, in the relevant year, an investment in "de minimis business" for the purpose of paragraph 5 of Condition 12 of the network licence,



and “investment” for the purpose of this paragraph 3 has the meaning in paragraph 5.3 of Condition 12 of the network licence.

4. Subject to paragraph 5, this consent is valid for 12 months from the date of issue or such longer period as ORR may specify in a notice given to the licence holder.

5. ORR may, at any time:

- (a) revoke this consent if ORR issues a new consent relating to the conduct of businesses or activities of a similar type to those covered by this consent and the licence holder consents to such revocation; or
- (b) after consulting the licence holder, modify or revoke this consent if it appears to ORR requisite or expedient to do so by reason of any change of circumstance, having regard to the duties imposed on ORR by section 4 of the Railways Act.

6. In this consent:

“the specified expenditure”	means the amounts of annual expenditure for 2003-2004 set out in Schedule 2 to this consent;
“licence holder”	means the holder of the network licence;
“managed stations”	means the stations of which the licence holder or a relevant body corporate is the operator within the meaning of section 6(1) of the Railways Act;
“network licence”	means the licence granted to Railtrack PLC by the Secretary of State for Transport on 31 March 1994, as amended from time to time;
“Network Rail Group”	means the licence holder together with any subsidiary of the licence holder;
“the Railways Act”	means the Railways Act 1993 (as amended);
“relevant body corporate”	means a body corporate in which the licence holder holds shares, other than Network Rail (CTRL) Limited or any other company which is a successor in title to Network Rail (CTRL) Limited or to which all or part of the activities of Network Rail (CTRL) Limited have been transferred; and
“relevant year”	means any period of 12 months ending on 31 March.

SCHEDULE 1

Businesses referred to in paragraph 2(a) of the consent

Business or activity	Description
1. Railway Estates Finance Team: Property Finance	Provision of a full financial service to the function undertaking Network Rail Group's property-related activities, currently known as Railway Estates ("the Railway Estates function"), and including systems and risk management.
2. National Businesses: Corporate Offices	Comprising the management of accommodation occupied by the Network Rail Group, and including sourcing and acquiring accommodation, refurbishment, facilities management and leasing superfluous space.
3. Operations: National Professional Services	<ul style="list-style-type: none"> a) Town Planning, comprising the provision of a full range of planning support for Network Rail Group. This includes review of local authority development plans and other emerging plans and policies for effects on Network Rail Group, applying for planning consents and advising as regards permitted development rights relating to its estate and prospective rail schemes; and b) Architects, comprising the provision of architect design standards in relation to Network Rail Group property; and c) Mapping Services, comprising the management of property-related documentation, site surveys, mapping and provision of land data; and d) Deed Management, comprising the management of railway deeds; and e) National Professional Services Manager, comprising the management of the businesses or activities referred to in paragraphs (a) to (d) of this item, constituting National Professional Services.
4. Operations: National Surveying Services	<ul style="list-style-type: none"> a) Operational Services, comprising an advisory and contact point service for Routes, including management of third party property claims, rents payable items, land acquisitions and support to rail projects where not covered by (b) of this item; and b) Projects, comprising dedicated advisory services for major schemes such as West Coast Route Modernisation and the Channel Tunnel Rail Link; and c) Rail Industries Group, comprising the management of property relationships with Network Rail Group's industry partners, primarily as regards freight operating companies, infrastructure maintenance

	<p>or renewal companies and British Transport Police, and including land acquisition for these purposes; and</p> <p>d) National Survey Services Manager, comprising the management of the businesses or activities referred to in paragraphs (a) to (c) of this item, constituting National Surveying Services.</p>
5. Operations: Policy and Standards	<p>The activities of</p> <p>a) management of built asset standards, specifications and policies; and</p> <p>b) management of Network Rail Group's electricity, gas and water supplies.</p>
6. Operations: Head of Operations	<p>Comprising the overall management of the preceding businesses or activities referred to in items 3, 4 and 5 above (Operations).</p>
7. Sales	<p>The activity of disposal in accordance with network licence Condition 26 of surplus land and rights in or over land with a view to securing financial benefit and/or the delivery of railway works, including the acquisition of land where that acquisition is directly related to and for the purpose of any such disposal where expenditure on the aggregate of such acquisitions in any relevant year does not exceed the aggregate value of all disposals under this item 7 in that relevant year.</p>
8. Strategy	<p>The activity of developing and implementing the business strategy for the Railway Estates function, taking into account the Network Rail corporate business objectives.</p>
9. Customer Services	<p>The activity of undertaking customer research, developing a customer service culture, setting standards and monitoring, together with related marketing and other communications in respect of the Railway Estates function.</p>
10. Director of Railway Estates	<p>Overall management of the Railway Estates function, including provision of accommodation.</p>

SCHEDULE 2

Businesses and activities (with specified expenditure) referred to in paragraph 2(b) of the consent

Business or activity	Description	Specified expenditure £m
1. Spacia	The activity of management of Network Rail Group's commercial let estate (including easements), comprising the day to day management of that estate, its maintenance, renewal, replacement, improvement, enhancement and development.	41.6
2. National Businesses	<p>a) MAP, comprising the management of the Miscellaneous Assets Portfolio, which consists of numerous small wayleaves and property rentals; and</p> <p>b) Commercial Telecoms, comprising the activity of managing Network Rail Group's estate of telecom wayleaves and payphone rights; and</p> <p>c) Roadside Advertising, comprising the activity of managing Network Rail Group's billboard advertising rights portfolio (other than at managed stations, where item 3 below applies); and</p> <p>d) Head of National Business, comprising the management of the businesses or activities referred to in paragraphs (a) to (c) of this item, constituting National Businesses.</p>	<p>1.3</p> <p>0.7</p> <p>0.6</p> <p>0.4</p>
3. Managed Stations Retail	<p>a) Retail, comprising the activity of management of let retail trading (including catering) outlets at managed stations; and</p> <p>b) Other Property, comprising the activity of management of let properties at managed stations other than where paragraph (a) of this item applies, including offices let to train operating companies and others; and</p> <p>c) Advertising & Promotions, comprising the activity of management of letting of rights of advertising and use of promotional sites at managed stations.</p>	<p>18.3</p> <p>0</p> <p>0</p>
4. Head of Commercial	Overall management of commercial property function	0.4
	TOTAL:	£63.3m



7. Terms and expressions defined in the Railways Act shall, unless the contrary intention appears, have the same meanings in this consent.

Granted this 8th day of June 2005

A handwritten signature in black ink that reads "Tim Martin".

Tim Martin

Director of Industry Monitoring and Analysis

For and on behalf of the Office of Rail Regulation