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5 October 2018

Company Secretary  
Network Rail Infrastructure Limited  
1 Eversholt Street  
London  
NW1 2DN

## **Network licence condition 7 (land disposal): Thames House, Southwark**

### **Decision**

1. On 4 September 2018, Network Rail gave notice of its intention to dispose of land at Thames House, Park Street, Southwark (the land), in accordance with paragraph 7.2 of condition 7 of its network licence. The land and the disposal is described in more detail in the notice (copy attached).
2. We have considered the information supplied by Network Rail. For the purposes of condition 7 of Network Rail's network licence, ORR consents to the disposal of the land in accordance with the particulars set out in its notice.

### **Background**

3. This disposal forms part of Network Rail's 'Project Condor', the disposal concerning its commercial estate business.
4. Network Rail's property holding includes many sites that do not have an operational railway role and the company has a long history of gaining income from their commercial letting. Under Project Condor, Network Rail is to dispose of the majority of its rental business through a single lease to a winning bidder, but in doing so it will retain the rights needed to support the operation of the railway. Normally, Network Rail would conduct its land disposal transactions under the general consent of Condition 7 of its network licence, where such transactions include materially unfettered rights for it to 'step in' for the benefit of the railway.

### **Reasons for decision**

5. In its land disposal notice, Network Rail described how Meyer Bergman is the freehold owner of Thames House and adjoining land, located off Park Street in the London Borough of Southwark. This area, 'the Thames House land', is shown edged red on Network Rail's plan (copy attached).



6. The key points of Network Rail's proposal are:

- In 2017, Meyer Bergman granted a lease of the Thames House land to Network Rail. This would give Network Rail the ability to include it as part of a larger letting to form one unified commercial development. This unified area would comprise the Thames House land and other Network Rail land (shaded blue), as shown on Network Rail's plan.
- Network Rail let the unified area to Meyer Bergman, also in 2017. Network Rail has stated that the part of the unified area lease relating to the Thames House land did not need to contain any step-in rights as there were no protective rights for the railway attached to the land.
- Network Rail receives rent through Meyer Bergman's taking of the Thames House land as part of the lease of the unified area. Network Rail is proposing to assign that right to receive rent to the winning bidder for Project Condor. It is only that right associated with the Thames House land that forms the land disposal under consideration.

7. Network Rail has confirmed to us that the transaction would have no impact on current or future railway operations. Only its right to receive a rental income stream is affected. However, since Network Rail cannot reserve any meaningful step-in rights for railway purposes in the transaction - there being none in the Thames House land to reserve - it cannot qualify for our general consent. Therefore, our specific consent must be granted for the disposal to proceed.

8. Network Rail informed us of this potential disposal prior to formal notification. We have recognised that in this case, Network Rail's disposal of its rights relating to the Thames House land would have no impact on railway stakeholders. We confirmed to Network Rail that, in these circumstances, it would be appropriate to submit its formal notification to us without having consulted its usual stakeholders as we would normally expect and as set out in our land disposal arrangements document.<sup>1</sup> Network Rail did, however, consult the Department for Transport for its views and it confirmed that it had no concerns with the proposal.

9. We consider this departure from normal procedure to be appropriate, as requiring a wider consultation with stakeholders would create an administrative exercise for Network Rail and its consultees without benefit. We have, however, conducted our own internal review of the proposed disposal and based on the evidence we have received, we consider that there are no issues for us to address under Condition 7 of Network Rail's network licence.

10. We have had regard to our decision criteria in *Land disposal by Network Rail: the regulatory arrangements, December 2013*,<sup>1</sup> and balanced our section 4 duties given to us under the Railways Act 1993. In doing so we have given particular weight to our duty to

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<sup>1</sup> Available from [www.rail-reg.gov.uk/server/show/nav.150](http://www.rail-reg.gov.uk/server/show/nav.150)

exercise our functions in a manner which we consider best calculated to “protect the interests of users of railway services”.

11. We have concluded that the proposed disposal is not against the interests of users of railway services. In light of that and our understanding of the transaction as set out above, we grant our consent to the proposed disposal of the land.

A handwritten signature in blue ink, reading 'Les Waters', is positioned above the printed name.

**Les Waters**

**Duly authorised by the Office of Rail and Road**

# Proposed Property Disposal

Application by Network Rail Infrastructure Limited to dispose of land in accordance with the Land Disposal Condition of the Network Licence - Thames House 18, 18A and 18B Park Street, Southwark

1. Site	
<b>Site location and description</b>	<p>ORR is aware of the proposal to dispose of a portfolio of properties by the grant of an overriding lease for a term of 150-years known as project Condor. We have negotiated a standard form of lease which is LC7 compliant and ORR has previously confirmed agreement with Network Rail's approach to rely upon the provisions of ORR's Land Disposal General Consent, by virtue of the terms of the lease.</p> <p>Network Rail (NR) is the owner of freehold premises which is situated between Park Street, Stoney Street and Clink Street in the London Borough of Southwark. Network Rail's retained freehold interest is shown coloured green.</p> <p>Meyer Bergman (MB) is the owner of freehold land at 18, 18A and 18B Park Street that comprises Thames House ("Thames House" demise), an existing five storey office building and an area of adjoining land (outlined red on the attached plan). In 2017 the Thames House site was leased to NR for a term of 125 years.</p> <p>This 2017 lease of Thames House to NR was granted so that NR could then let a whole development site being the edged red and blue land on the plan back to MB as one unified commercial development. That underlease ("the MB Underlease ") from NR to MB of the unified commercial development site was granted in 2017 for a term of 125 years less three days.</p> <p>No railway break rights replicating ground c(i) of the licence condition 7 General Consent issued by ORR were inserted into the MB Underlease in relation to Thames House because NR did not, require railway protective rights over Thames House. It is of no practical value to NR to insert into the arrangement with the Condor NewCo an equivalent break right in relation to Thames House because even if exercised by NR, it would simply not bite as against MB.</p> <p>The 2017 lease to NR of Thames House contains restrictions on underletting without MB's consent. Therefore, NR has decided it is simplest to assign the 2017 lease to the Condor Buyer. For the avoidance of doubt this relates to the red outlined land only.</p> <p>Given the term of the Thames House lease and these limited rights it was considered impractical draft the protective provisions contained in the LC7 compliant wording into the proposed overriding lease, as any such rights could not effectively be exercised until the Thames House lease came to an end.</p> <p>It has therefore been agreed that NR's interest in the Headlease be assigned to the Condor buyer. For the avoidance of doubt this relates to the red outlined land only.</p>

<p><b>Specific ORR consent</b></p>	<p>Given this analysis above, NR is seeking specific ORR consent for the disposal of this specific asset Thames House by way of the assignment of the 2017 lease to the Condor Buyer.</p> <ol style="list-style-type: none"> <li>1. In any event it would legally not be possible to make a break right effective retrospectively against existing MB by the insertion of the break right higher up the chain of ownership.</li> <li>2. This is in fact not practically detrimental for the railway as the land is discrete and was acquired for the provision of the overall commercial development site and therefore included without a break right in the 2017 MB Underlease</li> </ol> <p>Thames House was included within the perimeter of land for Condor that went through an appropriate business clearance process reflecting the usual Network Rail policy but customised to take account as to the size and scale of the portfolio. See below.</p>
<p><b>Plans attached:</b> (all site plans should be in JPEG format, numbered and should clearly show the sites location approximate to the railway)</p>	<ol style="list-style-type: none"> <li>1. LB of Southwark_ZSK05006</li> </ol>
<p><b>Clearance Ref:</b></p>	<p>Business Clearance CR/30596 dated 15 November 2016 Technical Clearance CR/30596 dated 16 November 2016</p>
<p><b>Project No.</b></p>	<p>Project Condor OP/152447</p>
<p><b>Ordnance survey coordinates</b></p>	<p>Easting (X): 532,505 Northing (Y): 180,338 Post Code: SE1 9AD</p>
<p><b>Details of attached photographs (as required)</b></p>	<p>None</p>
<p><b>2. Proposal</b></p>	
<p><b>Type of disposal</b></p>	<p>Assignment of existing 125-year headlease</p>
<p><b>Proposed party taking disposal</b></p>	<p>Condor buyer to be confirmed.</p>

<b>Proposed use / scheme</b>	As existing and described above.
<b>Access arrangements to / from the disposal land</b>	As existing – via Park Street, Stoney Street, Clink Street.
<b>Replacement rail facilities (if appropriate)</b>	Not applicable as no rail facilities will be lost by the proposed disposal.
Anticipated rail benefits	Part of Project Condor to funding Network Rail's CP5 Railway Upgrade Plan.
Anticipated non-rail benefits	None
<b>3. Timescales</b>	
Comments on timescales	Project Condor is anticipated to Exchange in September 2018 and Complete in October 2018.
<b>4. Railway Related Issues</b>	
History of railway related use	None. The property has never been used by the operational railway.
<b>When last used for railway related purposes</b>	Not applicable.
<b>Any railway proposals affecting the site since that last relative use</b>	No.
<b>Impact on current railway related proposals</b>	None.
<b>Potential for future railway related use</b>	The RUS has not revealed any strategic plans that require use of the disposal property.
<b>Any closure or station change or network change related issues</b>	No.

<b>Whether disposal affects any railway (including train operator) related access needs, and how these are to be addressed</b>	N/A
<b>Position as regards safety / operational issues on severance of land from railway</b>	<p>The disposal does not include any requirement for new fencing of the boundary, because its location or the nature of the disposal is such that the boundary demarcation is not needed.</p> <p>The disposal is without prejudice to Network Rail's safety obligations, with which Network Rail will continue to comply.</p>
<b>5. Planning History and Land Contamination</b>	
<b>Planning permissions / Local Plan allocation (if applicable)</b>	Existing Use to continue at this location.
<b>Contamination / Environmental Issues (if applicable)</b>	No specific issues known relevant to this application.
<b>6. Local Authorities</b>	
Names & Email Addresses:	N/A
<b>Local Transport Authorities:</b>	N/A
<b>Other Relevant Local Authorities:</b>	None.
<b>7. Internal approval to consult</b>	
<b>Recommendation:</b>	<p>By proceeding to consult I am:</p> <ul style="list-style-type: none"> <li>• recommending that Network Rail consults on the terms of disposal</li> <li>• confirming that I have read and understood Network Rail's Code of Business Ethics and policy on Interests in Transactions</li> <li>• confirming that I have secured internal written approval to consult in accordance with Network Rail's policy on Authorising Application Forms.</li> </ul>

**8. Consultations**

<b>Internal consultation</b>	Network Rail internal land clearance (Business & Technical) has been secured CR/30596.
<b>Summary of position as regards external consultations</b>	Given the exceptional circumstances of this case there are no consultees who we would identify as being 'key' to determining whether it is appropriate to dispose.  However, the DfT has been consulted and has responded in support of the proposed disposal as per the email attached to this application.
<b>Analysis of any unresolved objections together with recommendation by Network Rail as regards a way forward</b>	None.

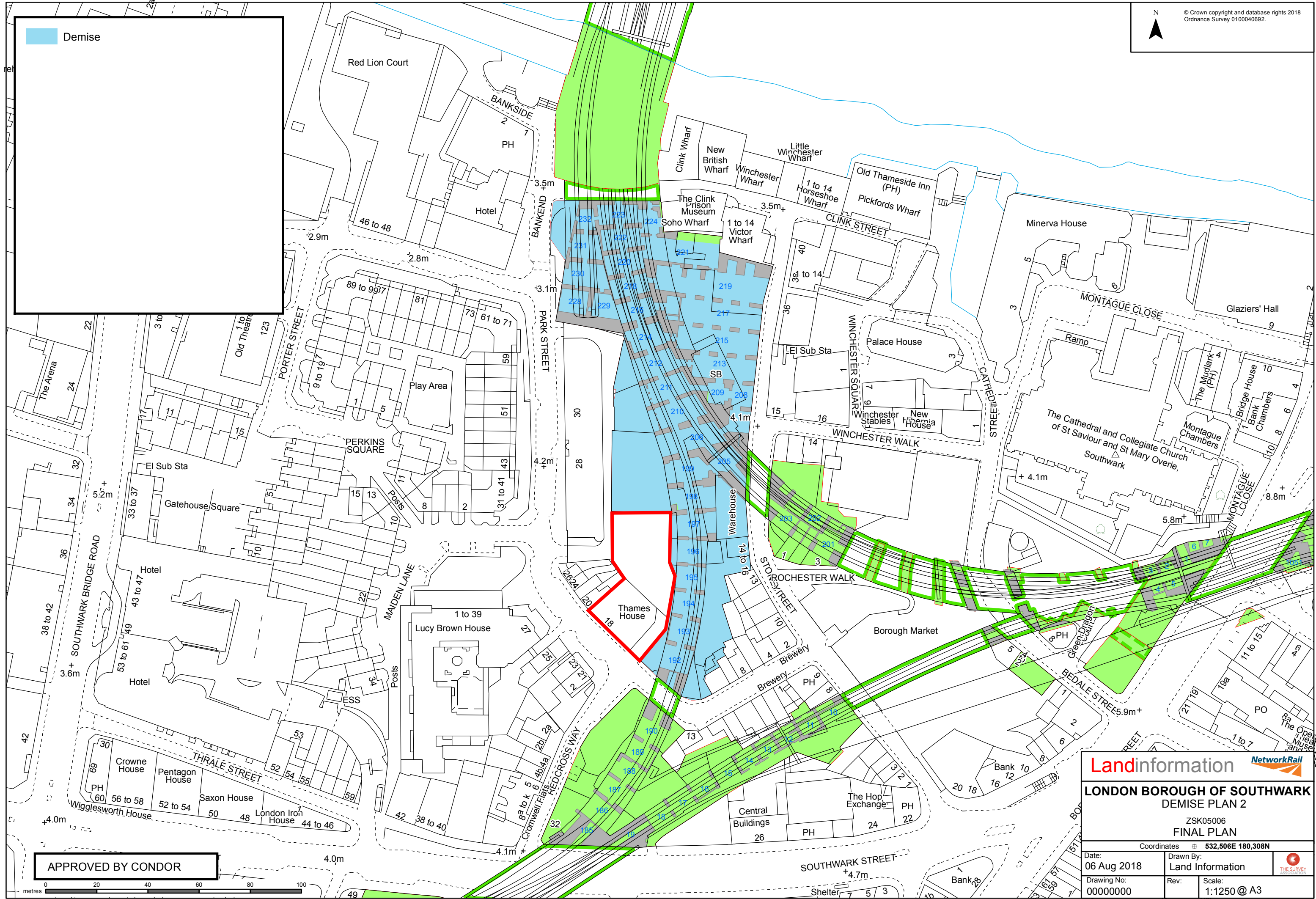
**9. Internal approval to dispose**

<b>Recommendation:</b>	Based on the above, I recommend that Network Rail proceeds with the disposal.	
<b>Declaration:</b>	I have read and understood Network Rail's code of Business Ethics and Policy on Interests in Transactions.	
Proposer's name:	Proposer's job title: <b>Development Manager</b>	
Signed.....	Date.....	
Authorised by (name):	Authoriser's job title:	
Signed.....	Date.....	

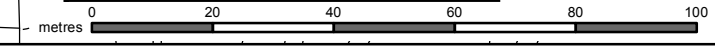




**Demise**



APPROVED BY CONDOR



**Landinformation**

**LONDON BOROUGH OF SOUTHWARK**  
DEMISE PLAN 2

ZSK05006  
FINAL PLAN

Coordinates  $\square$  532,506E 180,308N

Date: 06 Aug 2018	Drawn By: Land Information	
Drawing No: 00000000	Rev: 1:1250 @ A3	

**From:** dft.gov.uk  
**Date:** 3 September 2018 at 14:04:20 BST  
**To:** dft.gov.uk  
**Cc:** dft.gov.uk  
**Subject:** Condor - ORR Specific Consent: Manchester Arena and Southwark  
**Importance:** High

✂,

This exception of Manchester Arena and Southwark Vineopolis land sales from the standard General Consents process seems sensible. There's nothing here I can see that would concern us from a Network Strategy policy view. As a safeguard I'm copying this e-mail to ✂(Arena) and ✂(Vineapolis) who lead for us the geographic areas but unless you hear back from one of use, assume this approach works for Network Services.

Kind regards,

✂

**Rail Investment Strategy Manager, Rail Network Systems - L&SE, Department for Transport  
3/23 GMH**

**From:** dft.gov.uk  
**Sent:** 31 August 2018 13:43  
**To:** dft.gov.uk;  
**Subject:** FW: Condor - ORR Specific Consent  
**Importance:** High

✂

I think you are both aware that NR is planning to dispose of its commercial property. They have agreed with OPRR that the General Consent process can cover the majority of the properties in the sale, apart from two (see below and attached). However, for these two they have agreed with ORR that the usual process for specific consents need not apply in this instance.

As the LC& processes touches you in the Department, more than anyone else, I wanted to confirm that this approach works for you and to check that you are not aware of anyone else who may have an interest in this.

Thanks,

✂

**Programme Head, NR Asset Disposal Programme, Corporate Finance Directorate, Department for Transport  
5/28**

**Post to: Great Minster Hse, 33 Horseferry Rd, London, SW1P 4DR**

**From:** networkrail.co.uk

**Sent:** 31 August 2018 12:45

**To:** dft.gov.uk

**Cc:** networkrail.co.uk

**Subject:** Condor - ORR Specific Consent

**Importance:** High

✂

Earlier this week ✂ raised the matter of two Condor properties that require Specific Consent for disposal from the ORR.

The background is that we have agreed with ORR to follow the General Consent process for the disposal of the vast majority of the 5,244 properties in the Condor portfolio. However the two assets at (i) Manchester Arena and (ii) Thames House (Vinopolis), Southwark, don't fit with this approach. This is purely down to the slightly unusual terms of the existing legal agreements at each location.

As such we have agreed with ORR that we need Specific Consent for disposal of these two properties. Usually this involves consultation with TOCs and other stakeholders, however given the circumstances ORR have confirmed that this is not appropriate. Attached are the draft applications which explain the position in more detail.

In lieu of a wider consultation ORR have requested confirmation that DfT are aligned with this strategy. Once you have considered could you please provide a simple email of support, so that we can then submit the papers to ORR?

Should you have any questions then please do not hesitate to contact me.

Kind regards

✂

Transaction Lead – Condor (Property)  
One Eversholt Street, London NW1 2DN