

1st June 2011



Stations & Depots Team
Office of Rail Regulation
One Kemble Street
LONDON
WC2B 4AN

Dear Sirs,

**OFFICE OF RAIL REGULATION
CONSULTATION ON A REVISED CONTRACTUAL REGIME AT STATIONS**

Introduction

- 1.1 Neptune Developments Limited ("Neptune") is a North West based property developer that specialises in wide area regeneration schemes and has developed an excellent track record in delivering complex mixed use schemes. Neptune as a significant developer of property that has implications for the rail network welcomes the opportunity to comment on the ORR's consultation on proposed changes to the contractual regime at stations.
- 1.2 Neptune's flagship rail related scheme at present is the redevelopment of Wolverhampton Interchange. In conjunction with Wolverhampton City Council Neptune has established a formal development partnership to deliver a mixed use regeneration scheme focussed on Wolverhampton's rail and bus stations. Alongside the improved transport infrastructure, the Wolverhampton Interchange development will include a range of office leisure, retail and hotel uses.
- 1.3 Phase 1 of development the Interchange Development, including a new bus interchange, is under construction. Phase 2 is proposed to focus on the redevelopment of the railway station and its immediate environs. Given the critical nature of this phase to wider redevelopment of the area Neptune believes it essential to set out our view on the proposed changes to the station access conditions and in particular the proposal to allow developers to trigger station change in certain circumstances.

Neptune's View on the ORR's Consultation

- 1.4 Firstly, Neptune is concerned about the limited number of "property related" consultees noted at Annex A. Consultation with the limited number of property



developers noted may not provide the ORR with a full cross-section of the views of the development industry with interests in rail property. Neptune identified the consultation process by chance as a result of incidental work examining contractual structures etc. for the redevelopment of Wolverhampton Station.

- 1.5 Neptune as a general position has limited comment on the internal rail industry processes involved in the management of the approval of station change. Neptune does, however, have a range of comments related to third party involvement in property (re)development at stations and the associated SACs.
- 1.6 Neptune is not involved in (re)development at any Network Rail station(s) and therefore has no comment on the changes proposed to ISACs.
- 1.7 Neptune believes that the updating of the SACs to include the newly announced long-term 99 year, TOC leases at West Coast franchise controlled stations is essential to clarify the position in respect of station changes being proposed at these stations. In the light of this issue our subsequent comments relate to the consultation paper as drafted and not any possible future variations triggered by the long-term station lease question.
- 1.8 Neptune fully supports the principle of third party developers and local authorities being able to instigate the station change process. The Network RUS, the Green-Hall review of stations and the McNulty review all acknowledge the key role that improvement at stations, however funded, is a key to long term prosperity and success of the industry. The ability to instigate station change is critical for developers to realise the full potential of investment in the station portfolio; the changing nature of franchising and Network Rail's focus on day to day operations requires third parties to take the lead on improvements and redevelopment of stations but they are currently often frustrated by the lack of SFO or network Rail support to trigger the station change process despite tacit support for a scheme of improvement.
- 1.9 The bands of "specific/strategic contribution" suggested for local authority/private sector developers being able to trigger station change are artificial and do not create a level playing field between public and private sectors. In the specific case of schemes using blended funding from public and private sources (such as Wolverhampton) it is not clear which threshold and type of contribution would apply. The suggestion that third party private sector developers have little or no interest in the station and its ongoing improvement beyond an initial investment fails to recognised the nature of property investment related to stations.
- 1.10 Neptune believes that the importance of small projects and the equal importance of public and private sector funding indicate that these qualification threshold should be set at the lowest practical common level for both specific and strategic Contributors.



1.11 Neptune is of the view that the compensation regime within the station change process, in addition to considering the straightforward compensation due to disadvantaged TOCs, should have regard to the overall long term gain to the rail industry of the improvement subject to station change. The separation of compensation (and provision of alternative accommodation) from the valid reasons for objection to station change is, in Neptune's view to be welcomed. As a developer seeking to hold a long terms stake in the (re)development of stations, Neptune sees that short-term issues such as temporary works should not hold back investment in stations.

Yours faithfully,

A handwritten signature in purple ink, appearing to read 'Rob Mason', with a long horizontal flourish extending to the right.

Rob Mason
Development Director