

Gordon Herbert

Executive, Track Access

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30 June 2015

Dear Tim and Eve

The novation of Connection contracts between Network Rail Infrastructure Limited, Govia Thameslink Railway Limited and Southern Railway Limited

1. The Office of Rail Regulation (ORR)¹ has approved the amendment and novation of the connection contracts relating to the connections at these light maintenance depots (LMDs):

- Stewarts Lane.
- Selhurst.
- Streatham Hill.
- Bognor Regis.
- Brighton (Lovers Walk).
- Eastbourne.
- Littlehampton.

2. Please find enclosed a copy of the ORR notices that approve the novation of the agreements from Southern Railway Limited (Southern) to Govia Thameslink Rail Limited (GTRL) and directs GTRL to enter into the agreement with Network Rail Infrastructure Ltd (Network Rail).

3. On 14 September 2014 GTRL commenced phase 1 of its franchise, taking over operation of the former First Capital Connect franchise. This involved the novation of several connection contracts, as in ORR decision dated 5 September 2014, detailed on our website².

¹ Since 1 April 2015 also known as the Office of Rail and Road.

² See entry under Govia Thameslink at <http://orr.gov.uk/consultations/access-consultations/track-access-decisions/new-agreed-contracts-section-18>.

4. On 26 July 2015 the third final stage will be when GTRL takes over operation of Southern's franchise. From that date the above depots will transfer with the associated connection contracts. On 19 June 2015 Network Rail and the parties submitted an application for the connection contracts to be novated to GTRL.

5. We have reviewed the connection contracts to be novated. These originally date from 1996-2004. Some were signed with Railtrack PLC although these were inherited by Network Rail. Southern will have inherited the contracts from Network SouthCentral Ltd and Connex. The contracts do not appear to have been regularly reviewed. They predate ORR's model connection contracts of 2005 and 2014. The contracts therefore need revision. GTRL and Network Rail have therefore agreed to review the contracts over the next 12 months.

6. We would not normally approve these contracts if they were presented as new contracts for approval under the access provisions of the Railways Act 1993, without substantial modification. It would be difficult for the parties to agree new contracts between now and the franchise transfer date, although they could have done so if they had allowed sufficient time. We have however decided to approve novation for the following reasons:

- The parties have requested time to agree terms between them.
- The parties have agreed enter new connection contracts based on ORR's model connection contract within the next 12 months. Side letters have been prepared.
- Each proposed deed of novation creates an expiry date of 12 months from the date they are signed.
- The connection contracts would have remained with Southern, potentially still unreviewed, if it were not for the franchise changes.

7. We expect the parties to execute this novation by 25 July 2015. This meets the parties' request, thereby enabling them to finalise this transfer of responsibilities in relation to connection contracts at these LMDs.

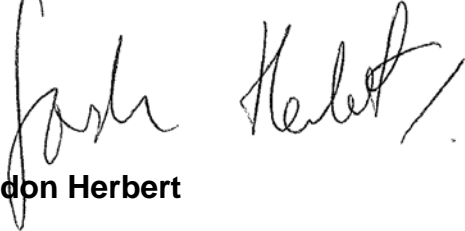
8. Once the agreement is signed, in accordance with section 72(5) of the Act, you must send a copy to ORR within 28 days and in accordance with section 72(2)(b)(iii), a copy will be placed on our public register and website.

9. In entering any provision on the register, ORR is required to have regard to the need to exclude, as far as is practicable, the matters specified in section 71(2)(a) and (b) of the Act. These sections refer to:

- (a) any matter which relates to the affairs of an individual, where publication of that matter would or might, in the opinion of the ORR, seriously and prejudicially affect the interests of that individual; and
- (b) any matter which relates to the affairs of a particular body of persons, whether corporate or incorporate, where publication of that matter would or might, in the opinion of the ORR, seriously and prejudicially affect the interests of that body.

10. When submitting the copy of the signed agreement would you therefore please identify any matters which you would like the ORR to consider redacting before publication. You will need to give reasons for each request explaining why you consider that publication would seriously and prejudicially affect your interests.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Gordon Herbert', written in a cursive style.

Gordon Herbert