

Department for **Transport**

National Express Group Plc
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The Company Secretary

Stuart White
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22 September 2008

Dear Sirs

NOTICE OF BREACH OF A FRANCHISE AGREEMENT DATED 8 MAY 1996 ENTERED INTO BETWEEN THE DIRECTOR OF PASSENGER RAIL FRANCHISING AND NATIONAL EXPRESS GROUP PLC (THE "FRANCHISEE"), IN RESPECT OF SERVICES OPERATED BY C2C RAIL LIMITED (FORMERLY LTS RAIL LIMITED) (THE "FRANCHISE OPERATOR")

In accordance with section 215 and Schedule 16 of the Transport Act 2000 the functions of the Director of Passenger Rail Franchising were transferred to the Strategic Rail Authority.

Pursuant to a transfer scheme made under Section 1(2) and Schedule 2 of the Railways Act 2005 (the "**Act**"), the property, rights and liabilities of the SRA used exclusively and or primarily in or for the purposes of the Designated Undertaking (as defined by the transfer scheme) were transferred to the Secretary of State for Transport (the "**Secretary of State**") on 22 July 2005.

Words and expressions defined in the Franchise Agreement have the same meaning when used herein unless the context otherwise implies.

The Franchise Operator notified the Secretary of State on 25th June 2008 that it would be unable to comply with Part II, Clause 8.4(a) of the Franchise Agreement as the Customer Satisfaction Survey which it is required to prepare pursuant to such clause had been prepared by another group company and did not satisfy the requirements set out in Part II, Clause 8.4(a) of the Franchise Agreement. The failure to comply with Part II, Clause 8.4(a) of the Franchise Agreement constitutes a breach of the Franchise Agreement (the "**Breach**").

The Franchise Operator has taken the following steps in order to secure compliance with Part II, Clause 8.4(a) of the Franchise Agreement by

1. ensuring that future Customer Satisfaction Surveys will be managed by the in-house team; and
2. establishing safeguards to ensure all future Customer Satisfaction Surveys are carried out in the form and manner stipulated within Clause 8.4 and Document A of the Franchise Agreement.

The Secretary of State, in accordance with Section 55(5B)(a) of the Act, is satisfied, having regard to the above-mentioned step(s), that the Franchise Operator is for the time being, taking appropriate steps for the purposes of securing compliance with the Part II, Clause 8.4(a) of the Franchise Agreement.

This Notice is without prejudice to any action the Secretary of State may take in relation to any future contravention of the Franchise Agreement, including the Breach identified herein.

Yours faithfully

A handwritten signature in black ink, appearing to read 'S. J. White', written in a cursive style.

Stuart White

For and on behalf of the Secretary of State