

22 July 2011

Mike Hodson
Managing Director
London & Birmingham Railway Ltd
3rd floor
41-51 Grey Street
Newcastle upon Tyne
NE1 6EE

Dear Mike

**NOTICE PURSUANT TO SECTION 55(6) OF THE RAILWAYS ACT 1993 (THE "ACT")
AS AMENDED BY THE TRANSPORT ACT 2000**

The Secretary of State for Transport and London & Birmingham Railway Limited (the "Franchisee") entered into a franchise agreement on 20 June 2007 pursuant to section 23(1) of the Act (the "Franchise Agreement").

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

The Franchisee has contravened the Cancellations Benchmark regime contained in Schedule 7.1 of the National Rail Franchise Terms to the Franchise Agreement (the "Relevant Term") by exceeding all levels in respect of Cancellations and Partial Cancellations as set out in Appendix 5 (Cancellation Benchmark Table) to the Franchise Agreement from Franchisee Reporting Period 1113 of Franchisee Year 4 (the "Contravention"). Cancellations levels were unacceptable during the period January 2011 until April 2011.

The Franchisee is taking the following steps in order to secure compliance with the Relevant Term:

1. The ASLEF dispute has been resolved through harmonisation of salary and leave;
2. a three year pay deal for all drivers has been agreed;
3. a Rest Day Working Agreement has been agreed for drivers; and
4. agreed productivity schemes which improve resource efficiency and flexibility of operation.

The Secretary of State, in accordance with Section 55(5B)(a) of the Act is satisfied, having regard to the above-mentioned steps, that the Franchisee is for the time being, taking appropriate steps for the purposes of securing compliance with the Relevant Term.

The above being the case the Secretary of State hereby gives the Franchisee notice as required under Section 55(6)(a) of the Act, that no provisional or final order shall be made in relation to the Contravention.

Please note that a copy of this letter shall be placed on the Secretary of State's public register as required by Section 73(2)(e) of the Act.

Yours sincerely

A handwritten signature in black ink, appearing to read "Andrew Murray".

Andrew Murray
For and on behalf of the Secretary of State