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Date: 17/01/2008

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Dear Roger,

TRAIN CAPACITY IN GREATER MANCHESTER

Thank you for informing me of your discussions with AGMA and inviting a Northern perspective on the current situation with regard to train capacity and overcrowding.

We have discussed this issue on a number of occasions over the last year, most recently in the context of problems at Ashton on the Huddersfield-Manchester Victoria route.

As you know, the background to the Northern franchise is that when it was let in 2004, a "steady state" scenario was envisaged and no growth or fleet expansion/investment was factored in. In fact, just after the franchise was let, the "Northern Review" took place in 2005, focusing on whether the franchise was value for money or should be reduced in scope. The reality has been a completely different story. By the end of 2007, cumulative passenger growth since the start of the franchise stood at 25%! This growth has been experienced in all major urban areas across the North, in particular Leeds, Liverpool and Manchester.

The favorable economic climate has helped provide the basis for the growth, along with the efforts of Northern and key partners such as GMPTA to promote rail travel. We also feel we are offering a much stronger proposition to our passengers in terms of improved punctuality, reliability and promotion of our services. Our "Public Performance Measure" (which indicates the number of trains to plan and arriving at destination within 5 minutes of scheduled time) has risen from 83% in the Manchester-Liverpool area at the start of the franchise to 90% in late 2007. This represents an additional 20,000 train services a year running on time, despite an ageing train fleet.

We are now in a position of struggling to deal with overcrowding at peak times on some key routes in and out of city centre Manchester, and are receiving an increasing number of complaints to this effect from all directions - on the Huddersfield line through stations such as Greenfield and Ashton, on the Buxton line through Hazel Grove, on the Calder Valley route, the Bolton corridor, the Atherton line and on the Liverpool to Manchester route through stations such as Humphrey Park and Irlam. Our approach to the passenger growth challenge across Northern has been to try and secure additional trains into the franchise to "strengthen" existing services. Deals to procure some additional capacity have been done in Yorkshire (with the

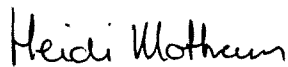
support of Yorkshire Forward and WYPTE) and in Merseyside with Merseytravel's support. A partnership approach is necessary though in most instances even though additional passenger revenue is earned, vehicle leasing, operating and maintenance costs are such that the deals are not viable for Northern without some external support. Discussions have taken place with GMPTA in the past about a potential deal, but financial constraints have hindered progress.

Another problem is that there is very little available spare capacity in the UK rolling stock market, and opportunities to secure extra trains are few and far between.

At a higher level, we have been in discussion with DfT about their announcement last year of 1,300 additional vehicles coming into the UK rail industry. We are obviously determined to push very hard to get as many of these vehicles as possible earmarked for the Northern franchise. I am hopeful of a positive outcome but any new rolling stock will not be immediately available, and clearly the issue already exists today.

Northern would obviously welcome GMPTA's support in helping to address the capacity issues as this will become a growing problem and undermine our ability to "sell" rail travel as an attractive alternative to private car use. I know the Greater Manchester TIF bid which has been presented to DfT also promotes the heavy rail agenda and pushes the case for more trains, but any short term assistance would also be very welcome to help us deal with ongoing passenger growth before any potential new vehicles arrive. We will certainly play our part in any short-term deals, but given the overall financial proposition and the short length of our franchise, we do require external support to make things happen.

Yours sincerely,



Heidi Mottram
Managing Director