

Sarka Oldham
Direct Rail Services
Kingmoor Depot
Eterby Road
Carlisle
CA3 9NZ

15th October 2008

Dear Sarka,

Following on from the meeting I attended at DRS Carlisle on the 19th June 2008.

I believed that we had the full understanding from Network Rail that any Intended Rail Possessions on the Inverness and Aberdeen routes would be available for us to charge the additional costs that we incur.

Currently we have been working with Tesco for over a year to secure these services and the costs have been challenging enough to become competitive with road journeys.

After the initial grants and funding that has been out towards these services we now find that we are going back to our customer to advise there will be no options for additional costs to be charged for should the network not be available...

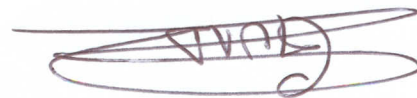
As the leading retailer they are not happy with this and are reviewing the options available to them.

During the meeting I made it very clear along with the guys representing Asda that the retail market cannot stand by and accept additional costs due to intermittent problems or upgrades.

The budgets are so tight and any additional costs are passed straight through to the customers shopping in the stores, they ultimately decide with there feet and shop elsewhere.

With the number of planned weekend possessions and no offer of compensation I wonder how sustainable these services will be.

Regards



Graeme Undy
Rail Freight Operations Manager