

Last updated: October 31, 2012 7:43 pm

Siemens pushed on Thameslink rail finance

By Mark Odell and Jim Pickard

Pressure is mounting on [Siemens](#) to secure the financing for a controversial train order amid signs that ministers are concerned that the fallout from the West Coast rail fiasco will spill over into other transport projects.

Simon Burns, transport minister, said the Department for Transport was “assessing other options were it not possible to secure financial close [with Siemens]” on the programme to procure 1,200 carriages for Thameslink.

The comment, in reply to a question tabled by Chris Williams, the Labour MP for Derby, signalled a shift in the government’s position. It has previously backed the German conglomerate, despite the fact the timetable to secure the financing kept slipping.

Critics want the government to reverse its mid-2011 decision to select a Siemens factory in Germany for one of the UK’s largest train orders. They argue the contract should go to the losing bidder, [Bombardier](#) of Canada, which owns Britain’s last remaining train factory, in Derby.

This week, a damning interim report into the West Coast fiasco described the department as dysfunctional. Patrick McLoughlin, the transport secretary, on Wednesday defended the DfT’s capability to MPs and said the report had highlighted problems in only one section. “There have been a lot of areas where we have been successful too,” he said.

The chaos has led to opponents of a number of high profile transport procurement programmes to question whether the DfT is running them properly. Mr McLoughlin said Thameslink was a “different type of procurement” as it was not a franchise and said the aim was to end the financing process by early next year.

Mr McLoughlin repeated assurances that the management of the high-speed rail line between London and the north, known as HS2, was also sound.

Bombardier remains the reserve bidder on Thameslink but one consultant involved in rolling stock procurement said it was not a case of simply switching the contract to the UK-based manufacturer.

Banks are less willing to lend since the financial crisis, making it harder to secure financing for

many deals. The government has recently made a state guarantee available on the next big train procurement for Crossrail, with the aim of making it easier to fund the programme. But under European procurement rules it could not extend it to Thameslink.

The consultant said he doubted Bombardier would be able to finance the Thameslink programme in its current form if Siemens were unable to do so, as the Canadian company did not hold as good a credit rating as its German rival.

“If Siemens’ corporate credit rating can’t do it then I don’t think Bombardier’s will,” he told the Financial Times.

“The government is in a horrible bind because if Siemens can’t close the deal it would have to reopen the competition to alter the financing package and that would cause a big delay to the programme,” he said.

Steve Scrimshaw, Siemens’ UK head of rail, on Wednesday said he was confident of securing the financing by early next year. “The Thameslink negotiations are ongoing and although we are disappointed that they have taken longer than anticipated, we are making good progress and we remain confident that we will achieve closure of this important deal,” he said.

Industry executives who have spoken to the FT in recent days have said there is growing concern within the DfT about how the West Coast fiasco is affecting its ability to manage other big procurement programmes.

Senior rail industry figures have described the situation within the DfT as “bloody” and morale as being at “rock-bottom” after three officials were suspended as a result of the franchise cancellation.

Content recommended for you

Based on your browsing history

McLoughlin defends West Coast pricing

Investors deterred by UK rail uncertainty

West coast report finds damning flaws

Make franchisees keep up standards

Tchenguiz case shows chest hair is no crime

West Coast line runs into legal wrangle

West Coast fiasco derails franchising plans

McLoughlin rejects doubts over HS2

West Coast saga splits FirstGroup investors

An anguished age for the train

Printed from: <http://www.ft.com/cms/s/0/7c4a86b8-236b-11e2-a66b-00144feabdc0.html>

Print a single copy of this article for personal use. Contact us if you wish to print more to distribute to others.

© THE FINANCIAL TIMES LTD 2012 FT and ‘Financial Times’ are trademarks of The Financial Times Ltd.

