

# Fresh blow for Bombardier on £1.4bn Thameslink contract

British firm unlikely to clinch deal, which would have guaranteed 1,600 jobs in Derby, as rival bidder Siemens steams ahead

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**Dan Milmo**, industrial editor

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A Bombardier worker inspects carriages at Britain's only active train factory. Photograph: Christopher Furlong/Getty Images

**Bombardier's** faint hopes of wresting back the **£1.4bn Thameslink trains contract from Siemens**, and guaranteeing 1,600 jobs at its **Derby** factory, face another blow as its German rival edges closer to a significant milestone in completing the deal.

**Siemens** is expected to reach commercial closure on the contract this week, leaving the financial terms to be thrashed out before it starts building 1,200 carriages for the cross-London franchise.

In October the Department for Transport sent a shot across Siemens' bows by announcing it was "assessing options" for the contract, while reaffirming Bombardier's status as second-in-line to take over the project.

But it is understood the commercial terms of the contract – such as the cost of the trains, depots and carriage maintenance, alongside terms and conditions – have been agreed and the parties are committing them to paper, in a process that could be completed by Friday. Once that is finalised, the commercial terms will be scrutinised by a group of banks which will decide whether to fund the contract, in the final hurdle to be jumped before construction begins.

Chris Williamson, the Labour MP for Derby North, who has campaigned for Bombardier to be awarded the contract, said the DfT "seems incapable of acting in the national interest" by awarding a government procurement to a British-based manufacturer.

He added: "It's been obvious from the start that the government's original decision was wrong. But, successive transport secretaries have ploughed on regardless, seemingly blind to the wealth of evidence and deaf to the strength of feeling against the decision."

In a parliamentary answer last week, the transport minister, Simon Burns, gave an indication of the government's confidence that Siemens will complete the contracts. He said the DfT had "no plans to announce an assessment of alternatives to Siemens." In a statement, Burns added: "We are confident we will be able to secure agreement of the commercial terms with Siemens and their equity partners by the end of the year. Financial close is targeted for early in the new year."

Bombardier, a Canadian industrial group, is the owner of Britain's only active train factory and has cut 1,000 jobs since Siemens beat it to the status of preferred bidder on the Thameslink contract last year. The decision sparked a political furore and stoked fears that the remaining 1,600 employees at the plant would lose their jobs. Bombardier has indicated the plant will be in danger if the company does not win a £1bn contract to build trains for the Crossrail route in central London. It is shortlisted for the Crossrail contract with Siemens, CAF of Spain and Hitachi of Japan.

The government is negotiating the Thameslink deal with a consortium comprised of Siemens, and the investment funds Innisfree and 3i Infrastructure. The Thameslink deal is structured as a private finance initiative, with Siemens and its consortium partners raising debt to finance construction of carriages at the Siemens plant near Düsseldorf. Siemens and its partners are equity investors in the project, but they are largely financing it through debt and speculation that the contract has been in difficulty has focused on the consortium's ability to raise the finance.

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