

The Department has received a large number of queries regarding the announcement on 16 June 2011 confirming that Siemens Plc and XL Trains is the preferred bidder for the supply of the new rolling stock for the Thameslink Programme.

The procurement competition was initiated in April 2008 when a notice was placed in the EU Journal; an Invitation to Tender (ITT) was released in November 2008. The ITT was placed on DfT's website which included the criteria by which bids would be evaluated. Subsequently bids were received from three suppliers. In October 2009 a decision was made to deselect one bidder. The two remaining bidders were consortiums led by Bombardier and Siemens.

The bids were considered very carefully against the published ITT criteria and followed strict EU procurement rules, which mean the UK (as with all EU member states) are required to treat all bidders equally and in a non-discriminatory manner. We cannot show favouritism to companies because of where they are based, to do so would be in breach of EU regulation and would be illegal.

The evaluation concluded that the Siemens bid offered best value for the taxpayer and for passengers.

The Department aims to negotiate contracts with Siemens, with the objective of awarding contract by the end of the year. Bombardier remains the reserve bidder, in the event that contractual terms cannot be agreed with Siemens.

The procurement exercise is therefore ongoing, and the details of all of the bids remain confidential and cannot at the present time be made available. However Siemens has identified that the contract for the new trains will generate up to 2000 new jobs in the UK in the manufacturing, construction and train maintenance sectors and their associated supply chains.

There has been conjecture that the Secretary of State is able to review the decision to make Siemens the preferred bidder and or to reverse the decision. This is not the case. The evaluation has been completed in accordance with the process that was advertised at the time of the ITT, and consequently there is no legal basis on which this recommendation can be changed.

The Secretary of State retains the ability to terminate the competition for the order of the new trains. However, the consequence of this decision would be to delay the delivery of the Thameslink Programme and the consequent cascade of existing trains to other parts of the rail network, and to add very significant costs to the programme through prolongation and costs associated with initiating a new procurement exercise for the supply of trains (which would have to be conducted against criteria consistent with EU procurement rules). It is likely that this would delay by up to 3 years the award of contract for the new trains. The Secretary of State has confirmed that there is no possibility of terminating the current procurement exercise for the new Thameslink rolling stock.

The UK operates in a global marketplace, and a large part of the UK's economic success has resulted from our ability to participate in the global trade and investment system, which has provided opportunities for business and prosperity for UK citizens. Recent analysis has shown that of all public procurement contracts that are awarded to companies from other Member States, UK companies win 17% of them; protectionism would damage the long term prospects of other UK companies to compete in world markets.

Bombardier in Derby have recently been very successful in supplying trains within the UK, and they have pre-qualified for the Crossrail procurement for the supply of around 600 vehicles

However, Bombardier has recently announced that they will be reviewing their operation in Derby. Any job losses at Bombardier are highly regrettable and Ministers want to try to help Derby and the surrounding area at this difficult time. In the light of this decision the Business Secretary, Vince Cable, announced on the 5 July that he would be setting up an Economic Response Task Force as a result of the ongoing review by Bombardier Transportation of its UK rail operations.

The Task Force will be headed up by Margaret Gildea OBE, who runs Organisation Change Solutions, to mitigate the economic impact of job losses at Bombardier, its supply chain and the local communities. It will draw on representatives from Derby City Council, Derby City College and the Skills Funding Agency. Jobcentre Plus will also deploy its Rapid Response Service to support workers that will be affected.

Whilst the Department recognises that the Thameslink decision has come as a blow to Bombardier and its employees, the company has a strong track record in winning past orders and there is every reason to expect that to continue in the future.

The Secretaries of State for Transport and Business have also jointly written to the Prime Minister to recommend that we examine wider issues around the approach taken in the UK to EU procurement rules, to compare our approach to that of other Member States and to consider whether any changes in our procurement practices should be made.