Department for Transport

xxxx
Thameslink Programme Team
Department for Transport
Zone xxxx
Great Minster House
76 Marsham Street
London
SW1P 4DR

DIRECT LINE: 0207 944 xxxx
FAX: 0207 944 xxxx
GTN NO: 3533
xxxx@dft.gsi.gov.uk

Web Site: www.dft.gov.uk

xxxx

Our Ref: FOI 7982

14 December 2011

Dear xxxx,

Thameslink FOI Request

Thank you for your request for information about the Thameslink Programme which we received on 10 August 2011. I am writing to confirm that the Department for Transport has now completed its search for the information which you requested.

Exemptions

The rolling stock procurement competition is still underway and it is therefore not possible to release details relating to the bids, which are commercially sensitive. Some of the information you requested is being withheld in reliance on the exemptions in the following sections of the Freedom of Information Act 2000 (the "Act"):

(a) section 36; where in the reasonable opinion of a qualified person, in this case the Secretary of State, disclosure would inhibit free and frank advice to Ministers and the free and frank exchange of views, and would otherwise prejudice, or would be likely otherwise to prejudice, the effective conduct of public affairs;

(b) section 41, under which information obtained by a public authority is exempt if disclosure of the information to the public by the public authority would constitute an 'actionable breach of confidence';

(c) section 42, under which legal advice received is exempt from disclosure to protect the confidential relationship between lawyers and their clients; and

(d) section 43(2), under which information is exempt if its disclosure would, or would be likely to, prejudice the commercial interests of any person.

These exemptions apply because:

(a) in the case of section 36, the disclosure of internal communications would inhibit the free and frank provision of advice to Ministers and the free and frank exchange of views for the purposes of deliberation in relation to the Thameslink competition, and would be likely to prejudice the effective conduct of the Department in the procurement process;

(b) in the case of section 41, much of the information you requested is protected by the law of confidence in such a way that disclosure of it to the public by the

Department would constitute an actionable breach of confidence. That information is protected in this way because it was obtained by the Department from the bidders subject to a duty of confidence and disclosure could constitute an actionable breach of confidence;

(c) in the case of section 42, there is an important public interest in a person (including a public authority) being able to consult his or her lawyer in confidence; and

(d) in the case of section 43(2), disclosure of much of the information you requested would prejudice the commercial interests of the Department, Bombardier Transportation UK Ltd with VeloCity – a special purpose company comprising Bombardier Transportation (Holdings) UK Ltd, RREEF Ltd, Serco Holdings Ltd, Amber Infrastructure Group Ltd and SMBC Leasing (UK) Ltd and Siemens Plc with Cross London Trains (XLT), the consortium comprising of Siemens Project Ventures GmbH, Innisfree Ltd and 3i Infrastructure Plc.

<u>How these exemptions apply to your request:</u>
The exemptions in the sections of the Freedom of Information Act 2000 (the "Act") mentioned above, apply specifically to your requests as follows:

(i) To request the legal advice sought and received by the Department for Transport in respect of the review of the Thameslink rolling stock contract project during May, June and July 2011 – section 42;

(ii) To request copies of all emails sent by/exchanged between rail, legal and private office officials - which contain the term "Siemens" and one or more of the following words: "TUPE"; "RMT"; "TSSA"; "trade union". Furthermore, if the Department for Transport can fulfil an additional request within the scope for reasonable costs, then can they also provide copies of documents generated by the rail and legal departments which contain the term "Siemens" and one or more of the following words: "TUPE"; "RMT"; "TSSA"; "trade union" – sections 36, 41, 42 and 43(2). However, it is possible to release some emails and documents, and these are attached at Annex B. The names of officials have been withheld pursuant to section 40(2) and 40(3) of the Freedom of Information as disclosure could contravene data protection principles.

(iii) To request full details and copies of any Department for Transport risk assessment or risk register which officials or advisers in the Department for Transport have created in the past or are maintaining at present which contains assessments of the risk associated with the assessment and awarding of the Thameslink Rolling Stock Project contract – sections 41 and 43(2);

(iv) To request notes of meetings held between Ministers and /or Departmental officials and representatives of a) Siemens b) Bombardier in May, June and July 2011 in respect of the Thameslink Rolling Stock contract – sections 36, 41 and 43(2);

(v) To request full details and copies of any Department for Transport risk assessment or risk register which officials or advisers in the Department for Transport have created in

the past or are maintaining at present which contains assessments of the risk associated with the implementation of the Thameslink Programme – section 43(2); and

(vi) request for correspondence between the Department and Prime Minsters Office during May, June and July 2011 in respect of the Thameslink Rolling Stock contract – section 36

No information held:

(vii) To request a full copy of all Secretary of State and Minister of State meeting notes for meetings about Thameslink and for train rolling stock meetings (where Thameslink was discussed) between 11 May 2010 and 16 June 2011;

(viii) To request notes of internal DFT meetings and meetings between the Department and other departments during May, June and July 2011 in respect of the Thameslink Rolling Stock contract.

Public Interest Test
In applying the exemption under sections 36, 42 and 43(2) we have had to balance the public interest in withholding the relevant information against the public interest in disclosure. The attached annex A to this letter sets out the exemptions in full and details why the public interest test favours withholding the information. Sections 40 and 42 are absolute exemptions, and therefore not subject to a Public Interest Test (PIT).

If you are unhappy with the way the Department has handled your request or with the decisions made in relation to your request you may complain within two calendar months of the date of this letter by writing to the Department's Information Rights Unit at:

Zone D/04
Ashdown House
Sedlescombe Road North
Hastings
East Sussex TN37 7GA
E-mail: FOI-Advice-Team-DFT@dft.gsi.gov.uk

Please see attached details of DfT's complaints procedure and your right to complain to the Information Commissioner.

If you have any queries about this letter, please contact me. Please remember to quote the reference number above in any future communications.

Yours sincerely,

xxxx

Your right to complain to DfT and the Information Commissioner

You have the right to complain within two calendar months of the date of this letter about the way in which your request for information was handled and/or about the decision not to disclose all or part of the information requested. In addition a complaint can be made that DfT has not complied with its FOI publication scheme.

Your complaint will be acknowledged and you will be advised of a target date by which to expect a response. Initially your complaint will be re-considered by the official who dealt with your request for information. If, after careful consideration, that official decides that his/her decision was correct, your complaint will automatically be referred to a senior independent official who will conduct a further review. You will be advised of the outcome of your complaint and if a decision is taken to disclose information originally withheld this will be done as soon as possible.

If you are not content with the outcome of the internal review, you have the right to apply directly to the Information Commissioner for a decision. The Information Commissioner can be contacted at:

Information Commissioner's Office
Wycliffe House
Water Lane
Wilmslow
Cheshire
SK9 5AF

Annex A

Exemption in full	
Section 36: prejudice to effective conduct of public affairs Information to which this section applies is exempt information if, in the reasonable opinion of a qualified person, disclosure of the information under this Act: (b) would, or would be likely to, inhibit: (i) the free and frank provision of advice, or (ii) the free and frank exchange of views for the purposes of deliberation, or (c) would otherwise prejudice, or would be likely otherwise to prejudice, the effective conduct of public affairs.	
Public interest test factors for disclosure	**Public interest test factors against disclosure**
• The general public interest in the scrutiny and transparency of public procurement processes, including the scrutiny and transparency of relevant public expenditure and the impact on UK jobs. • The particular public interest in the scrutiny and transparency of Thameslink procurement, which is of high value and national significance.	• The public interest in preserving effective public administration and decision making through the free and frank provision of advice and exchange of views. • The public interest in giving Ministers and officials space to think through the implications of particular options and undertake rigorous and candid assessments of the risks to particular programmes and projects, and to obtain expert advice as necessary. • The public interest in preserving public and industry confidence in the ability of public authorities to protect confidential information.

Section 40 Personal information (1) Any information to which a request for information relates is exempt information if it constitutes personal data of which the applicant is the data subject. (2) Any information to which a request for information relates is also exempt information if— (a) it constitutes personal data which do not fall within subsection (1), and (b) either the first or the second condition below is satisfied. (3) The first condition is— (a) in a case where the information falls within any of paragraphs (a) to (d) of the definition of "data" in section 1(1) of the Data Protection Act 1998, that the disclosure of the information to a member of the public otherwise than under this Act would contravene— (i) any of the data protection principles, or Reproduced by permission of Reed Elsevier (UK) Limited trading as LexisNexis (ii) section 10 of that Act (right to prevent processing likely to cause damage or distress), and (b) in any other case, that the disclosure of the information to a member of the public otherwise than under this Act would contravene any of the data protection principles if the exemptions in section 33A(1) of the Data Protection Act 1998 (which relate to manual data held by public authorities) were disregarded. (4) The second condition is that by virtue of any provision of Part IV of the Data Protection Act 1998 the information is exempt from section 7(1)(c) of that Act (data subject's right of access to personal data).
41 Information provided in confidence (1) Information is exempt information if— (a) it was obtained by the public authority from any other person (including another public authority), and (b) the disclosure of the information to the public (otherwise than under this Act) by the public authority holding it would constitute a breach of confidence actionable by that or any other person. (2) The duty to confirm or deny does not arise if, or to the extent that, the confirmation or denial that would have to be given to comply with section 1(1)(a) would (apart from this Act) constitute an actionable breach of confidence. (This is not subject to the Public Interest test).
42 Legal professional privilege (1) Information in respect of which a claim to legal professional privilege or, in Scotland, to confidentiality of communications could be maintained in legal proceedings is exempt information. (2) The duty to confirm or deny does not arise if, or to the extent that, compliance with section 1(1)(a) would involve the disclosure of any information (whether or not

already recorded) in respect of which such a claim could be maintained in legal proceedings.

Public interest test factors for disclosure	Public interest test factors against disclosure
Public interest in ensuring that decisions have been made on the basis of good quality legal advice.	Public interest that Thameslink decisions are taken in a fully informed legal context where necessary, and that the Minister is fully cognisant of both the strengths and weaknesses of any relevant position. Public interest in protecting the relationship between a client and their lawyer.

43(2) Commercial interests (2) Information is exempt information if its disclosure under this Act would, or would be likely to, prejudice the commercial interests of any person (including the public authority holding it).

Public interest test factors for disclosure	Public interest test factors against disclosure
• The general public interest in the scrutiny and transparency of public procurement processes, including the scrutiny and transparency of relevant public expenditure and the impact on UK jobs. • The particular public interest in the scrutiny and transparency of Thameslink procurement, which is of high value and national significance.	• It would be likely to prejudice the ability of the Department to achieve value for money in relation to the Thameslink Programme procurement. • The public interest in preserving public and industry confidence in the ability of public authorities to protect confidential information. • The DfT intends to publish substantial information in relation to the Thameslink Programme procurement once contracts have

	• Disclosure would prejudice the commercial interests of the bidders in that it would weaken the bidder's position in negotiations with third party suppliers. • Disclosure would be likely to reveal market-sensitive information or information of potential usefulness to the bidders' competitors. • The public interest in achieving value for money from the Thameslink procurement. • The Thameslink procurement process is in any case subject to scrutiny within the Department for Transport, by the National Audit Office and by the Public Accounts Committee. • Disclosure could damage the business reputation of the Department and the confidence that suppliers have in it.
Decision In view of the above, the Department is of the view that the balance of the public interest is clearly against disclosure of the relevant information.	

Annex B

(ii) To request copies of all emails sent by/exchanged between rail, legal and private office officials - which contain the term "Siemens" and one or more of the following words: "TUPE"; "RMT"; "TSSA"; "trade union". Furthermore, if the Department for Transport can fulfil an additional request within the scope for reasonable costs, then can they also provide copies of documents generated by the rail and legal departments which contain the term "Siemens" and one or more of the following words: "TUPE"; "RMT"; "TSSA"; "trade union" – sections 36, 41, s42 and 43(2).

From: DfT Official

To: DfT Official

25 July 2011 10:28

Subject: Thameslink
Importance: High

xxxx,

You may have seen the press exposure Thameslink is receiving. The RMT released a press statement last week which is set out below:

RAIL UNION RMT revealed today that more than 500 train maintenance and cleaning jobs in London and the South East are now under threat as a result of the Government awarding the Thameslink fleet contract to Siemens. The bombshell news comes on eve of a national demonstration in Derby tomorrow in defence of train building in the UK.

As well as train manufacture, the contract awarded in principle to Siemens covers train maintenance as well. In a written parliamentary answer (below) the government says that TUPE (transfer of the existing undertakings) may be relevant. This means of course that it may not which would mean those staff currently employed could lose their jobs. RMT estimates that this would be over 500 jobs at depots at Hornsey and Bedford. Most of these are engineering, although there are some cleaning jobs as well.

RMT General secretary Bob Crow said:

"This new information shows that the jobs threat from the Thameslink stitch-up has spread from Derby to London and the South East and clearly none of this was factored in to the Government award of the contract. This is further grounds for the original botched decision to be reversed as it would add millions in terms of lost tax revenues and increased benefit payments to the UK taxpayers bill for this EU-inspired scandal - making a mockery of Government claims that this deal represents good value.

"In Derby tomorrow, trade unionists and supporters from all over the country will be in the city supporting the Bombardier workforce in their fight to defend train building in the UK. This battle is well and truly on and this latest evidence, dragged out of the Government by the RMT parliamentary group, fuels our demand for this contract to be pulled back before it is signed off."

It would be helpful if you could provide feedback on the Freshfields note as requested.

Many Thanks,

xxxx

xxxx | Commercial Manager | Thameslink Rolling Stock Project | ☎ 020 7944 xxxx | 📱 xxxx

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Extract from DfT official briefing for the SoS' visit to Blackfriars station on 25 November 2010.

Scope, progress to date and costs
In addition to the infrastructure works the Department is procuring the new trains required for the Thameslink Programme, comprising some 1200 vehicles. Two bidders remain in the competition, Bombardier and Siemens, and a preferred bidder announcement is expected in spring 2011. Contract award is targeted for autumn 2011 and the first trains are scheduled to enter service in early 2015.

Rolling Stock Preferred Bidder
The decision as to who will be the preferred bidder (between Siemens and Bombardier) will draw close scrutiny. Subject to Ministerial approval a preferred bidder announcement is planned for spring 2011.

Q. What is the status of the programme at the moment?
The rolling stock project is in an active competition for an order of around 1,200 vehicles. This is the largest rolling stock order in the UK. Two bidders, Bombardier and Siemens remain in the competition. A preferred bidder could be announced in spring 2011.

Industrial Action

Following LUL's announcement earlier this year that it plans to close 800 station staff posts as a result of significantly fewer tickets being sold, the RMT held the first of a series of planned strike actions in September, October and November and most recently LU were able to run nearly 50% of train services. LUL has said it is committed to delivering this change without the need for any compulsory redundancies, by not filling vacancies and re-focusing staff to areas of greater customer need. A further 24 hour strikes is scheduled for 27/28 November.

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From: DfT Official
To: DfT Official

2/2/2009
12.48

xxxx – in addition to what I've just sent through – I would also like to discuss the updated Project Plan at RRSG. Would you mind having a look at the attached updated draft Project Plan please (perhaps under AOB due to time constraints) - In particular – sections 3.4 (Project Activities) and Section 5.3 (Project Org).

xxxx

Extract from the Thameslink Rolling Stock Project Plan 20/01/2009:

Rolling Stock Project Background Issues

The procurement process for the trains commenced in April 2008 with the publication of a Notice in the Official Journal of the European Union (OJEU), and four bidders were short listed (Alstom, Bombardier, Hitachi and Siemens). This process culminated in the issuance of the Invitation to Tender to the 4 bidders on the 27 November 2008 thereby initiating the post-ITT phase of the project – Phase 4.

Sourcing Options

Four bidders successfully pre-qualified to receive the ITT issued on the 27 November 2008. These were – (a) Siemens, (b) Alstom, (c) Bombardier & (d) Hitachi. Taking four bidders forward should ensure very competitive and innovative proposals are received.

Stakeholder	Areas of Interest	Engagement Approach
Trade Unions	• Trade Unions will seek to ensure safe and high quality working environments for all operational and maintenance staff. • Trade unions will have specific views on the safety and use of DOO in 12 car configuration.	• No engagement is planned during the tender stage. • Specific consultation with Trade Unions may be considered in the tender specification phase

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From: DfT official
To: DfT official

23/3/2010
0900

xxxx

Pls see attached a promised – it includes a piece on the potential NR industrial action

If you need any more call me on my mobile xxxx or speak to xxxx this morning

Thanks
xxxx

Department for Transport
Thameslink Programme
March 2010

Overview

The current Thameslink route operated by First Capital Connect experiences some of the highest level of passenger crowding on the UK rail network with passengers regularly standing during the peak period. The existing Thameslink route which operates between Bedford and Brighton has significant capacity constraints since it is restricted to trains of 8 carriages long and the route has numerous junction bottlenecks which severely restrict the frequency that can operate through central London.

The £5.5 billion Thameslink Programme will deliver an upgraded, high capacity convenient and accessible railway for London and the South East through the delivery of longer platforms, new trains, elimination of junction bottle necks and modernised central London stations.

- From December 2011 longer 12 carriage trains will operate from Bedford through central London and beyond with modernised stations at Blackfriars and Farringdon.
- From 2014, new high-capacity trains will be introduced on the Thameslink route.
- From 2016, up to 24tph trains an hour will operate in either direction through central London (equivalent to a “metro” frequency) with a modernised London Bridge station.

The Thameslink Programme will make travelling in the region easier and quicker. It will reduce crowding on some of the busiest sections of London's transport network. It will operate the next generation of electric commuter trains, carrying up to 1800 passengers in each train.

The Thameslink Programme will deliver substantial economic benefits in London, the South East and across the UK. The total estimated financial and wider economic benefits are approximately £12 billion. The primary benefits are:

- Reduce the severe overcrowding on current Thameslink and other commuter services;
- Provide capacity for future growth in demand;
- Provide for the introduction of new cross-London services, so improving public transport accessibility in south east England;
- Reduce the need for interchange between main-line and London Underground train services and therefore reduce overcrowding on LUL

The Thameslink programme is a cornerstone of the Department for Transport capacity improvements for rail as defined in the 2007 White Paper “Delivering a Sustainable Railway”. Planning consent was approved in November 2006. Construction work was authorised in July 2007 and commenced on site later that year. There are approximately 2000 people working directly on the Programme with many more in supporting role.

Thameslink Works

Major construction work managed by Network Rail is progressing at Farringdon (with interchange for Crossrail) and Blackfriars stations in central London and at many locations along the Bedford to Brighton route.

Network Rail is also progressing the planning and design work for the redevelopment of London Bridge station with work due to commence on site in 2012.

In addition, a major project is in progress to procure the new trains required for Thameslink and associated maintenance depots to be introduced from 2014. This is being led by the Department for Transport and is one of the largest train orders in the country. Two bidders remain in the competition (Bombardier and Siemens) and a preferred bidder announcement is targeted for this summer.

Blackfriars station

Very significant construction works are currently in progress at Blackfriars station. The key elements of works are:

- Widening and strengthening of the rail bridge spanning the Thames;
- The provision of longer 12 carriage platforms spanning the Thames;
- A new main station entrance and ticket hall on the North Bank of the Thames;
- A new entrance and ticket hall on the South Bank of the Thames (making Blackfriars the first station in London to link both the north and south banks of the river Thames).
- A new London Underground station with new ticket hall, new platforms, escalators and lifts; and

The works are progressing to programme. It is planned to commence the operation of longer 12 car trains open the new Underground link at this station from December 2011, with completion on site scheduled for mid 2012.

Industrial action

The RMT have balloted their members on potential strike action in regard to Network Rail's plans for a reduction in maintenance staff for the company (non specific to Thameslink). The results of the ballot will be considered by the RMT executive this Thursday. This could lead to possible strike action. We have assurances from Network Rail that there will be very minimal disruption to the work at Blackfriars.

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From: DfT official
To: DfT official
25/7/2011
11.53

xxxx,

As discussed here is the press from the RMT. xxxx wonders whether we will issue a response.

Thanks,
xxxx
Rail Projects

020 7944 xxxx

From: BIS official
Sent: 25 July 2011 09:42
To: DfT official
Subject: Bogies

<<RIA Politic 22 July>>

xxxx

See the attached and then the link to the RMT article. This subject of Bogies seems to keep being referred to. I know the issue and that Siemens will be testing by end 2011. Will DfT be responding to this?

xxxx

xxxx | Relationship Manager | (Materials & Engineering)| Electronics, Materials, Chemicals & Product Regulation Unit| Business, Innovation & Skills | 1 Victoria Street | London | SW1H 0ET. | Tel: + 44 (0)20 7215 xxxx | Fax: + 44 (0)20 7215 xxxx | xxxx@bis.gsi.gov.uk | www.bis.gov.uk

RIA Politic

DODS
21 Dartmouth Street
London
SW1H 9BP
Parliamentary news for members of the Railway Industry Association **22 July 2011**

RMT challenges Thameslink decision

July 22: On Friday, the RMT revealed that there are "major question marks" over Siemens' Thameslink bid as the firm does not yet have a compliant set of bogies as the basis for trains.
General Secretary Bob Crow called for the awarding of the contract to be reversed in order for jobs at Bombardier's Derby plant to be protected.
Link
RMT press release

Ticket website report published

July 21: On Thursday, Passenger Focus published a report that examined the ease of buying train tickets online.
Alongside many examples of good practice, the report also highlighted a "misplaced confidence" amongst some passengers, and warned that this group might be

paying too much.
Passenger Focus have called on companies to make the system less complex and to remove confusing jargon.
In response, the Association of Train Operating Companies said that the "vast majority" of passengers got the right ticket at the right price.

Link

Passenger Focus press release
Report
ATOC response

ORR publishes rail safety report

July 19: On Tuesday, the Office of Rail Regulation published its annual health and safety report, which concluded that the UK has one of the safest networks in Europe.
The report found that the number of potential high-risk accidents had fallen from 42 in 2009/10 to just 18 in 2010/11, the lowest number ever recorded.
In response, the Association of Train Operating Companies called the report "encouraging", but stressed that its members would continue to work to improve safety further still.

Link

ORR press release
Report
ATOC response

IEA report questions economic case for high speed rail

July 19: The Institute for Economic Affairs has released a report entitled "High Speed 2: the next government project disaster?", which argues that the scheme is not commercially viable.
The report argues that the current high level of government subsidies has distorted demand for rail travel. The IEA also question the project's environmental and regeneration benefits.
On the same day, Town and Country Planning Association President Sir Peter Hall and Ian Wray of the North West Development Agency co-authored an article which argues that HS2 can be used to maximise the development potential of the north-west.
The Ramblers Association argued that it was time for the Government to rethink its stance on the project.

Link

IEA press release
Report
TCPA press release
Ramblers Association press release

RIA Politic

Future dates

29 July 2011: HS2 consultation closes
7 September 2011: Transport committee holds evidence session on rolling stock procurement
September 2011: Rail Delivery Group publishes initial industry plans
November 2011: DfT deadline for the publication of its long-term rail strategy white paper
December 2011: DfT deadline for the delivery of the Intercity Express programme
Summer 2012: DfT publishes 2014-19 highlevel output statement for the rail network

Contacting Dods

Dods can provide tailored research on rail policy. Please contact David or Gavin for further details.

David Bowers
Research Manager
david.bowers@dods.co.uk
020 7593 5642

Gavin Calderwood
Head of Account Management
gavin.calderwood@dods.co.uk
020 7593 5652

From: DfT official
To: DfT official

16/8/2011
16.00

We will need to start replying to this when it comes through on Chapter

xxxx

From: xxxx
Sent: 16 August 2011 15:50
To: xxxx
Cc: xxxx
Subject: FW: Unions demand answers to the £1.5 billion train "scandal"

As discussed…

------ Forwarded Message
From: Ciaran Naidoo <Ciaran.Naidoo@unitetheunion.com>
Date: Tue, 16 Aug 2011 09:39:36 +0100
To: John Ingham <John.Ingham@Express.co.uk>
Subject: Unions demand answers to the £1.5 billion train "scandal"

Joint Unite and RMT press release

For immediate release

Date 16 August 2011

Attention: news, business, transport and political correspondents

Unions demand answers to the £1.5 billion train "scandal"

Bombardier unions Unite and RMT, have written (see notes to editors) to the Secretary of State for Transport, Philip Hammond, to demand comprehensive answers to why the Tory-led government excluded Bombardier from a £1.5 billion train building contract for Thameslink trains.

The two unions are seeking clarification from the government as to why it has apparently chosen a consortium led by Siemens based on its ability to raise capital above its capability to produce, manufacture and maintain the trains over the 30 year life of the contract.

Furthermore, the unions have demanded confirmation that the government has awarded preferred bidder status to a consortium that has not yet developed and approved a crucial component called a "bogie" (wheel axle for trains). If it is the case that Siemens has not yet produced an approved "bogie" why was Siemens' consortium awarded preferred bidder status?

Diana Holland and Bob Crow write: *"We also understand, and find it remarkable if this is correct, that Siemens has not yet even developed a "bogie" or wheel axle for the trains it will supply. Indeed, it appears that Siemens has actually approached Bombardier and asked it to supply this "bogie". It took Bombardier over 10 years to develop its "Flexx Eco bogie" which is lighter than any other "bogie" on the market and is therefore considerably better for the environment than other models currently available. It will simply not be possible for Siemens to produce a comparable "bogie" in a two year timeframe."*

Unite assistant general secretary, Diana Holland, said:

"Was the government's decision more about raising cash rather than building trains, and if Siemens has not yet developed a crucial component, how can the government guarantee the trains will arrive on time? Bombardier's workforce, and the public deserve answers.

"To date all we've had from the government is a catalogue of excuses rather that a compelling case for choosing Siemens over Bombardier."

" The government's decision to exclude Bombardier from the Thameslink contract is a national scandal. 3000 jobs are at risk, plus the future of train manufacturing in this country. The government's decision is a social and economic bombshell for Derby and the East Midlands.

RMT General secretary Bob Crow said:

"The more that emerges about the Thameslink contract stitch-up the murkier it gets, but the bottom line is that a government that says it wants to create jobs is actively trying to destroy them in Derby.

"It is extraordinary that the government ignored the most basic piece of engineering in awarding the Thameslink contract to Siemens, underlining that the decision is fundamentally flawed and should be reversed.

"Ministers need to stop using pathetic excuses to wriggle out of providing information on the tendering process and come clean with frank and open answers on a decision that threatens to kill off train-making in Britain."

ENDS

Contact: Unite, Ciaran Naidoo on 07768 931 315 and RMT Derek Kotz on 0207 529 8803 or 07939 595 092

Notes to editors

Mr P Hammond MP

Secretary of State for Transport
Great Minister House
76 Marsham Street
London
SW1P 4DR

Dear Mr Hammond MP

Award of Thameslink contract “preferred bidder” status to Siemens plc

We write further to our recent meeting in relation to the UK government’s, and specifically the Department of Transport’s, recent decision to award Siemens plc (“Siemens)” “preferred bidder” status for the £1.5 billion train building contract, for the new fleet of trains required for the Thameslink Programme. This letter is drafted jointly by Unite the Union (“Unite”) and the Rail Maritime and Transport Workers Union (the “RMT”).

Unite, as you are no doubt aware, is a trade union representing 1.5 million workers across the United Kingdom and Ireland and is the union with the largest membership of those employees currently employed at Bombardier Transportation UK Limited’s (Bombardier) Derby site.

The RMT is a trade union representing more than 80,000 members in almost every sector of the transport industry. It is the second largest union at Bombardier’s Derby site.

As a result of the decision to grant Siemens “preferred bidder” status, you will no doubt appreciate that a significant number of our members currently stand to lose their jobs. We understand that it is proposed to make 179 jobs redundant from a shop-floor workforce of 480 and 446 redundancies in total from a workforce totalling some 3000 employees. We also note 983 temporary contract staff will be affected. Consultation in respect of these redundancies has already begun.

In addition, it is also imperative to consider the detrimental impact this decision will have on the city of Derby where many other workers now stand to lose their livelihoods. This is happening at a very difficult time, in a very poor economic climate, and the re-employment prospects of workers in Derby is not high.

As the Centre for Research on Socio-Cultural change has made clear Bombardier has been allowed to suffer both public and private sector neglect. The lack of national rail investment in the 1980s and clumsy privatisation of the network in the 1990s has left train builders exposed to the erratic flow of orders. However, notwithstanding the historical problems of Bombardier, we write this letter specifically in relation to the Thameslink contract which could sustain the future of Bombardier and its Derby plant.

The number of potential redundancies arising from the decision to grant Siemens plc “preferential bidder” status and have the trains built overseas, is unacceptable and not something we are prepared to let happen without doing all that we can for our membership, by whatever means are available to us.

As we make clear above, Bombardier had been relying on obtaining this contract to sustain its own future and specifically the future of the Derby plant. By the end of 2011, the only on-going work Bombardier will be continuing to undertake will be for the supply of metro cars for London Underground’s SubSurface Lines. This obviously means that in addition to the present job losses which are wholly unpalatable, the very future of Bombardier remains precarious.

On this basis, we write this letter with a view to obtaining further information as to how this appalling decision has been reached, which once again undermines the United Kingdom’s manufacturing base. It is imperative that we fully understand this, so that we can speak to our membership about it and consider what steps can be taken in relation to the decision to select Siemens as the preferred bidder.

The Process

We understand that it is proposed to award the contract under the Utilities Contracts Regulations 2006 (the “Regulations”). Pursuant to these Regulations, in seeking offers and selecting the party to be awarded the contract, the UK Government, and specifically its Department for Transport, has the choice of procedure to use (open, restricted, or negotiated with or without advert) under regulation 14. In this instance it appears the government chose a negotiated process and the contract was advertised in an official EU Journal.

Once requests to be selected to negotiate are obtained, we understand a short listing process then ensues where the government determines which interested parties are going to be invited to negotiate for the contract. That process may involve excluding potential bidders at various stages and may involve selecting a preferred bidder prior to the contract finally being awarded. We understand that the selection of the preferred bidder would be done by means of the same criteria used to determine the award of the contract.

The contract has to be awarded on one of the following basis:

1. Lowest Price

2. The offer which is "the most economically advantageous" having regard to various published and specified criteria.

We understand the government has chosen to invite requests to negotiate and to award the contract pursuant to the second option.

We further understand that the contract was to be awarded comprising the production, manufacturing and maintenance of the rolling stock **and** the ability to organise the finance necessary for the acquisition of the rolling stock. It appears however that in the advert inviting bids, the government reserved the right to accept a bid without regard to the ability to organise financing. We note that there was no obligation on the government to contract on the basis that it was seeking a bidder to produce, manufacture and maintain the trains and to organise the finance and that this was something the government chose to do. The preferred bidder was of course thereby placed at a substantial advantage through being able to rely upon a sister company which provides loan facilities.

We also understand, and find it remarkable if this is correct, that Siemens has not yet even developed a "bogie" or wheel axle for the trains it will supply. Indeed, it appears that Siemens has actually approached Bombardier and asked it to supply this "bogie". It took Bombardier over 10 years to develop its "Flexx Eco bogie" which is lighter than any other "bogie" on the market and is therefore considerably better for the environment than other models currently available. It will simply not be possible for Siemens to produce a comparable "bogie" in a 2 year timeframe.

The process that we understand has taken place leads us to a number of unanswered questions that we would be grateful to receive a response in relation to. These are as follows:

Questions

1. Is it correct that the government has chosen to contract for, and consider which was the most economically advantageous bid for, a single contract comprising the production, manufacturing and maintenance of the rolling stocktrains and the ability to organise the finance? If that is the case, why was it done on that basis?

2. Did Siemens win the contract on its ability to organise the finance of the rolling stock, as opposed to its ability to produce, manufacture and maintain the trains?

3. Is it open, at this stage, for the government to exclude the finance element of the offer and award the contract on the basis of the best bid to produce, manufacture and maintain the trains?

4. Is it fair and equitable to include the criteria of the provision of finance when this would automatically advantage a company such as Siemens benefit from a wholly owned subsidiary finance company and are thereby able to obtain financial arrangements at preferential rates ?

5. Is it correct that the government has awarded Siemens "preferred bidder" status notwithstanding the fact that it has not yet developed a "bogie" to use for the fleet it is going to produce.

6. If it is the case that Siemens has not yet produced this “bogie”, how is it possible that it was awarded” preferred bidder” status?

Request for Further Information

We would be grateful if you could supply us with all the contractual documentation including the invitation to tender and negotiation documentation. Please note that we intend to make a Freedom of Information request if this is not supplied and therefore trust that you will be willing to provide it forthwith.

Details for Reply

We would be grateful if you could acknowledge receipt of this letter and confirm you will provide a substantive response to the questions raised within the next 14 days. We would be grateful if you could address your response to both Mr L McCluskey, General Secretary of Unite, 128 Theobald’s Road, Holborn, London, WC1X 8TN and Mr B Crow, General Secretary of the RMT, Unity House, Chalton Street, NW1 1JD.

We look forward to hearing from you by return.

Yours sincerely

………………..
Diana Holland (Assistant General Secretary of Unite)

…………………
Bob Crow (General Secretary of the RMT)

------ End of Forwarded Message

From: DfT Official

To: DfT Officials

17/6/2011
12.05

For info. See links below to Media coverage.

xxxx

xxxx
DfT Thameslink Programme Team
0207 944 xxxx

From: xxxx
Sent: 16 June 2011 14:05
To: xxxx
Subject: Thameslink: Latest coverage

Dear all

Latest PA copy attached now with reaction from the Mayor of London, Siemens, Bombardier and Unite, Bob Crow, the TUC and Maria Eagle.

Theresa Villiers has spoken to a range of print journalists including Nigel Harris (Rail), Nic Cecil (Evening Standard), Robert Wright (FT), Joe Watts (Derby Evening Telegraph), Will Green (Newcastle Journal), Andy Richardson (Northern Echo) and John Keenan (Brighton Argus).

Theresa has also given broadcast interviews to ITV Meridian (South East), ITV Tyne Tees, ITV Central, ITV Anglia, BBC East Midlands TV and BBC North East TV. All were very positive except the two Midlands outlets.

Latest online coverage below.

xxxx

Financial Times
http://www.ft.com/cms/s/e2b22262-9802-11e0-85e9-00144feab49a,Authorised=false.html?_i_location=http%3A%2F%2Fwww.ft.com%2Fcms%2Fs%2F0%2Fe2b22262-9802-11e0-85e9-00144feab49a.html&_i_referer=

Northern Echo
http://www.thenorthernecho.co.uk/business/9088820.Siemens_deal_will_bring_more_train_building_jobs_to_North_East/

Shropshire Star
http://www.shropshirestar.com/business/city-news/2011/06/16/uk-firm-misses-train-carriages-deal/

BBC Online (North East)
http://www.bbc.co.uk/news/uk-england-tyne-13791214

BBC Online (UK)
http://www.bbc.co.uk/news/business-13792510

Rail News
http://www.railnews.co.uk/news/general/2011/06/16-siemens-thameslink-deal-will-create.html

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From: DfT Official
To: DfT Official

01/09/2011
17.27

AS MENTIONED

xxxx
Project Sponsor
020 7944 xxxx

From: xxxx
Sent: 01 September 2011 12:33
To: xxxx
Subject: re: CRESC Research Rpt - How not to build trains

Report attached, plus accompanying press release.

Xxxx

CRESC Research Report

KNOWING WHAT TO DO?
How not to build trains

Julie Froud, Sukhdev Johal, John Law,
Adam Leaver, Karel Williams

July 2011

KNOWING WHAT TO DO?
How not to build trains

Julie Froud[1], Sukhdev Johal[2], John Law[3],
Adam Leaver[1], Karel Williams[4]

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ABSTRACT[1]

This report presents evidence and argument about the end of train building and the absence of sectorally engaged industrial policy in the UK. It is occasioned by the redundancies at Bombardier's Derby train building factory (the last in the UK) after the award of the Thameslink rolling stock contract to Siemens. A political arithmetic calculation about taxes paid and the inability of the British private sector to create extra jobs suggests that the Bombardier Derby jobs should be defended despite broken supply chains which limit up stream national benefits. The Derby redundancies come at the end of two decades of sectoral decline when British policy makers did not intervene to manage rolling stock orders or ask questions about parent company ownership and business model despite five changes of ownership in twelve years at the Derby factory. British politicians and civil servants literally did not know what to do because public procurement is framed narrowly in micro-economic terms as 'value for money'.

[1] Free download available from http://www.cresc.ac.uk/publications/knowing-what-to-do-how-not-to-build-trains

KNOWING WHAT TO DO?
How not to build trains

Julie Froud, Sukhdev Johal, John Law, Adam Leaver, Karel Williams

This report is about redundancies in a Derby factory owned by Bombardier after a train building contract went to a German factory owned by Siemens. But it is about much more than sentiment about "British jobs for British workers"; though that feeling is of course significant because it indicates a growing and understandable disquiet about the social consequences of continuing industrial retreat. Our argument is that the debate about the Derby redundancies highlights major issues about how the UK now lacks both the institutions and the knowledge base of measures and concepts which are necessary for industrial policy decisions.

Ministries like the Department of Business, Innovation and Skills, as much as the Treasury, have become neo-liberal think tanks. Their belief in the generic benefits of low taxes, deregulation and the irrelevance of ownership means they always know what to do without specific evidence or any engagement with sectoral problems like broken supply chains. Their political masters talk endlessly about the need to "rebalance the economy" but it will be a little while before they see the need for a Ministry of Reconstruction which has French style civil service competencies.

But we can meanwhile prepare the way by problematising the knowledge limits and introducing some basic empirics and argument which can help us begin to think through some of the issues which are not focused in the disquiet. So, in most of this short report, we present argument and empirics about the Bombardier case as a way of illustrating considerations which would be relevant if we had an industrial policy. It is an "as if" argument which prepares the way for an effective change of mind set and a re-problematisation of the engagement between government and industry.

But, let's begin with some background about the Bombardier case which everybody felt was the wrong decision though nobody knew why. On 16th June 2011 it was announced that Bombardier Transportation had "missed out on a major £1.5 billion contract to build carriages for the Thameslink project" where Siemens was now the preferred bidder (BBC News, 18th June 2011). Two days later, Bombardier announced a "full review" of its UK operations centred in Derby at the Litchurch Lane factory which employed some 3,000 workers and is "the last rolling stock manufacturer in the UK" (BBC News, 3rd July 2011); on 5th July 2011 Bombardier Transportation announced some 1,400 redundancies (Financial Times, 5th July 2011).

After initial national coverage, the lost contract became a regional news story as Derby's Mayor and MPs lobbied Bombardier. The story went national again on 3rd July 2011 when the BBC reported that Labour's Shadow Business and Transport Secretaries (John Denham and Maria Eagle) had written to the Prime Minister asking him to review a decision which was a "body blow to the sector"; Bob Crow of the RMT union described the decision as "industrial vandalism". The story went tabloid for middle England on 6th July 2011 when the redundancies were reported in the Daily Mail Online which of course remembered the war with its headline about "Fury as ministers hand Germans our £3bn train deal costing 1,400 British jobs".

In response, government ministers observed that some redundancies at Derby were inevitable because other contracts were running out; and then quite remarkably went on to agree with the critics of their decision. The Transport and Business Secretaries (Philip Hammond and Vince Cable) had written their own letter to Prime Minister; after observing that the French and Germans would prefer local train manufacturers and protect national supply chains, they argued that the British needed to change the way in which contracts were awarded so as to ensure "a level playing field" for British manufacturers (Mail Online, 6th July 2011).

The government had announced the contract preference for Siemens was "value for money for the taxpayer" but, faced with criticism from right and left, ministers cheerfully agreed it was the wrong decision (which unfortunately could not be revisited without inconveniencing commuters who would ride in the new carriages). The pusillanimous coalition thereby recognised important shifts in British public opinion about the costs and benefits of an open economy.

But, in all the sound and fury, amidst remarkable, indignant unanimity about the wrong decision, the government and its critics had no evidence or concept beyond the media tropes about "the last train factory" and some borrowed new patter about supply chains (with no supporting evidence).

Even more remarkably, most of the indignant knew what they wanted to do but quite literally did not know what they were talking about. The contract which the UK arm of Bombardier Inc (Bombardier Transportation) had lost was drafted by New Labour and awarded (without any amendment of terms) by the Coalition. But the contract is not in the public domain because it has suited successive governments to have public procurement without the necessary public disclosure of contract terms and disclosure of the differences between each bid.

What little we do know about the contract is cause for public concern and raises issues which have not been debated. The contract which Bombardier lost was not an old fashioned one for supplying 1,200 carriages. It was a new-fangled PFI style contract which covered the building of the carriages plus their maintenance plus the lease finance for 30 years; a tender summary of April 2008 states "the chosen bidder will be required to arrange the finance necessary for the acquisition and ownership of the rolling stock" (Department of Transport, 2008, p.10).

Train finance companies routinely arrange finance packages as a way of selling trains but some train companies can raise finance more cheaply because they have better credit ratings. The advantage in this case is with Siemens which has an A+ rating compared with Bombardier Inc's (the parent company) BB+ which effectively means Bombardier pays an extra 1.5% to finance the deal. When the Daily Telegraph (7th July 2011) raised this issue with "investment bankers familiar with deals similar to Thameslink", their estimate was that lower cost of finance gave Siemens a financing cost advantage of £700 million over 30 years (on a bid where no outsider knows how far Bombardier's bid was behind).

The first and most important industrial policy issue here is that the Thameslink contract inappropriately bundled train building and rolling stock finance so that judgements about the former were contaminated by the latter. A sensible decision about the desirability and costs of maintaining an indigenous rail engineering sector could not be made because this was all mixed up financially with the happenstance of the credit rating of the foreign parent of a British subsidiary operation. Worse still, credit ratings ensure a bias towards established, giant firms and against newcomers. Successful, conservative giant companies like Siemens will always have better credit ratings and cost of finance advantages over struggling publically listed large companies like Bombardier; and even more advantage over new entrants and start-ups.

The Prime Minister likes romancing in his speeches about how the small British companies of today will become the giants of tomorrow; maybe he should instruct his civil servants to stop drawing up bundled contracts which actively discourage that outcome. And, after that change, the rest of us could then concentrate on the criteria and evidence relevant to an industrial policy decision.

Value for money and social choices

Bombardier Transportation lost the contract because its bid was judged not to be "value for money" as part of a process conducted under EU public procurement rules designed as their spokeswoman explained "to ensure that taxpayers get the best value for money". The rules allow considerable latitude and as Philip Hammond, the Transport Secretary has admitted, the UK is not "making best use" of the EU rules (Financial Times, 5th July 2011).

The real constraint here is not the EU but the mentality of British civil servants and their political masters of all main parties who adopt a consumer association "Which Best Buy" approach. They will decide value for money by considering only price and quality on an individual purchase basis. If we suppose the government puts out a contract for train supply (excluding finance), their only criterion for decision would be the lowest price for satisfactory quality.

We all use the price and quality approach as a practical guide to private consumer choices of a modest reversible kind, like the purchase of a laptop computer or a phone contract. But this calculus is not a good framing device or prescription: it clears away most of what is interesting about how consumers actually do behave; and it is of very limited relevance to major, long-term consumer choices about pensions, health and housing. It is also, *prima facie*, inadequate to the social choices of government because price and quality calculus excludes many relevant considerations like the taxes paid by British workers.

The problem with our politicians and their advisers is that they literally do not know how to calculate in any broader way, because they anthropomorphise government as an individual consumer within a world of micro-economics. Economics does approve of course and admit the possibility of broader calculations. But then propose cost benefit techniques of calculation which lack credibility and intelligibility. The cost benefit calculation involves cumulating imprecise cash measures of every relevant consideration; and then discounting the future value to produce a single figure of net benefit which supposedly provides a technical basis for decision. In practice, cost benefit analysis is undone by its own pretension to depoliticise decisions in a world where everything is not commensurable, monetisable and transparent.

What we need is a relatively simple political arithmetic which resourcefully extracts relevant empirical information on a few key considerations and puts them together in four tables with a supporting argument about weight and significance. This can be no more than an aid to decision making which will always (and quite properly) involve judgement and political discretion. Encouragingly, much relevant information is hidden away in publicly available sources like company reports and official statistics.

If civil servants had the expertise, they could begin to construct a public choice argument about industrial policy which engaged with the specifics of the sectoral cases and the national economy. And the paragraphs below show they could do this by introducing three relevant specificities: first, the lost tax revenue from choosing a non-British factory; second, the British private sector's inability to create extra jobs; third, employment in the upstream supply chain.

Lost tax revenue from choosing the non-British factory

With trains at Bombardier Derby, we would begin by insisting that the first relevant consideration is the British government's tax receipts from the employment of workers at the Derby factory if they got the Thameslink contract; these now become the German government's tax receipts from the employment of workers at the Siemens Krefeld factory as they have successfully bid for the Thameslink contract. From a social point of view, any gap between the bid prices should be adjusted (after decoupling the financing cost) to take account of the tax revenue gained from giving the contract to Bombardier Derby.

The adjustment in this case would be a large one because rail engineering workers are highly skilled and highly paid for doing jobs which are craft based and very different from those of semi-skilled fitters of standardised parts on a moving car assembly line. Much of the relevant information about labour costs and taxes paid can be worked out from the accounts of Bombardier Transport (Holdings) Limited (Bombardier Inc's British operating company whose major business is the Derby factory). And the relevant information from the period 2002-09 is summarised in table 1 below.

From company accounts, Bombardier Transportation's average labour cost per worker (including all social costs) is nearly £60,000 per worker in 2009. The workers are paid under a PAYE regime which makes elite practices of tax avoidance impossible so that the total employee and employer tax payment per employee is a massive £16,989. And this tax contribution excludes the substantial employer and employee contributions of more than £10,000 per year to the Bombardier pension scheme which is of course a long-term investment in reducing the dependence of the elderly on state support.

Nobody knows exactly how many of the 1,500 soon to be made redundant workers could (or would) have been retained if the Thameslink contract had gone to Bombardier Derby; and other contracts were certainly required to stabilise employment at the Derby factory. But, for purposes of argument, let us assume that 1,000 jobs could have been secured by Thameslink and other contracts. In this case the tax receipt offset would be nearly £20 million per annum by 2012 and increasing each year with inflation and real wages (and that £20 million pessimistically excludes all pension contributions).

Table 1: Bombardier Transportation (Holdings) Limited labour costs and employer and employee contributions to pension and national insurance and employee income tax payments

	Labour costs per employee	Of which				Total employer and employee contributions per employee	
		Employer contributions per employee		Employee contributions per employee			
		National Insurance	Pension	Income tax and National Insurance	Pension	Income tax and National Insurance	Pension
	£	£	£	£	£	£	£
2002	30,297	2,215	3,188	6,871	1,992	9,085	5,180
2003	28,890	2,229	2,633	6,632	1,922	8,861	4,555
2004	40,756	2,849	3,827	9,406	2,726	12,255	6,554
2005	46,162	3,096	6,350	10,133	2,937	13,230	9,288
2006	43,576	2,565	7,214	9,328	2,704	11,893	9,917
2007	50,466	3,045	3,923	12,006	3,480	15,051	7,402
2008	53,088	3,211	4,461	12,535	3,633	15,746	8,095
2009	59,996	3,198	6,831	13,791	3,997	16,989	10,829
Total 2002-2009	353,230	22,408	38,427	80,701	23,392	103,109	61,819

Source: Derived from Fame, BvDep.

Notes: Bombardier Transportation (Holdings) Limited is a UK holding company which consolidates British subsidiaries including Bombardier Transportation Limited. Employee income taxes are calculated after pension contributions and the tax rate is set at 30% after deductions. Employee pension contribution is set at 8%. Corporate tax is not included.

The bid price adjustment required is then substantial. Because the cumulative social gain from British tax receipts when the contract goes to Bombardier Derby is in the hundreds of millions of pounds; and its present value must be more than £100 million even if we discount to take account of the time value of money. When the British rail workers are highly paid (and so are their German competitors) the logic of the tax receipt calculation is that the contract should go to the British factory unless there is a very large difference in bid price on the hardware. Using this measure the Bombardier Derby factory should get the contract and the Bombardier workers in the UK should keep their jobs.

British private sector inability to create extra jobs

The logic of the tax receipt calculation would nevertheless be resisted by most economists who have a rather different generic concept of how the private sector economy works. They would be quite happy to see the government and other actors make decisions on narrow price and quality criteria which lead to factory closures, because that is part of the dynamics of a capitalist economy where we should accept the loss of some jobs in declining and migrating industries because new and growing industries will replace them.

As Paul Samuelson insisted, in the prototype for all modern economics text books, the early twentieth century decline of the horse buggy industry was no doubt an issue for its employees but the rise of the auto industry would generate many more jobs. The logic of this general view is that the closure of a rail factory in Derby does not matter because within the large scheme of things, wind turbines or we know not what, will replace the lost activity. Capitalism is restless change and creative destruction and some must be sacrificed for the greater long term good.

The problem with the British economy is that our private sector does not behave in a job generating way as it should from the micro economics text books. This observation still has some shock value in the mainstream political classes who believe in a narrative about Thatcherism as pain for gain through low taxes and flexible labour markets and this narrative about outcomes does appear plausible from the apparent increase in private sector employment.

But the official statistics on increasing private sector employment are seriously misleading for two reasons. First, with privatisation under Thatcher the number of private sector employees was boosted by the transfer of nearly one million public sector utility workers. Second, with outsourcing and contract under New Labour, there were a growing number of para-state employees, in activities like care for the aged or nursery education, working for private employers dependent on public funding.

Table 2 below, based on earlier CRESC research (Buchanan *et al.*, 2009), analyses the New Labour pre-financial crisis decade from 1998 to 2008. It adds state and para-state employees together and identifies the residual as (autonomous) private sector employment which is sustained by private sector demand. It presents the data for the UK as a whole and for different regions, including the East Midlands where Derby is a major centre of manufacturing employment.

The table analyses an extraordinarily favourable period for the private sector and, under these circumstances, nationally only 45% of the extra jobs were created by the private sector. The regional figures are more dispiriting because there was very little private sector job creation in the ex-industrial regions of the North and West; and the East Midlands comes in somewhere close to the national average with 40% of extra jobs created by the private sector.

Table 2: Regional analysis of employment change between 1998 and 2008 split by private sector and state & para-state sector

	TOTAL (net new jobs)	of which Private sector	State & para-state	of which Private sector	State & para-state
	No.	No.	No.	%	%
North East	85,372	22,948	62,424	26.9%	73.1%
North West	215,535	82,870	132,665	38.4%	61.6%
Yorks & Humber	182,627	60,542	122,085	33.2%	66.8%
East Midlands	138,857	55,516	83,341	40.0%	60.0%
West Midlands	64,609	-51,011	115,620	-79.0%	179.0%
East	204,884	93,956	110,928	45.9%	54.1%
London	404,438	271,886	132,552	67.2%	32.8%
South East	332,643	187,731	144,912	56.4%	43.6%
South West	289,744	158,367	131,377	54.7%	45.3%
Wales	144,955	66,113	78,842	45.6%	54.4%
Scotland	258,542	105,142	153,400	40.7%	59.3%
Total	2,322,206	1,054,060	1,268,146	45.4%	54.6%

Source: Nomis.
Notes: The table is a count of employees not jobs (where an employee can have more than one job). Self-employed and the armed forces are not included.

Regional differences incidentally are now part of the problem not the solution. The only region with strong private sector full-time job growth is London which accounts for 43% of the extra full-time jobs in the UK over the decade 1998 to 2008. But most of the extra jobs in London at top and bottom are taken by non-British born workers and there is limited inward migration from other UK regions (Erturk *et al.*, 2011).

The Office of Budget Responsibility envisages a future which will not be like the past, with an investment and export boom driving GDP growth and employment growth. But that is fantasy. With GDP flat for the past six months and an unresolved Euro Zone crisis in our largest export markets, our own best guesstimate would be that we would be lucky to maintain private sector employment over the next 3-5 years.

In summary, we might let factories close and put our faith in the job generating capacity of the private economy. We would certainly do that in Germany where national manufacturing output is currently increasing at 14% per annum; after 25% currency devaluation against the Euro, the British economy can manage no better than 4% per annum output growth which just about sustains manufacturing employment until the next downturn. But given the historical record of the British private sector since the first Thatcher recession and its current dark prospects, the working principle in the UK right now should be to maintain whatever jobs it can through contract allocation.

Supply chain employment

CRESC working paper 87 (Froud *et al.*, 2011) highlighted the problem of broken supply chains in British manufacturing; and our analysis has since been endorsed by significant industry figures like Nick Reilly of GM (BBC News, 24th April 2011[2]). We are less impressed by the way in which politicians of all parties have borrowed the language. Thus in their letter to the Prime Minister, Ministers Philip Hammond and Vince Cable praised other EU countries with "a sharper focus on domestic supply chains" and in their letter to the Prime Minister, Shadow Secretaries John Denham and Maria Eagle wrote that the loss of the contract would damage not only Bombardier but also "the many suppliers that rely on it".

What nobody has calculated is what kind of national supply chain exists upstream of the Bombardier Derby factory. The indicators are not encouraging. The accounts of Bombardier Transportation (Holdings) Limited suggest the operation is a branch assembly plant because there has been very little investment in recent years: as we note in the next section of this report, depreciation's share of value added is less than 3.5% in recent years in the British operation as against 9% in Bombardier GmbH (Bombardier Inc's European holding company). Many of the highly engineered, high value added, critical sub-assemblies and components are imported; the scale is such that even Bombardier Derby's oldest low tech product lines like multiple units are equipped with imported parts like MTU engines and ZF transmissions.

But we also need a broader, more systematic view of the sectoral chains. Table 3 below presents the relevant evidence for rail engineering abstracted from British and German official statistics. It measures the total value of intermediate inputs which goes into finished output for home and export markets; and then distinguishes the value of intermediate output which is nationally sourced.

[2] http://www.bbc.co.uk/news/business-13179589

Table 3: Estimate of the value of nationally sourced parts in the railroad equipment sector and employment in the domestic supply industry in 2007

	Railroad equipment (ISIC 352 and 359)			
	Total value of intermediate inputs £m (UK) €m (Germany)	Value of nationally sourced intermediate inputs £m (UK) €m (Germany)	Labour cost per employee £ (UK) € (Germany)	Employment in the supply network No.
UK: Railroad equipment sector	£1,332 mill.	£352 mill.	£44,081	7,979
Germany: Railroad equipment sector	€5,960 mill.	€3,320 mill.	€46,382	71,579

Source: OECD

Note: ISIC sectors 352 and 359 are classified as 'railroad equipment and transport equipment nec'. Intermediate inputs import ratios relate to 'other transport equipment'. Supplier employment is calculated by summating nationally sourced inputs and dividing by the average pay in the sector. External jobs supported by multiplier spending outside the sector are excluded. 2007 is the latest information available.

The contrast between British and German rail engineering is striking because the German sector is much larger and has a much higher capacity to generate its own intermediate output: 55% of the German sector's intermediate output is domestically sourced whereas only 25% of British sectoral intermediate output is domestically sourced. The capacity to sustain domestic employment is thus hugely different: if we calculate employment using the average sectoral wage, domestically sourced German intermediate output sustains 72,000 jobs in rail engineering more or less ten times the 8,000 sustained in the UK.

So there is a large supply chain behind the Bombardier Derby factory but for the past decade or more most of that chain has been outside the UK and mainly in Germany. This is not an argument for letting more jobs go at Derby but it does illustrate the point that, with broken supply chains, the indirect benefits of job maintenance policies are limited. And policies about defence of jobs need to be backed with more active supply chain development through value added promotion and other relevant policies (Froud *et al.*, 2011).

The interesting questions therefore are two-fold. Why do the politicians and their civil service advisers not face up to the realities of broken supply chains and map the problem in key sectors before introducing some relevant policies which address the specific problems?

And how did this all come about? Answering that question requires us to look at issues of ownership and the business model.

Ownership and business model

With ownership, it is a question of bringing back an issue which the political classes have increasingly held to be irrelevant. It is practically irrelevant on the advice of investment bankers who make a lot of fee income out of mergers and acquisitions (M&A); and they are intellectually supported by economists looking for differences of outcome (on indicators like profit or investment). Such differences are increasingly difficult to find when all kinds of owners make financialized calculations and many different owners imitate each other's business models.

The importance of business model issues is only now being taken on board after the trouble with Southern Cross nursing homes. This indicated the vulnerability of leveraged operations with operating company (OpCo) and property company (PropCo) structures so that the operating company has no assets but fixed liabilities to a landlord. In their positions on banking reform, sections of the Left still continue with a their romantic attachment to alternative business models without recognising that a customer owned bank or building society can have a business model indistinguishable from its PLC high street competitors.

When all this has been said, we would add that misframing and ignorance had a price in rail engineering because British train manufacturing was unnecessarily destroyed by British politicians and civil servants over two decades. As with other British utility suppliers, the problems for the supplying industry were caused by a combination of careless privatisation and untrammelled private sector M&A. In rail engineering and elsewhere, the result was an impossibly erratic flow of orders to the shop floor and 'pass the parcel' rapid changes of private ownership by foreign conglomerates whose British operations were side shows. British plants were never integrated into European corporate parents and survived as branch assemblers until they were closed when the flow of British orders dried up.

In the mid-1980s, the industry's core design and build capability (including the Derby Works) was in the nationalised train building company BREL (British Rail Engineering Limited) which produced the diesel InterCity 125, the electric InterCity 225 and the classic Class 165 and 166 multiple units. The industry also included other firms like GEC and Metro Cammell who partly produced to BREL design. Derby designed (and Kenneth Grange styled) the 125 as the world's fastest diesel train which remains in service 30 years after introduction.

This was not world class but it was creditable and entirely viable. The supplying industry was held back by the refusal of successive governments to sanction investment in the national rail network. The unsuccessful experiments with tilting trains and the success of the iconic 125 (using a German sourced marine diesel engine) were adaptations to government unwillingness to build high speed track, refusal to electrify any main line except the East Coast and persistence with obsolete curiosities like Southern Region's third rail system.

Within this frame of constraint, the British rail engineering industry in the 1980s was (like its mainland European competitors) meeting mainly national demand and reasonably placed to exploit new opportunities. What follows is a history lesson in politically led failure.

The problems can be dated from 1989 when BREL was privatised and GEC defended itself against takeover by backing its power and transport interests into joint venture with Alcatel-Alsthom (now Alstom). Derby went with the rest of privatised BREL into ownership by a consortium including Swiss-Swedish conglomerate ASEA Brown Boveri (ABB) which later bought out its partners. In 1996 ABB merged all its rail interests (including its British factories) with those of Daimler which then three years later in 1999 bought out ABB to create DaimlerChrysler Rail Systems. This lasted just two years before Daimler sold all its European operations to the acquisitive Canadian company Bombardier Inc which thereby became the largest rail equipment manufacturer in the world.

By 2001 Derby's record was 5 changes of ownership and at least three changes of (foreign parent) management systems and objectives in 12 years. This inevitably wrecked any chance of carrying out process investment, designing essential new product or planning to compete for foreign orders. The disruption effects were compounded because British rolling stock orders were interrupted by rail privatisation and then erratically variable ever afterwards. Bankers and civil servants had together created a balkanised system of Train Operating Companies (TOCs) with leased rolling stock where demand management for new build rolling stock was inconceivable and quite impossible.

One rail engineering factory after another downsized and closed. First it was York and then in 2005 GEC Alstom ran out the last of 53 Pendolino electric trains and closed its 150 year old plant at Washwood Heath in Birmingham. That left Bombardier Derby as the last surviving UK train manufacturer.

If Bombardier Derby had survived, it was in much worse shape than the mainland European factories which Bombardier Inc had bought from Daimler. This point emerges from a comparison of the British consolidating company Bombardier Transportation (Holdings) Limited (which includes the operating businesses) and its German based parent Bombardier Transportation GmbH which consolidates Bombardier Transportation (Holdings) Limited's operations. GmbH consolidates the financial results of the British subsidiary, which besides removing inter-company transactions also dilutes the difference because GmbH's financial results minus British holdings would be even more different.

Tables 4 and 5 below present value added analyses of the British subsidiary and the GmbH parent. The value added to sales ratios of just over 25% are not so different because trains are built around bought-in major components from all over the world. But the GmbH is much healthier in terms of distribution because it has a much lower labour average labour share of 72% against 87% for the British operation.

And the surplus over labour costs is applied differently. The major item after labour in GmbH is depreciation which is consequent upon investment and averages 10% of value added. This is negligible in the British case where the burden is interest payments on increasingly long-term loans from the parent because the British subsidiary, Bombardier Transportation (Holdings) Limited is financed tax efficiently via debt not equity. The interest due is rolled over in the bad years like 2006 and 2007 because interest cannot then be paid in cash from value added so that the British operation is debt encumbered and going nowhere.

Table 4: Bombardier Transportation (Holdings) Limited distribution of value added

	Value added to sales %	Labour share of value added %	Depreciation share of value added %	Interest share of value added %	Total distribution of value added %
2002	34.0	69.7	5.8	2.8	78.3
2003	21.8	93.2	6.8	6.5	106.5
2004	23.3	78.7	3.4	5.3	87.3
2005	29.8	90.1	2.6	6.9	99.6
2006	27.7	95.9	4.1	13.2	113.2
2007	27.6	96.6	3.4	17.5	117.5
2008	25.2	80.0	3.1	13.5	96.6
2009	25.0	95.6	3.2	6.9	105.8
Average 2002-2009	26.3	87.2	3.9	9.1	100.2

Source: Fame, BvDep.
Note: Value added is calculated by summating pre-tax profit, interest and depreciation & amortization. Interest refers to net interest except 2002 and 2003 when net interest is not disclosed and interest paid is used. Tax rebates totalling £37.1 mill are excluded. Total value added distribution exceeds 100% meaning interest is an expense but unpaid from the operating business.

Table 5: Bombardier Transportation GmbH distribution of value added

	Value added to sales	Labour share of value added	Depreciation share of value added	Interest share of value added	Total distribution of value added
	%	%	%	%	%
2002	22.5	81.2	7.7	11.1	100.0
2003	22.0	74.1	10.5	6.3	91.0
2004	22.2	81.7	13.8	4.5	100.0
2005	26.5	77.0	9.1	1.1	87.2
2006	42.7	46.6	5.5	0.2	52.3
2007	28.6	73.4	12.4	0.7	86.5
2008	22.9	79.3	10.9	2.7	93.0
2009					
Average 2002-2008	26.4	71.8	10.1	3.0	84.8

Source: Orbis, BvDep.

Note: Value added is calculated by summating pre-tax profit, interest and depreciation & amortization. The ratios in 2006 are affected by the low interest expense.

How long Bombardier Derby lasts before closing depends on how the British orders come in. Table 6 makes that point in two ways. First, erratic ordering accounts for the fluctuations in turnover which doubles between 2002 and 2004 before falling away sharply. This makes managing labour's share of value added and realising surplus difficult even with Derby's increasing use of (insecure) contract labour. The other problem is that the factory is pinned down on the home market because export turnover has risen to 18.9% but historically has fluctuated around low levels and averages just 10% over the eight years from 2002-2009.

Table 6: Bombardier Transportation (Holdings) Limited breakdown of turnover

	Employment No.	BT(H) Ltd Turnover £m	UK turnover %	Overseas turnover %
2002	4,109	526	90.8	9.2
2003	5,204	740	91.3	8.7
2004	4,703	1,046	96.7	3.3
2005	4,425	761	97.4	2.6
2006	3,937	646	90.5	9.5
2007	3,875	735	86.4	13.6
2008	3,519	928	84.5	15.5
2009	3,440	865	81.1	18.9

Source: Fame

Note: There is no indication of whether non-UK sales are to related parties.

The future of Bombardier Derby depends on new British orders which look bleak because of the structure of the British rail industry (TOC's and infrastructure). The inefficiencies of these companies, as detailed in the McNulty Report, drive their unsustainable requirement for increasing public subsidy which frustrates any investment planning. At the same time an increasing proportion of those British orders will be taken by Siemens, Alstom or Bombardier's own mainland European factories which have invested in process and product; while the Derby plant has limited export capability and has never been properly integrated into a European corporate network.

This is the old problem of asymmetric European manufacturing integration: the mainland producers come and sell their product in the UK which takes volume and market share off the British firms which cannot win it back by exporting to Europe. Hence the relevance of British Leyland (BL) case which is so often cited and completely misunderstood. BL had worse than 40% capacity utilisation on its Metro lines because the Renault 5, Fiat 127 and Volkswagen Polo were taking UK market share while BL could not sell the Metro profitably in Europe because of the high pound which was the unintended consequence of the monetarist policy experiment (Williams *et al.*, 1991).

In the case of Bombardier Derby, British politicians and civil servants are much more directly to blame because they insisted that ownership did not matter when changes in ownership and order book fluctuations were wrecking the train building industry.

Conclusion

There is much to be angry about in this country. As this report was being drafted, the News of the World phone hacking scandal dominated the news bulletins just as MPs' expenses had done 18 months earlier. From the front page headlines, we might suppose that our main problem in the UK is corrupt metropolitan elites who are, as Prime Minister David Cameron has said (without irony), "all in it together". But we also have a problem about a national economy which isn't working to generate jobs and distribute the prosperity that is needed if democracy and citizenship are to be substantive as well as formal. These problems long predate the financial crisis of 2007-8, but the latter made things much worse as the private liabilities of the banks were shifted to public taxpayers.

But the UK's national economic failure cannot be blamed on indifferent or corrupt elites because the guilty men were often well meaning politicians and honest middle ranking civil servants in successive ministries of trade and industry. They never intended or envisaged that in the absence of industrial policy, successive UK governments since 1979 would visit catastrophe on the UK's manufacturing base. And here Bombardier is simply the latest case. But sadly, it is an exemplary instance of how things go wrong in the absence of industrial policy. Generic pro-enterprise policies plus neglect of sectoral specifics about demand management and ownership has decimated British manufacturing capacity in key sectors, destroyed the supply chains that sustain successful industries, and deskilled core sections of the labour force. In the aggregate, neglect has thrown hundreds of thousands out of work, and undermined the economies of the ex-industrial regions whose service based private sectors are clients of the state.

But something else is now happening. Here's the question. In the UK who is it that actually believes that the decision to award the contract to Siemens was a good idea? When even the Coalition ministers responsible distance themselves from the decision, the answer is very, very few. Actor Hugh Grant admirably caught the state of national confusion on BBC's Question time: "I'm sure it makes sense economically" he said, "but it's just so depressing" (Financial Times, Andrew Hill, 8th July 2011[3]). Large numbers of our politicians and civil servants share Grant's confusion. They're depressed too, but like Grant (and with a great deal less excuse) they have also persuaded themselves that "it makes sense economically".

In this paper we've shown that it doesn't "make sense economically". But this leads us to the real puzzle. Why don't the politicians and their unhappy civil servants also see this? Why are they unable to make calculations of the kind that we've made in this report? How have they got themselves in the position where 'best buy' 'value for money' calculations lead them inexorably to such an economically catastrophic industrial train crash?

[3] http://www.ft.com/cms/s/0/33875f20-a98f-11e0-a04a-00144feabdc0.html#axzz1RYHWsgBz

After all, the empirics are there already in the company reports and official statistics that we have cited. We're not making them up and it is not difficult to calculate value added or national share of intermediate purchases from publicly available sources. It's just a matter of having the will to search them out and take them seriously. But the will seems to be absent. Or perhaps, and even more worryingly, it is the ability to see things differently that is missing.

There is a straightforward incapacity on the part of Britain's politicians and civil servants to practise the matter-of-fact kind of 'political arithmetic' that we have offered in this report. But if that's the case, then why is it so? How come those who govern us can't, or won't, do this? And why then must the train workers of Litchurch Lane, Derby pick up their P45s in 2011, just like those from Washwood Heath, Birmingham in 2005? Leave aside the true believers, for by now these are few and far between. Civil servants in the BIS (formerly DTI) Department know perfectly well that five changes of ownership in 12 years must be a problem for a train factory with erratic orders. So the issue isn't denial, fanaticism or blind commitment to ideology. Instead, and more subtly, it has to do with how policy choices get framed in the first place.

It has to do with what we might think of as a flawed knowledge frame. Those who resisted active sectoral manufacturing policies hoped –for a long time maybe genuinely believed – that generic pro-enterprise policies of low taxes and flexibilised labour markets would turn the promises made by the textbooks about efficiencies into a brave new industrial reality. They believed that such policies, plus a welcome for inward investment, would save the UK from economic decline.

As a part of this they also took it for granted that active interventions to support specific parts of British manufacturing were doomed to failure. Anyone who was tempted to step out of line was easily scared back into conformity by reciting exemplary stories about British Leyland.

But what has happened now, with the train crash at Bombardier? The public debate about the Siemens Thameslink contract reveals that like Hugh Grant, the Coalition ministers and civil servants who make industrial policy uneasily sense that something is wrong. But the problem is not simply that the micro-economic answers aren't answers, though this, of course, is true. More profoundly, the problem is the long reign of micro-economic question framing in the Whitehall centres of policy making, in the broadsheet media, and in the economics departments of the ancient universities. These distinct spheres are of course densely interconnected, not least through elite careers. Many of the best and brightest undergraduates may now choose the City, but the BIS and Treasury middle ranks are still heavily populated with Oxbridge recruits and those trying to pass as such.

Their intellectual formation is such that they simply do not have the resources for thinking intelligently about alternatives to generic policies. The official mind in the UK has no good ways of thinking about the economy that doesn't treat it as a set of individual agents engaged in exchange. And methods for understanding externalities –for instance the tax paid by skilled craftsmen– aren't a part of the intellectual toolkit either.

Of course, heterodox economists see the world differently. Institutionalists note that companies are institutionally located and densely interconnected within supply chains. They argue that new market opportunities depend upon the clustering of other supporting firms or institutional arrangements. But all this is irrelevant heterodoxy to the BIS Department where, in the absence of any alternative, a generic pro-enterprise, neo-liberalism is still in place. And this is in large part because the tools that frame industrial decision making are still dependent on it.

The consequence is that we currently lack any well-developed alternative institutions, concepts or forms of calculation for creating sectorally relevant industrial policies. And this is our central point. We have previously discussed new policies (Froud *et al.*, 2011), but our argument in this report is about the currency of old frames. There is a large gap between the old interventionism of 'picking winners' on the one hand, and the generic neo-liberal enterprise policies that have failed us for the last thirty years. But this is a gap that urgently needs to be bridged. It's an area of ignorance, a knowledge space that needs to be fashioned, if the UK is to start to create the successful industrial policies needed for regeneration.

As Bombardier lay off parts of its workforce in Derby the task is urgent. At the same time a sense of failure –indeed of confusion– hangs in the air. Many of those who govern us know that there is something wrong. This suggests that the institutional and political conditions are ripe for change. This report has been written to illustrate the possibilities of calculation and action that might open up for a Ministry of Reconstruction if we were to fill this empty knowledge space.

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PRESS RELEASE

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KNOWING WHAT TO DO?

How not to build trains

"Bombardier sackings reflect the UK's 'Best Buy' approach to public procurement"

This is a new research report from the Centre for Research in Socio-Cultural Change (CRESC) which presents a different and evidenced take on the redundancies announced at Bombardier's Derby factory after a train building contract went to a German factory owned by Siemens.

The report:

- Presents background on the Thameslink contract which bundled train leasing with building and maintenance so that **Bombardier's lower credit rating** put it at a disadvantage against Siemens.
- Makes **different calculations,** including tax revenues from UK employment and considering reemployment prospects which should have been used as a basis for decision.
- Highlights broader economic problems about **broken supply chains** which mean the Derby supply chain is already outside the UK.
- Criticises **the churning of ownership** which led to 5 changes of ownership in 12 years at the Derby factory.
- Questions the **narrow, *Which? Best Buy* approach** of our politicians and the civil service which costs jobs and stands in the way of **an effective industrial and sector policy.**

The report is written by an inter-disciplinary team based at the ESRC funded CRESC research centre at the University of Manchester. The authors are **Julie Froud**, **Adam Leaver** and **Karel Williams** (Manchester Business School), **John Law** (Sociology at the Open University), and **Sukhdev Johal** (School of Management, Royal Holloway, University of London). Page **2** of 3

The argument, evidence and key findings

Coalition government ministers at BIS and Transport and their Labour shadows are all unhappy about the decision to award a £1.5bn train-building contract to the German company Siemens rather than UK-based Bombardier. **Both oppose the outcome, but support state procurement where the State should behave like a consumer with a copy of *Which?*** balancing narrowly defined cost and quality considerations.

Bombardier was initially handicapped by the terms of the contract which bundled train building and rolling stock financing together so that, **Siemens' superior credit rating gave them an advantage over Bombardier on the financing costs**.

Siemens advantage was its A+ credit rating compared with Bombardier's Inc (the parent company) BB+, that meant Bombardier would have to pay an extra 1.5% to finance the deal.(pp.4-5).

Broader calculations of costs and benefits, including the **income tax paid by British workers** would make the Bombardier bid more financially attractive.

Assuming that 1,000 jobs at Bombardier would have been saved by the award of contracts to Derby, the UK government's tax receipts would be nearly £20 million per annum by 2012 (excluding pension contributions); with a cumulative social gain over £100 million, discounting for the time value of money (p.8).

The other decision relevant consideration is the re-employment prospects of Derby workers which are poor given the UK's past record of heavy dependence on publicly funded employment.

The government accounted for 45% of all extra jobs created in the decade 1997-2007 (40% in the East Midlands region around Derby) (p.10). But this kind of filling in for the private sector is no longer possible in an era of public expenditure cuts.

The indirect employment benefits from giving Derby the contract would have been limited because of the **problem of broken supply chains in rail engineering**: many of Bombardier's highly engineered, high value added sub-assemblies and components were already imported (typically from high wage Germany).

In rail engineering, only 25% of British sectoral intermediate output is domestically sourced, compared with 55% in Germany. The capacity to sustain domestic employment is thus hugely different: domestically sourced German intermediate output sustains 72,000 jobs in rail engineering, more or less ten times the 8,000 sustained in the UK (p. 12).

Bombardier also suffered both public and private sector neglect. The **lack of national rail investment in the 1980s and clumsy privatisation** of the network in the 1990s left train builders exposed to an erratic flow of orders.

The Derby works then experienced **'pass the parcel' changes of private ownership by foreign conglomerates**, whose British operations were side shows. The result was **chronic underinvestment in process and product which left the declining UK train builders at a competitive disadvantage**.

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The Derby factory had been bought and sold many times so that by 2001 the record was 5 changes of ownership and at least three changes of (foreign parent) management systems and objectives in 12 years (p. 14).

Conclusion

 Overall, at this late stage, it is still sensible to **maintain jobs at Bombardier in Derby as part of a commitment to reconstructing UK supply chains and rebalancing the economy**.

 The current mistrust of industrial policy both misunderstands the earlier failure of government policy at companies like British Leyland and stereotypes all forms of active intervention as ‘caring for lame ducks’. This view is outdated and wrong.

 There is a large unexplored knowledge space between picking winners and the generic neo-liberal enterprise policies which have failed us for the last thirty years.

 We need a new generation of planners within the civil service and politicians on the left and right who can envisage a politics that could inhabit this space.

FOR EDITORS:

A copy of the report **KNOWING WHAT TO DO? How not to build trains** can be downloaded from the CRESC website at
http://www.cresc.ac.uk/publications/knowing-what-to-do-how-not-to-build-trains

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About CRESC

The ESRC Centre for Research on Socio-Cultural Change (CRESC) is a £3.7 million funded Economic and Social Research Council (ESRC) International Research Centre analysing socio-cultural change and based at the University of Manchester and The Open University.