

Date: 8 March 2017

Item: Procurement Authority for the maintenance of London Overground trains

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## This paper will be considered in public

### 1 Summary

- 1.1 The purpose of this paper is to request an increase in the aggregate Procurement Authority for the provision of services provided by Bombardier Transportation UK Limited (BT) required by London Overground for the maintenance of the Class 378 fleet of trains. This increase consolidates a number of discrete Procurement Authorities that are already in place as well as a provision for future variations.
- 1.2 A paper is included on Part 2 of the agenda, which contains exempt supplementary information. The information is exempt by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972 in that it contains information relating to the business affairs of TfL. Any discussion of that exempt information must take place after the press and public have been excluded from this meeting.

### 2 Recommendations

- 2.1 **The Committee is asked to note the paper and the related paper on Part 2 of the agenda and approve an increase in Procurement Authority for the Class 378 Train Services Agreement (TSA) up to the next TSA contract break-point in 2023 up to the maximum sum as set out in the supplemental paper on Part 2 of the agenda.**

### 3 Background

- 3.1 Contracts were awarded by TfL, in 2006 to BT for the supply of 152 Class 378 cars for the London Overground fleet. The contracts were the subject of competitive tender and comprise a Manufacturing and Supply Agreement (MSA) and a Train Services Agreement (TSA).
- 3.2 The MSA was subsequently novated to the financier, QW Rail Leasing, under which TfL gains the benefits of the assets on a finance lease basis.
- 3.3 Procurement Authority was granted by the Board for the MSA and TSA in 2006. Authority was subsequently granted in 2007 to enter into a lease agreement. The TSA authority was based at that time on an estimated profile of maintenance and related services for a 152 car fleet. Since then, additional scope has been included, comprising:
  - (a) **Standard Services:** These comprise maintenance and overhaul of the fleet. The fleet size that this applies to has risen from 152 cars to 285 cars as the Overground service has expanded;

- (b) **TSA Additional Services:** These comprise the repair of fleet dilapidations caused by accidental damage and vandalism. This element of cost is funded by the train operator and not TfL;
  - (c) **Depot Assets management and overhaul:** In 2009, on the approval of the then MD London Rail, TfL exercised its right in the TSA to require BT to undertake depot equipment maintenance at the TfL owned New Cross Gate Depot (used by BT to deliver their fleet maintenance obligations);
  - (d) **Variations to date for TfL and for third parties:** There have been a number of variations to date. Some of these are funded by TfL and others funded by the train operator, originally LOROL and now Arriva; and
  - (e) **Provision for future Variations:** a small provision has been included in this request for future contract variations.
- 3.4 The purpose of this request is to consolidate all current commitments, and make provision for future contract variations into a single aggregate Procurement Authority. Budget is in place for individual commitments and it is necessary to bring together the commitments into a Procurement Authority for the entire TSA contract to permit Purchase Orders to be raised for financial year 2017/18.
- 3.5 The TSA might extend past 2023 but the Procurement Authority Sought relates to this first cut-off date when TfL is able to source the services in a different manner, should it wish to. Otherwise, the TSA can extend to 2041 i.e. to the full term of the contract. There is a further contract breakpoint in 2030.

**List of appendices to this paper:**

Exempt supplementary information is included in a paper on Part 2 of the agenda.

**List of background papers:**

None

Contract Officer: Jonathan Fox, Director of London Rail Surface Transport  
Number: 020 3054 8198  
Email: [Jonathanfox@tfl.gov.uk](mailto:Jonathanfox@tfl.gov.uk)