



Department
for Transport

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From the Secretary of State
The Rt Hon Mark Harper

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14 June 2024

Dear Sadiq,

Transport for London – Elizabeth Line trains funding settlement

1. With more than 350 million journeys in its first two years, and after £9bn of government investment, the Elizabeth Line is increasing access to jobs, creating opportunities for housing and contributing to the economy across the country. With strong demand growth forecast on the line, and Government's ambition to deliver HS2 to its permanent terminus at Euston and for the redevelopment of the Euston Quarter, it is essential that the Elizabeth Line has sufficient capacity to accommodate a significant increase in demand. On 28 May, Transport for London (TfL) submitted its business case to the department seeking Government funding for ten additional Elizabeth Line trains. TfL's business case was clear that these additional trains – and the increased service levels that they would facilitate - would be needed to respond to passenger demand and make an important contribution to realising the full benefits of HS2, improving transport services for passengers and supporting the regeneration of the Old Oak Common and Park Royal areas of London.
2. HMG has fully considered TfL's request and, in accordance with section 101 of the Greater London Authority Act 1999 (GLA Act), will provide TfL with the capital funding requested for the additional trains only, to a total of £220.5m, as set out in its business case under the terms of this settlement letter.
3. My officials and I have carefully considered the consequences of making this decision during the pre-election period and have concluded that it is in the wider national interest to proceed with it. I am aware of the critical importance of this contract to the UK rail supply chain and of the risk that postponing this arrangement may create wider uncertainty for these

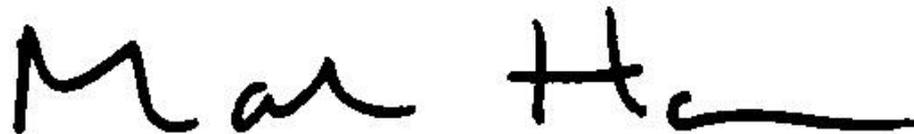
organisations and cause operational problems for the Elizabeth Line network at the point when the additional trains are needed.

4. We will make a low-key and factual announcement on Gov.uk that funding has been provided, to ensure transparency and to inform the markets. However, in line with Cabinet Office guidance, we will not publicise this further and will deal with any media queries reactively. I would ask you to do the same with any announcement you make.
5. This funding settlement is provided on the basis that: TfL will procure the additional trains through a legally safe procurement route and that the funding should not be used for any other purpose or to fund any other capital activity; TfL will proceed with the procurement very shortly with an expectation that these trains will be delivered in financial years 2026-27 and 2027-28; that the new trains will be manufactured by Alstom in Derby so as to fully coordinate with TfL's existing Elizabeth Line Class 345 fleet; TfL will confirm to my senior officials the build strategy and location that Alstom is proposing; and that TfL bears any additional costs resulting from the delivery and introduction of these new trains. TfL should ensure that this basis for the funding is incorporated into its arrangements for the procurement of the trains. HMG also expects that these trains will support the provision of an 18 train per hour Elizabeth Line service to and from the new Old Oak Common / HS2 station aligned with the start of HS2 services, and in line with TfL's business case submitted to the department. In the preceding period and after delivery we would expect the trains to be deployed to maximise benefits to all Elizabeth Line users.
6. TfL will remain solely responsible for all of the financial and other risks associated with its procurement, testing, authorisation and introduction of the additional trains and other associated systems (eg Network Rail infrastructure and signalling that is not already planned and funded) required to operate them. TfL should not request or assume any further HMG funding contribution towards this procurement (other than set out in paragraphs 2 and 7).
7. £77.2m of the £220.5m capital funding will be provided in the 24/25 financial year. The first payment of £33.1m will be made 14 days after notification from TfL that the first contractual milestone has been achieved. The second payment of £44.1m will be made in advance of the second milestone and agreed at official level. HMG is committed to providing TfL with the remaining funding in the next spending review period(s), subject to the usual spending review process, and will agree payment dates with TfL in due course.
8. If at any point in future TfL pursues a sale and leaseback of these additional trains, TfL will repay to HMG the capital receipt it receives for

these additional trains up to the full amount provided by HMG to TfL under this settlement.

9. The Elizabeth Line is an example of the success that can be achieved through close collaboration between central and local government. This investment continues that close collaboration on the Elizabeth Line, including in the context of HS2. I expect you and TfL to work closely and constructively with Government during the construction of the new Old Oak Common station and to help fully realise the benefits of HS2, Old Oak Common and Euston, both for London and the rest of the country, without placing undue burden on the national taxpayer.

Yours sincerely,

A handwritten signature in black ink that reads "Mark Harper". The signature is written in a cursive, flowing style.

The Rt Hon Mark Harper

SECRETARY OF STATE FOR TRANSPORT