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Bulletin:

No Change To Transport for London Rating Following Arbiter's Guidance

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LONDON (Standard & Poor's) Sept. 10, 2008--Standard & Poor's Ratings Services said today that its issuer credit rating on Transport for London (TfL; AA/Stable/--) will not be affected by guidance from the Public Private Partnership (PPP) Arbiter, published yesterday, indicating significantly increased costs for TfL on the Tube Lines PPP.

The guidance suggests that, between 2010 and 2017, TfL may have to increase in real terms its PPP payments to Tube Lines by £1.0 billion-£1.5 billion more than anticipated by TfL. The guidance, however, only gives an indicative figure, and the detailed scope of the future contracts has yet to be decided.

If TfL's expenditure on the Tube Lines PPP does increase to this extent, then we would expect government to act supportively, perhaps by providing additional grant, or increasing TfL's borrowing limits. In any case, TfL is obliged to set a balanced business plan, so if the increased PPP payments are not met through increased revenues or borrowing, then TfL will simply have to reduce planned spending in other areas. Spread over seven years, any related reduction would be relatively small in relation to TfL's total annual expenditure, which was more than £6 billion in 2007. That said, TfL already faces considerable spending pressures if it is to deliver on time its refurbishment program, Crossrail, and Olympic-related infrastructure.

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