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Bulletin:**No Change To Transport for London Rating Following Planned Acquisition Of Tube Lines****Primary Credit Analyst:**

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LONDON (Standard & Poor's) May 17, 2010--Standard & Poor's Ratings Services said today that, based on current information, it did not expect its issuer credit rating on Transport for London (TfL; AA/Stable/A-1+) to be affected by the announcement that TfL has agreed to purchase all the shares of the Tube Lines Group, thereby terminating the controversial public private partnership (PPP) arrangement.

Under the current PPP agreement, whereby TfL pays the Tube Lines Group for the maintenance and refurbishment of the London Underground, TfL already has considerable exposure to cost overruns, and a contingent liability to pay 95% of the agreed amount of outstanding senior debt issued by Tube Lines. In our view, the acquisition of the Tube Lines Group does not therefore represent any material increase in TfL's credit risk, and on a positive note is likely to increase TfL's flexibility over the related works.

TfL intends to recoup the £310 million cost of the acquisition by no longer having to pay shareholder dividends, and by renegotiating subcontracts, refinancing debts, and making various efficiency savings. In any case, in the context of its business plan from 2010/11 to 2017/18, we believe TfL has considerable flexibility both to find savings in its cumulative operating budget of £51.3 billion, and to defer or reduce its £13.5 billion capital program (excluding Crossrail).

Standard & Poor's will continue to follow the situation as more details emerge.

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