

FirstGroup hangs on to Great Western – and state subsidies

Labour accuses government of allowing rail strategy to descend 'into chaos and confusion'

Gwyn Topham, transport correspondent
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The Great Western rail franchise is underwritten by a multimillion-pound taxpayer subsidy. Photograph: Fiona Hanson/PA

FirstGroup may be handed an extension to its Great Western rail franchise, underwritten by a multimillion-pound taxpayer subsidy – despite having served notice on the contract to avoid a payout of more than £800m to the government.

The next contract to run Great Western was due to begin on 1 April next year but rail industry sources say it is likely to be put back to the summer because of government delays in issuing tender documents. The Department for Transport, headed by Justine Greening, has refused to confirm the start date.

In the meantime, trains will be operated by FirstGroup, even though it decided to relinquish the last three years of its original contract to avoid paying premiums to the government. It is likely to receive subsidies during the extension period.

A DfT spokesman said bidders would receive tender documents "shortly". The bidding process between FirstGroup, Arriva, National Express and Stagecoach was originally due to start in May. Rail insiders have long questioned whether the depleted department could deliver its franchising timetable. Some sources suggest there is still great ambivalence within government about what they can want and can expect from train operators.

The shadow transport secretary, Maria Eagle, said the government should reveal the cost to taxpayers for of the delay: "The government's rail strategy is descending into chaos and confusion with Great Western being just the latest franchise no longer to be on track. The transport secretary must come clean on how much this has cost her department when last year's negotiations for a similar extension to the West Coast franchise cost taxpayers more than a quarter of a million pounds in payments to consultants and lawyers.

"With FirstGroup reportedly avoiding £800m in payments back to taxpayers by initially refusing to extend this franchise, ministers must also explain whether we will now see

any of this money being paid or if this extension will yet again leave taxpayers out of pocket.

"Passengers are facing annual fare rises by up to 11% every year and this ongoing franchise fiasco is yet more evidence of how the rail industry needs to be reformed to work better for farepayers and taxpayers.

One train operator queried whether further franchises, including most significantly the East Coast main line, would face knock-on delays.

A spokesman for FirstGroup said they had not been officially informed by the DfT whether they would still be running the service beyond April. He added: "FirstGroup is shortlisted to bid for the future Great Western franchise and we look forward to submitting a competitive proposal which meets the needs of customers and taxpayers."

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