

Virgin's Sir Richard Branson: Government must not back unrealistic West Coast rail bid

Sir Richard Branson has complained to the Government that it risks a re-run of previous rail franchise failures if it awards the West Coast Main Line contract to an unrealistically high bid from FirstGroup.



Richard Branson makes a quick call Photo: Richard Branson

By Alistair Osborne, Business Editor

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In a letter to Transport Secretary Justine Greening, copied to Prime Minister David Cameron, the Virgin founder claims the only way FirstGroup can justify its bid is to “drastically cut the quality of services”.

The entrepreneur, whose Virgin Rail subsidiary has run the London to Glasgow train service for the past 15 years, is so angry at reports he has been outbid by £1bn that he has written to ministers even before the winner is announced.

Failure to retain the franchise will end Virgin’s role as a UK train operator.

Virgin Rail, which is 49pc-owned by transport group Stagecoach, has offered the Government about £6bn to run the West Coast services for 14 years from December. However, bus and rail

operator FirstGroup is thought to have bid around £7bn – equivalent to a £500m-a-year payment to the taxpayer.

Both bids represent a big step up on the annual £160m Virgin Rail is currently paying to run a franchise that had £859m revenues and £43m operating profits in the year to April 30.

In his letter, Sir Richard draws comparisons with recent failures on the East Coast Main Line, where both GNER and National Express walked out on the contract after their bids proved far too optimistic.

He claims Virgin was the runner-up bidder both times, putting in “realistic bids after an extremely expensive tendering process”, only to be beaten by rivals that came “nowhere close to delivering their promised plan”.

Arguing that history cannot be allowed to repeat itself on the West Coast, he says: “We submitted a strong and deliverable bid based on improving the customers’ experience through increased investment and innovation.”

He adds: “Our team has transformed the West Coast line over the last 15 years from a heavily loss-making operation to one that will return the taxpayer billions in years to come.”

Noting how passenger numbers have risen from 14m to 30m since Virgin Rail began running the services, Sir Richard reminds the Government that critics used to say that doubling traffic on the route was "mission impossible".

Mark McVicar, a transport analyst at Nomura, said Sir Richard was “bound to make a fuss because he always does”, adding: “If FirstGroup has priced the risk differently you don’t need a massive difference to make £1bn over 14 years.”

A Department for Transport spokesman said: “We are evaluating bids and, as it’s a live competition, we cannot comment.” FirstGroup declined to comment. Virgin would make no comment on the letter.