

Chancellor urges maximum proceeds from rail franchise bids or risk high-speed line

The Chancellor has told transport ministers to maximise proceeds from rail franchise bids or put at risk the planned £32bn high-speed line to Birmingham and the North.



London to Birmingham HS2 train Photo: PRIESTMANGOODE

By Alistair Osborne

9:00PM BST 04 Aug 2012

The Chancellor has told transport ministers to maximise proceeds from the current rail franchise bids or put at risk the planned £32bn high-speed line to Birmingham and the North.

George Osborne's intervention raises the pressure on the Transport Secretary, Justine Greening, to award the first of the big franchise bids, the West Coast main line, to FirstGroup.

The bus and rail operator is thought to have offered about £7bn to run the London-to-Glasgow services over 14 years – outbidding incumbent Virgin Rail by £1bn, to the anger of Sir Richard Branson.

He has written to Ms Greening, claiming she risks similar franchise failures to those of GNER and National Express on the East Coast mainline if she approves an “unrealistic” bid. Annual figures this week for Virgin Rail show a fall in operating profits from £49.4m to £34.3m in the year to

March 31 when it paid £160m for running the service.

Virgin Rail, which is 49pc-owned by Stagecoach, took out £29m in dividends.

One senior industry source familiar with the Treasury's thinking said: "Greening is under pressure to get a big payday from the West Coast, East Coast and Great Western franchise bids or lose the backing for High Speed 2."

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