

Losing the West Coast rail franchise could be positive news for Stagecoach



Justine Greening. *Picture: Getty*

By PETER RANSCOMBE

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STAGECOACH could emerge from the current rail franchise bidding wars with higher profits from its train division even if Sir Brian Souter's firm loses its West Coast route to arch rival FirstGroup, industry analysts claim.

UK Transport Secretary Justine Greening is due as early as today to reveal whether Aberdeen-based FirstGroup has snatched the route away from the Perth-based firm and its partner, Sir Richard Branson's Virgin group.

Speculation in the City has continued to mount that Virgin Trains will lose the right to run services between Glasgow and London, with FirstGroup predicted to trump its £6 billion bid with a £7bn offer that will net the Treasury £500 million a year in royalties.

The size of the expected bids has sparked fears that firms could over-pay for the franchise, reviving memories of the re-nationalisation of the East Coast line after National Express was unable to turn over high enough revenues.

But Douglas McNeill, an analyst at Charles Stanley, said Stagecoach could be left in a better position overall financially if it loses the West Coast franchise but picks up one of the other two for which it is bidding.

"If Stagecoach wins either the Great Western or Thameslink on its own then it would reap all the profits from those routes, as opposed to sharing them with Virgin in the West Coast franchise," McNeill said.

The winner of the Great Western franchise will be selected in December, while the [successful](#) bidder for the Thameslink line will be named in May.

Stagecoach already runs the East Midlands and South Western lines alone. Souter will face shareholders at the group's annual general meeting on 24 August to defend the firm's record if it loses the West Coast franchise.

Paul Hickman, an analyst at Peel Hunt, said retaining the West Coast line would be worth 30p on top of Stagecoach's share price, which closed at 284.3p on Friday.

Hickman added: "Stagecoach's Virgin joint venture and FirstGroup are rumoured to be front-runners. Our gut feeling is that FirstGroup, with more need to bid up, will win on price."

The analyst said the group's financial performance remains "on course", with like-for-like sales at its regional bus unit expected to be up 4 per cent when it posts its first-quarter trading update next week.

Meanwhile, Branson is expected to launch a legal challenge if Virgin Trains loses the route that it has

operated for the past 14 years.

Reports began circulating last week that the Virgin boss would push for a judicial review into Greening's decision if his firm is unsuccessful, with further reports at the weekend stoking predictions that the bidding war could end-up in court, a first for the rail industry.

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