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TEXT SIZE

Virgin: rail decision costs Scotland two major new services

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When the Virgin logos are eventually stripped from the sides of West Coast passengers trains, it will be accompanied by a dose of nostalgia usually absent from the world of rail franchise handovers.

Virgin trains will soon be gone from the West Coast line

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Love them or loathe them – and Sir Richard Branson's tilting Pendolino trains divided opinion – Virgin Trains was easily the most memorable brand to emerge in the short history of the privatised rail industry and one of the few that stood out for passengers. For all those that complained about toilets and cramped seats, there were plenty swept away by travelling at 125mph along the West Coast Main line, and seduced by the allure of the trains' low-level lighting and airline-style luxury.

Scottish rail users may even have more reason to rue their departure, after Virgin revealed the company planned new services at Motherwell and Stirling if it had kept the franchise.

With numbers on the London-to-Glasgow route growing faster than anywhere else on the network, Virgin planned a major intercity rail hub in Motherwell, with every other hourly departure from Glasgow stopping at the Lanarkshire town, offering a journey time of less than four hours to London.

It also envisaged the first direct Stirling-to-London service, though this would depend on Scottish Government plans to electrify the track north of Glasgow.

But much of the wailing and gnashing of teeth that followed the decision on Wednesday by the Department for Transport to hand over the flagship West Coast franchise to Aberdeen-based transport giant FirstGroup was because many felt Virgin was losing out after producing a resounding success story.

Passenger numbers have more than doubled to 31 million a year and surveys by rail watchdog Passenger Focus show a 91% approval rating among passengers – against an 83% industry average.

What will follow on December 9, when the keys to the franchise are handed over, will be, depending on who you have listened to over the past few days, another step-change in improvement – or a disaster for passengers and taxpayers alike.

The winning bid by First is certainly ambitious, including promises to increase passenger revenues by 10.4% by 2026, significantly up on the 8.5% growth predicted by Virgin.

Passengers have been promised a raft of improvements, including smart ticketing, free WiFi and more attractive deals on unused seats in less-busy periods, as well as an extra 40,000 seats a day by 2016 through the introduction of extra trains.

But First pledged to pay the UK Government £5.5 billion, in today's prices, for the right to operate the passenger franchise – £700 million more than the bid tabled by Virgin. If inflation and other factors are taken into account, the total paid by First will be closer to £10bn – £1.4bn more than Virgin.

Critics, of whom Branson is the most vocal, claim this is not deliverable and say the Virgin bid– which included similar plans to increase the train fleet – was a safer option. If First does not achieve the promised growth in passenger numbers, it says, it will struggle to pay the Treasury and end up walking away from the franchise, leaving the UK Government to sort out the mess.

There is form for this, particularly on the East Coast Main Line, where both GNER and National Express saw passenger franchises collapse after relying on over-ambitious passenger-growth forecasts. Inter-city services on the route are now being run by East Coast, a Government-owned company set up by the DfT after the last crisis in 2009.

"Insanity is doing the same thing over and over again and expecting different results. When will the Department for Transport learn?" Branson complained.

Such fears, voiced by rail unions and politicians, were shared this week by city analysts, with shares in First tumbling 6% after Wednesday's announcement, wiping £76m off the value of the company. Ratings agency Standard and Poor followed suit, revising its outlook on First from stable to negative in light of the West Coast rail announcement. Merrill Lynch analysts described First's bid as "exceptionally aggressive", while Gert Zonneveld at Panmure Gordon said there were "substantial risks in respect of revenues fallling short of expectations".

As the core passenger train service connecting Scotland to the rest of the UK, the importance of the inter-city service to the country's economy and tourism sectors is enormous, a point underscored by the Scottish Chambers of Commerce and Glasgow City Marketing Bureau this week.

So will Scotland lose out as a result? A source at Virgin pointed out that of the six "red" trains in operation – those that tend to be extended from nine cars to 11 after filling up with advanced bookings – four are usually Euston-Glasgow services.

Virgin's solution to this squeeze was a major expansion at Motherwell. This would attract thousands of passengers from Lanarkshire who currently fly to London instead of taking a train journey of more than five hours via Glasgow. This would tie in with South Lanarkshire Council's plans to expand car parking at Motherwell, something Virgin was said to be keen to contribute to.

The Stirling-to-London service would also attract a sizeable market – particularly business travellers – who overwhelmingly fly from Edinburgh or Glasgow to London to avoid the hassle of changing trains.

An added bonus would be to relieve pressure on the main Glasgow-to-London route, ensuring more seats were available during the busy peak periods.

Sources at Virgin have also expressed disquiet at First's plans to fit more people on trains, claiming it will make it more difficult to cope with spikes in demand. Without the flexibility of unbooked seats, trains could easily become overloaded, they say.

First has claimed Virgin's bid was simply unambitious. First's chief executive Tim O'Toole says Virgin underplayed the potential of the route. "If they were only going to achieve 8.5% [growth] then either they weren't going to do much or they were going to make a hell of a lot of money," he said.

On the 330 Virgin services on any day, an average of only 35% of seats is occupied, First claimed. In other words, nearly two-thirds of seats are empty, representing enormous potential to increase passenger numbers on the route and boost profits.

First also smarted at rumours circulating before Wednesday's announcement that it was planning to pay for its bid by cutting staff and running down services. In fact, details of the Virgin Trains bid released by Stagecoach, which owns 49% of the Branson company, showed it planned to achieve cost savings of £45m a year, compared to £25m annual savings planned by First.

Vernon Barker, managing director of First's rail division, denied passengers would be crammed onto crowded trains, saying he was "acutely" aware of the pressure on key services subjected to high demand. The company would retain the flexibility for turn-up-and-go passengers to catch a train without booking, partly as a result of a new management system that would better identify where the empty seats on services were and offer discounts to fill them up, he said.

And though First is not planning to expand services at Motherwell, Barker has a simple rejoinder to critics: if Virgin could do it, there's nothing to stop First doing it. "When we start running the franchise, it's nice to know Virgin have pointed us to an opportunity to extend services in Scotland. We'd be delighted to talk to Transport Scotland and Network Rail to see if there is a genuine market for that," he said.

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Hazelkaye, Strathclyde

Stirling to London via Motherwell and the WCML?
Most interesting - as this would simply be a return (in part) of the erstwhile and popular through Inverness-Perth-Stirling-Cumbernauld-Coatbridge Central-Motherwell-WCML-Birmingham-London Euston service ("The Clansman") lost in the latter days of BR in the run-down to rail privatisation!
Motherwell is a grossly and shamefully under-utilised (main-line) station, having being steadily 'run-down and relegated' to its albeit still busy but basically suburban/commuter status rather than being developed and expanded to fulfill its obvious potential as a major WCML/ECML/Cross-Country/Trans-Pennine asset to interchange with local connecting/feeder services!
Indeed, extending the currently 'restricted' local Motherwell-Coatbridge-Cumbernauld service to/from Larbert and Stirling (as was originally intended - but still long-awaited) would be a positive start - and would help alleviate at least part of this "loss"!

Thankfully, Stirling still has its one direct, daily rail service to/from London King's Cross ("The Highland Chieftain") via Edinburgh and the ECML.

(Edited by author 3 days ago)

4 days ago

Robert Wakeham

If and when the lines between Motherwell and Stirling get electrified, but it now appears that the EGIP plan to electrify to Stirling has been dropped for the foreseeable future.

4 days ago in reply to Hazelkaye, Strathclyde

Euan Leckie, Argyll

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while the SNP scales back the ambitious electrification proposals started by the last Labour/Lib Dem Administration.... another SNP dividend?

4 days ago in reply to Euan Leckie, Argyll

Mel Kelly, Irvine

as well as an extra 40,000 seats a day by 2016 through the introduction of extra trains.

Now - let us see who pays for the trains - the government - and who profits from the extra fares - the private rail companies

So tax payers paying twice for the same train --

We pay tax - the government buys trains - this generates extra fares - who gets the profit from the fares - the private rail company

So as a worker who must travel on the train to get to work - I pay twice - I pay tax and I pay higher fares

HIgher fares imposed by government on behalf of the private sector is nothing more than

govermment imposing private sector taxation - without representation - on workers

If I pay for the trains I expect the profits to be returned ot me as the taxpayer

Private rail companies are nothing more than a middle man syphoning money out of the railway

If we fund railtrack and we buy the trains -we Britain PLC should get the profits

Just look at the High speed rail link - finished in 2010 - we spent £5billion building it and buying trains

David Cameron sold it within months to a Canadian Pension fund - for £2billion

So we borrow £5billion build HS1 - the goverment sells the right to profit for 2billion

...

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Hazelkaye, Strathclyde

Mr Barker - there's always a market if the product offered to that market is 'genuine' and effectively and meaningfully marketed to the potential market in the "FIRST" place!

4 days ago