

FirstGroup's £13bn West Coast rail bid faces probe by MPs

Transport ministers and executives at FirstGroup and Virgin Rail are expected to be called before two parliamentary committees amid growing controversy over the bid for the West Coast rail franchise.



FirstGroup offered £13.3bn cash for the West Coast, including a 20-month extension to the end of 2028 Photo: PA

By Alistair Osborne, Business Editor

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Both the Public Accounts Committee (PAC) and the Transport Committee are likely to scrutinise the bid in the face of figures showing it is not until March 2022 that FirstGroup's winning offer returns substantially higher payments to the taxpayer.

Margaret Hodge, PAC chairman, said she was concerned that, following bid fiascos on the East Coast line, the Department for Transport (DfT) had been "over-optimistic about passenger numbers and economic growth".

"There is no evidence to us that the DfT has changed its spots on any of this," she said. "It would probably be legitimate for us to look at the process they have engaged in on this bid."

In a highly critical report into National Express's 2007 bid for the East Coast franchise, the PAC accused the DfT of failing to "undertake sufficient due diligence". National Express walked out on

its £1.4bn contract after forecast passenger volumes failed to materialise.

The Transport Committee is also understood to have contacted Virgin Rail and FirstGroup in recent days.

FirstGroup offered £13.3bn cash for the West Coast, including a 20-month extension to the end of 2028 – against Virgin’s £11bn.

However, analysis of the bids shows that while FirstGroup offered £45m more during the first three full years, the taxpayer would be better off with Virgin in each of the next five – by as much as £135m. Only by 2022 does FirstGroup pull £130m ahead.

One senior rail figure uninvolved in the bid said: “If this is what the DfT is looking for, all people will do is bid a big number and load it to the end. If you get it right you make a lot of money. If you get it wrong, you walk away. They’re encouraging you to be unbelievably cynical.”

Virgin founder Sir Richard Branson has until August 28 to decide whether to launch a judicial review. It is understood Virgin’s lawyer Herbert Smith has written to the DfT requesting urgent feedback on a bid ministers admitted was more “deliverable” than FirstGroup’s. Virgin and the DfT declined to comment.

A FirstGroup spokesman said: “We always co-operate with select committees but have not been formally contacted on this.”