

'Insane' rail decision is questioned by MPs



Virgin was furious at losing the West Coast Main Line franchise after 15 years after First Group's ambitious promises to increase passenger numbers and pay the Treasury £9.6 billion over 13 years

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Transport officials may be hauled before MPs to explain their controversial decision to strip Virgin Trains of the intercity West Coast Main Line franchise after the Public Accounts Committee waded into the row yesterday.

Margaret Hodge, the chairman of the influential committee, said that it would investigate whether the Department for Transport had done sufficient due diligence in awarding the London to Manchester railway to FirstGroup two weeks ago.

Virgin was furious at losing the franchise after 15 years after First Group's ambitious promises to increase passenger numbers and pay the Treasury £9.6 billion over 13 years, trumping Virgin's offer by £1 billion.

Sir Richard Branson, who owns 51 per cent of Virgin Trains, accused the Government

of “insanity” and threatened a judicial review of the decision. Virgin had run the West Coast Main Line, which connects London’s Euston Station with Birmingham, Manchester, Liverpool, Edinburgh and Glasgow, since privatisation in the late 1990s.

Critics of FirstGroup’s bid pointed out that its record as the holder of the Great Western franchise was poor, beset by delays and crowded trains. They argue that the company could afford the bid only if it made huge cost-cutting measures, such as axing jobs and reducing services.

This week, a group of celebrities including the comedian Eddie Izzard and Jamie Oliver, the chef, backed a campaign to force a debate in the House of Commons about the Government’s decision.

Ms Hodge said: “The West Coast Main Line deal is the first of the longer franchises being let by the department, and we’ll want to see that the department has learnt the lessons from its past failures to secure value for money.

“We have expressed concerns before about the department’s capability in predicting accurate passenger numbers and reflecting the impact of economic conditions on train operators’ revenue.

“Questions over their capability have now been raised again and whilst we welcome healthy competition it is essential that the department has exercised proper due diligence in the letting of this franchise.”

The committee will review whether the Department for Transport has adhered to its previous recommendations about the letting of franchises and, in the longer term, will assess whether the FirstGroup bid delivers a good deal for rail passengers, Ms Hodge said.

Virgin Trains runs the West Coast Main Line with Stagecoach. Earlier this week, the transport group reported that revenue from West Coast service had risen by just 0.6 per cent in the first six months of the year.

FirstGroup has promised the Government it will generate annual revenue of more than 10 per cent annually over the 14-year life of the franchise.

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