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Short-term fix for West Coast line contract

By Jim Pickard and Mark Odell

The future of the West Coast main line will remain in doubt until after the next general election following a compromise deal that will initially see incumbent Virgin Rail continue to operate the line.

The government said on Monday that a decision on a long-term operator to run the country's busiest intercity route is now not expected for three years.

The fix devised by Whitehall is designed to resolve the fiasco that engulfed the industry at the start of October after the government scrapped its decision to award a new franchise to FirstGroup .

Patrick McLoughlin, the transport secretary, pulled the plug on that process when "significant technical flaws" were discovered after a legal challenge by Virgin Rail, a joint venture between Sir Richard Branson's Virgin Group and Stagecoach.

The complex new arrangement will see Sir Richard's train company running West Coast for the next nine to 13 months when its existing franchise expires on December 8. The transport department said it would not know how much this would cost until it had finished negotiating the extension with the operator. Virgin Trains is expecting to receive a management contract and an annual fee of about £18m.

During the extension, the government plans to run an open tender for a two-year "interim franchise", and only once that has been let to consider a competition for a new long-term deal.

The arrangements reflect how legally fraught the issue of granting Virgin Rail an extension has become amid concern it could contravene European procurement law.

Labour dismissed the arrangement as a "failure" and lawyers questioned whether it would prevent legal action. "The key questions are whether these proposals will be acceptable to all the bidders and, if not, whether they can stand up to legal challenge from a disgruntled bidder," said Adrian Magnus, a procurement specialist at Berwin Leighton Paisner.

Mr McLoughlin told the House of Commons that the arrangement was the best way forward and Virgin would "continue to provide a good service" in the short term.

The “fiasco” had resulted after the government “slashed” expertise at the DfT in order to cut costs, said Maria Eagle, Labour’s transport spokeswoman.

The Financial Times revealed last week that cuts in the use of outside consultants to verify bids, in a department that has lost 25 per cent of staff in wider cuts in Whitehall, is thought to be behind the mess.

The transport secretary appeared to acknowledge that there had been many redundancies at a high level within the DfT, blaming the wider economic situation for the deep Whitehall job cuts of recent years.

He has set up two inquiries following the fiasco. The one looking at what went wrong with the West Coast bid is due to report by the end of October and a second into the wider rail franchising process will report at the end of the year.

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