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Bidders claim rail flaws spotted in 2011

By Mark Odell, Transport Correspondent



The Department for Transport was alerted to errors in the bid documentation for the West Coast main line franchise as long ago as May 2011, suggesting there were problems from the outset with the handling of the tender scrapped by the government earlier this month.

Two of the four shortlisted bidders for the franchise have told the FT that they discovered flaws in the initial documentation sent out. These were only corrected after they told officials the numbers did not add up.

Executives from the companies said they could not be sure the errors were linked to the same problems that led to the cancellation of the tender at the start of October. “But it should have set alarm bells ringing,” said one.

The revelation will bolster concerns over the department’s ability to run such complex procurement competitions. The department was one of the first in Whitehall to suffer heavy cuts to staffing, with 25 per cent of positions axed, including many senior posts.

It also ran the competition to run the UK’s busiest intercity route without input from the experienced financial advisers who would normally be used in such complicated tenders following a clampdown on spending on consultants.

One senior executive told the FT that his company had alerted the department after discovering that the template files, which the department asks all bidders to fill out, contained mistakes.

An executive at a rival bidder confirmed that his company had raised similar concerns. “The spreadsheet contained certain assumptions that looked odd to our economic modellers, so we went back to the department and pointed it out,” the executive said.

Louise Ellman, who chairs the Commons transport committee, said: “This is a matter of concern and indicates problems at an early stage. But it is impossible to assess whether there is any link to the major issues that have caused the collapse of the bidding process. We will be looking into this issue during our investigation.”

The department said on Tuesday: “Draft documentation was provided to bidders in May 2011 for comment and to inform policy development. This documentation was entirely separate from the evaluation models used by the Department for Transport which were later found to contain errors.”

Patrick McLoughlin, transport secretary, will appear before the select committee next week to explain what went wrong with the bid process and why he annulled the decision to award a new franchise to FirstGroup at the start of October. Three officials have been suspended pending an internal review.

Mr McLoughlin has said he took the decision after “significant technical flaws” were discovered as the government prepared to defend itself against a legal challenge by incumbent Virgin Rail over the award of the contract to a rival.

The other shortlisted companies were Abellio, a division of the Dutch national railway, and Keolis, a subsidiary of France’s SNCF.

The inquiry into what went wrong, led by Sam Laidlaw, the department’s senior non-executive director, is due to report its initial findings at the end of the week.

The government is holding talks with Virgin Rail about a short-term deal to continue to run the line when its contract expires in December.

The decision to cancel the competition came after an investigation by PwC found that calculations showing how officials reached their decisions were either lost or missing. PwC tried but could not replicate the outcomes.

The main error appears to have been in the way the level of risk in the bids was evaluated, resulting in FirstGroup being asked to put up a bond designed to protect the taxpayer against default that was too low.

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