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Rail chief warns on industry overhaul

By Mark Odell

One of Network Rail's top executives has warned the government that any radical overhaul of the industry in the wake of the West Coast main line debacle could undermine plans to cut the cost of running the railways.

The government has put the award of all rail franchises on hold in the wake of the cancellation of the West Coast contract – originally awarded to FirstGroup – in September, pending the outcome of a review of the franchising process due at the end of the year.

The hiatus is expected to lead to a delay of at least six months before the franchising process restarts but some critics have called for a radical overhaul of the system by scrapping franchising, which would lead to longer delays.

Patrick Butcher, finance director of Network Rail, said the industry could cope with the disruption "for the next 12 to 18 months" but warned there would be a problem if the uncertainty dragged on.

The government has put pressure on the industry to reduce the £10.5bn annual cost of running the rail network, as part of wider cuts in public spending.

Last year, the industry put together proposals to cut the cost by £1.3bn annually by the end of the decade. A key assumption behind those savings was that longer franchises would incentivise train operating companies to work more closely with Network Rail.

However, some of the problems in the shambolic handling of the West Coast franchise came about because the government wanted a 15 year franchise, as opposed to the typical seven year contract let in the past. The longer period makes it almost impossible for a bidder to produce reliable forecasts of future demand.

Network Rail and the train operators are planning a unified response to the franchise review, which is being conducted by Richard Brown, Eurostar chairman.

"We think the basic model is not broken, clearly what needs to change is we need a franchising system that works and is reliable," said Mr Butcher.