

Long-term rail contracts should be scrapped, industry leaders say

Man due to report on future of franchising is told that shorter term contracts should replace current system

Gwyn Topham, transport correspondent
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Rail Delivery Group has argued for 'horses for courses' franchises that would vary for commuter and long-distance routes. Photograph: Ally Carmichael/Newscast/PA

Rail industry leaders have privately told the man shaping the future of franchising after the west coast fiasco that the government's policy of long-term contracts should be jettisoned.

The powerful Rail Delivery Group (RDG), led by Tim O'Toole of FirstGroup – the company which won the contract to run the London-Manchester-Glasgow service this year only to see the decision overturned after a legal challenge by Virgin – has instead lobbied for shorter terms and "horses for courses" franchises that would vary for train operators on commuter or long-distance routes.

Richard Brown, the Eurostar chairman, has been tasked by the government with examining whether the franchising programme is fit for purpose, and will report by the end of December. He has been conducting a series of private meetings with industry leaders and is now said to be "advanced in his thinking" on the solution he will propose.

The transport secretary, Patrick McLoughlin, has asked Brown to find ways to restore the franchising programme as soon as possible. More than half of the network is due to be tendered in the next two years.

O'Toole declared in the Guardian's annual George Bradshaw lecture last month that the industry should "confidently defend the current business model even in the wake of the current fiasco" and "tell government what it must do and the schedule it must keep". But the vision of the RDG now differs markedly from that of coalition government ministers, who had planned 15-year franchise awards that would have seen train operators in place until the end of the next decade. One of the key architects of that policy, the former rail minister Theresa Villiers, was reshuffled to the Northern Ireland Office when McLoughlin came in, and while the new transport minister Stephen Hammond helped draw up the plans in opposition, his brief no longer includes rail.

An insider said: "Basically, the sacred cow of long-term franchises has been slain."

The RDG believes there is scope for short franchises for standard commuter services without demanding significant investment from train operating companies – and wishes to move away from a model that involves precarious and disputed long-term economic forecasting, carrying substantial risk.

The industry has also made clear its belief that there is not sufficient capability in the Department for Transport to handle all the franchises up for renewal. Many are thought to favour an independent body to run franchising, along the lines of OpraF, the scrapped quango which allocated most of the contracts in the early days of privatisation. However, the RDG fears it would take too long to establish and risks delaying the process even further.

Network Rail warned last week that franchise delays would put investment in services at risk.

An official announcement on the terms of Virgin's new west coast deal is expected within the next eight days, when McLoughlin is also due to unveil the findings of Sam Laidlaw's inquiry into what went wrong in the franchising process. Virgin's contract extension is expected to last until February 2014.

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