

Transport official highlights infighting over West Coast bid

A senior Department for Transport official has drawn attention to civil service infighting over the West Coast rail bid fiasco by claiming there are “stark inconsistencies” in the accounts of those involved.



FirstGroup was named as the winning bidder over Sir Richard Branson's Virgin Rail Photo: Alamy

By Alistair Osborne, Business Editor

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Peter Strachan, the DfT's head of major projects, pre-empted the report due this week from Centrica chief executive Sam Laidlaw by writing at length to bidders with his own version of events.

Questions are now being asked, however, over his motives for penning accounts running to more than 10 pages that appear to exonerate him from any blame.

Mr Strachan's letters focus on a crucial meeting of the contract awards committee (CAC) at the end of June, which it is believed he did not attend.

The committee met to decide the size of the subordinated loan facility (SLF) bidders would forfeit if they walked out on the contract. FirstGroup was ultimately required to pledge £190m against its “winning” bid that offered the taxpayer £13.3bn for running the London-Scotland line until 2028. Sir Richard Branson's Virgin Rail put up £40m against its £11bn bid.

Mr Strachan wrote that “stark inconsistencies between the different accounts of officials in attendance at the June 27 2012 CAC meeting have meant it is not possible for the Department to give a clear view as to what happened”.

The meeting of about a dozen officials is understood to have been chaired by Kate Mingay, the DfT's director, commercial and technical services. She is one of three officials who were suspended on October 3 after Transport Secretary Patrick McLoughlin pulled the West Coast franchise competition after finding “unacceptable mistakes” in his department's handling of the bid. Ms Mingay subsequently issued a statement maintaining she “did not have lead responsibility for this project”.

Mr Strachan's letter relates that “in the days leading up to this meeting, the risk adjustment process was being finalised”. It was “at this late stage... that the department's technical advisers identified for the first time” that one bidder had “applied an overlay” to its 2012-13 revenue forecasts.

Although he does not name the bidder, it is thought that the “overlay” refers to FirstGroup increasing its revenue projections on the grounds it believed it would market the service better.

His letter explains that the department issued “an urgent CQ [contract question] to the relevant bidder on June 22”.

However, it is unclear whether officials at the CAC meeting five days later were made fully aware of the issue of the “overlay”.

Mr Strachan's letter appears inconclusive on what was decided at the meeting. He said there was “evidence that the CAC did not reach any decision” on the overlay, but goes on to say it may have “treated one bidder more favourably” by requesting a “reduced level of SLF”.

He adds that, whatever happened, FirstGroup should have been required to put more capital at risk. “If the CAC had decided to accept the overlay in part, it should have asked for a significantly higher level of SLF,” he wrote, while if it had been rejected the CAC should have demanded “over double the level of SLF”.

Industry sources have dubbed his account an “anyone but Strachan letter” – a jokey reference to talk that the DfT adopted an “anyone but Branson” approach to deciding the bid, which it vigorously denies.

The importance of the CAC meeting and the issues leading to the suspension of officials are expected to form a significant part of Mr Laidlaw's report this

week.

Asked why Mr Strachan wrote the letter, a DfT spokesman said it was a “matter of courtesy” to bidders. He added: “Issues about the CAC are part of the Laidlaw and internal HR inquiries and it is inappropriate to comment.” As to talk that Mr Strachan may be moved from his current job, the spokesman only said: “Peter Strachan is in post.”

Neither Virgin nor FirstGroup would comment. A spokesman for Ms Mingay also declined to comment.

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