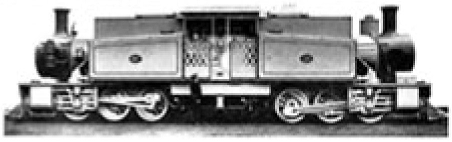
PRIVATE EYE

SIGNAL FAILURES



The giddy LMT!

WEEKS of mass cancellations at London Midland Trains (LMT) will hit revenue but shareholders needn't worry: there's a bailout at the end of the tunnel!

Last year LMT's revenue was more than 99 percent of the revenue forecast when Govia, a consortium led by Go-Ahead, landed the franchise. Go-Ahead boasted in September that LMT was "the only franchise of its time not to be in receipt of revenue support, which is a testament to the excellent management of the franchise". "Revenue support" kicks in if a franchisee nets less than 98 percent of the cash it forecast in its franchise bid; and taxpayers cover 50 or 80 percent of the shortfall, depending how far off target the revenue is. Franchises with less excellent management than LMT's shared £451m of revenue support last year.

It is tempting to blame the financial crisis for the revenue shortfall; but sudden rises in motorists' fuel costs were also unexpected, and passenger miles travelled by train have risen at the same rate since the crisis began as before it. What the £451m bailout actually proves is that revenue forecasts - fundamental to rail franchising - are just optimistic guesses to impress a gullible Department for Transport.

Revenue support can affect passengers as well as taxpayers. Govia's Southeastern franchise axed Boxing Day trains because the extra money they would have brought in would have reduced Southeastern's bailout, saving public cash but not helping shareholders (see Eye 1303).

In 2009 LMT cancelled many services "due to staff shortages" (Eye 1245). This autumn LMT has cancelled or truncated hundreds more, blaming "a temporary shortfall of qualified train drivers". The widespread disruption will reduce LMT's revenue this year (and longer, if some passengers give up on LMT). To avoid that, LMT needed to recruit more drivers, earlier on, which would have inflated LMT's costs. But why bother when revenue support waits in the wings?

'Dr B Ching'

30 November 2012