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Virgin keeps West Coast line for two years

By Mark Odell

Virgin Trains will continue to operate the West Coast rail franchise for a further 23 months, the government announced on Thursday, after a fiasco when faults were found in the bidding process.

The deal comes on the day the government is due to release the full report on the West Coast rail tender, cataloguing the errors inside the department during the original awarding process.

It follows weeks of negotiations after the discovery of what Patrick McLoughlin, transport secretary, called “completely unacceptable” mistakes in the competition run by the transport department. The contract had been awarded to [FirstGroup](#).

Mr McLoughlin said the extension was the right decision for passenger service and that travellers would benefit from up to 28,000 more seats every day. The existing franchise was due to expire on Sunday December 9.

“We are determined to ensure not only that passengers continue to experience the same levels of service that they have in the past, but that services improve,” he said.

The government has been in negotiations for weeks with Virgin Trains, a joint venture between Sir Richard Branson’s Virgin Group and Stagecoach, over the contract extension.

The 23-month period, after which the competition will be rerun, is longer than originally indicated. Ministers had planned to give Virgin an extension of up to 13 months, then retender for a short-term franchise, before running a competition for the long-term contract.

Virgin will initially earn 1 per cent of the revenue with the transport department taking the risk that revenue or costs differ from forecasts.

Martin Griffiths, Stagecoach’s finance director, said it was a good deal for taxpayers and shareholders.

“While this has been a difficult few months, we believe the future prospects for the West Coast franchise and the wider rail network are very positive,” he said.

Shares in Stagecoach rose 0.3 per cent in early trading on Thursday, slightly more than the wider market. FirstGroup shares also rose, up 0.1 per cent, slightly less than the market.

Three officials have been suspended as a result of the fiasco. The most senior civil servant, Kate Mingay, has dropped her legal challenge against her suspension, which had been to be heard in the High Court on Friday.

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