

Virgin gets two more years on West Coast Main Line



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Virgin Rail will continue running services on the West Coast Main Line for another two years, two months after the Government awarded the contract to FirstGroup before scrapping the deal.

The new agreement reached with the Department for Transport marks a turnaround from its position in October, when it said the line would be run by an interim franchise until another long-term contract was awarded.

Virgin, which has run trains between Glasgow and London for 15 years, will continue doing so until November 2014.

Patrick McLoughlin, the Transport Secretary, said that the Government was determined to ensure better service levels. "There will be a new hourly service linking Glasgow and London and we will also work with Virgin Trains to explore other service improvements," he said.

Up to 28,000 more seats will be available every day following the delivery of 106 new Pendolino carriages on the West Coast line.

Under the new agreement, Virgin will earn 1 per cent of turnover, expected to be about £900 million this year, with the Government bearing revenue and cost risks.

Stagecoach, which owns a 49 per cent stake in Virgin Rail, urged the Government to get the rail franchise programme back on track. Fifteen franchises are due to expire over the next six years.

Martin Griffiths, Stagecoach finance director, said: "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."

Stagecoach yesterday reported a 29 per cent rise in pre-tax profits to £116.1 million for the half year, driven by the company's UK bus operation.

FirstGroup could still take legal action against the Government, after failings in the Department for Transport's bidding process prompted the cancellation of the FirstGroup contract. FirstGroup had offered to pay £13.3 billion to run the line, outbidding Virgin considerably.

An inquiry into the debacle has been conducted by Sam Laidlaw, chief executive of Centrica, who submitted his report to Mr McLoughlin last week.

However, the Transport Secretary decided not to publish it immediately in an attempt to avoid any further legal proceedings of the sort being brought by Kate Mingay, one of the officials suspended after the mistakes were found to have been made.

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