BBC NEWS

UK

7 December 2012 Last updated at 01:43

West Coast Main Line fiasco 'to cost taxpayer'

The collapse of the £5bn West Coast Main Line deal will bring "a significant cost to the taxpayer", a National Audit Office report has found.

The government scrapped its decision to award the franchise to FirstGroup in October, owing to faulty calculations.

It has already estimated the cost of reimbursing four firms for the cost of their bids would be £40m.

The NAO said costs for staff, advisers, lawyers and the two reviews into the fiasco added up to a further £8.9m.

A separate independent report published on Thursday found there was a "damning failure" by the Department for Transport (DfT) which led to ministers - who had not been told about flaws in the bidding process - awarding the contract after being given inaccurate reports.

The mistakes came to light after rival bidder Virgin Trains, which had run the West Coast Main Line since 1997, launched a legal challenge against the decision.

The report by Sam Laidlaw - chief executive of Centrica, the owner of British Gas - found department officials wrongly calculated the amount of risk capital bidders would have to offer to guarantee their franchise proposals.

'Lamentable failures'

NAO head Amyas Morse said cancelling a major rail franchise competition at such a late stage was "a clear sign of serious problems".

"The result is likely to be a significant cost to the taxpayer," he went on.

Mr Morse said the failure of essential safeguards raised questions about the DfT's broader management approach, as well as the West Coast episode.

But he commended the department's efforts to be open about what happened, and to investigate further once the problems with the bidding process had been uncovered.

Commenting on the report, House of Commons Public Accounts chairman Margaret Hodge MP said the DfT's handling of the case had been "a first-class fiasco".

"It has left the government's entire policy on rail franchising in disarray, as a further three competitions have had to be put on hold," the Labour MP for Barking said.

"The total cost to the taxpayer of putting it right is currently unknown but is likely to be significant."

Transport Secretary Patrick McLoughlin said the NAO findings mirrored those of the Laidlaw inquiry report.

He said the government was already taking "swift action" to ensure that future franchise competitions were "conducted on the basis of sound planning, the rigorous identification and oversight of risk, and the right quality assurance".

"I believe the plans we are putting in place to ensure future franchise competitions are conducted on the basis of sound planning, the rigorous identification and oversight of risk, and the right quality assurance, will prevent a repeat of these lamentable failures," he went on.

On Thursday morning, Mr McLoughlin announced that Virgin Trains would continue running the service until 9 November 2014 when a new long-term franchise would begin.

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