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Cuts blamed for West Coast rail fiasco

By Mark Odell and Jim Pickard

Swingeing cuts at the Department for Transport, together with rushed implementation of changes to rail franchising policy, lie at the heart of the West Coast rail fiasco, according to a damning report by the public spending watchdog.

The findings of the National Audit Office inquiry, being published on Friday, come less than 24 hours after an internal departmental report highlighted many of the same failings as having led to the cancellation of the contract to run the UK's busiest intercity rail services.

That decision followed the discovery of a long list of errors in the tendering process that saw FirstGroup awarded the franchise in August ahead of incumbent Virgin Rail. The departmental failings came to light as a result of a legal challenge by the losing bidder.

Margaret Hodge, Labour chair of the public accounts committee, labelled the DfT's handling a "first class fiasco" and said the "ultimate failure of this completion was sealed by a rich mix of the department's feeble and forever-changing management and almost non-existent oversight".

The DfT was one of the first departments in Whitehall to implement staff cuts, accompanied by a wide-ranging reorganisation in 2010, as well as a decision by ministers to push through significant changes to rail franchising policy.

The West Coast franchise was the first to be awarded under the new terms.

George Muir, a former rail executive and banker, said the government's decision to change the franchising policy was a root cause for the mess. "This has been an uncomfortable and destructive two years."

But on Thursday night, Downing Street joined Patrick McLoughlin, transport secretary since September, in insisting former ministers in the DfT were blameless.

They pointed to the internal report, conducted by Sam Laidlaw, a non-executive director of the department and chief executive of Centrica, which found that officials withheld crucial information from ministers.

A Downing Street spokesman said: “What it makes clear is that, if the problems had been properly escalated and brought to the attention of the senior civil servants and ministers, then we probably could have got this right. We wouldn’t have been in the mess we are in.”

But Louise Ellman, chair of the transport select committee, questioned the role of ministers. The Laidlaw report, she said, “appears to blame officials for many of these problems on the basis ministers were not made sufficiently aware, or were even misled. This begs serious questions about ministerial accountability.”

Ms Ellman said she would be asking Mr Laidlaw “how spending cuts have left the department denuded of sufficient resources and staff to manage a robust franchising process”.

Both the NAO and Laidlaw reports reveal staff cuts of up to 30 per cent at the department, with experienced managers, including the head of rail policy, axed. The government said on Thursday that it would appoint a new head of rail by the end of the year.

The reports came amid broader Whitehall concern about the impact of budget cuts on the civil service.

Peter Riddell, director of the Institute for Government, a think-tank, warned: “This is possibly an early glimpse of what happens when parts get stretched too far doing too many things at the same time.”

The DfT agreed on Thursday to extend Virgin Rail’s contract, which expires this weekend, to run the West Coast for another 23 months. It has put all future franchise awards on hold.

It is waiting for the outcome of a separate review by Richard Brown, the chairman of Eurostar, into wider rail franchising policy, later this month.

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