

Taxpayer hit for £6m more in rail bid fiasco



Virgin challenged the decision to award the franchise to FirstGroup EPA/Andy Rain

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The collapse of bidding for the West Coast rail franchise will cost taxpayers another £6 million, the top official at the Department for Transport admitted to MPs.

Philip Rutman, the permanent secretary, said the DfT must pay £1 million to the state-owned Directly Operated Railways for planning in case it had to operate the trains. He told the Commons Public Accounts Committee that the DfT also owed £5 million to FirstGroup for preparing to run the franchise before the bidding process was scrapped in October.

The new figures bring the cost so far of scrapping it to £55 million. Giving evidence to the Public Accounts Committee (PAC) Mr Rutnam admitted the department wasted £1 million asking the state-owned Directly Operated Railways to come up with contingency plans.

The RMT rail union has predicted that costs could eventually rise to £100 million.

Amid fierce questioning and angry exchanges with MPs Mr Rutnam and Clare

Moriarty, the DfT's corporate director general defended the department over its decision to award a new 13-year West Coast franchise to FirstGroup rather than to Virgin Trains.

Patrick McLoughlin, the Transport Secretary, scrapped the bidding process in October after Sir Richard Branson launched a legal challenge to the decision. Mr McLoughlin said the department had made serious mistakes over the franchise.

The DfT which suspended three officials when the bidding process was scrapped, was also severely criticised by Sam Laidlaw, the businessman who was asked to look into the inquiry.

Mr Rutman told MPs that he had started disciplinary proceedings in relation to a number of staff following the department's own internal report into West Coast bidding. But he refused to say how many individuals were involved and added that the report would not be published.

Margaret Hodge, the PAC chairman, told officials it was "bewildering" that the department thought the FirstGroup bid was deliverable. She said FirstGroup had "walked away" at one point from its Great Western franchise and the DfT should have taken that into account.

Ms Moriarty disclosed that ministers had not been given the full figures about the projected passenger growth figures for West Coast rail. "The information about the relative growth in the bid was not given to ministers as far as I can recall," said Ms Moriarty.

Mr Rutman said ministers had been assured by the department that there was no evidence that FirstGroup's bid was not technically deliverable. But admitting the whole business was "dreadful" he said: "We didn't get it right because we got the basics wrong.

The department's bidding team had worked "crazy hours" on a challenging and time-constrained assignment but effective management and leadership would have resulted in an effective bidding process, he said. The whole affair deals "a very significant blow" to the DfT, he said. "We got the basics wrong."

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