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Rail fiasco blamed on DfT skills shortage

By Rose Jacobs

The West Coast mainline fiasco was the product of a depleted Department for Transport rather than fundamental problems with the rail franchising system, according to a new report.

Richard Brown, chairman of Eurostar, said on Thursday that there had been a mismatch in resources between the DfT and the companies bidding for the complex business. He was asked to review the UK's rail franchising policy after the government was forced to cancel the West Coast contract in September.

“The department needs to strengthen its capacity both to let the franchises and to oversee them. It needs to bring in talent from outside as soon as possible,” he told the Financial Times. As to whether that meant new permanent staff or the outside consultants whose absence has been blamed for the mistakes on the West Coast process, he said: “It's not either/or, it's both/and.”

Part of the urgency is down to Mr Brown's recommendation that the government return to a busy franchising schedule in as soon as possible. He is calling for a plan by the end of February to restart three paused franchises and for a wider response to his report by the end of April.

“Franchising is not broken,” he said. “It's an important part of the architecture of the industry and the industry is successful.”

While he recommended a discrete unit be created devoted to rail franchising, he was neutral about whether that should exist under the aegis of the DfT, as an agency reporting to the department or as a standalone organisation. Regardless, he said, a franchising advisory board should be formed to provide oversight and support.

The report follows two earlier reviews of the West Coast process, both of which agreed the DfT was under-resourced compared with the bidding companies.

An inquiry led by Sam Laidlaw, a former non-executive director of the department and chief executive of Centrica, catalogued a range of errors leading to the cancellation, from civil servants failing to include inflation in their sums to officials being incorrectly advised that they could use discretion in choosing the winning bidder.

Mr Laidlaw declined to blame decisions such as the one not to hire external advisers on the government's austerity drive. But an investigation by the National Audit Office pointed to swingeing cuts at the DfT – which lost almost a third of its staff – and also questioned the quality of ministers' oversight.

The government awarded the contract to run the lucrative London-Glasgow line to [FirstGroup](#), the UK's biggest operator of public transport by revenues, in late August. But a legal challenge by Virgin Rail, the runner-up and incumbent on the line, prompted the DfT to review its processes, revealing fundamental errors. Patrick McLoughlin, transport secretary, cancelled the award in early October, promised to reimburse bidders for their costs – to the tune of at least £55m – and delayed three other contests under way at the time.

The rail industry will be pleased by Mr Brown's tight schedule for getting the franchising process back in train. "There are issues with the government on their side but the model is not fundamentally flawed," said Martin Griffiths, finance director at [Stagecoach](#) – a 49 per cent partner in Virgin Rail alongside Richard Branson's Virgin Group – late last year.

"What's important now is to get this franchising process started sooner rather than later."

George Muir, a former rail executive and banker, said on Thursday that while it was important to get the details of franchising right, there was far more money at stake in the network's infrastructure investments.

Network Rail this week proposed spending £37.5bn over the five years to 2019 on Britain's railways, the bulk of which will go towards projects such as electrification and new signalling. "You screw up that programme and you lose a fortune," said Mr Muir, citing an estimated £1.5bn lost in rail revenues as a result of the Hatfield crash in 2000, which occurred because of a broken rail.

The government last month extended Virgin's contract to run the West Coast line until a new tender is organised.

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