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Long-term rail deals ‘raise risk for taxpayer’

The coalition has claimed that longer franchises will encourage investment by operators Andy Rain/EFA

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Taxpayers and train companies do not benefit from lengthy rail franchises, according to a review commissioned after the West Coast Main Line fiasco, undermining a central tenet of government transport policy.

Contracts of between seven and ten years should be the norm, said the report by Richard Brown, the Eurostar chairman. If train companies deliver a good service they should then win the right to an extension of three to five years.

The coalition claimed that longer franchises would encourage investment by operators, but the collapse of the competition to run trains between London, Manchester and Glasgow for 13 years has derailed those plans.

Mr Brown urged ministers to announce by next month what they planned to do with three other networks following the collapse of the £13 billion West Coast deal, which was meant to be a template.

Patrick McLoughlin, the Transport Secretary, cancelled the deal in October after flaws were discovered in the bidding process. He also put on hold bids to run the Great Western, Essex Thameside and Thameslink railways.

Mr Brown said that there was no need to scrap the model but that a body should be created to oversee the award of contracts.

Asked whether the Department for Transport was competent to decide multibillion-pound franchises, he said: "Yes, they are ... [but] they need to bring in more outside expertise, particularly people with procurement expertise."

He noted the "asymmetry" between highly experienced bid teams working for the privatised rail operators and their civil servant counterparts.

He said that the West Coast competition showed how risk increased greatly with longer franchises because of the uncertainties of forecasting revenue more than a decade in the future. Bidders factored in higher profit margins to counter this risk resulting in higher costs for taxpayers.

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