



Taxpayer lost out on £800m as rail contest is ditched



Franchise: Virgin has now been told it can run the service until November 2014. (Picture: Jeff J Mitchell/Getty Images)

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Nicholas Cecil

31 January 2013

Taxpayers have lost out on hundreds of millions of pounds in the growing rail franchise fiasco after the Government pulled the plug on the competition to run the Great Western line.

FirstGroup had decided not to opt for a three-year extension from April to keep running the route from London to Bristol and Cardiff, which would have meant the operator paying the taxpayer £800 million.

However, the company is set to win a two and a half-year extension anyway, after Transport Secretary Patrick McLoughlin scrapped the ongoing franchise bidding today. The decision will also cost the taxpayer at least £1 million in administrative costs.

It comes after the franchise competition for the West Coast mainline was ditched last year, at a cost of £48 million to the taxpayer. Mistakes in awarding that franchise came to light after Virgin Trains launched a legal challenge to the decision to give the new contract to FirstGroup.

Virgin has now been told it can run the service until November 2014 and will get one per cent of the line's profits. FirstGroup could be offered a similar deal for the Great Western line.

Mr McLoughlin also announced the Thameslink, Southern and Great Northern bidding process will resume with the aim of awarding a seven-year contract. A 28-week extension with Thameslink/Greater Northern operator First Capital Connect will be sought beyond September, with negotiations on a further contract of up to two years.

The competition for the Essex Thameside franchise will continue with a revised invitation to tender to existing bidders for a 15-year franchise. Talks will start with current operator c2c for an interim contract of up to two years.

FirstGroup, National Express, Stagecoach and Arriva were all vying to run the Great Western route. Tim O'Toole, chief executive of FirstGroup, said the decision "provides continuity and consistency for our passengers and enables us to continue to deliver considerable improvements to services".

Bob Crow, leader of the Rail, Maritime and Transport union, accused the Government of "doling out lucrative two-year contract extensions... with directly operated railways on hand to sweep up the mess if it all falls apart".

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The Department for Transport stressed that the taxpayer had not lost £800 million because of the West Coast rail franchise failure.

It added that FirstGroup declined to take up a three-year extension in May 2011 to run the Great Western line, "well over a year before the collapse of the West Coast franchise competition".

A spokesman added: "None of the faults in the West Coast competition is related to the Great Western franchise in any way."

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Anonymous 14 hours ago

As for First now getting a 2 year extension well Richard Branson offered to lengthen remaining 9 carriage Pendolinos for a 2 year extension and the DFT turned down this offer and guess what they have now given him an extension without train extensions!

No wonder DFT = DAFT!

Reply

+1

Anonymous 14 hours ago

Yet again mis-information it's not First that awards contracts but DFT so it's the government to blame for loss of hundreds of millions! Anyway at the time Firsts offer was welcomed given the disruption the GWR upgrade will cause allowing arrangements to be put in place during Crossrail and GWR upgrade its only now being complained about but First is not to be blaimed for making a decent business decision!

Reply

+1

Anonymous 17 hours ago

Now I understand why there are no more cheap advance off peak tickets on the West Coast line if virgin are getting 1% of the profit. Tavelled to London in Dec 2012 for £40, Booked to travel to London mid Jan 2013, fare is up to £82. Same train on the same weekday and time. Rip off Britain strikes again.

Reply

+1

Anonymous 20 hours ago

Rail privatisation was an unmitigated disaster (as was nationalisation, decades before). Let's recreate GWR, LNER etc as regional rail companies that own their own track and trains, and regulate them like the monopolies that they would be. The regulator could (and should) also require that "slots" be made available for other train companies to run cross-country routes so we have a nationally connected network, not disconnected regions.

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colinhenry 20 hours ago

No, lets just renationalise it, fund it properly and take out the costs of shareholders, lawyers, accountants, management consultants, spiv directors and publicity seeking subsidy junkies with beards.

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0

Anonymous 15 hours ago

Re nationalisation would only mean the government



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would cut investment in railways as the easy option as happened in the past. While, privatisation has meant this cant be done and instead rail is enjoying record levels of investment!

In fact Tory privatisation has restricted Cameron and Osborne from using this easy option as practised by governments of both parties in the past!

+1



Anonymous 15 hours ago

You are living in the past railways are no longer about regions but types of service e.g Inter city, Commuter and Regional services outside the South East so the old big four. Is not relevant in 21st Century.

What is needed is a body like the old British Rail Board to run the railways and issue tenders etc. given that the so called privatised railways are now controlled more by civil servants in DFT than BR ever was!

+1



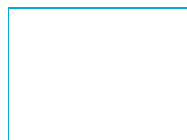
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