

Investor confidence in UK rail industry 'at all time low'

Investor confidence in the UK rail industry “couldn’t get much worse” in the wake of the West Coast rail franchise fiasco, according to the incoming boss of Stagecoach.



Stagecoach runs the West Coast Main Line in partnership with Sir Richard Branson's Virgin Trains. Photo: ALAMY

By Nathalie Thomas

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Significant errors made by the Department for Transport last year during a bidding competition for the London-to-Scotland West Coast line have “severely dented” confidence in the rail sector, MPs were told on Monday.

Martin Griffiths, the finance director of Stagecoach who will step up to chief executive in May, urged the Government to urgently set out in detail how it plans to award rail contracts in future to restore confidence among financial investors, staff and passengers.

At a hearing of the Transport Select Committee, Mr Griffiths was asked about the effect on investor confidence of last year's scandal, which has so far put a £50m dent in the public purse.

“Is doesn’t get much worse does it?” said Mr Griffiths, who was speaking in his capacity as a member of the Rail Delivery Group, which represents train companies operating in Britain.

“We have come through a difficult time. To rebuild investor confidence and to do that quickly, we will have to understand in detail what a new [franchising] model is likely to look like.”

Stagecoach has run the West Coast line for the past 16 years in partnership with Sir Richard Branson’s Virgin Trains but was controversially told last August that it had lost out on a new operating contract to FirstGroup, which bid £5.5bn.

The decision was overturned by Transport Secretary Patrick McLoughlin in the face of a legal challenge by Virgin Rail, and after “serious errors” in the DfT’s handling of the competition were unearthed.

Michael Roberts, chief executive of the Association of Train Operating Companies, said there was “no doubt” the crisis had “dented confidence” in Britain’s rail franchising system and could potentially lead to a long-term increase in costs for the taxpayer as rail companies seek to reduce risk.

The uncertainty surrounding the future of rail franchising deepened last week when the Government scrapped another major franchise competition – for Great Western services between London, Bristol and Cardiff – and refused to reimburse bidders their £40m costs.

Mr McLoughlin signalled to MPs on Monday that he would not change his mind on compensating Great Western bidders. “There have been other examples where governments have taken the decision to cancel competitions and have not reimbursed bid costs,” the Transport Secretary said, referring to a 2003 decision to halt the Northern, Wessex and Greater Anglia franchise process.

He said the DfT intended to appoint a franchising advisory panel as one of the steps to avoid a repeat of last year's crisis.