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West Coast Main Line franchise fiasco 'to cost at least £50m'

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A "complete lack of common sense" in the Department for Transport's handling of the West Coast Main Line franchise deal will cost taxpayers "£50m at the very least", MPs have said.

The cost might be "very much larger", the Public Accounts Committee warned.

The committee accused the department of making "fundamental errors" and failing to learn from "previous disasters".

A spokesman said the department had taken steps to ensure there could be no repeat of the failure.

But Labour accused ministers of "hiding behind their civil servants".

Explaining why the total cost might prove to be higher than previous estimates, Labour MP Margaret Hodge, who chairs the committee, said: "If you factor in the cost of delays to investment on the line, and the potential knock-on effect on other franchise competitions, then the final cost to the taxpayer will be very much larger."

'Astonished'

Unveiling her committee's latest report, Mrs Hodge said: "The franchising process was littered with basic errors. The department yet again failed to learn from previous disasters, like the [Metronet contract](#). It failed to heed advice from its lawyers. It failed to respond appropriately to early warning signs that things were going wrong.

"Senior management did not have proper oversight of the project. Cuts in staffing and in consultancy budgets contributed to a lack of key skills.

"The project suffered from a lack of leadership. There was no single person responsible from beginning to end and, therefore, no one who had to live with the consequences of bad policy decisions.

"For three months, there was no single person in charge at all. Not only that, there was no senior civil servant in the team responsible for the work, despite the critical importance of this multi-billion pound franchise."

The committee had been "astonished" that the Department for Transport's top civil servant had been "told he could not see all the information which might have enabled him to challenge the processes, although it was one of the most important tasks for which the department is responsible".

'Stench'

Mrs Hodge added: "Given that the department got it so wrong over this competition, we must feel concern over how properly it will handle future projects, including HS2 and Thameslink [rail routes]."

"The department needs to get its house in order and put basic principles and practices at the heart of what it does, with an appropriately qualified and senior person in charge of the project throughout and an accessible leadership team ready and willing to hear and act on warning signs."

In October, the government scrapped its decision to award the £5bn franchise to FirstGroup.

The mistakes in the West Coast process came to light after rival bidder Virgin Trains launched a legal challenge against the decision. Virgin will continue running the service until November 2014, when a new long-term franchise will begin.

In December, the National Audit Office calculated that there would be a "significant cost to the taxpayer" as a result of the fiasco.

It said costs for staff, advisers, lawyers and the two reviews into the fiasco added up to £8.9m, on top of the estimated £40m it will take to reimburse firms for the cost of their bids.

Bob Crow, the leader of the RMT union, which represents rail workers, called for wholesale renationalisation of the railways.

"The stench from the fall-out of the West Coast franchise continues to hang over Britain's transport industry as it becomes clearer with every examination that the ministers responsible for this shambles could not be trusted to run a wheel stall let alone multi-billion government contracts," he said.

'Strengthening oversight'

"Privatisation is a corrosive and expensive political project doomed to repeated and costly failure, twice on the East Coast and now on the West," he added.

"Fiddling with processes won't work. It's the whole, rotten policy that needs dumping with a return to public ownership."

But a Department for Transport spokesman said: "The independent Laidlaw inquiry published in December identified the unique and exceptional circumstances which led to failures in the West Coast franchising programme and crucially what steps the department should take to prevent this from happening again.

"The department has accepted all the recommendations and has taken immediate steps by bringing together all rail activity under a single director general and recruiting a senior director to lead the franchising programme, as well as improving internal governance and strengthening oversight and accountability.

"Not only will these reinforce the franchising process but will also protect rail infrastructure projects such as HS2 and the biggest programme of rail electrification."

Maria Eagle, the shadow transport secretary, called on Prime Minister David Cameron to "take responsibility for the rail franchising fiasco, instead of allowing ministers to hide behind their civil servants".

"The government must accept the finding of the Public Accounts Committee that it was the short-sighted decision by ministers to axe external audits of multi-billion pound contracts that ended up with at least £50m of taxpayers' money going down the drain," she added.

"It is a disgrace that every politician responsible for the bungled franchise deal has either remained in the cabinet or been promoted to it."

Richard Hebditch of Campaign for Better Transport, which fights for better public transport, said the report showed the biggest problem was the franchising system itself.

"Franchising needs to be completely reformed so that what counts are improvements to the service on offer, rather than complex calculations of profit and loss that don't stack up," he said.

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505. Mycroft Holmes

26TH FEBRUARY 2013 - 13:54

+37

This waste of Public money shows that privatisation of certain industries has been a disaster. Utilities, Rail and Prisons should be renationalised because these services are too important to trust to private companies. The fact that no Minister will do the honourable thing and resign over this matter shows the lack of honour our MPs have. Time for a change now!

474. Nic121

26TH FEBRUARY 2013 - 13:26

+15

There must be a clear policy in place that ensures tax payers are not forced (directly or indirectly) to cover losses in public money a result of someone's incompetence.

£50m may be not a huge amount of money in the grand scheme of things, but how many millions is wasted here and there due to similar incompetence?

176. caity5656

26TH FEBRUARY 2013 - 10:46

+50

Who has lost their job over this? In private Industry if you lost £50million your feet would not touch the ground on the way to the exit door, but in the Civil Service, I would guess that not even a warning has been issued!

110. SAB

26TH FEBRUARY 2013 - 10:20

+62

If an employee cost their company £50M through negligence nobody would be surprised to see heads role. Yet for some reason this does not seem to happen when it comes to the public sector as long as they come out with useless phrases like "Lessons Learned"

What I want to know is WHY ????

109. JPublic

26TH FEBRUARY 2013 - 10:20

+63

The worst aspect of the number of stories like this is that there is so much finger pointing, 'hot air' and the worst of all "lessons have been learnt" yet rarely are individuals held accountable and they go on to make the same mistakes in future

It is the year 2013 and yet they still say they are learning.

Gov't contract after Gov't contract keeps going wrong & over-budget - WHY?

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