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East Coast railway set to stay state-run

By Mark Odell



The East Coast main line looks set to remain under state control until the end of the decade after ministers instructed the management team of the nationalised operator to draw up a five-year plan.

The move is expected to be confirmed by the government in April, as it struggles to get to grips with the fallout from the West Coast main line fiasco.

The rail industry was left in turmoil after incumbent Virgin Rail challenged a decision to award the West Coast contract to FirstGroup, revealing failings at all levels of the Department for Transport.

The debacle forced Patrick McLoughlin, transport secretary, to overhaul rail franchising policy in the busiest period of retendering since privatisation in the mid-1990s, leading to the cancellation of the three other competitions for rail franchises that were due to expire this year.

The government has backed recommendations by Richard Brown, chairman of Eurostar, who led an inquiry into the collapse of the West Coast bid. His report called on the government to pause competitions until it had implemented radical changes to policy and personnel at the Department for Transport.

Mr McLoughlin is due to report back to parliament in April to give an update on how the government plans to proceed with a revised rail franchising timetable.

The government is in negotiations to extend the three franchises it cancelled – Great Western, Thameslink and Essex Thameside – by up to two years. It has already extended Virgin Rail's West Coast franchise for two years.

A further eight of a total of 16 franchises are due to expire in the next three years leaving the government facing a backlog after Mr Brown recommended it should allow no more than two competitions a year.

The East Coast main line is the next to expire, in December, and the state-owned operator of the line was expected to receive a short extension before it was retendered.

Instead, the management team of East Coast, which runs intercity services between London, Newcastle and Edinburgh, has been asked to draw up a five-year plan that could see the service run by the state until after the next general election.

“As the incumbent organisation, East Coast is very well placed to contribute to the debate around longer-term objectives and plans for the franchise. It is both prudent and responsible for East Coast to do this,” it told the Financial Times.

“Work on a five-year business plan – for the period 2014-19 – is being undertaken with the full knowledge and support of the DfT,” it said.

It said long-term planning was needed to review passenger demand forecasts with plans either to replace or modernise the entire train fleet this decade.

It added that East Coast was “one of Britain’s most profitable train operating companies”. By the end of its financial year on March 31, 2013, it would have returned £640m in premium payments to the government since it started operations in November 2009.

The line was renationalised more than three years ago when National Express walked away from the franchise because of heavy financial losses, as traffic fell well short of projections in the wake of the credit crisis.

Industry sources said the government had also made a political calculation with a five-year extension. With most franchise competitions expected to be delayed by two years, they point out the result of a new East Coast competition would clash with the general election in 2015.

The competition could be highly sensitive as it is likely to include a bid from Virgin Rail. Sir Richard Branson, who controls the joint venture with Stagecoach, recently reaffirmed his intention to bid.

Labour has called on the government to keep East Coast under public ownership to use it as a benchmark for other privately run franchises

Last week, Simon Burns, a transport minister, refused to be drawn on what would happen on the East Coast, telling MPs the government would make an announcement in “the spring” when it sets out “the timetable for future franchise competitions”.

This contrasts with the position of Mr McLoughlin in January who told MPs: “Like the last government, I am committed to seeing the East Coast main line offered to franchise as well.”

Maria Eagle, Labour’s shadow transport secretary, said: “The government should abandon their plan to privatise rail services on the East Coast line. It’s time that ministers started to learn the lessons from the West Coast franchising fiasco and dropped their dogmatic ‘carry on regardless’ attitude.”

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