Nationalised rail is shunted into sidings as coalition tries to make sums add up on east coast line

Despite making £600m for the taxpayer, government-owned East Coast is to be scrapped and the franchise offered to private bidders again

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For a government so keen to break with a recent past of boom and bust, it was striking to see history repeat itself on Britain's railways last week. If one route embodies the tottering arithmetic of the franchise system, it is the east coast mainline. In March 2005, then transport secretary Alistair Darling defended the decision to lease the London-to-Edinburgh route for £1.3bn to the doomed private operator GNER. "We've crawled over the figures over the last few weeks because we wanted to make sure that the bid actually stood up," he said.

At the end of the next year, the government tore up the contract. Seven months later, the franchise was auctioned off again, to National Express for a startling £1.4bn – a figure that drew gasps even as the economy enjoyed the pre-crunch economic boom. "The whole deal is very good news, not only for passengers but for the taxpayer," said then transport minister Tom Harris.

National Express handed back the keys in 2009 after admitting that it could not afford the vaulting payments, prompting Labour to initiate an exercise in rail nationalisation that came to an end last week. The line was taken over by a government subsidiary, Directly Operated Railways, and it has, not surprisingly, staved off disaster. DOR has not had to adhere to a bidding process that requires an operator to predict revenues over the next decade, at a time when the government's own economic forecaster struggles to predict the nation's performance over the next 12 months with much accuracy. Without the burden of an onerous payment schedule, East Coast has been able to concentrate on service while paying back to the taxpayer £600m in profits and premiums.

Instead of continuing this arrangement, the transport secretary, Patrick McLoughlin, announced last week that the process of selling off the east coast line would begin this year and a new operator would be in place by February 2015. The threat of history repeating itself has been compounded by the latest franchising failure on the west coast mainline, which saw Virgin Trains dethroned by FirstGroup and then reinstated, after McLoughlin unearthed "unacceptable flaws" in a bidding process that saw FirstGroup promise £10bn to the Treasury. If the auction was a fiasco, at least the sudden about-turn spared us an even greater disaster later on. GNER and National Express left a combined hole of £2.7bn in government spending plans, but the amount offered by FirstGroup would have done even greater damage.

Nonetheless, McLoughlin is set on re-tendering a prestigious and potentially lucrative line that encourages operators to abuse the greatest failing of the franchise system: private companies take the upside when their predictions come good, while the taxpayer is saddled with the cost when they go bad. The Department for Transport's inability to structure an auction properly headed off what looked like a certain repeat with west coast, but McLoughlin's department needs the money and has to kickstart a paralysed franchise system. As a consequence, a taxpayer-owned competitor that would at least keep the private sector honest – and help quell the urge for suicidal franchise bids – is being returned to the sidings. The co-owners of Virgin Trains, Sir Richard Branson and Sir Brian Souter, kicked up rough about west coast and got the decision rescinded, but they ultimately need the system back on its feet in order to bid for the east. In the meantime, passengers and taxpayers have to hope that the next incumbent gets its sums right. A successful experiment in nationalisation is being sacrificed to make good a failure of privatisation.

If fines don't embarrass bosses, what will?

Just what does it take these days for top bosses to accept big cuts to their bonuses? As the shareholder voting season approaches, at least two major companies – Prudential and Standard Chartered – deserve to see rebellions from their investors.

Prudential, ~~fined £30m for failing to tell the Financial Services Authority about its ill-fated bid for AIA~~, has also become the first FTSE 100 company in living memory to be run by a chief executive who has been censured by the City regulator.

The charismatic Tidjane Thiam was found not to have followed advice given to him by brokers to be "open" and "co-operative" about the deal because he feared the FSA might leak the details. The transaction would have required the biggest cash call in British financial history, so no wonder the regulator might have liked to have known.

Then there is Standard Chartered, hammered by the US regulators for ~~busting sanctions with Iran for six years and fined £415m~~. Yes, the bank can still boast an unrivalled run of increasing profits for the past decade, but it has suffered a blow to its reputation. The bank's chairman, Sir John Peace, still does not get the significance of it all: he has since been forced to apologise for describing the bank's admitted offence as a "clerical error". And the remuneration committee doesn't seem to have got it either: no clawback, and a mere 10% cut in the pay of chief executive Peter Sands. The bosses of any bank with a larger domestic focus just would not get away with it.

Perhaps fines are now becoming so common that bosses think they no longer need to take personal responsibility. That is a shocking position to be in. As bank remuneration committees seem immune to embarrassment, it is left to shareholders to put an end to the arrogance and vote against the remuneration reports. Take a note for your diary, chaps: Prudential's AGM takes place on 16 May, and Standard Chartered's is on 8 May.

Will this really cure AstraZeneca?

AstraZeneca's retreat from its research and development facilities in Alderley Park, Cheshire, is always going to be viewed in a political context. The site is in George Osborne's constituency and AZ is one of the companies supposedly helping to rebalance our lopsided economy with high-value research and manufacturing jobs.

After a dry spell in the search for new blockbuster drugs, the research jobs are moving to Cambridgeshire, a blow for the north-west and a boon for the south-east – where pharmaceuticals people argue there is a larger pool of top scientists. Researchers are wary of moving north, they say, as they worry housing will be too dear if they return.

Yet this is a company supposedly searching for a cure for cancer. Is it beyond

AstraZeneca to incentivise scientists to live in one of England's prettiest counties? No world-class research firm will move to Alderley if that really is impossible. Yet if one of them does, it will make AZ's prescription for its own ailment look psychological. A placebo, some call it.
