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First franchise extension to cost DfT £15m a year

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IT'S been revealed that the first of the emergency franchise extensions to be confirmed after the collapse of the West Coast competition last year is set to cost taxpayers almost £15 million. National Express operator c2c had been paying premiums of more than £12 million a year, but now it's to receive a subsidy instead.

The c2c contract was due to expire last month, but a confirmed extension to at least September 2014 was announced with less than two weeks to spare. It's the first of a series of extensions which the DfT is now negotiating as part of its rewritten franchising timetable, which will postpone most franchise renewals until after the next general election.

The figures were published following a Commons written question by MP Jeremy Corbyn. The answer said that c2c paid a premium to the DfT of £12.1 million in 2011-2012, but transport minister Simon Burns revealed that from May this year until September 2014 the company will receive a subsidy of around £2.4 million instead -- an effective difference of £14.5 million which will be met by the public purse.

Mr Burns also told Mr Corbyn that "a profit share mechanism is in place, which will capture any outperformance in revenue, thereby lowering subsidy requirement".

A c2c spokesman said: "The move to subsidy is solely down to increased supplier costs," but declined to give any details.

RMT general secretary Bob Crow branded the settlement as a 'scandal' and a 'reward for failure'.

He continued: "These are figures that Cristiano Ronaldo would baulk at. It is even worse when you consider that c2c's owner National Express was allowed to throw away the keys to the East Coast franchise four years ago."

However, although a Department for Transport spokesman could not go into full details of the calculations, he did tell Railnews that the extension had coincided with the need for a major overhaul of c2c's Class 357 fleet.

He explained: "In order to successfully roll out the Department’s rail franchising schedule and deliver the best deal for passengers and taxpayers in the long term it has been necessary to negotiate a 16-month interim contract.

“During this time c2c has undertaken to commence a major heavy maintenance programme on the rolling stock, which is required once every ten years. Not only will this provide long-term value by maintaining the high reliability of this fleet, but will also guarantee increased premiums when the franchise is relet.”

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