

Stagecoach mulls east coast rail move



A Stagecoach bus. The company is pondering a move for the east coast rail franchise. Picture: FA

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Published on **26/06/2013 19:33**

STAGECOACH is poised to enter the race to run the east coast mainline train service when the UK government puts the route out to tender next year.

Finance director Ross Paterson told The Scotsman the Perth-based transport group is mulling its options over the contract, which would begin in 2015.

Any bid to run the line could come through the company's Virgin Rail joint venture with Sir Richard Branson's Virgin Group, which already runs the west coast mainline franchise.

The line between Aberdeen and London is currently operated by East Coast, a train company owned by the UK government, after National Express handed the franchise back to ministers in 2009, having only run it for two years.

Virgin Rail had been shortlisted for the east coast route in 2007, after GNER was stripped of the franchise.

Paterson said: "It's a franchise that we're interested in taking a look at. We have to understand what the UK government wants to buy in terms of services but we have some thoughts and ideas of how we could improve it further, both for shareholders and customers

"We're talking to our friends at Virgin about it. The big Intercity franchises are the ones that we're likely to bid for alongside Virgin and Branson has already been quoted as saying Virgin has an interest in it."

Paterson said that the trains and carriages used on the east coast route were old and so the company had ideas about replacing the rolling stock.

His comments came as Stagecoach posted an 8 per cent rise in pre-tax profits for the year to 30 April to £218.9 million, beating analysts' forecasts and allowing the firm to hike its total dividend by 10.3 per cent to 8.6p.

Turnover increased at both its UK and North American bus businesses, helping group revenues to rise by 8.3 per cent to £2.8 billion.

Stagecoach's share of the profits from its 49 per cent stake in Virgin Rail dropped to £9.8m from £15.9m following last year's west coast fiasco, during which the route was awarded to FirstGroup but then handed back to Virgin after "major failures" in the tendering process. To keep trains running, UK ministers stuck a deal for Virgin to carry on running services at a 1 per cent profit margin until November 2014.

The agreement has since been extended to April 2017 and Paterson said negotiations were continuing with the Department for Transport to agree a higher profit margin, in return for which Virgin would resume sharing the financial risk for operating the route. Typical profit margins on such lines are more like 8 or 9 per cent, with the train operating company sharing the risks that come if revenues start to fall.

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