

# Rail franchise timetable already showing signs of delay

Department for Transport grapples with lengthy negotiations to extend current contracts before franchise contests can resume

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Labour has called for the retention of the East Coast service as a 'public sector comparator' because it is currently run by the state-owned Directly Operated Railways. Photograph: Chris Radburn/PA

Train operators fear the revised rail franchise timetable announced in the wake of the west coast fiasco is already slipping as documents for the first contest appear likely to be delayed until autumn.

The invitation to tender for Essex Thameside, a competition paused during inquests into the Department for Transport's (DfT) botched award of the London-to-Glasgow line, is due in July. But companies have now been told the schedule may not be met.

The DfT has been grappling with contract extensions that, while intended as breathing space before longterm franchises could be awarded, have themselves required lengthy negotiations with the existing train operators.

The recent extension to National Express's current c2c service on Essex Thameside was signed off a week before the old franchise expired, and on more favourable terms.

Virgin is still renegotiating its west coast contract, while struggling ~~FirstGroup~~ has been frustrated with the progress of discussions for the extension of the Great Western franchise. Any agreement will be heavily scrutinised because FirstGroup has activated a termination clause that allowed it to avoid £800m in premium payments to the taxpayer, but is now negotiating a contract extension that is expected to be on more favourable terms.

Although the train companies want franchising restored, the current swath of extensions offer some security. ~~Stagecoach~~'s finance director, Ross Paterson, last week said that extensions on Southwest, East Midland and ~~Virgin Rail~~ – 49%-owned by Stagecoach – meant his company had "nine years of cash flows and earnings guaranteed".

But the agreement reached with FirstGroup will be politically sensitive, with Labour considering whether the Great Western service could be brought into public hands should it win the election.

Labour has called for the retention of the East Coast service as a "public sector comparator" because it is currently run by the state-owned Directly Operated Railways. However, the coalition has brought the London-Edinburgh train service to the front of the queue for new awards once the "paused" Essex Thameside and Thameslink competitions are completed.

That means East Coast should be in private hands before the 2015 general election. However, the invitation to tender for Great Western is due just weeks before the election is called – potentially allowing an incoming Labour government to void the competition.

The DfT announced a revised programme for awarding franchises in March after the 2012 debacle, in which the award of the west coast service to FirstGroup was scrapped after legal challenge. An inquiry by Sam Laidlaw, the chief executive of British Gas parent Centrica, identified serious errors in an under-resourced and overstretched department, warning that there were "significant issues about the ability of the DfT effectively to conduct rail franchise competitions".

An interim franchising director, Peter Wilkinson, who was appointed to bolster the staff, is due to leave next month. The DfT declined to comment on whether his contract would be extended. The department has also been labouring with the procurement of Thameslink rolling stock. The controversial deal was signed off this week two years after Siemens was chosen to build the trains.

A DfT spokesman said: "The Department for Transport is working hard to deliver the ambitious rail franchising schedule that the secretary of state announced on 26 March. We fully expect to deliver both the Essex Thameside and Thameslink franchises to the published timetable."



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