

Last updated: September 30, 2013 5:41 pm

Eurostar to bid for East Coast main line franchise

By Jane Wild and Mark Odell

Eurostar, the operator of cross-Channel rail services, is to enter the bidding for UK domestic rail franchises for the first time.

The high-speed rail company, a subsidiary of SNCF, said on Monday it was teaming up with Keolis, another unit of the French national railway, to bid for the East Coast main line franchise, which is being privatised.

Keolis has been active in the UK for almost a decade and runs three rail franchises in partnerships with [Go-Ahead](#), including Southeastern, and TransPennine Express with [FirstGroup](#), as well as several bus and tram operations.

Eurostar's decision to bid for the East Coast mainline, which links London to Scotland, could raise eyebrows in Westminster as the company is 40 per cent owned by the UK state, while SNCF holds 55 per cent and the Belgian government 5 per cent.

The opposition Labour party and British transport unions have been demanding the current state-owned operator, Directly Operated Railways, should be allowed to bid, claiming that it has made a financial success of running the line.

The government has refused to allow DOR to bid, arguing it is an operator of last resort.

Eurostar said on Monday that the UK government had backed its decision to bid for the East Coast franchise. "Any major decision like this would be signed off by the board and our shareholders' representatives on the board," it said. The UK government is represented by Mark Russell, a civil servant in the department for Business Innovation and Skills.

The East Coast mainline franchise has had a chequered history since privatisation of the UK railways in the mid-1990s. It has been nationalised twice, most recently in 2009 after [National Express](#) walked away from the contract.

Keolis' record of success in the UK rail market has so far been limited to a secondary role with its two joint venture partners. It has recently started to branch out on its own, including an unsuccessful bid for the West Coast mainline contract, a competition that was scrapped last year and resulted in an overhaul of the rail franchising process.

The government is expecting a lot of interest when it kicks off the bidding process for the East Coast mainline in October. Other bidders are expected to include incumbent operators Stagecoach, FirstGroup, Abellio and Arriva; the latter two are subsidiaries of Nederlandse Spoorwegen, the Dutch state-owned railway, and Germany's Deutsche Bahn.

Other foreign bidders could also emerge. A recent open day for potential bidders attracted representatives from Japan and South Korea, which is thought to be the first time operators from either country have shown an interest.

The successful bidder will be announced in October 2014 and will assume control of the line in February 2015.

But one analyst thought the presence of Eurostar alongside Keolis would have little impact on who would win the tender for the East Coast.

"East Coast is unlikely to go to a foreign company; I think it will go to the safest pair of hands," said analyst Gert Zonneveld at Panmure Gordon.

"It's gone wrong twice, and I think the government is more concerned to make sure that whoever runs it next will absolutely be committed and run it as they should. Therefore I'm not sure if a relatively new entrant would be in the best position to run it."

Alistair Gordon, chief executive of Keolis UK, said: "I believe that our ability to draw upon an international track record of delivering complex long-distance services, coupled with Eurostar's reputation for customer excellence, is a unique proposition.

"What's exciting about the East Coast main line is that there is an opportunity to transform a hugely important national route, which has yet to see the same levels of investment as the West Coast main line."

Nicolas Petrovic, chief executive of Eurostar, said: "By joining forces with Keolis, we bring a unique blend of expertise and innovation with a fresh perspective.

"The East Coast franchise is a vital economic artery and a key route for both business and leisure passengers which represents an exciting opportunity for future growth and investment."

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