THE TIMES

East Coast Main Line gives £200m profit to Treasury as sell-off nears

Virgin faces competition for the East Coast from the French and the state-owned railways of Germany, Italy and Spain

Robert Lea Industrial Editor
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The East Coast Main Line train company is making so much money that it returned more than £200 million in excess profits last year, according to the state-owned operator's accounts. Labour said last night that the Government should immediately halt its plans to reprivatise the London King's Cross-to-Edinburgh train operator.

The line has been in public hands since National Express was forced to hand it back in 2009 because of financial troubles. It is now run by Directly Operated Railways, an agent of the Department for Transport.

The accounts showed that it returned £202 million in excess profits, known in the industry as a premium payment, back to the Government. In the previous year, the premium payment reached £188 million. Last year it also paid £6 million in dividends to the Treasury and £7 million in year before.

Mary Creach, the new Labour Shadow Transport Secretary, said the results show why the Prime Minister should stop "obsessing" about returning the company into the private sector. "East Coast is working well," she said. "This Government has learnt nothing from the West Coast franchising fiasco, which saw over £50 million of taxpayers' money wasted in compensation to train companies, through ministers' incompetence."

The RMT union said that the results made a case for renationalisation of the entire rail network as the East Coast is making more money for the Treasury than those lines run by private companies. "These figures destroy from top to bottom this Government's case for handing the East Coast back to the rip-off merchants from the private sector," Bob Crow, the rail union's general secretary, said.

Revenues from the East Coast rose by 4 per cent in the year. Passenger revenues were up by 5 per cent, bolstered by above-inflation fare rises, but income from car parks and catering fell by 4 per cent.

Michael Holden, the company's chief executive, said strong performances in customer satisfaction and punctuality came despite the best efforts of the track operator, Network Rail, to disrupt East Coast's performance. "Two thirds of all delays are typically due to causes which are the direct responsibility of Network Rail, and the vast majority of the remaining causes of delay have related to fleet," Mr Holden said.

"Customer satisfaction data for East Coast showed that the company scored 92 per cent, representing a five percentage point improvement and three percentage points ahead of the long-distance train operator average."

The East Coast Main line is set to be a hot ticket when the DfT invites potential operators to tender for a new franchise — expected in the coming weeks. Virgin Rail will be a strong contender to run a business it has been turned down on by the DfT in the past. It is likely to face strong competition from FirstGroup.

The state-owned rail companies of Germany, the Netherlands, Italy and Spain are all thought to be likely bidders. The most intriguing bid is that of the French via a Keolis-Eurostar joint venture. Keolis is 70 per cent owned by SNCF, the French national train company, which also owns 55 per cent of Eurostar. The joint venture may yet have a conflict of interest issue, however, as the sale of the East Coast Main Line will be adjudicated by the Department for Transport, which also owns a 40 per cent minority stake in Eurostar.

Text 7 days ago

Don't allow both West Coast & East Coast to be the same operator. What about competition issues?

Any bidder for East Coast should agree to an incremental upgrading of the route (in conjunction with Network Rail) in order for it to eventually become HS3.

Recommend Reply

Ramsay Ross 7 days ago

Given the number of failed privatisations / PFI deals by the Treasury and here DoT, can I suggest a very simple test for our worthy MP's to apply to this unnecessary re-privitisation.

If beardy or his chums cannot operate the service: (a) for less than the current cost* (* AND the existing cost benchmark is REDUCED by all bidding costs, including those of Govt, associated with the tender process); and (b) the current performance metrics are not improved by a defined and substantive percetage per annum, then the "successful" bidder must COMPENSATE the Govt / Joe Consumer for this con trick.

I wonder how many bidders we would have then.

Recommend Reply

JMT 7 days ago

Surely the excess profits should be reinvested back into the line in the form of upgrades or rolling stock. Failing that perhaps start reducing fairs?

1 Recommend Reply

Robert Holmes 7 days ago

Privatising profit and nationalising losses again

Recommend Reply

Swiss Tony 8 days ago

Give it to Crow and let him run it. Years of fun for all of us...

Recommend Reply

Greg Miles 8 days ago

So the privatisation charade goes on - perhaps someone could tell the government 'If the railway ain't broke, don't fix it'.

4 Recommend Reply

Eastpak 8 days ago

a well covered and reseached topic but always worthwhile remembering why public assets got privatized in the first place. Better "rip-off merchants" who can run a business than the Crow's of this world, who continue to be ideologistic and have proven they can't do it

2 Recommend Reply

Rodney Willett 8 days ago

That was once true but is it now? If the thing works in public ownership why privatise it? The reason - that private enterprise is required to create a profit - seems not to work with railways, does it?

1 Recommend Reply

MOF 8 days ago

If it not broke dont change it. Leave it as it is for now.

9 Recommend Reply

Donald Stickland 8 days ago

@MOF ... spot on, MOF

1 Recommend Reply

Text 8 days ago

Both DOR & Eurostar should be allowed to bid for the new East Coast franchise. What a nonsense that state-owned rail operators from Europe can bid (DB/Arriva; SNCF/Keolis; NS/Abellio) but not those in the UK!

Clowns in charge of the DfT circus!

7 Recommend Reply

Livefyre