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Branson and Prescott clash over alleged 'horrors' of rail franchise ownership

As the East Coast Main line rail franchise passed back from public ownership into private hands, two heavyweight commentators took decidedly different views on whether or not this was a good thing for either the taxpayer or the rail passenger.

Rik Thomas

ON THE day that a consortium of Virgin Trains and Stagecoach took over the running of the East Coast Main Line from the Government, The Telegraph's assistant business editor, Ben Marlow, interviewed Virgin founder Sir Richard Branson and outlined what the new operator has planned for the franchise. "As part of the eight-year deal, Virgin and Stagecoach have unveiled a set of measures they say will transform the line and drag it into the 21st century, with £140m of investment pledged along the route," Marlow said on 8 March. "The huge sum will help fund a fleet of 65 new 'Super Express' trains; an immediate refurbishment of the existing stock, including a so-called 'deep-clean' of the carriages; and station and parking upgrades, as well as other modernisations."

Turning to Branson's thoughts on the merits of the UK's rail network being returned to public ownership, Marlow noted that "he struggles to suppress his annoyance at the suggestion that the trains would be better off in government hands," and quoted Branson disparagingly talking of "switching the clock back to nationalisation and all the horrors that went with it".

"When I read what the Labour Party has said, I think they are either very young politicians or they are forgetting what it was like," Branson added. "It was costing the country billions and billions when it was run as a national service and on this franchise alone we are going to pay the Government £3bn."

Marlow did observe that "trains represented one of Sir Richard's most lucrative moves, and last year's revelation that he had shared nearly £500m in dividends from the West Coast line with Stagecoach, led to accusations that the pair had failed to deliver value for money". He then, however, concluded his article by quoting Branson again. "We're going to deliver well over £3bn to the taxman [on the East Coast line]," he told The Telegraph. "If it was nationalised, they would never get anywhere near that. We will be judged in the next five years as to what kind of difference we have made but I think we'll radically improve every aspect, like we have on the West Coast."

A different version of events

Branson's comments appear to have acted like a red rag to a bull for former Labour deputy Prime Minister, John Prescott, who used his regular Daily Mirror column on 15 March to take issue with what the Virgin chief had said. "Their [Branson and Stagecoach's Sir Brian Souter] assumption is that private is always better than public," Prescott, who is neither conspicuously young nor especially well known for having a poor memory, began. "But any factual analysis will show that the Virgin West Coast service is more expensive and pays less than the East Coast service to the Treasury while securing a massive dividend for their shareholders."

"The publicly-owned East Coast railways provided a better service, a better return, was less costly and made the Treasury money," he added. "Virgin and Stagecoach have agreed to buy East Coast for £3bn



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– twice as much as the previous private owners of the East Coast service, GNER and National Express. Neither could afford to pay their way so how can Stagecoach-Virgin make it work?

“On the West Coast route this [securing more passengers] was achieved by shorter journey times and more frequent trains, due solely to the £9bn the taxpayer paid for improving the track,” Prescott suggested. “Presumably they will be looking for a similar contribution from the taxpayer for improving the East Coast track, leading to a big increase in prices.

“Stagecoach is now threatening to pull all its buses out of Newcastle just because the transport authority is demanding a quality service contract from its bus providers,” Prescott added, turning his fire to Virgin's partner on the East Coast line. “Thankfully this brinkmanship is not possible under a rail system because rolling stock is leased from a separate company but it shows the type of man he [Souter] really is.

“It is always the taxpayer that ends up carrying the risk... and the real beneficiaries are the private shareholders who carry no risk,” Prescott concluded. “So let's break up the Stagecoach-Virgin monopoly... Letting Branson and Souter have a loop service around Britain has created an uncompetitive private monopoly. So if Labour comes into power, when the franchise lapses in two years it should take West Coast back into public control and start to end the 'horrors' of privatisation. Sir Richard Branson and Sir Brian Souter are the commuters' worst knight-mares.”

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