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From the Secretary of State  
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**Transport Select Committee**

Thank you for your letter dated 2 November in response to the information I provided to you following my appearance in front of the Committee. Firstly, I would like to reassure you that I am committed, as you are, to ensuring a transparent and open relationship between the Transport Select Committee and the Department for Transport.

At both my appearance and in my letter of 25 October, I was clear that electrification and bi-mode operation are not mutually exclusive. The economic assessment my Department has undertaken on both new trains and infrastructure reflects this. I was also clear in my letter that, as you requested, I was setting out the benefit cost ratios and associated present values of the infrastructure schemes before and after the decisions in relation to electrification of Cardiff to Swansea, north of Kettering and Oxenholme to Windermere. In relation to the Midland Main Line, I was using figures which also took into account the impact of HS2 Phase 2 on the Midland Main Line Programme.

I am sure the Committee will be familiar with HM Treasury's five case assessment framework and will appreciate that, while important, BCRs are just one factor among many in investment decisions. I have to be certain that schemes will continue to offer the best route to passenger improvements with the minimum risks. In line with HM Treasury guidance, I also have to consider the management of capital expenditure across the whole portfolio of rail enhancements, the timescales for delivering infrastructure works and the likelihood of those being achieved in practice, as well as the disruption that any works might cause.

In respect of the economic assessments, they have taken the primary options in each case as the central case for assessment, in line with Treasury guidance.

When the central case assumption for Midland Mainline was considered without the impacts of HS2, the programme BCR, as highlighted in your letter, was 9.4. However, when the impacts of HS2 were considered, the overall programme BCR was reduced significantly to the 1.21 set out in my letter. Given the Government's commitment to this flagship project, I have taken this investment decision on the basis of HS2 being a reality.

Regarding electric trains for Midland Main Line, while the economic assessment demonstrated a positive business case for the running of these trains following completion of full electrification, the electrification of the whole route would have meant passengers waiting longer for new trains and better services, while suffering further disruption to their journeys. The Government has always been clear that we understand that the operational costs of bi-modes are greater, but I have traded that against the up-front capital costs of infrastructure. However, as indicated by the RDG report, bi-modes allow us reduce the up-front capital costs of infrastructure as wires and gantries do not need to be installed along entire routes. Instead, we can take advantage of state-of-the-art technology to improve journeys for passengers earlier than would otherwise be possible and target electrification where it delivers real benefits to passengers.

I have selected an option that provides greater opportunity for operational flexibility both now and in the future. The economic assessment of running bi-mode trains, which I considered alongside the economic case of partial electrification, is as follows:

	Bi-mode Trains (Partial Electrification)
<b>Net Present Value</b> £m 2010 present values	35
<b>Benefit Cost Ratio</b>	1.2

I hope my explanation above enables the Committee to appreciate that it was ultimately a combination of influences that led to my decisions and provides clarity as to remarks made when I appeared in front of you.



**Rt Hon Chris Grayling MP**  
**SECRETARY OF STATE FOR TRANSPORT**