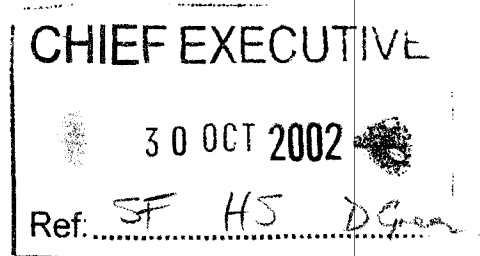




Our ref: NS/GB
Date: 28 October 2002

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Steve Maddox., Esq.
Chief Executive
Wirral Borough Council
Town Hall
Brighton Street
WALLASEY
Merseyside L44 8ED



Dear Steve,

Mersey Tunnels Bill/Toll Increase

As you may know, the Mersey Tunnels Bill was the subject of a successful "carry over" motion in the House of Commons on Wednesday the 23rd October 2002. Its next stage is consideration by an Opposed Bills Committee in December 2002/January 2003.

The enclosed report explains why it is necessary to initiate a conventional toll rise under existing legislation. I would be grateful if you would bring the document to the attention of your authority as a consultee on the proposal. You will note that Merseytravel is hoping for a response by the 31st December 2002.

I look forward to hearing from you.

Yours sincerely,

Neil Scales
Chief Executive and Director General



MERSEY TUNNELS' TOLLS
(DR/30/02)

Report of the Director of Resources

1. **Introduction**

1.1 The purposes of this report are to advise the Authority on the progress being made in relation to the Mersey Tunnels Bill, and to propose the initiation of a toll revision process to generate funds for extra safety work at the Mersey Tunnels.

2. **Mersey Tunnels Bill**

2.1 Members will recall that the Bill received a Second Reading in the House of Commons on the 9th July 2002, and was then referred for consideration by an Opposed Bills Committee. Although the Committee originally intended to commence its consideration in mid October, a key representative of one of the opposing Petitioners (the North West TUC) indicated an inability to attend.

2.2 Consideration has therefore been deferred until after the start of the new session of Parliament in mid November. Allowing for other issues to be dealt with, this may mean the Committee proceedings may not now begin until January 2003.

2.3 Even if the Committee had met on time, the Bill would have needed to be the subject of either a "Carry Over" motion or a "Revival" motion. It is to be hoped that the progress already made by the Bill will lead to its receiving Government support in order for it to re-emerge in the new session of Parliament.

2.4 In view of these procedural delays and the subsequent stages the Bill must undergo, it is unlikely that it could receive Royal Assent until late 2003 or early 2004. If so, the Bill's provisions would not trigger an initial toll rise until April 2005. This protracted timescale in relation to pressures on the Tunnels finances makes it necessary to consider initiating a conventional toll rise under existing legislation.

3. **Toll Revision (Increase)**

3.1 The draft consultation paper contained in Appendix 1 to this report explains why a toll rise is needed to finance extra refurbishment work of a safety nature at the Mersey Tunnels. The paper summarises the legal process to be followed, the details of which are contained in Appendix 2 to this report. Members are reminded that the process commences with a dialogue with the five District Councils of Merseyside before the toll increase becomes the subject of public advertisement.

MERSEYSIDE PASSENGER TRANSPORT AUTHORITY
24 October 2002

- 3.2 In order to "fast track" the toll revision process the consultation with District Councils will need to start immediately with an early deadline for responses, e.g. by 31st December 2002. Assuming a positive response, this would enable public advertisement of the proposed toll increase to take place during January 2003, with a view to submitting the draft toll revision order to the Secretary of State for Transport in April 2003.
- 3.3 In order to better inform the public regarding the need for a toll increase, the Authority may wish to display the consultation paper on Merseytravel's website, and make copies available to all interested parties. The process might be facilitated by offering an opportunity to interested members of the public to visit Merseytravel to view an exhibition regarding the safety work. This might be arranged in January 2003, during the 28 day period of public advertisement of the proposed toll increase.
- 3.4 It is to be hoped that respondents will not object to the toll increase merely in the belief that a Local Public Inquiry would provide an opportunity to clarify issues about the Mersey Tunnels Bill. The Inquiry Inspector's brief would inevitably preclude consideration of potential changes to the current legislation governing the finances of the Mersey Tunnels, and concentrate only on the need for extra safety work and its likely cost and intended method of finance.

4. Recommendations

4.1 The Authority is recommended to :-

- (a) note the progress report on the Mersey Tunnels Bill;
- (b) agree that it is expedient to increase tolls to pay for extra safety work at the Queensway Tunnel;
- (c) approve the appended draft Consultation Paper for the purpose of consultation with District Councils, seeking a response by the 31st December 2002;
- (d) anticipate public advertisement of the proposed toll increase during January 2003, with widespread publicity and the provision of an opportunity for the public to make a visit to Merseytravel to view an exhibition to help understand the need for extra safety work at the Mersey Tunnels.

Background Papers: None

Report Prepared by: John Wilkinson, Director of Resources

Contact Officer for Media and Public Enquiries: Tony Donlan

Appendix 1

MERSEYTRAVEL

MERSEY TUNNELS' TOLL INCREASE

CONSULTATION PAPER

October 2002

MERSEY TUNNELS' TOLLS INCREASE

1. Introduction

- 1.1 This consultation paper is issued by Merseyside Passenger Transport Authority (Merseytravel), the organisation which owns and operates the Mersey Tunnels. Merseytravel invites views on the prospect of increasing (revising) the Mersey Tunnels tolls in order to enhance the programme of refurbishment of the Tunnels to enable additional safety work to be undertaken.
- 1.2 The Mersey Tunnels' tolls are regulated under the County of Merseyside Act 1980. The Act enables Merseytravel to apply to the Secretary of State for a toll revision following consultation with the five local District Councils in Merseyside and after public advertisement of the proposal, allowing a period of 28 days for objection. If there are any unresolved objections to the proposed toll revision from persons or bodies having a substantial interest in the use of Tunnels, a local public inquiry has to be held.
- 1.3 Any local public inquiry will be conducted by an independent Inspector appointed by the Secretary of State for Transport. The Inspector will report to the Secretary of State who has a judicial role in balancing the interests of users and the Tunnel operator (Merseytravel).
- 1.4 In contemplating a toll revision, Merseytravel must have regard to the financial position and future prospects of the Tunnels, and such other matters of a transportation and social nature within its area as it deems at that time to be relevant. The Tunnels toll income must be used to meet the cost of operating and refurbishing the structures and their capital financing charges.

2. Background

- 2.1 The two Mersey Tunnels provide road links between Liverpool and the Wirral. The Liverpool to Birkenhead (Queensway) Tunnel opened in 1934 and the Liverpool to Wallasey (Kingsway) Tunnel was built in two tubes, the first of which opened in 1971, and the second in 1974. The combined Tunnels provide eight traffic lanes and are currently used by about 25.4 million vehicles per annum.
- 2.2 The current tolls are charged in multiples of £1.20 with 10p discounts for Fast Tag users. Although these toll levels were approved for implementation in 1992, Merseytravel chose to charge in multiples of only £1.00 at that stage, delaying the full increase until November 1999. Total toll income is presently about £31.6 million a year.

- 2.3 The Tunnels are currently breaking even financially, i.e. the toll income is sufficient to meet annual operating costs of about £11.6 million, debt (capital financing) charges of £12.7 million, and refurbishment (safety and renewal) costs of about £7.3 million. The debt charges stem from the use of borrowing to finance the cost of constructing the Wallasey Tunnel (£44 million), and subsequent operating losses incurred between 1968 and 1992 (£116 million). The current volume of debt outstanding is about £106 million, which is being repaid at the rate of about £4.4 million per annum together with interest charges of about £8.3 million.
- 2.4 Merseytravel's policy in relation to the Tunnels finances is that they should be self-financed by toll income, without requiring a subsidy from local Council Taxpayers through its Levy on the five District Councils of Merseyside. The Tunnels finances have effectively been breaking even since April 1992, with any operating surpluses being held in a Reserve and Renewals Fund and used to meet subsequent operating losses. In practice this has meant managing the programme of refurbishment of the Tunnels in the light of available resources (i.e. toll income), allowing for slippage in spending on the projects involved.

3. Eurotest 2002

- 3.1 The programme of refurbishment of the Tunnels contains a mixture of schemes relating to safety, asset renewal and operational efficiency. As far as safety is concerned, Merseytravel voluntarily submits the Tunnels to independent testing by a consortium of European motoring organisations. The results of the most recent assessment conducted early in 2002 were published in a report entitled Eurotest 2002, which awarded the Kingsway Tunnel a "good" grading but the Queensway Tunnel merely an "acceptable" grading. This categorisation followed an assessment of the respective weaknesses and strengths of both Tunnels in safety terms.
- 3.2 The major weaknesses in terms of safety were acknowledged to be the consequence of the design standards which prevailed when the Queensway and Kingsway Tunnels were built nearly seventy and thirty years ago respectively. Both lack emergency lanes or lay-bys, and the Queensway Tunnel has only a single tube (with oncoming traffic) and narrow traffic lanes and emergency walkways. It is evident that these shortcomings can only be rectified structurally by reducing the total road space available for vehicles, causing unacceptable delays to traffic flows.
- 3.3 The report acknowledged however that Merseytravel combated these structural shortcomings by effective traffic management and procedures for dealing with emergencies, restricted access for vehicles carrying hazardous materials, and good fire detection facilities and fire-fighting/rescue services. The Eurotest report recommended the automatic activation of some aspects of these functions, and noted in this context Merseytravel's plans for the installation of electronic signs.

- 3.4 The report expressed particular concern at the inadequacy of emergency exits for Tunnel users in the event of a fire. However, it noted Merseytravel's ongoing provision of extra cross-tube escape passages at the Kingsway Tunnel. Merseytravel responded to the Eurotest 2002 by reviewing the user-safety schemes contained in the Mersey Tunnels refurbishment programme to determine what schemes should be accelerated or enhanced, and the feasibility of undertaking additional schemes.
- 3.5 Merseytravel has concluded that in order to maintain public confidence in the Tunnels it is necessary to construct passageways allowing emergency escape under the carriageway of the Queensway (Liverpool to Birkenhead) Tunnel. The scheme will cost about £10.0 million, and take about three years to design and construct. For obvious reasons Merseytravel wishes to commission the work at the earliest opportunity.

4. Financial Projections/Options

- 4.1 As the Tunnels debts are contractual in nature, they are gradually being repaid and annual debt charges are decreasing. Total traffic has resumed growing steadily (after a slight dip in the year 2000), implying gradual increases in future toll income. A continuation of these trends would clearly help to compensate for future rises in operating costs, which have increased in recent years at a faster rate than inflation. They also imply that the Tunnels current refurbishment programme could grow by 1% per annum in real terms in future years.
- 4.2 It is clearly feasible to defer some future refurbishment schemes relating to asset renewal and operational efficiency in order to try to make room for additional spending on safety work. It is equally evident however that the extent to which renewal/efficiency spending would need to be curtailed to increase safety work would cause operational problems, impede Tunnel traffic and prove false economy in the long term. Similarly, although scope exists for operating economies through value for money studies and the discipline of Best Value, they are not likely to impact substantially on the levels of finance available for refurbishment work.
- 4.3 Consequently the stark choice facing Merseytravel is either to delay the safety work (by up to ten years) until the income from current toll levels proves adequate, or find alternative resources. Realistically, it is simply not feasible to expect the Government to grant-aid the Tunnels. Similarly it is impractical and inequitable to consider asking local Council Taxpayers to meet the costs, largely because of the existing financial pressures on District Councils and the fact that only 3% of the Merseyside population uses the Tunnels.

- 4.4 Consideration has also been given to trying to secure borrowing consent to undertake the safety refurbishment work. Although this would enable an early start to be made on the works, within a few years however the resultant extra debt charges of £1.0 million per annum would plunge the Tunnels back into a loss making situation. Merseytravel believes that a toll rise in multiples of 10p would be likely to raise additional revenue of £2.9 million in a full year, and is the inevitable solution to the funding problem.
- 4.5 Merseytravel is currently promoting a Local Bill in Parliament in part to replace the current toll increase procedure with rises linked to RPI movements. Although approval to the Bill would deliver an early toll increase to pay for the safety work, the legislation is making slow progress through the Parliamentary procedures. As the Bill's timescale cannot be guaranteed at this stage, Merseytravel believes it is necessary to initiate a conventional toll increase.

5. Toll Increase Application

- 5.1 The last three toll increase applications have each taken 22 months to conclude, i.e. five months for consultation with District Councils, five months to arrange a local Public Inquiry, five months for the Inquiry Inspector's report and the Secretary of State's decision, and two months to implement the toll rise. Merseytravel hopes however that due to its single purpose nature the current application can be "fast tracked" and implemented no later than April 2004.
- 5.2 Since the last toll rise in November 1999, the Retail Price Index for General Items has risen by 6.5%. If inflation continues at current levels (1.7% per annum) until April 2004, the total rise over the $4\frac{1}{3}$ years since the last toll increase would be about 8.9%. Applying this percentage to the basic toll multiple of £1.20 would produce the 10p rise in tolls which is needed for the additional safety work.
- 5.3 As the toll rise would merely match inflation, it would have a neutral impact on the local economy. It would however catch up to some degree with rises in local public transport fares, and the ensuing alternative cost of cross-river movement. In any event Merseytravel believes that the immediate needs of the Tunnels' finances outweigh current transportation and social matters within Merseyside.
- 5.4 The proposed toll revision will provide Tunnel users with an opportunity to comment on the present basis of classification of tolls. The current four classifications have regard to vehicle weights (plated/unplated), number of axles, and seating capacities for buses - all of which aid visual recognition on the toll plazas and help to avoid arguments about the toll payable.
- 5.5 The current and proposed toll classifications are annexed.

6. Summary of Main Issues

- 6.1 Merseytravel considers it imperative to enhance the Mersey Tunnels refurbishment programme to provide emergency escape passageways in the Queensway (Liverpool/Birkenhead) Tunnel. The work will cost £10.0m, take three years to conclude and could not be started for a decade without additional funding.
- 6.2 Merseytravel believes that the only way to make an early start on the work is to increase tolls from their current multiples of £1.20 by 10p. Merseytravel hopes to "fast track" the toll revision, and increase tolls in April 2004 in line with inflation since the last toll rise in November 1999.
- 6.3 The issues on which Merseytravel would particularly welcome comments are :
- (a) whether the additional safety work should be undertaken and, if so
 - (b) whether the work should be financed by a toll rise.
- 6.4 Any queries or comments on this document should be sent to :

Mr. Neil Scales
Chief Executive/Director General
Merseytravel
24 Hatton Garden
Liverpool
L3 2AN

Fax No. 0151 330 1520
e-mail tolls@merseytravel.gov.uk

MERSEY TUNNELSCurrent/Proposed Toll Levels

Current (from Nov. 1999)		Classification	Proposed (from April 2004)	
Cash Payers	Fast Tag Users		Cash Payers	Fast Tag Users
£1.20	£1.10	1 (a) Motor cycles with side car and three-wheeled vehicles	£1.30	£1.20
		(b) Motor cars and goods vehicles up to 3.5 tonnes gross weight		
		(c) Passenger vehicles other than a motor car with seating capacity for under 9 persons		
£2.40	£2.20	2 (a) Motor cars and goods vehicles up to 3.5 tonnes gross weight, with trailer	£2.60	£2.40
		(b) Goods vehicles over 3.5 tonnes gross weight, with two axles		
		(c) Passenger vehicles with seating capacity for 9 or more persons, with two axles		
£3.60	£3.30	3 (a) Goods vehicles over 3.5 tonnes gross weight, with three axles	£3.90	£3.60
		(b) Passenger vehicles with seating capacity for 9 or more persons, with three axles		
£4.80	£4.40	4 Goods vehicles over 3.5 tonnes gross weight, with four or more axles	£5.20	£4.80

MERSEY TUNNELS' TOLL REVISION

Extract from Part XIII of the County of Merseyside Act 1980

Revision of Tolls

92. (1) If at any time it appears to the Authority, after consultation with each of the district councils, that under the circumstances then existing all or part of the tolls authorised by order in pursuance of this Part, or any classification of traffic specified in any such order for the time being in force, should be revised, the Authority may make an order revising all or any of such tolls or any such classification of traffic.
- (2) An order made by the Authority under subsection (1) above shall fix the date as from which the order shall take effect but shall be subject to confirmation by the Secretary of State who may, on confirming any such order, make modifications of the order.
- (3) in determining the level and pattern of tolls to be specified in an order made under subsection (1) above, the Authority shall have regard to –
- (a) the financial position and future prospects of the tunnels;
 - (b) such other matters of a transportation nature within their area as shall be deemed by the Authority at that time to be relevant;
 - (c) such other matters of a social nature within their area as shall be deemed by the Authority at that time to be relevant.
- (4) Before making an order under subsection (1) above the Authority shall publish notice, in the London Gazette and in one or more newspapers circulating in their area, stating –
- (a) the effect of the proposed order;
 - (b) the place or places at which copies of the proposed order may be inspected free of charge and copies thereof obtained and the price of such copies;
 - (c) that objections or representations concerning the proposed order may be made in writing to the Authority before such day, not earlier than 28 days after the first publication of the notice, as may be specified in the notice; and
 - (d) the effect of subsection (6) below.

- (5) The Authority shall take into consideration any objections or representations concerning the proposed order made as provided in subsection (4) (c) above and, on submitting the order to the Secretary of State for confirmation, shall send to the Secretary of State copies of all such objections and representations and such information as the Secretary of State requires.
- (6) Before confirming the order, with or without modifications, the Secretary of State shall, if requested to do so by the Authority or if any person or body which appears to the Secretary of State to be sufficiently representative of persons who have a substantial interest in the use of the tunnel to which the order applies has objected to the order and not withdrawn the objection, and may in any other case if he thinks fit, cause a local inquiry to be held by such person as he may appoint for the purpose.
- (7) In deciding whether to confirm an order under subsection (2) above, with or without modifications, the Secretary of State shall have regard to the matters with the Authority must have regard to under subsection (3) above; and for that purpose that subsection shall have effect as if in paragraphs (b) and (c) for the references to the Authority, except the reference to their area, there were substituted references to the Secretary of State.