



28 January 2018

Dear Councillor,

As usual the MTUA is contacting members of the authority running the Tunnels before the meeting which sets the Tunnels tolls. From February 2015 it has been the Combined Authority which sets the tolls for the coming financial year.

The Metro Mayor issued a press release on the 23rd about the tolls for 2018/19. We have since seen the public reports on your agenda for the Combined Authority and Transport committee meetings at the end of this week.

The proposal is that you increase cash tolls and reduce tag tolls from 7pm to 7am and all day on Sundays. It seems that after these changes the Tunnels will still make over £12 million profit, though you will not see any profits figure in the reports or budgets.

This profit taking is despite what was said by the Liverpool Mayor at the Combined Authority's first tolls meeting in February 2015 - "all the profits that are made from the Tunnels should go into driving down the Tunnel tolls costs."

It is also despite what has been said by other politicians since then and in particular despite the Metro Mayor saying earlier this month that "I don't agree with tolls at all" and despite his May 2017 election manifesto saying-

"We are the only City Region in Europe where there will be no free cross-river road routes for residents and businesses. We need to be more flexible and creative in finding ways to remove burdens and barriers to travel and support business growth and ease of movement" and "We also need to ensure that our river ceases to be a barrier to movement and commerce and find imaginative and sustainable ways to alleviate the burden of tolls."

We have over the last two years made Information requests to the Government to try and find out what has been discussed with the Authority about tolls. They have refused to answer, but from the little that we have seen it seems that despite public statements, neither the Authority nor the Government want any change to the financing of the Tunnels. The prime aim, despite some reduction for tag users, seems to be to keep on making a profit from users of the Tunnels. This is clearly shown in paragraph 5.4.6 of the Budget report to the Authority which says "As part of a three year strategy, the LCRCA is seeking to increase overall revenues from the Tunnels."

Added to the strategy of using the Tunnels to fund other Authority spending, this year we have the effect of the tolls to cross upriver between Widnes and Runcorn. It seems that both Halton Council and the Authority (of which Halton is a member) will want, not to compete, but to co-operate in having tolls high on both the Tunnels and bridges in order to maximise profits.

We ask that the members of the Authority do not approve the tolls recommendation. Instead the Authority should stop the profit taking and make a substantial reduction in all Tunnels tolls, including the cash tolls

Attached is a document which goes into more detail. We realise that it is a long document but we believe that it is important that its contents are brought to your attention.

As usual we invite Authority members to point out to us anything we say which you think is untrue, inaccurate or misleading.

Yours sincerely,

Dave Loudon
Chairman
Mersey Tunnels Users Association

To Council Leaders who are full members of the Combined Authority
Copy to Councillors on Transport Committee

To Merseytravel Committee & LCRCRA from MTUA – Tunnels Tolls

Deciding on the actual tolls payable and setting the budget

As usual the authority have ignored our suggestion that the Tunnels tolls can and should be set by the Authority before it meets to decide on its overall annual budget. Setting the tolls at the annual budget meeting puts pressure on Authority members to agree to tolls that are at the level that is recommended by officers in the tolls report as otherwise there is a hole in the budget.

Again as usual the report going to the committee is almost word for word the same as in previous years, even to the extent that it still refers to the 'Merseytravel' committee. The reports still imply that the tolls have to be set at the maximum level permitted under the 2004 Act unless there are special circumstances. As we point out each year this is not so, and we have cited the part of the Act – Subsection 1 of Section 92C of the 2004 Act (re-enacting previous legislation) - which permits the Authority to reduce or remove tolls under any circumstances and in the past we have cited various examples where the Authority has used this power. The reports do not mention these Subsection 1 powers. This year the absence of any mention of Subsection 1 is bizarre as the report to the Transport Committee recommends that 'off peak' tag tolls are set at a lower rate. This is only possible using Subsection 1 powers, but it seems that the authority is to continue to blindfold itself as to what its full powers over tolls are.

Under the Order that set up the Combined Authority it is only them that can set the tolls, it can not delegate this important tax making decision. But unlike previous years there is this year no tolls setting report going to the Authority. A most odd omission and it is almost as if the Authority wants to further obscure the toll setting process.

Instead of the seven page tolls report that went to Authority members last year, all you have this year on tolls is one page (section 5.4) as part of the Authority's budget report. The wording of the report assumes that the toll changes have already been 'considered' by the Committee and agreed by the Authority. It seems that on Friday the Authority may only be going through the motions of considering the tolls.

Following last year's meetings, we again complained to the Authority about the tolls setting process and the meetings. A copy of last year's complaint will be separately sent to you. There was no response received to our complaint.

Tunnels profits

Over the years the public has been misled over whether there were any Tunnels profits at all, what the size of the profits was and what the profits were used for. We

have detailed this in documents that have previously been sent to members.

The fact that there is any profit or 'surplus' continues to be obscured. The Tunnels budget for 2018-19 does not show the income from tolls and the resulting profit, instead it shows the Tunnels as being financed by an 'Operating Grant' of £28,467 thousand.

Though it does not appear on the Tunnels budget page, elsewhere in the reports it is revealed that the expected toll income is £40.7 million. So the profit from tolls is just over £12.2 million. Or in fact more than £12.2 million because the interest on the positive Tunnels cash flow has never been credited to the Tunnels account and it seems that now even the miscellaneous income from items such as advertising and breakdown charges may not be credited to the Tunnels as there is no income at all shown in the Tunnels budget.

Even though the £12.2 million does not reflect the true financial benefit that the Authority gets from the users of the Tunnels it is still one of the highest ever annual profits from the Tunnels, and of course is a lot higher than the nil profit that was promised before the 2015 elections.

We used to complain to Merseytravel that people were misled by the Council Tax booklets showing that the Tunnels only just broke even. They eventually agreed to provide more correct information to the districts and it appeared for the first time in 2014-15. Unfortunately that was also the last time that the information was available in the Council Tax booklets, the Authority now does not mention the Tunnels at all in the booklets and thus again the public are kept in the dark about the toll profits.

As usual the report to the Transport Committee (at para 3.7) says that the purpose of profits (which the report calls “a surplus of income over immediate expenditure”) “is to provide sufficient resources for long term asset management of the tunnels”. We again point out that the profits taken by the Authority are gone with the wind and are *not* transferred to Tunnels reserves (any transfers to or from Tunnels reserves are *before* the profits taken by the Authority).

Where are Tunnels profits going?

The Authority sometimes gives the impression that all the tolls are spent on work in the Tunnels and mention things like 'safety' and 'investment'. Those of course can not be what the profits are spent on, as any spending on the Tunnels is before the profits are determined. When the Authority does reveal that tolls are being spent elsewhere it gives the impression that they are being spent on items such as concessionary travel. The reality is that tolls go into the General Fund of the Authority. As they are

'additional to normal' income, they facilitate spending on the most marginal, least essential and most wasteful items- such as the £60 million on the trams scheme.

Though it seems that not all of the profits extracted from users of the Tunnels and from the local economy may have been spent yet. Merseytravel and the Authority have been building up reserves. These reserves came to our notice three years ago when a planned toll increase was cancelled and the loss of budgeted income was offset by a reduction in 'Transfer to Infrastructure Reserve'. We had never heard of this reserve and could find little in the published accounts, so we asked questions. Eventually we discovered that Merseytravel and the Authority as at March 2014 had accumulated £132.9 million of funds that were classed as 'Usable reserves'. Only £5.8 million of the £132.9 million was earmarked for the Tunnels and the Authority was reluctant to detail what the other £127 million was for.

These reserves will have been built up from various sources, but as the tolls profits go to the Authority's General fund, some part of these reserves must indirectly come from the tolls profits. Indeed that is what was shown by what happened three years ago when a reduction in the Tunnels profits directly resulted in a reduction in the contribution to the reserves.

We have now looked to see what the latest published figure for 'Usable reserves' is. Unlike other local authorities, the annual accounts do not seem to be available on the Authority's website. We had to find them on the Knowsley Council website where they had gone to members of the LCRCA on 15 September 2017.

[Link to 2016-17 accounts on Knowsley website](#)

For 2016-17, the Tunnels made a profit of £14.9 million (calculated from figures on page 4 of the accounts) which went to the Authority's General Fund, and there was £10.3 million transferred to the Infrastructure Reserve (page 50). So all of the transfer to that reserve in 2016-17 was indirectly coming from the tolls profits.

The total usable reserves in the LCRCA Group (the Authority plus Merseytravel) accounts which at March 2014 were £133 million, had increased at March 2017 to £211.5 million (page 68). Only £5.4 million of the £211.5 million is earmarked for the Tunnels. The Auditor's report also went to the 15 September meeting but it does not mention the reserves or what they are to be used for, neither do the Minutes of the meeting.

The reserves are reflected in the assets of the LCRCA Group. The accounts show £211.5 million of 'Financial Assets' (investments and debtors). There is also 'Cash & Cash Equivalents' of £26 million (both figures on page 103).

The purpose of a large part of these reserves and the role of the tolls was revealed in a

document that we obtained in May 2016 about a meeting between Merseytravel and Government officials on 15 April 2015. The meeting note includes "Freeing the LCR from the (Tunnels) debt would enable the toll income to be better invested in other transport schemes across the LCR, especially rail projects and rolling stock..... A compelling business case is being developed, which will utilise locally generated funds, such as tunnel toll income."

The scheme which would be partly financed from tolls was presumably the planned acquisition by the authority of £460 million worth of new rolling stock.

Since Rail privatisation, trains are normally bought by Rolling stock leasing companies or ROSCOs.. The reason for this is that the operating life of the trains is far longer than what would be a prudent period to grant a contract to a train operating company (TOC). So the ROSCOs buy the rolling stock and lease it out to the TOCs. When we learnt that the Authority instead of following the normal route intended to buy the rolling stock, we contacted the Office of the Rail and Road Regulator to see how usual this was. We were told (end of December 2016) that "We are not aware of any other cases where local authorities have purchased trains - usually a ROSCO buys them and the TOC pays a lease charge."

So it seems that the region and in particular the users of the Tunnels will have to suffer because the Authority wants its own trains. It is incomprehensible that the authority could consider that having its own trains was a priority and that it has been sensible to build up usable reserves of over £200 million when the region is one of the most deprived in the country (see our section on the 'Local economy'.)

Mersey Tunnels compared with other crossings in the UK

When we contacted you a year ago we pointed out the cash toll for cars at the Mersey Tunnels was the joint third most expensive in the UK. The Tunnels are now the fourth highest crossing toll, as the so called 'Mersey Gateway' opened in October and it is now the third most expensive crossing toll for cars in the UK.

[Link to No Tolls website and List of Tidal crossings in Britain](#)

It is expected that at the end of this year the tolls will be removed on the Severn Crossing. The Halton bridges will then be the second most expensive crossing tolls and the Mersey Tunnels will be back to the third most expensive.

The distinction of not only being, as the Metro Mayor said in his election manifesto (page 11), "The only City Region in Europe where in the future all cross-river traffic movements will be subject to expensive tolls." but also having some of the most expensive crossing tolls in the UK, is an honour that the area could do without.

Tunnels users compared with users of passenger transport

The Tolls report to the Transport committee suggests that Tunnel users get a good deal compared with users of public passenger transport. We again remind you that Tunnel users are in effect taxed while passengers may be subsidised. We have detailed to you before that there is a massive public subsidy going to those people who use local rail or the Ferries. In our January 2016 letter to you we gave the extent of this subsidy then- £2.50 subsidy per passenger for each local rail journey, £5 subsidy per passenger for each use of the Ferries, and £2 subsidy per passenger for each journey on those bus services that are supported.

The current extent of this subsidy is now hidden as the Authority no longer seems to publish the figures from which anyone could calculate the subsidy per passenger.

Traffic levels

The report to the Transport Committee includes a section on 'Current Usage Data' and includes an appendix showing traffic from January 2000 to November 2017. During that period the traffic 'moving average' has gone from 2.1 million a month to 2.3 million. The suggestion is that higher tolls are needed to act as a 'barrier'. What the report does not say is that the Birkenhead Tunnel had a monthly traffic figure of 1.5 million before the Wallasey Tunnel came into use. It also does not say that the main capacity problems with the Tunnels are the approaches and the queuing to pay the tolls. If the Authority was concerned about Tunnels traffic levels it is strange that it supported the tolling of the previously free crossing between Runcorn and Widnes, as that tolling is bound to result in more traffic using the Tunnels.

Air Quality

The Metro Mayors' press release said that "Encouraging more people to travel off-peak will also help to reduce congestion and improve air quality by reducing the number of queuing vehicles."

The biggest, simplest and cheapest way of improving air quality and congestion and also reducing the risks from queuing traffic reaching back into the Tunnels is to introduce one way tolls payable in the direction going towards Liverpool.

We first suggested this to Merseytravel 15 years ago and each time we suggest it either the answer is 'no' or the suggestion is ignored. Unless the aim is to make drivers suffer, it is not clear why this is.

Local economy

The report to the Transport Committee has a section headed "Local economic factors" but it makes no mention of how the local economy is doing. Due to EU subsidies, cheap money for developers and growth in the national economy, we should be doing better than we used to, but we are still a poor relation to most of the UK.

Last year we pointed out how Liverpool and Wirral compared with other authorities as per published indices. The English Indices of Deprivation for 2015 is still the latest one. On the Employment ranking, it showed Liverpool as the 2nd worst authority, and Wirral as the 15th worst. On the rankings for Local Enterprise Partnership areas, the Liverpool City Region was ranked as the worst on the Index of Multiple Deprivation, as well as worst for indices of Income, Employment, and Health Deprivation and Disability. [Link to Official Statistics - 2015 Indices of Deprivation \(Local authority figures are File 10, and LEP figures are File 12\)](#)

The other index we mentioned was the ONS's "Regional gross value added (income approach), UK: 1997 to 2015". This has now been updated to 2016.

[Link to ONS - Regional gross value added \(income approach\) reference tables for 2016 \(published Dec 2017\)](#)

The data includes indices per head (table 3). The UK average per head for 2016 is 100, London is 171.1, Manchester city is 125.6, Liverpool is 87.5 and Wirral is 57.2. The 2016 figures for Liverpool and Wirral are lower than the revised 2015 figures, i.e. the position relative to the rest of UK is worse in 2016 than it was in 2015.

These figures are no indication that tolls have helped the Liverpool or Wirral economies. The Authority and Halton have said that our regional economy will somehow get better now that the new bridge is open and tolling has been extended upriver. Few others will believe that anyone will benefit apart from those who collect and profit from the tolls.

End