



30 January 2016

Dear Councillor,

As you may be aware the MTUA usually contacts members of the authority running the Tunnels around the time of the meeting which decides on tolls and the budget. The situation this year is different from usual in that instead of a recommendation to members that the tolls be increased, there is a recommendation that cash tolls remain the same and that Tag tolls are reduced by 20 pence. It is also recommended that the tolls are lifted on Christmas Day and that emergency vehicles do not pay tolls.

Though any concessions are welcome, these changes fall far short of what was indicated at last year's meeting. The Liverpool Mayor said that he believed that "all the profits that are made from the Tunnels should go into driving down the Tunnel tolls costs." Despite the proposed concessions, the draft budget for the Tunnels shows that the authority will still be making a profit of nearly £13 million from the Tunnels. The majority of users do not have a tag and the only benefit that they will see from the proposals is if they use the Tunnels on Christmas Day.

We believe that any tolling is unfair and divides families and businesses in one part of our region from the major part of it. This inequity is made worse if the authority continues to profit from the Tunnels and we ask that you move a lot further towards honouring what was indicated last year and that concessions are introduced that will ease the tolls burden on all drivers. There are various possibilities, there could be a substantial reduction in *all* tolls and the authority could reconsider some of the suggestions that we have made in the past and which were rejected.

Attached is a document which goes into more detail. As usual, we invite you to point out to us anything that 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 Merseytravel Committee

To Merseytravel Committee & LCRCA from MTUA - Tunnels Tolls details

In what follows we have usually referred to “the authority”. This has varied over the years. The Tunnels were first run by a joint committee of Liverpool and Birkenhead, and then a joint committee which also included Wallasey and then by Merseyside County Council and then by the Merseyside Passenger Transport Authority which became the Merseyside Integrated Transport Authority and now comes under the Liverpool City Region Combined Authority.

What was said at the February 2015 tolls meeting

The recommendation in the tolls report to the February 2015 meeting of the LCRCA was that there would be another cash tolls increase. The meeting did not approve the increase and the Liverpool Mayor said he thought that using the tolls to finance other infrastructure "was fundamentally wrong". The Mayor also said “I think that all the profits that are made from the Tunnels should go into driving down the Tunnel tolls costs." It was then agreed at the budget meeting that the Region set up a task force on this. It was also indicated that there would be negotiations with the Government.

In part these negotiations were said to be asking the Government to give power over the tolls to the authority. As we remind you later in this document, in fact the authority already has the power to reduce or remove the tolls

Then in the run up to the General Election, the Conservatives made various statements that they would reduce or remove the Tunnels tolls. Labour, including Ed Miliband, countered this by saying that something was already being done.

The MTUA made various requests to the authority for information about when this “task force” was meeting and what had been said in any negotiations with the Government. We learnt nothing and feared the worst while still hoping that there would be an end to the Tunnels being used as a cash machine for the authority.

When the latest toll recommendations were published this week, a spokesman for the authority said that the toll reductions were a “devolution dividend”. This claim is odd as it seems that the Government has not agreed to anything about the Tunnels.

More importantly, the authority has not done what the Liverpool Mayor seemed to be asking for a year ago. Despite the proposed toll changes, the authority is still expecting to make a profit of £12.7 million from the Tunnels in the year from April. Not only is this not meeting the aim that “all the profits that are made from the Tunnels should go into driving down the Tunnel tolls costs”, *it will be one of the biggest annual profits that the authority has taken from the Tunnels.*

Power to set tolls below the maximum

The public are usually misled by claims that the authority are virtually forced to increase the tolls in line with the movement of the RPI, unless there are "exceptional circumstances of an economic or social nature". Oddly, the claims that the authority are forced to do this usually cite the Bill that the then authority promoted and which came into law in 2004.

The reality is that with tolled crossings the legislation sets out how the *maximum* toll is determined. A crossing owner can set a lower toll or even remove tolls. For the Mersey Tunnels this power is explicitly set out in the 2004 Act. Subsection 1 of Section 92C of the 2004 Act (re-enacting previous legislation) says -

- (1) The Merseyside Passenger Transport Authority may—
 - (a) cease to demand, take and recover tolls in respect of traffic or any class of traffic passing through or into any of the tunnels;
 - (b) resume demanding, taking and recovering such tolls; and
 - (c) allow traffic, or any class of traffic, to use any of the tunnels without paying tolls or on payment of tolls at a reduced rate during such hours, on such occasions or in such other circumstances as it may from time to time determine.

This power is the *only* legal basis for various Tunnel toll reductions or concessions -

- i) Lower tolls for "tag" users,
- ii) Concessions for disabled drivers,
- iii) Certain drivers or vehicles apparently not being expected to pay,
- iv) Class 2 vehicles only having to pay class 1 tolls between April 2005 and March 2008; and class 4 vehicles only having to pay class 3 tolls between April 2005 and March 2006,
- v) The tolls that were specified in the "Tunnels (Revision of Tolls and Traffic Classification) Order 1991", which is the base level for the current tolls, not being applied in full till 1999.

We notice that para 3.6 of the report going on the 5th to LCRCA members says "...Such low levels of general inflation would mean that an increase in tolls in 2016/17 would constitute a real-terms price increase that would not (sic) be out of step with general inflation and as such, is not considered to be appropriate in current economic conditions." However you read that sentence it contradicts what has been said in previous authority reports about RPI linked increases, and it is also irrelevant because of the Section 92C (1) powers.

Tunnels profits

Over the years the public has been misled over whether there are any Tunnels profits at all, what the size of the profits is and what the profits are used for. We have detailed this in documents that have previously been sent to members. Recently someone speaking for the authority was asked what the Tunnels profits were used for and answered that in part they were used to pay for “maintenance etc” and that it allowed “historic debt to be paid off”. This is not correct, the Tunnel profits are *after* all Tunnels costs have been met including maintenance and debt charges. It is also wrong that the report going to members on the 4th (para 3.7) says that the purpose of profits “is to provide sufficient resources for long term asset management of the tunnels”, as we have pointed out to you before, the profits taken by the authority are gone with the wind and are *not* transferred to any Tunnels reserves.

The full Tunnels profit should at least be clear to members of the Merseytravel Committee in what now goes to them, but there is still no indication that the Council Leaders on the LCRCA know what the profits are. We have therefore summarised the figures below, as you can see it is planned that *after* the new concessions there will still be a profit of nearly £13 million in 2016/17.

	Tunnels net expenditure before tolls £'000	Toll income £'000	Profit on Tunnels £'000
2015/16 Original budget	26,973	42,730	15,757
2015/16 Revised budget	27,030	43,839	16,809
2016/17 Budget before toll proposals	27,447	43,666	16,219
2016/17 Budget after toll proposals	27,447	40,194	12,747

Authority gains from the Tunnels that don't show in the profits

We have previously drawn members attention to how the authority have benefited from Tunnels assets and funds in various ways, as detailed on page 4 of the document that we sent to members on the 7th February 2015. Some of that may no longer apply, but one item that seems not to have changed is that it is the authority and not the Tunnels who get the benefit of the £27 million or so of cash that the Tunnels have.

Mersey Tunnels cash tolls for cars compared with other crossings in the UK

The only cash tolls for cars which are higher are those on the Severn and Dartford crossings. From April it is expected that there will be an increase in the Tyne Tunnels car cash tolls to the same level as the Mersey Tunnels. All other crossings have either lower tolls or no tolls.

Tunnels users compared with users of passenger transport

At tolls review time, the authority usually claim that Tunnel users get a good deal compared with users of public passenger transport. We remind you that Tunnel users are in effect taxed while passengers may be subsidised. We gave details of this on page 5 of the document that we sent you on the 7th February 2015. We have not got current information but the transport subsidies when we last estimated them were -

£2 subsidy per passenger for each journey on those bus services that are supported,

£2.50 subsidy per passenger for each local rail journey, and

£5 subsidy per passenger for each use of the Ferries.

Tag users and possible ways of benefiting all users

It would be expected that those who prepay would get some discount, but the proposed differential between those who prepay and those who pay cash is unusually large. Prior to the 2004 Act the cash toll for cars was £1.20 and the Tag toll was £1.10, that was a discount of 8.3%, the proposed tag toll from April 2016 is equivalent to a discount of 29.4% on the cash toll.

The authority say that 40.75% of Class 1 (car) “customers” currently pay by tag. We think that in fact it is 40.75% of journeys and not “customers”. As it is likely that those who use the Tunnels the most are the most likely to have a prepaid tag, the proportion of car drivers using the Tunnels without a tag will be far greater than 60%.

It is also likely that the drivers without prepaid tags will be those who are either less well off or without bank accounts or who are visitors to the area. We question whether it is reasonable that the less well off pay the most or that people are deterred from visiting the area.

In any case some drivers may be aware that research in America showed that tolls

increase more frequently where they are paid automatically than when they are paid by cash. So if the Tunnels were ever to go 100% cashless, there is a strong chance that the prepaid tolls would go up. This happened when the Dartford tolls went 100% cashless at the end of 2014 and the cost of the prepaid toll was increased by 25%.

As usual the authority say that they will encourage more people to use tags. We assume that they will try, but it appears from the proposed budget that the authority expects that there will be limited extra take up of tags. For 2015/16 the Authority seems to have estimated that about 11 million of the 26 million tolled journeys will have been paid for using a tag, for 2016/17 they seem to have estimated that tag use will increase to about 12 million journeys. That increase will leave about 14 million journeys in 2016/17 still paying the same level of tolls as now.

We suggest that there should be further changes that will benefit all. Possible changes include -

- a) Reducing the cash toll by a significant amount.
- b) Removing or reducing all tolls at certain times (e.g. evenings) or on certain days (e.g. weekends).
- c) Having one way tolls (with the toll in the reverse direction increased) thus halving the congestion and pollution that is caused by tolling.

The report to the authority suggests that somehow tag users equates with 'local' users and includes a map which shows that there is a bigger concentration of tagged drivers in the Wirral and in the City Region than elsewhere. But as we commented last year, this may reflect the fact that these areas make up a high proportion of Tunnels users, as would be clear if there was also a map of where cash users lived.

In any case the Tunnels concession for paying in advance and being tagged does *not* depend on where you live. This is completely different to the situation at the Dartford Crossing. Those who live in the area either side of the crossing (Dartford Council and Thurrock Council) can cross for 20 pence (normal prepaid charge for a car is £1.67) or have unlimited journeys for £20 a year.

It is also different from the situation for the Halton Council area. The residents there will not have to pay anything to cross at Runcorn when tolls at Mersey Tunnel levels are introduced for everyone else.

Local economy

We have in previous messages to you commented on how Liverpool and Wirral compare with other authorities as per the English Indices of Deprivation for 2010. The 2015 Indices are now available and show that for the Employment ranking, Liverpool is unchanged as the 2nd worst (out of 326 local authorities), though Wirral has improved from 10th worst to 15th worst.

The indices now show rankings for Local Enterprise Partnership areas. The Liverpool City Region is ranked the worst in England on the Index of *Multiple* Deprivation, as well as worst for Income, Employment, and 'Health Deprivation and Disability'.

There will be many reasons why despite billions of Objective 1 grants and other European and Government money this region fares so badly compared with others, but having tolls to move across an area creates a barrier that reduces the positive agglomeration effects to the local economy that you should get in a large urban area.

Deciding on the actual tolls payable and setting the budget

In a message to you on 16th February last year we commented (pages 2 and 3) on how and when the decision was made about tolls. We suggested that the Combined Authority should meet earlier in the process “and make their decision on tolls payable before Merseytravel meet to decide what budget / operating grant they want the Combined Authority to agree to”. Our suggestion has been ignored.

We notice that the authority Budget which has been prepared for 2016/17 and is to be considered on the 5th has figures which assume that the tolls for 2016/17 are as per those recommended in the report that goes to the Merseytravel Committee on the 4th. This seems to put pressure on members to agree to tolls that are at least at the level that is recommended in the tolls report as otherwise they have a potential hole in the budget. As the tolls report has not yet been considered by members, this in our opinion is not democratic.

Tunnels losses and profits

The financing of the Tunnels since they opened to traffic in December 1933 can be split over seven periods -

a) Up to 1947 Tunnel revenue costs were met partly from toll income and partly from a precept on ratepayers. Over the period, the precepts met about 1/3 of the costs and tolls about 2/3.

b) From 1947 to 1971 there were still precepts, but their net effect was negligible and almost all Tunnels costs came from tolls.

c) From 1972 to 1988, the Tunnels made losses which were borrowed for and added to Tunnels debt.

d) As the Government refused to allow any more borrowing for losses, the costs not met from tolls and toll increases had to be financed by a precept on ratepayers. Between October 1988 and March 1990 this amounted to just over £12 million

e) Between April 1990 and March 1992 the situation was as at (d) except that the authority no longer had precepting powers on ratepayers, so there was a levy on the districts. This totalled just under £16 million over the two years

f) From 1993 the authority decided (illegally in our view) that they could claw back what was paid between 1988 and 1992. The authority called this 'Levy Repayment'.

g) The 2004 Act gave backing to the repayment. We can not say why the authority bothered to do this. At that time the Tunnels had *already* paid to the authority more than what had been precepted or levied and in any case the 2004 Act gave the authority the ability to take *all* the profits from the Tunnels. In the accounts and budgets from 2004, the authority has split what it was taking from the Tunnels between what it said was 'Levy repayment' and what it said was 'Tunnels Act 2004', but in the MTUA view it is all profits.

Note that the above historical summary ignores two significant items. The first item is that for the period from 1935 to 1975 the Tunnels 'costs' included subsidising the Birkenhead Ferries. The second is that the Tunnels did build up financial reserves, but the County Council appropriated them (in our view illegally) in 1985/86, i.e. the year before the Tunnels undertaking was transferred to Merseyside Passenger Transport Authority.

On the next page is a table of the loss or profit since 1988 (i.e. from when the capitalisation of losses was stopped).

Table of Tunnel losses and profits from 1988

	Loss £'000	'Levy repayment' £'000	'2004 Act' £'000	Total profit £'000
1988/89	4,317			(4,317)
1989/90	7,977			(7,977)
1990/91	7,929			(7,929)
1991/92	7,796			(7,796)
1992/93				0
1993/94		500		500
1994/95		1,931		1,931
1995/96		1,931		1,931
1996/97		1,931		1,931
1997/98		2,690		2,690
1998/99		3,125		3,125
1999/00		3,125		3,125
2000/01		3,125		3,125
2001/02		3,663		3,663
2002/03		3,663		3,663
2003/04		3,663		3,663
Cumulative pre 2004 Act	28,019	29,347	0	1,328
2004/05		3,663	2,800	6,463
2005/06		3,663		3,663
2006/07		3,663	3,800	7,463
2007/08		3,663	7,065	10,728
2008/09		3,663	3,493	7,156
2009/10		3,663	5,100	8,763
2010/11		3,663	2,800	6,463
2011/12		3,663	2,500	6,163
2012/13		3,663	6,354	10,017
2013/14		3,663	10,178	13,841
2014/15		3,663	13,058	16,721
2015/16			16,809	16,809
Cumulative to March 2016	28,019	69,640	73,957	115,578
2016/17 proposed			12,747	12,747
Cumulative to March 2017	28,019	69,640	86,704	128,325