



11 February 2014

Dear Councillor,

We sent you a message on the 5th February prior to your Budget meeting last Thursday where the majority of members voted to increase the level of Tunnel tolls from April.

I was not able to be at the meeting, (though some members of our committee were) but I am aware of what Merseytravel said at the meeting. Merseytravel also made statements to the press before and after the meeting and tweeted drawing people's attention to a new web page - "Mersey Tunnel Tolls Setting" at <http://www.merseytravel.gov.uk/about-us/media-centre/news/Pages/Mersey-Tunnel-Tolls-Setting.aspx> .

We were not surprised that Merseytravel decided to increase the money that it is making out of users of the Tunnels, particularly as you had already drafted the budget on that assumption. But we were surprised that Merseytravel continues in our view to mislead the public.

In our last message to you we mentioned that a year ago we were invited ".. to a meeting to discuss some of the Tunnels issues... The fact that there we were invited to meetings indicated that there had been some changes at Merseytravel, though it is not clear that those changes have had much impact on how Merseytravel regards users of the Tunnels."

The main positive changes since a year ago are -

- a) For many years Merseytravel presented their budget in a way that masked the Tunnels profit. This has now changed so that the budget presentation shows income exceeds expenditure. (On the negative side, the full extent of what Merseytravel get from the Tunnels is not clearly shown).
- b) There is a legal requirement that there are accounts produced for the Tunnels, but Merseytravel published accounts between 2007/08 and 2011/12 without showing the accounts for the Tunnels. This has changed from 2012/13 so that the Tunnels accounts, as before 2007/08, are published as an annex to the Authority's accounts. (On the negative side the Tunnels on page 38 of the main accounts are shown as making a surplus of £684,000 in 2012/13, which will mislead anyone who does not look at the annex. The annex itself, as with what was published before 2007/08, is described as "unaudited").

For many years Merseytravel have made what we believe to be misleading statements about the Tunnels and we have in recent years drawn to the attention of Authority members what we believe to be the actual situation. Despite the positive changes mentioned above, Merseytravel made various statements last week which we strongly believe would have the effect of misleading the public. As with previous years, the tolls report at para 10.2 suggested there should be a “*pro-active media statement*”.

Not everything that Merseytravel said last week is incorrect or misleading but it seems that Merseytravel realise that there would be a greater public uproar if the real reasons for toll increases were widely known and that in order to defend their image in the public's eye they say things that muddy the waters. Many people will either be confused or have a completely inaccurate idea of the reason for the toll increases.

Attached is a document prepared by our secretary which lists some of the things said by Merseytravel last week (particularly what was said on the website), which we believe to be wrong and what we believe to be the real “facts”.

We invite you to point out to us anything we say which you know or believe to be untrue, inaccurate or misleading.

Yours sincerely,

Dave Loudon
Chairman
Mersey Tunnels Users Association

Merseytravel statements of 5th & 6th February 2014 about the Tunnels and tolls

Most of the **bold** or underlining emphasis below has been added by the MTUA.

In the quotes from the Merseytravel website, “**Claim**” is what users of the Tunnels are supposed to say, and “**Fact**” is Merseytravel's answer to the “**Claim**” made by users.)

PURPOSE OF THE TOLLS INCREASE

What Merseytravel said -

1. The day before the meeting, the print editions of the Liverpool Echo and of the Wirral Globe included in their stories about the possible tolls increase “.. Merseytravel .. said “.... **Primarily** it is about ensuring there is enough to operate, maintain and invest in the tunnels, including there being a satisfactory buffer should unplanned emergency work be necessary.”

2. On the day of the meeting listeners to Radio Merseyside were told on the early morning news - “.. the cost for cars to use the crossing is set to rise by 10 pence a journey from April, increasing the price to one pound 70, if the plan is approved at the Merseytravel budget meeting today. Critics argue motorists are already suffering through the high cost of petrol, pay freezes and cuts. **Merseytravel** though insist that the increase is below the rate of inflation and .. **told us the extra cash is needed to maintain safety and upgrade both of the Tunnels** ..”. This claim was repeated at the noon news bulletin - “**The body running the Mersey tunnels insists it needs to increase tolls in order to pay for upgrades and to maintain safety.**”

3. At the Budget meeting with press and public present, Merseytravel said that “*The cost of the tunnels does fall to the users .. the cost of running those tunnels is always significant to make sure we operate them not just in a way that is fit for purpose, but those key assets that they are for the Liverpool City Region but in doing so in a way that actually provides them to be some of the best operated in the world and some of the safest in the world. That does come at a price, .. and we’re .. keen that we operate those in the most cost-effective and most cost efficient way accordingly.*” (In the context of the tolls increase the statement implies that the tolls and the tolls increase are spent on the Tunnels. There was no mention of the profit that Merseytravel takes from the tolls.)

3. The opening part of the statement that Merseytravel put on its website on the day of the meeting did admit that the Tunnels made a surplus, but did not say how large it was nor admit that the surplus was going up. It gave the impression that the increase was to do with “*The safe and effective operation of the tunnels ... Millions of pounds of investment is needed to keep the tunnels on an even keel and millions more to make any improvements.*”

4. The print edition of Friday’s Liverpool Echo printed part of Merseytravel's statement which again implied that the tolls increase was being spent on the Tunnels “.. *Millions of pounds of investment is needed to keep the tunnels on an even keel and millions more to make any improvements. This is in addition to the money needed for their day-to-day operation and to pay off the residual debts from their construction*”.

MTUA response -

The spending on maintaining the Tunnels, renewal works (through “Revenue contributions”), policing, toll collection and Merseytravel administration etc net of non tolls income in the Budget for 2013/14 was £29,903,000. The figure for 2014/15 is £27,971.000, i.e. the Tunnels expenditure is falling by nearly £2 million.

From Budget 2013/14 to Budget 2014/15 the surplus on the Tunnels increases by £4,572,000. If the so called “Levy repayment” (which goes to Merseytravel and has no effect on the levy because Merseytravel's net spending and its levy remains exactly the same if this item is removed) is included then the budgeted surplus or profit for 2014/15 is £13,419,000.

This toll increase had nothing to do with money being spent on Tunnels safety or any other Tunnels purpose. The increase was to maintain and increase the amount of money that Merseytravel takes from Tunnels users to spend elsewhere.

Merseytravel also mentioned “*buffers*” for “*unplanned emergencies*”. Money that Merseytravel takes from the Tunnels and spends elsewhere is gone with the wind, it is not and can not be a buffer.

There are only two real buffer reserves as far as the Tunnels are concerned.

The first is the Tunnels Reserve and Renewals Fund, the Tunnels contribute a fairly constant amount to this fund each year and capital / renewal works are financed from it, this has the effect of evening out the cost that falls on the Tunnels revenue account. According to Merseytravel's budget this reserve is actually going down and not up - from an anticipated £5.8 million at 1st April to £4.8 million at the end of the financial year.

The other reserve is Merseytravel's overall “Working Balance”. According to their budget that is also going down not up - it is budgeted to go from £2.9 million to £2.6 million.

PROFITS ON TOLLS BEING RINGFENCED FOR IMPORTANT TRANSPORT SCHEMES

What Merseytravel said -

In the website statement - “***Claim: The surplus can be used by Merseytravel on anything***

Fact: ... *The surplus .. is ringfenced for a funding pot that pays into projects such as Park and Ride schemes, new bus stations and access improvements*”

MTUA response -

The 2004 Act states that the tolls can be used to subsidise the “*Executive’s ferries*” and “*in making payments to the Authority’s general fund for the purpose of directly or indirectly facilitating the achievement of policies relating to public transport in its local transport plan, or for other purposes*”.

A separate 'Special Report' restricts what “*other purposes*” means, but it is all meaningless in practice. This is because the profits from the Tunnels are **not** ringfenced, but go into Merseytravel's General Fund and once there are not earmarked, apart from £700,000 which is given to the Ferries. The Tunnel tolls profit is most likely to be increasing the amount that Merseytravel spends on its less essential and most wasteful schemes like the £70 million on the no trams scheme, their new luxurious HQ, the Beatles Museum, its U-boat and so on.

THE DEBT

What Merseytravel said -

In the website statement - “***Claim: The tunnels debt was paid off long ago***

Fact: ... *loans are still being paid and will not be paid off until 2048. These payments are fixed and the penalties incurred by paying them off early would make the debt more expensive and therefore be a false economy. The debt does not just relate to the construction costs of both the Queensway and Kingsway, but also the money that was borrowed for tunnel maintenance and improvements*

before the Tunnels Act 2004. This now ensures sufficient funds are generated through tunnel use to allow for their upkeep and improvement without borrowing.”

From print edition of Friday's Echo, money is needed - “to pay off the residual debts from their construction”.

MTUA response -

The amount of debt that has been paid off since the Birkenhead and Wallasey Tunnels were built far exceeds the cost of construction or any improvements * that may have been financed from loan.

* Over the years almost all Tunnels “improvements” have been financed from tolls rather than borrowing. It is misleading for Merseytravel to imply that the 2004 Act reduced the need to borrow, the effect was the opposite, as Merseytravel were spending tolls money that could have financed Tunnels improvements on non-Tunnels services.

The Tunnels debt that remains is in effect not what was borrowed for “construction costs” or “maintenance and improvements”, it is due to three things -

a) From 1971 till October 1988 the Government allowed borrowing to cover losses on the Tunnels. That was most inappropriate and losses should have been financed from toll increases or rates or Government grants - as happened with the Humber Crossing that got into financial trouble about the same time. These borrowings amounted to about £100 million. This was far more than the cost of construction which was about £7 million for the Birkenhead Tunnel and about £37 million for the Wallasey Tunnel.

b) From October 1988 there were still losses but the Government permission to borrow had been withdrawn and neither would they give any grants. There was a toll increase in 1989, but that was not sufficient to stop the losses and the Tunnels were for a short period partly financed from rates and later through a levy on the five councils. The losses stopped completely from April 1992 following another toll increase. According to Merseytravel the losses that had been charged to rates and later the levy totalled £28 million.

That should have been that, but about two years later Merseytravel started charging the Tunnels for the payments that had been made through the rates and the levy. This charging was contrary to what the law said that tolls could be used for, but Merseytravel got a legal “opinion” that said that they could do it anyway, and just to make sure, after we raised the legality of this, Merseytravel got the politicians at Westminster to change the law to cover what they were already doing. This debt which is not really a debt has annual interest of 9% added to it. It could have all been paid off some time ago from Tunnels profits, but has not been.

c) The Tunnels tolls are used to pay for various things that anywhere else would not have come from tolls such as the policing and the building of flyovers etc. When Merseyside County Council were in charge they also took money by selling off property that had been bought for Tunnels purposes and by appropriating the Tunnels reserves. The Tunnels got no compensation for this.

But the money taken by the County Council is dwarfed by the money that has been taken by Merseytravel for the last ten years and more.

Prior to April 2004 they took £29 million (so in cash terms Merseytravel by 2004 had already got back more than the £28 million that had come from the rates and later the levy).

Since April 2004 and up to March 2013, they have taken a further £67 million. In the budget just agreed their estimate is that they will get another £8.9 million in the year to March 2014, and £13.4 million in the year to March 2015, which will make a total of £89 million that Merseytravel have taken from the Tunnels tolls since 2004.

We have not got an exact figure for Mersey Tunnels debt but estimate that as of March 2014 it will be about £20 million. Anyone who is not completely innumerate will realise that this £20 million or so of debt could have been paid off long ago if Merseytravel had not taken the £89 million.

What makes this even more unfair is that the Tunnels generate large amounts of cash that is received before various expenses have to be paid. This surplus cash is over £30 million which Merseytravel have in the bank, and it seems that it is Merseytravel, and not the Tunnels, which gets the benefit of the interest on that surplus cash

Merseytravel talk about a “*false economy*” if debts are paid off early.

It is correct that repaying debt early may incur penalties if the interest rate on the loan is lower than current rates for a new loan for the period remaining on the old loan. But, this “penalty” will be less than the interest that would be saved in future years - because all of the interest is saved, not just that part which may be above current rates.

In any case, Merseytravel could have started repaying some of these debts years ago, when interest rates on new debt were far higher and any penalties would have been far lower.

The reality is that Merseytravel does not want to use profits from the tolls to repay Tunnels debts, it wants them to prop up the rest of Merseytravel.

Despite what Merseytravel now say, prior to the changes in the 2004 Act, Merseytravel in at least two years did prematurely repay Tunnels debt. The reason is that prior to the Act it suited Merseytravel if the Tunnels did repay debt prematurely because Merseytravel indirectly benefited from the extra payments (as they were able to reduce the amount that was due to be repaid on the debt of their other services) and because the extra charge to the Tunnels fitted in with the image that they were giving to the public that tolls needed to be increased.

The year “2048” is often quoted by Merseytravel as the year before which the debt will be not be paid off. This date is meaningless. Merseytravel have a schedule of repayments and one part of this is a debt to the Public Works Loans Board which is currently about £12 million and is being repaid at the rate of only £364 thousand a year (that 's less than one per cent of what they take in tolls in a year). The whole of the debt could be paid off now if Merseytravel were not taking the Tunnels profits.

REQUESTS FOR GOVERNMENT HELP

What Merseytravel said -

At the Budget meeting - “When we’ve asked in the past, government ministers and Department for Transport officials have been unequivocal in the fact that there is no government thinking of taking the tunnels into the national road network. So with the government having no clear intent of taking the tunnels off our hands that leaves us in a bit of quandary doesn’t it you know in terms of the way you could finance the tunnels? Either it would be via the levy and the county taxpayer which in any circumstances would be challenging but in its current circumstances where finances for local government are so excruciatingly difficult because of the way the government is behaving..”.

In the website statement - “***Claim: The tunnels could be toll free as part of the national road network***”

Fact:*The tunnels were built as a joint venture by local authorities and as such their upkeep and maintenance remains outside of the national highway network. Calls have been made locally to Government to review this, but there are no plans currently..”*

MTUA response -

Merseytravel have watered down a bit what is usually said e.g. “*appeals to have the tolls abolished were unsuccessful*” and “*This organisation, or its predecessor, have tried three times and been told by government where to go basically*”.

Merseytravel did indeed write a year ago to the Department of Transport, but following a Freedom of Information request we saw the correspondence, and it was not a serious attempt to get help. We also made a Freedom of Information request for papers relating to all the Merseytravel requests for Government help and the responses going back to May 1997. The reply that we got was that nothing could be found “*but this does not mean that the statements are factually inaccurate*”

As Merseytravel make a large profit on the Tunnels, it would be surprising if they had ever really seriously approached the Government with a view to any action that would reduce or remove the tolls. Merseytravel seem to have done the exact opposite of what they generally claimed. Instead of the Government giving help that would ease or lift the burden on users of the Tunnels, the Labour Government did all they could to help Merseytravel get the law changed so that Merseytravel could more easily raise the tolls and then legally take the resulting profits.

The position on Merseyside sharply contrasts with that in some other area of the country where politicians have really lobbied Governments for help in reducing or removing tolls.

When the Mersey Tunnels Users Association was formed there were four tolled crossings in Scotland, now there are none.

Politicians in the area of the Humber Crossing have over the years won very substantial help for that Crossing - over the years, the Government has written off about £500 million of debts and reduced interest rates on remaining debt.

Politicians in the area of the Dartford Crossing had tolls for locals reduced to 20 pence in 2008.

Welsh politicians have at various times called for the tolls on the Severn Crossing to at least be reduced, the most recent call was within the last two weeks.

In East Anglia the Government had planned to toll a new 25 mile road. It was announced in December that the road would go ahead but would not be tolled. Merseytravel commented on this at the Budget meeting and suggested that it would not be tolled because “*the proposed road runs through John Major’s former constituency.*” Merseytravel seem to have forgotten that from 1997 to 2010 there was a Labour Government, and almost every MP on Merseyside was Labour. That did not result in any help to remove or reduce tolls - the effect was the opposite.

Nationally the only area where tolls are extending their grip is here, with Halton Council being given permission for the building of a new tolled crossing and for the imposition of tolls on the currently free one. This should have pleased Merseytravel, who seem to have been cooperating with Halton for a very long time on the building of a tolls barrier from Liverpool to Warrington.

TOLL RISES AND INFLATION

What Merseytravel said -

In the website statement - ***“Claim: Toll rises are out of line with inflation***

Fact: *Under the Tunnels Act 2004 tolls should rise by the level of inflation, but aren't permitted to go above this. The toll level increases since the Act was introduced in 2004 have been below the level of inflation .”*

MTUA response -

The MTUA say that the tolls are unfair and that toll rises are not needed, but we have never said that the toll increases are out of line with inflation. But as Merseytravel say that people are saying that, we will rise to the challenge and see how much the tolls have changed “*since the Act was introduced in 2004*” and what the inflation has been since then.

The Act was signed in July 2004 when the car toll was 120 pence and the RPI for that month was 186.8, in December 2013 it was 253.4 and by April 2014 (when the car toll goes up to £170 pence) will probably be around 256. Applying the increase in RPI since the Act was introduced would give you a toll figure of 164.5 pence (which rounded to the nearest 10 pence would be 160 pence). If you use the CPI, which is the rate of inflation which the Government prefers, then the toll would be 158 pence (which rounded to nearest 10 pence would also be 160 pence). So though we have never said it before, this toll increase is greater than RPI or CPI inflation since 2004.

The reason that the increase is more than inflation, but less than that legally allowed, is because Merseytravel persuaded Parliament to fix the inflation as being from when the toll was set at £1.20 in 1999 and not from when the Act was “*introduced in 2004*”.

Merseytravel may also have forgotten that the 25 year forecast that they gave to Parliament indicated that there was no need for any inflationary increase in tolls because increases in Tunnels costs were forecast by them to be offset by reducing debt costs and expected traffic growth.

TOLLS ON OTHER CROSSINGS

What Merseytravel said -

At the Budget meeting - “*the government's consultation on the national network's proposals for both the road and the railway networks it actually singles out .. that **estuarial and river crossings will remain** on a **tolled** basis under the government's policy.*”

In the website statement - ***“Claim: Other similar tunnels are toll free***

Fact: *Only those (tunnels) funded through Government as part of the national road network (are free) .. .”*

MTUA response -

No matter what this and previous Governments' policy may be, actual practice is different. Merseytravel refer to “estuarial” crossings. An estuary is a stretch of river that is tidal, and so logically any such policy would include fixed road crossings to an island. There are around 100 “estuarial” or island crossings, only 11 of them are currently tolled.

Untolled crossings include the Forth (where a further untolled bridge is currently under construction), the Clyde, almost all the bridges over the Thames and all the crossings between Liverpool and Anglesey apart from the Mersey Tunnels. Here is a list as at 2011 - <http://www.notolls.org.uk/cross.htm>

As for river crossing on non tidal waters, there could be 100,000 of them in Britain. Only about ten are tolled.

Merseytravel seem to distinguish tunnel crossings from bridge crossings. It may well be the case that tunnels crossings are cheaper to run than bridges, but the Mersey crossings being tunnels was a decision made by the authorities, not users. The crossing to Birkenhead was a tunnel because they thought that there might be a war, and if so and there was a bridge, then it might be bombed and if so then substantial parts of the bridge might fall into the water and if so then shipping on the river might be blocked. When it came to building the second crossing in the 1960s, the appointed consultants recommended building a 6 lane bridge. The authorities decided instead to have a 2 lane tunnel, and after the contract for that had started they then decided to have another tunnel built. The costs of this was almost certainly higher than if they had accepted the advice of the consultants.

It is not of course always the case that a tunnel, despite higher costs, is tolled. Tunnels that are not tolled include the Clyde tunnel at Glasgow, the tunnel under the Conwy estuary and the Hindhead tunnel that was opened in 2011. Merseytravel imply that all untolled tunnels are part of the national road network, even if that were so, it is a Catch 22 as the Tunnels should be part of that network.

WHEN THE TOLLS WERE TO BE REMOVED

What Merseytravel said -

In the website statement - ***“Claim: The tunnels were meant to be toll free within 10 years of construction***

Fact: “.. legislation which authorised the construction .. may well have originally provided for them to become toll free within a defined period. However this legislation has long since been amended through various Mersey Tunnels Acts over many decades so that tolls remain for both tunnels to cover operating, maintenance and renewal costs and to save this burden falling on the local tax payer. Once the debt is repaid people in Merseyside will be consulted to determine the level of toll. .”

MTUA response -

It is not that “legislation .. **may** well have originally provided for them to be toll free”. The legislation **did** say that at some point they must be free.

The 1925 Act said that tolls were to be removed 20 years after opening (which turned out to be December 1933) or when just over one million pounds (net of collection costs) had been collected in tolls - whichever was the sooner. In a series of acts up to 1972 the law was amended so that the law became that there would be tolls until the Tunnels were completely debt free, no matter how many years had passed and no matter how much had been collected in tolls.

Then in 1980, Merseyside County Council had the law changed so that there would be tolls even if there was no debt, but the tolls would have to reduce as the debt stopped. Merseytravel then had the law changed again in 2004 so that there would be tolls forever and the tolls would not have to go down when the debt was paid off.

When the debt is paid off, Merseytravel do indeed have to consult “*users of the tunnels and the people of Merseyside*” when they decide what to do about the tolls, but they do not have to pay any attention to what people say. In any case this is all academic. The debt could have been paid off long ago, but has not and it is very easy for Merseytravel to arrange it so that there is always some debt while they continue to take many millions out of the Tunnels.

IMPROVEMENTS TO THE TUNNELS SINCE THEY WERE OPENED

What Merseytravel said -

In the website statement - “**Claim: The tunnels haven’t improved since they were opened**

Fact: ... *Major investment over the last seven years has involved the creation of new escape chambers for use in the event of an accident ... £12,630,000 was invested in 2012/13.*”

MTUA response -

In 2003 “refuges” in case of fires in the Birkenhead Tunnel were approved and were completed by 2005. Have Merseytravel in the “*last seven years*” built more “*escape chambers*”?

From the published 2012/13 accounts for Merseytravel it is not possible to confirm what the capital / renewal spending on the Tunnels is, but the figure seems to be about £7.5 million. It is not clear how Merseytravel have arrived at a figure of £12,630,000 “invested”, this figure is higher than the average capital / renewal spending and if it is correct then it is a mystery how this spending was financed.

SAVING MORE BY USING THE TUNNELS MORE

What Merseytravel said -

In the website statement - “**Claim: There are no benefits for local users**

Fact: .. *The tunnels offer free journeys to those using our Fast Tag scheme. The more journeys people make through the tunnel the more users will save, so it’s particularly beneficial for the most regular users such as commuters.*”

MTUA response -

This is the logic of a supermarket selling its wares. Even a tagged user will be paying £2.80 for a return journey from April.

To suggest that through the discount, Merseytravel is giving you free journeys and that the more you use the Tunnels then the more you will save, is not what those who are paying will think.

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