

## National Assembly for Wales

### Severn Crossings Tolls June 2010

The subject of the Severn crossings tolls has frequently arisen in Assembly business, UK parliamentary proceedings and the Welsh media.

This document explains the legislative and practical background to the operation of the two Severn crossings, including the circumstances surrounding the proposed end of the concession agreement. It briefly looks at the Scottish Government's abolition of bridge tolls in 2008, and the economic impact of bridge tolling in other areas of the UK.

This paper also provides up-to-date figures relating to the operation of the Severn crossings concession agreement.

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# **National Assembly for Wales**

**Severn Crossings Tolls**  
June 2010

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# Severn Crossings Tolls

## 1. Introduction

The subject of the Severn crossings tolls has frequently been raised in Assembly Business, UK Parliamentary proceedings and the Welsh media. Comments have centred on the perceived detrimental impact of the tolls on the Welsh economy. The Petitions Committee is currently considering a petition calling for the abolition of tolls on both Severn Bridges.<sup>1</sup>

### 1.1. Background

The first road link across the Rivers Severn and Wye (now known as the M48 Severn Bridge), linking England and Wales, was opened in 1966. As traffic levels increased, the original crossing was deemed unable to cope efficiently with the congestion. In 1986 work started to investigate the best location of a second Severn crossing and the layout of the new approach roads.<sup>2</sup>

The contract to design, build, finance and operate the second Severn Crossing (the M4 Severn Bridge) was awarded to Severn River Crossing plc (SRC) in April 1990. The construction cost of the new bridge was £330 million (excluding VAT). As a result, SRC entered into an agreement with the UK Government which permits SRC to collect tolls from both crossings for a concession period. SRC's remit also includes operation and maintenance of the M48 Severn Bridge, and financing of the associated outstanding debt of £122 million. When the concession agreement ends, the crossings will revert to public ownership, with all debts for their construction paid off. The M4 Severn Bridge was opened on 5 June 1996.

## 2. Concession agreement

### 2.1. Severn Bridges Act 1992

The terms of the concession agreement between the UK Government and the concessionaire (SRC) are set out in the *Severn Bridges Act 1992* ("the Act"). The Act covered the construction of the new bridge and enabled the Secretary of State to allow a concessionaire to levy tolls on the Severn Bridges. In exchange the concessionaire will provide for the maintenance and improvement of the Bridges.

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<sup>1</sup> National Assembly for Wales website: [P-03-058, Abolish the Severn Bridge Toll, 15 October 2008](#) [Accessed 15 June 2010]

<sup>2</sup> Severn River Crossing plc website: [About Severn River Crossing plc](#) [Accessed 15 June 2010]

## 2.2. *Level of tolls*

The Act sets out the tolling conditions for the two bridges, including which categories of vehicle will be tolled, and at what level. Toll prices are adjusted annually by Order, based on a percentage increase in the retail price index from 1989 levels.<sup>3</sup>

The current toll prices (as of January 2010) are:

- Vehicle category one (up to nine seats): £5.50;
- Vehicle category two (small bus up to 17 seats and goods vehicles up to 3,500kg): £10.90;
- Vehicle category three (18 seats and more and goods vehicles above 3,500kg): £16.40.

Motorcycles and UK and EU disabled badge holders are exempt from toll charges, as are vehicles used by fire, police, civil defence and ambulance services. There is no extra charge for towing caravans/trailers. Season TAGs are available for frequent users of the bridge. A TAG is purchased for a set period, during which unlimited travel is allowed.

## 2.3. *End of concession agreement*

The Act establishes the conditions under which the concession agreement will end, and both bridges will revert to public ownership. The Act notes that the concession agreement ends either at:

- “the end of the period of 30 years beginning with the appointed day” (*Part 2, Section 6*); or
- “Where it appears to the Secretary of State that the revenue requirement has been met on a day, the right of the concessionaire to exercise the power to levy tolls shall end at such time after that day as the Secretary of State may determine”. (*Part 2, Section 6*)

The Act received Royal Assent on 13 February 1992. On 6 March 1992 the Secretary of State signed the Order setting the start date of the concession as 26 April 1992. On that day SRC took over both the operation and maintenance of the present bridge and organising of the construction of the new bridge.

The Act goes on to explain that the revenue requirement is met:

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<sup>3</sup> An Order is generally made in December of that year, with the new toll charges coming into effect 1 January the following year. The most recent Order was [The Severn Bridges Toll Order 2009](#) [Accessed 15 June 2010]

on a day if the aggregate amount of toll income received by the concessionaire on or before that day is equal to or greater than the amount which he is entitled to receive in accordance with the concession agreement. (*Part 2, Section 6*)

The amount the concessionaire is entitled to receive in accordance with the concession agreement is a cumulative revenue of **£995,830,000, expressed in July 1989 prices**. The Highways Agency reviews the projected concession end date every six months using data supplied by SRC to gain assurance that the revenue target will be recovered within the concession period. The Act states that once under public ownership, the Highways Agency may continue to levy tolls for a further five years to establish a maintenance fund for both crossings.

The current **projected concession end date according to the Highways Agency is 2016**. However, SRC has suggested that it is more likely to be **early 2017**, based on recent traffic forecasts.

In September 2000, the European Court of Justice ruled that Value Added Tax (VAT) should be applied to tolls levied by private operators, including the Severn Crossings Concession. The UK Government ruled that VAT should be included within the existing toll. This was achieved by **extending the SRC Concession** through refinancing. VAT was applied to the Severn Bridges tolls on 1 February 2003 at 17.5%.

### 3. Current Assembly powers

Under the *National Assembly for Wales (Transfer of Functions) Order 1999* most functions of the Secretary of State under the *Highways Act 1980* were transferred to the National Assembly for Wales.<sup>4</sup> The transitional provisions set out in Schedule 11 to the *Government of Wales Act 2006* have vested these functions in the Welsh Ministers.<sup>5</sup>

However, under the *Severn Bridges Act 1992 Act* the Secretary of State is given power to levy tolls on persons using either of the bridges. This power was not transferred to the Assembly by the *National Assembly for Wales (Transfer of Functions) Order 1999* and so is not vested in the Welsh Ministers.

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<sup>4</sup> OPSI: [The National Assembly for Wales \(Transfer of Functions\) Order 1999](#); Statute Law Database: [Highways Act 1980](#) [Accessed 15 June 2010]

<sup>5</sup> OPSI: [Government of Wales Act 2006](#) [Accessed 15 June 2010]

## 4. Assembly and Parliamentary Business

The subject of the Severn crossings tolls has frequently been raised in Assembly Business. Comments have centred on the perceived detrimental impact of the tolls on the Welsh economy. The Petitions Committee is considering a petition calling for the abolition of tolls on both Severn Bridges.<sup>6</sup> Although **the Welsh Government does not have the competence required to abolish the toll**, the petitioners call on the Welsh Government to lobby Westminster for the removal of the tolls.

### 4.1. Credit and debit card toll payments

The fact that credit and debit cards cannot currently be used to pay toll fees has arisen as an issue in a number of places, including the Petitions Committee's consideration of the petition, plenary and the House of Commons.

In November 2009 the Deputy First Minister stated in a letter to the Petitions Committee that:

the Department for Transport has proposed the necessary amendments to secondary legislation to permit debit and credit card payments at the Severn Crossings. It is anticipated that introduction will be in the latter half of 2010.

In 2001 a report commissioned by the UK Government concluded that there was no apparent business case for introducing card payment.<sup>7</sup> Subsequently, a consensus has been achieved between SRC and the UK Government representatives that card payment on the bridges is desirable. However, as well as the legislative and logistical issues, there is the question of who would pay the card payment processing fees, estimated by SRC in 2004 to be in the region of £300,000 to £350,000 per year.<sup>8</sup>

In January 2010 Sadiq Khan, the then UK Government Transport Minister laid new measures before Parliament that would enable bridge users to pay by debit or credit card.<sup>9</sup> Mr Khan stated that the changes followed lobbying from bridge users and politicians, and that:

The new regulations will come into force next month [...] I am urging Severn River Crossing Plc to work with the Highways Agency to introduce card payments as a matter of urgency to give motorists increased choice of payment methods.<sup>10</sup>

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<sup>6</sup> National Assembly for Wales website: [P-03-058, Abolish the Severn Bridge Toll, 15 October 2008](#) [Accessed 15 June 2010]

<sup>7</sup> Highways Agency website: [A report by the Government's representative regarding toll payment by debit and credit cards, Flint and Neil, June 2001](#) [Accessed 15 June 2010]

<sup>8</sup> Highways Agency: [Freedom of Information response regarding use of credit cards on the Severn Crossings](#) [Accessed 15 June 2010]

<sup>9</sup> OPSI: [The Severn Bridges \(Amendment\) Regulations 2010](#) [Accessed 15 June 2010]

<sup>10</sup> Department for Transport website: [Key step towards card payments on Severn Crossings](#) [Following the formation of a new government this press release does not appear to be available on the Department for Transport website]

In June 2010, Norman Baker, the new Parliamentary Under-Secretary of State for Transport stated that it is his intention for the necessary arrangements for payment by debit and credit card to be in place by 27 September, when the Ryder Cup – being held in Newport – begins.<sup>11</sup>

## 5. Economic impact of tolling

An argument frequently made against the Severn crossings tolls is that they have a detrimental impact on the local economy. The Federation of Small Businesses in Wales is currently working with Aberystwyth University to determine what, if any, the impact of tolling on the Severn is on the Welsh economy. In May 2010 the Federation of Small Businesses Wales office informed the Members' Research Service that they were in the concluding stages of the study.

Despite an apparent lack of research into the situation in Wales, other tolling regimes throughout the UK have been subject to analysis. It is worth noting that due to differences between the tolling situations, those elsewhere in the UK are not necessarily directly comparable to the Severn crossings.

### 5.1. *Humber Bridge*

In 2008, the East Riding of Yorkshire Council, Hull Council, North Lincolnshire Council and the North East Lincolnshire Council jointly commissioned the Colin Buchanan consultancy to examine the social and economic impact of the Humber Bridge toll regime on the Hull and Humber Ports City Region. The bridge connects East Riding of Yorkshire and North Lincolnshire, and costs £2.70 per car to cross. The final report was published in October 2008.<sup>12</sup>

According to Colin Buchanan:

The study found that the tolls have a significant impact on the Hull and Humber Ports City Region economy, and that reducing or abolishing tolls would bring significant agglomeration benefits. It would improve the productivity of the region, lead to greater employment opportunities, better networking between businesses and increase local competition.<sup>13</sup>

At the time of writing, the tolls remain in place.

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<sup>11</sup> [HC Deb 23 June 2010 c132WH](#) [Accessed 29 June 2010]

<sup>12</sup> Colin Buchanan: [Humber Bridge Tolls impact assessment](#) [Accessed 15 June 2010]

<sup>13</sup> Colin Buchanan: [Humber Bridge report at the House of Commons](#) [Accessed 15 June 2010]

## 5.2. *Skye Bridges*

In 2002, Highland Council commissioned Napier University to examine the impact of the tolls on different sectors of the economy and estimate the net benefits of removing the tolls. The report was published in May 2002 (when the toll for cars was £5.70 in high season and £4.70 in low), prior to the abolition of the tolls in 2004.<sup>14</sup> The report concluded that “although the Bridge has been of benefit to Skye, the high level of the tolls has considerably reduced its positive impact upon the local economy.”

## 5.3. *Forth and Tay Bridges*

The first primary legislation passed by the SNP-led Government in Scotland was the *Abolition of Bridge Tolls (Scotland) Act 2008* (please see below for more information).<sup>15</sup> This Act removed powers to demand tolls for passage over the Forth and Tay road bridges, by repealing the various parts of previous legislation that had allowed for tolling on these bridges. A report published in 2007 concluded that:<sup>16</sup>

In terms of total employment the effects (of toll removal) are negligible (just 136 jobs), which suggests a marginal effect on Scottish productivity and output, which arises due to small gains in labour market efficiency as employers have access to a wider choice of recruits and residents have access to a larger number of employers. These very small gains are of course secured at the cost of more traffic and congestion, and potentially also at a cost in terms of both local air quality and carbon emissions.

## 6. Scottish abolition of bridge tolls

As mentioned above, the Scottish Government passed the *Abolition of Bridge Tolls (Scotland) Act 2008*, repealing powers to levy tolls on the Forth and Tay Road Bridges. The tolls were abolished on 11 February 2008.<sup>17</sup>

### 6.1. *Forth Road Bridge background information*

The Forth road bridge was opened in 1964. The cost of building the bridge and approach viaducts was £11.5m (at 1964-65 prices). The total cost of the bridge project – including eight miles of dual carriageway on the approaches, eight miles of minor roads and 24 other minor bridges - was £19.5m.

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<sup>14</sup> Edinburgh Napier University: [An Assessment of the Economic Impact of the Skye Bridge Tolls](#); and BBC News: [Tolls abolished for Skye Bridge](#) [Accessed 15 June 2010]

<sup>15</sup> OPSI: [Abolition of Bridge Tolls \(Scotland\) Act 2008](#) [Accessed 15 June 2010]

<sup>16</sup> Scottish Executive: [Toll impact study final report](#) [Accessed 15 June 2010]

<sup>17</sup> Scottish Government: [Abolition of bridge tolls](#) [Accessed 15 June 2010]

A £0.5m grant was provided by the City of Edinburgh Council, the counties of Fife, West Lothian and Midlothian and the Royal Burghs of Dunfermline and Kirkcaldy as set out in the *Forth Road Bridge Confirmation Order Act 1947*. A £4.65m grant was provided by the UK Government, as set out in the 1947 Act. The remaining balance was provided through a UK Government loan to be repaid from tolls within 30 years.

In 1993, the full cost of constructing the bridges and approaches – plus accrued interest – was paid off. The original tolling regime – scheduled to finish in 1995 – was extended by Order to provide funding for further maintenance work.

The Scottish Government is currently undergoing a construction tender process for a new Forth Crossing. The Forth Crossing Bill is currently undergoing scrutiny in the Scottish Parliament.<sup>18</sup>

## 6.2. *Tay Road Bridge background information*

The Tay road bridge opened in 1966. The cost of building the bridge was £4.8m (early 1960s prices), which was to be paid off in toll revenue. In order to fund construction, money was lent to the Tay Road Bridge Joint Board (TRBJB), which is made up of councillors from Dundee City Council, Fife Council and Angus Council. As of March 2006, the TRJB owed Angus Council, Dundee City Council, Fife Council and the Scottish Executive collectively £13.3m.

Following the *Abolition of Bridge Tolls (Scotland) Act 2008*, the Scottish Government provided the TRBJB with a one-off grant of £14.8m to allow them to repay all outstanding loans.

## 7. Annual toll income and associated expenditure

As part of the concession agreement (set out in the *Severn Bridges Act 1992*) annual accounts for the operation and maintenance of the Severn River crossing are laid before Parliament each year.<sup>19</sup> At the time of writing, the most recent accounts published are those for 2008-9, published 5 February 2010. The table below includes figures from the annual accounts and additional information provided by the Highways Agency.

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<sup>18</sup> Transport Scotland: [Forth Crossing Bill](#) [Accessed 25 June 2010]

<sup>19</sup> TSO: [Severn Bridges Act 1992 Accounts 2008-9](#) [Accessed 15 June 2010]

## Annual toll income and associated expenditure

Year	Turnover		Cost of sales	<i>£millions</i>
	Current prices	July 1989 prices		Operations expenditure
	to 31 Dec	to 31 Dec	to 31 Dec	to 31 Mar
1992	21.99	18.23	3.69	N/A
1993	34.37	28.23	5.88	4.27
1994	39.20	31.44	6.15	2.10
1995	43.77	33.96	6.35	3.25
1996	47.16	35.69	2.32	1.64
1997	51.11	37.55	6.43	2.66
1998	55.24	39.21	7.64	2.06
1999	59.83	41.80	7.48	0.26
2000	61.00	41.43	7.91	0.17
2001	66.51	44.29	8.11	0.16
2002	70.54	46.31	8.93	0.02
2003	64.41	41.09	9.21	0.17
2004	66.37	41.13	9.13	0.15
2005	69.50	41.85	8.75	0.08
2006	72.01	42.09	9.90	0.68
2007	76.10	42.64	10.62	3.75
2008	77.62	41.73	10.65	4.24
2009	N/A	N/A	N/A	7.05
<b>Total</b>	<b>976.74</b>	<b>648.67</b>	<b>129.13</b>	<b>32.71</b>

Required Cumulative Real Revenue                      995.83

**Source: Severn Bridges Act 1992 Accounts and additional data supplied by the Highways Agency**

- “Turnover”, in the above table, is equivalent to toll receipts. According to the terms of the *Severn Bridges Act 1992*, when these reach the “required cumulative real revenue” of £995,830,000 (expressed in July 1989 prices) ownership of the bridges reverts to the Secretary of State.
- “Cost of sales” is the cost incurred by SRC in the process of running the toll operation.
- “Operations expenditure” in the above table details expenditure on “ancillary works; repairs and strengthening; and structural maintenance” that, due to the terms of the concession agreement, are borne by the Secretary of State.<sup>20</sup> From 2007 this includes the cost of investigating and monitoring the M48

<sup>20</sup> *ibid*

Severn Bridge Main Cables Latent Defect. These costs form part of the accumulated deficit and will be recovered from tolls between the end of the concession period and the date on which the power to levy tolls will cease, being 25 April 2027 or such earlier date as may be under section seven of the *Severn Bridges Act 1992*.

- The figures above do not include any costs associated with the credit arrangements surrounding the concession agreement.



