

Humber Bridge Toll Increase Inquiry on 8 March 2011
Evidence from NAAT dated 7 February

INTRODUCTION

1. Good afternoon, my name is John McGoldrick and I am representing the National Alliance Against Tolls which was formed in 2004.
2. May I start by saying that in my view the objectors to an increase have been disadvantaged by not being able to see the Board's case for a toll increase, before preparing their own submissions.
3. I gave evidence at the last toll increase Inquiry in March 2009, and the Inspector will already be aware of the opposition at that Inquiry from bridge users, the local authorities and the Hull and Humber Chamber of Commerce. Despite that opposition, it was recommended that the increase should go ahead, but then the Minister decided not to approve the increase and instead gave the Authority a grant towards its maintenance programme of £6 million spread over two years.
4. The opposition to toll increases may now be even greater than in 2009. That opposition comes from various quarters but I must mention the efforts of the Humber Action Against Tolls group led by Jenny Walton, who have fought the tolls over many years .
5. The issue at this Inquiry is a proposed increase in the tolls, but as with inquiries at other crossings, a lot of the attention is rightly on the issue of whether tolls should be reduced or removed. That is particularly the case with the Humber bridge tolls, as they have the most expensive lorry tolls in Britain and play a game of leapfrog with the Severn crossing as to which is the most expensive crossing for cars.
6. Tolls have negative economic effects, as I will come to shortly. They also have social effects - constructing a bridge unites communities, but then putting a toll on it divides families and friends.

TOLLS ARE UNFAIR

7. Our alliance believes that all tolls are unfair for four main reasons-

First of all they are a regressive tax that takes no account of ability to pay or the size of a car.

Secondly they are an additional burden on top of the other taxes that all road users pay, which amount to about £50 billion a year.

Thirdly they are a random tax that depends on where you live. Northern Ireland and Scotland have no tolls at all.

Lastly, it is often the case, as it is here, that most of the jobs and the facilities for shopping, leisure, higher education and hospitals tend to be concentrated on one side of a crossing.

TOLLS ARE UNECONOMIC

8. Tolls are an expensive tax to collect and they cause some drivers to detour on to longer routes, but perhaps more importantly they harm the local economy
9. Building a crossing should be a major benefit to businesses because it increases the catchment area for customers, workforce and suppliers. Given that the asset exists, the greatest good is when the asset is fully used by those who could benefit from it. Tolling a crossing means that a large part of the economic benefits that should have arisen from building the crossing does not materialise. The higher the tolls, the greater the loss of benefits.
10. As the Inspector will be aware a study to assess the economic effects was commissioned by four local authorities from Colin Buchanan and published in October 2008. To quantify the effects, the study concentrated on one aspect – agglomeration, i.e. the benefits from having a large free market unencumbered with barriers. The report said that the cumulative "city-regional benefit" for the period 2009-2032 if the tolls were removed would be £1,108.3 million. The Inspector will also be aware that a supplementary report was commissioned by the Chamber of Commerce and published in January 2009.
11. The above reports seemed to inspire the DfT to commission their own report from AECOM - "Humber Bridge Tolls Modelling and Appraisal Study" which was completed in March 2010 and was mainly about how a more comprehensive study might be undertaken. The report tentatively stated (para 5.2.2.) that if tolls were to be removed then the "*total user benefits to be accrued would be of the order of £24 million*". The report went on to say that "*wider impacts (agglomeration, imperfect competition, labour market) may constitute between 17% and 44% (with an average of 22%) of conventionally measured benefits. This would equate to between £6 and £14 million per annum on these very basic assumptions.*" It is not made explicit but that gives the admittedly rough assessment that the effect of removing tolls would be an economic benefit to the area of £30 to £38 million a year.

THE DEBT

12. There is a common misconception that tolling of a crossing is there to pay off debt. But in practice whether there is any debt is arbitrary. On almost all roads (from motorways to the most minor of streets) and almost all crossings there is no identifiable debt because they were never financed that way in the first place. In the very few cases where there is identifiable debt – such as on the Humber bridge – it has little to do with the cost of construction. The debt is because it was to be financed through tolls and for many years that failed and the Government of the day encouraged and permitted the Board to borrow rather than meet the losses in some other way.
13. I said that the Humber bridge was one of the few cases where there is identifiable debt - £333 million of it according to the last accounts of the Board. But there is no money owing to the banks or any company or individual or to the Public Works Loans Board. All the "debt" is owed to the DfT.

14. The reason for proposing a tolls increase seem to be the agreement by which the Board has to pay the Government money in respect of this “debt”. In 1996 Parliament passed the Humber Bridge (Debts) Act which gave the Government the power to write off or suspend debt. Those powers were used in the Humber Bridge (Debt) Order 1998. The Order wrote off a large part of the debt and suspended another large part, but with the requirement to pay interest and principal on the suspended part being phased back over a period of years. It later became evident that the Board would not be able to meet the increasing interest payments. A new Order was made - the Humber Bridge (Debts) Order 2007, which had the effect of moderating the interest payments. That Order runs out on the 31st March this year. It is not clear what will happen then. It has been said that there are discussions going on but we don't know what is being said. Without a new Order it seems that the Board will have to pay more money to the Government.

NO NEED FOR AN INCREASE NOW

15. As well as the debt to the Government, the Board has according to its last published accounts (2009/10), investments of £20 million. The main reason that it has these investments is that it has large reserves – at March 2010, the Maintenance Fund was £15.9 million and the cumulative Revenue surplus was £3.1 million. These reserves have been growing each year. In the balance sheet for 31 March 2005, the Maintenance Fund was £3.0 million and the cumulative Revenue surplus was £1.2 million. So over five years these two reserves together have increased by nearly £15 million. The Board will probably claim that these reserves are needed but it is hard to square them with a desperate need for a tolls increase now.
16. There is also a question about the timing of all this, as the cart is being placed before the horse. The 2007 Debts Order runs out in March, and by now the Government should have made it clear what was to happen. Depending on the basis of any new Debt Order, the tolls increase application could become unnecessary.

CONCLUSION

17. The users of the bridge will be on a torture rack till there is a long term solution to the “Debt” issue. A new Debt Order could be made which instead of postponing debts, would wipe off the bulk and preferably all of the debt. The power to do this is in the already mentioned Humber Bridge (Debts) Act 1996.
18. Pending a Government decision on the debt with effect from April, it is clear from the amounts of the reserves that there is no pressing need for a tolls increase, and in our view the Inspector should tell the Minister that any decision, on increasing what are already the highest tolls in Britain, should be held over till it is known what the Government are going to do about a new Debt Order.
19. Thank you.