

Council for Economic Renewal

Severn Crossings

Introduction

1. Following discussion at the Council for Economic Renewal meeting held on the 28 January 2013 it was agreed that a paper on the Severn Bridge Tolls would be provided to the June meeting. This paper outlines the current position in relation to the Severn Crossings and the views of business organisations on the future of the Severn Crossings.

Current position

2. The Severn Crossings and the associated tolling regime is not devolved.
3. The contract to design, build, finance and operate the Second Severn Crossing was awarded to Severn River Crossings plc in April 1990.
4. The Concession Agreement between the UK Government and Severn River Crossings, which governs how the two bridges will be managed, operates subject to the provisions of Severn Bridges Act 1992.
5. The Concession period is limited to a maximum of 30 years, although the actual end date will be achieved when and Severn River Crossings has collected a fixed sum of money from tolls. That fixed sum is £1,028.9m (in July 1989 prices), following an amendment to the agreement by the UK Government in June 2012.
6. On the basis of current receipts, it is anticipated that the Concession should come to an end in 2018.
7. The UK Government has powers under the Severn Bridges Act to levy tolls for a maximum of 35 years. Essentially this provides for tolls to be levied for a further five years after the longest period that the Concession could last.
8. The UK Government reported to the Welsh Affairs Committee last year that there were additional debts not provided for in the Concession Agreement that needed to be paid off.
9. The First Minister has made it clear that the Welsh Government's view is that, following the end of the Concession, decisions on future tolls should be made by the Welsh Government. The possible role that the tolls could play in supporting investment in key transport infrastructure has also been highlighted.

Engagement with social partners

10. A special meeting of Business Wales was held to discuss the future of the Severn River Crossings and related issues. A note of the meeting setting out the views of businesses expressed in that meeting is attached as an Annex to this paper.

Next step

11. The Council is asked to:

- a) note the current position;
- b) agree that the Council for Economic Renewal has an interest in inputting to future considerations.

Summary of a special meeting of Business Wales – 9.5.2013 Severn River Crossings

A special meeting of Business Wales was held to discuss the future of the Severn River Crossings and related issues. At the meeting it was confirmed that the present concession was expected to terminate some time in 2018 with the Crossings passing into public ownership at that point. Under the Severn Bridges Act 1992 tolls can continue to be collected for five years after the end of the concession. Tolls can only be collected after that five-year period if new legislation is passed.

Following detailed discussions of the importance of the Severn River Crossings to Wales and the effect of tolls on business and the wider economy the following points were broadly agreed.

- 1) It is very important to consider the Severn River Crossings as part of the wider transport network and not to consider them in isolation. This is true both in terms of the funding of the ongoing maintenance of the Crossings and in relation to necessary improvements to the motorway network in South Wales.
- 2) When the Severn River Crossings pass into public ownership business organisations do not have a strong view on which public body owns the physical structures provided that the Crossings are well-maintained and are operated effectively and efficiently.
- 3) Business organisations would expect that as soon as the Crossings came into public ownership smart pricing would be introduced.
- 4) There may be support for tolls after the initial five-year period of public ownership came to an end if the purpose of the tolls was clearly understood and there were clear benefits to the economy from the use of those tolls but business would wish to be closely involved in the process for setting those tolls.
- 5) Whilst there is a recognition that the complexities of the devolution of taxing and borrowing powers to the Welsh Government may give rise for a short term need to utilize toll income for wider economic purposes, this period should be as short as possible and the political issues around the funding of the Welsh Government should not take precedence over the key economic issue of ensuring that Welsh business becomes as competitive as possible.
- 6) Business would wish to have a clearly defined mechanism by which they can provide input into the legislative and regulatory process that established new tolls on reversion into public ownership and on the introduction of any new tolls at the end of the five-year period, whether that be at a UK or Welsh level.

At this stage Business Wales cannot commit to one particular view and Individual organisations have different perspectives on what the final position should be but the opportunity to deal with the issues raised above in a structured manner, under the auspices of the Council for Economic Renewal, would enable the final decisions of the Welsh and UK Government's to be better informed.