



Transport Committee

Oral evidence: [Strategic river crossings](#), HC 714

Monday 26 January 2015

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Written evidence from witnesses:

- [Greater London Authority](#)
- [London Chamber of Commerce and Industry](#)
- [Kent County Council](#)
- [London Borough of Newham](#)
- [Thurrock Council](#)

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Members present: Mrs Louise Ellman (Chair); Jim Fitzpatrick; Mr Tom Harris; Mr Adrian Sanders; Chloe Smith; Martin Vickers;

Questions 71-134

Witnesses: **Steve Nicholson**, Special Adviser, Mersey Gateway Crossings Board, and **Stephen Joseph**, Chief Executive, Campaign for Better Transport, **Rachel Turnbull**, Chief Executive Officer, TT2 Limited, and **Paul Woods**, Chief Finance Officer, North East Combined Authority, gave evidence.

Examination of Witnesses

Witnesses: **Steve Nicholson**, Special Adviser, Mersey Gateway Crossings Board, and **Stephen Joseph**, Chief Executive, Campaign for Better Transport, gave evidence.

Q71 **Chair:** Good afternoon and welcome to the Transport Committee. Could you please give your name, organisation and position for our records?

Stephen Joseph: I am Stephen Joseph. I am the chief executive of Campaign for Better Transport.

Steve Nicholson: I am Steve Nicholson. I am special adviser to the Mersey Gateway Crossings Board, formerly the chief executive officer of the Crossings Board. I left full-time involvement with the Crossings Board in October last year.

Q72 Chair: Thank you. Planning for the Mersey Gateway bridge started in the early 1990s, and it looks as if it will take around 27 years to go from the concept to the reality if it is delivered on time. Why is it taking so long?

Steve Nicholson: That is true. Like most large projects in the UK the idea for that particular initiative goes back some time. It is fair to see the feasibility process for the scheme coming to an end in 2005-06 when the funding agreement was first put into place with Government, and the real delivery process commenced then. You are looking at an eight-year pre-construction delivery process as an example of how long it takes to take a large crossing of this type through the planning and procurement process.

Q73 Chair: What caused the length of time? Was it to do with financing issues or other planning matters?

Steve Nicholson: Up to 2005, it was a deliberation about who should deliver the project. Should it be a strategic road delivered as a trunk road scheme by the Highways Agency or should it be a local facility? It turned out to be a local facility and the local authority that has the existing crossing, Halton borough council, then took the initiative. We set out to deliver it within five years, and it became eight years. The main reason for that was that at the commencement of the five-year period we had a clear run; it was a Labour Government at the time, newly elected, and we were trying to deliver it within a parliamentary cycle, because we recognise that these projects carry significant political interface risk. We were quite close to achieving that, but the planning process was delayed at the advent of the general election in 2010, and it took another 18 months to resurrect it to a project that was really committed to being delivered.

Q74 Chair: The project is in the Government's national infrastructure plan. Has that helped?

Steve Nicholson: It has, greatly. The status of the project acquiring priority in the national infrastructure plan gave us access to additional support across Government Departments. We had significant support from Transport throughout. The NIP gave us access to Treasury, and indeed other regulatory Departments across Government.

Q75 Chair: The Mersey Gateway Crossings Board was set up to oversee delivery. Did the Government or the Department insist upon that?

Steve Nicholson: It was a Government initiative as part of the funding arrangements between the council and the Department for Transport. The principle behind it was to ensure that the project had appropriate governance arrangements, not just in its delivery but in its construction and oversight role, and in operation. It ensures that the project remains in robust, safe hands right the way through its cycle.

Q76 Chair: You have said that the project is "innovative". In what way is it innovative?

Steve Nicholson: It has an unusual contract structure. It seeks to secure the best that the private sector can offer in delivering assets like this—complicated civil engineering structures delivered for a fixed price, on time and maintained. You get the whole life cost consideration by the private sector, but it is done in such a way that the public sector retains some of the risks. Basically, it retains the usage of the crossing and the tolling risk in terms of the amount of traffic that eventually uses these crossings.

A characteristic of the project that is pretty unusual is that the existing Silver Jubilee bridge is also tolled. It is currently free to use. That presented sensitivity around tolling. It was appropriate for the council to retain control over tolling charges. In retaining that control it made sense that it retained the risk of how much traffic eventually used this crossing, rather than asking the private sector to take that risk, which would be very difficult for it to manage.

Q77 Chair: Could you clarify again who is taking the risk?

Steve Nicholson: Basically, Halton borough council takes the risk in the first instance, if there is less traffic using the crossing than predicted and there is a shortfall in the revenue to pay for it. It is now supported through its guarantee arrangements with Government, so that, if there is a short-term need for additional funding because of a shortage in toll revenue, that additional funding is provided through its agreement with the Department for Transport.

Q78 Chair: Who is taking the risk? Is it the Department or the council?

Steve Nicholson: Ultimately it is a Government risk.

Q79 Jim Fitzpatrick: Good afternoon, gentlemen. Mr Nicholson, could you add a bit more colour to the role that Government have played? Some of us on the Committee like criticising the previous Labour Government, and some of us like criticising the coalition Government; we do a bit of both. You mentioned the 2010 general election. This project has been running for nearly 30 years in prospect. Crossrail has been running since 1888, so sometimes Government are not that helpful. Have Government been helpful in the overall scheme, notwithstanding that it has taken so long to get to where we are, or have Government been an obstacle? Can you give us a sense of how helpful you think Government, the Department for Transport or the bureaucracy have been, or is it mired more locally than that?

Steve Nicholson: I can talk from personal experience since 2005-06. The key to this is selecting projects where there is a consensus view that they are needed and there is a desire to deliver them. The focus should be on setting up the projects in a way that enables the conditions for delivery to be understood and to be transparent between the major stakeholders. In this case it was an agreement between the local authority, Halton borough council, and the Department for Transport.

That funding agreement placed quite a lot of risk on the local authority. There was a commitment from Government to fund it, but it was heavily caveated by conditions. Halton was faced with at least a five-year delivery programme. It had to negotiate a very complicated planning process. It was going to have to take the project to market and deliver it within a very prescribed funding limit. In my view, that risk is a little bit out of kilter, and Government should look to participate more in the development of projects like this. They only need to commit to the development. I realise that Government need some discretion not to proceed with projects, but they need to commit, in my view, more substantively to the development phase.

Q80 Jim Fitzpatrick: Are you able to comment about whether you thought Halton were being unfairly placed in that position? Is it normal in these types of project or was it specific to this one?

Steve Nicholson: It was pretty typical of an arrangement where the project was not being delivered on the strategic network, either rail or road. It was a local transport scheme. The provisions for that were in the local transport plan regime, which really placed most of the delivery risk with local government.

Q81 Jim Fitzpatrick: Should the responsibility for persuading Government of the benefits of such a scheme fall on the business community, who may ultimately be the main beneficiaries, or the local authority? Or do you think Government should be doing their own assessment?

Steve Nicholson: The business community should really get behind the projects that it thinks are required to support economic prosperity. One of the features of Mersey Gateway from the outset is that it has had the support of the local business community. I attended a ministerial deputation in 2005. It was pretty unusual, from my experience, for that deputation to be business-led rather than public sector-led.

Q82 Jim Fitzpatrick: They must be feeling quite disappointed. Was there community support for the project as well as business support?

Steve Nicholson: Yes. Even though the project invited the tolling of a free-to-use crossing, the support was pretty remarkable, because the choice was understood to be living with a failing infrastructure for the foreseeable future or doing something about it even though it meant that users would have to pay tolls.

Q83 Mr Harris: I want to ask about tolling. The Government announced in July that Halton residents would not have to pay tolls to use either the Mersey Gateway or the Silver Jubilee bridges. Is that something you welcomed?

Steve Nicholson: Yes. It was certainly welcomed politically. The project has always had the objective of aiming to achieve discounts for local and regular users. Our ability to fund that was very much linked to the eventual price we were going to get when we tendered the project with the private sector. We set out to try to carve out some headroom within the budget that we had agreed with Ministers, compared with that which we eventually secured from the market. That was done successfully. We delivered the project around 15% under budget, when one looks at it in whole life terms, and that has provided some funding for us to charge local users a reduced toll. It was sufficient to give local users about 300 free trips a year. Following that announcement, the Chancellor announced towards the end of last year that the scheme would be improved by additional funding, so that local users will now be given free access to the new crossings.

Q84 Mr Harris: Is that an approach that you think should be replicated with new crossings throughout the country? There has been some criticism, I think from the Liverpool city region combined authority, that there is no strategic approach to tolling.

Steve Nicholson: It is difficult, isn't it? The unusual characteristic in this case is that we are converting a free bridge into a toll bridge, and people have been used to using that bridge. They have commitments on either side of the river—work commitments, service commitments. There is a pretty unusual set of prevailing circumstances.

Q85 Mr Harris: Let's say there was a strategic approach by the Government to tolling, do you think what we are looking at in Mersey is unique and there would still have to be some flexibility to make it different from other tolling projects?

Steve Nicholson: To some extent these projects will all have different characteristics, so some local flexibility is very valuable. There are some features of tolling that could be standardised.

Q86 Mr Harris: For instance?

Steve Nicholson: Classification of vehicles and the technology surrounding the new move to open-road or free-flow tolling.

Q87 Mr Harris: What kind of toll is going to be employed there?

Steve Nicholson: It is now a free-flow tolling operation. It started life as a barrier system but during its development it has moved towards free flow.

Q88 Mr Harris: You pay online in advance?

Steve Nicholson: Basically. There is a basket of ways to pay your toll. The real objective is to get people registered so that you have a customer relationship with them.

Q89 Mr Harris: Are you aware of the problems that have arisen with the Dartford crossing and the new system that has come in there? Have you done any analysis or any estimate of how many people are going to have to be pursued and fined for non-payment?

Steve Nicholson: Yes, we have. We always felt that Dartford was going to be very useful—it is nice to be second on these occasions rather than first. The operator at Dartford is our contractor, Sanef—a major toll operator, with probably the leading-edge experience in open-road tolling. We managed to transfer some risk to Sanef that they are not taking on Dartford. They are obliged to provide the council with 100% of theoretical toll revenue, so the enforcement risk is taken by the private sector. That is going to happen as more and more of these schemes come to market and are negotiated; you will see an organic process that starts to improve the way that toll operations take place, taking advantage of modern and improving technology. Users will become more familiar with paying for these crossings as well. They will recognise that there are more convenient ways of paying than just trying to find a retrospective way of paying.

Q90 Mr Harris: So you expect Merseyside drivers to be just as happy as Dartford crossing drivers are at the moment.

Steve Nicholson: The difficulty is that you have a lot of transactions taking place in these arrangements. We will have 60,000 or 70,000 transactions a day. You only need a very small proportion of those to be dissatisfied to add up to a big number. By and large, the vast majority of people are paying appropriately on Dartford, but those who are not content add up to quite a large number. The challenge is to address those concerns and remedy them as quickly as possible.

Q91 Mr Harris: Mr Joseph, does your organisation have a policy towards tolling: for or against?

Stephen Joseph: We do not have a policy that is specifically about tolling in these cases, but on river crossings we have been sceptical about the benefits even with tolling. That is because of some of the experience with the Thames Gateway crossing and things like that.

Q92 Mr Harris: Sceptical?

Stephen Joseph: Sceptical of the crossing. We would support the principle of tolling in some cases and of charging, not least because you can get revenue that pays for other things, but our observation, like yours, is that what has been going on at Dartford has not been well handled. That is partly because the level of information given to motorists appears to be poor. Hopefully, one of the things that Mersey people will learn from Dartford is that you have to tell people when you are going to change the tolling, or in this case introduce new tolling, otherwise you will get some serious problems. I do not think the Highways Agency has exactly covered itself in glory in the Dartford case.

Q93 Chair: Mr Joseph, you were commissioned by North West Transport Roundtable, or you are certainly associated with them in looking at this scheme. I am not entirely clear whether your criticism was about the nature of the scheme being developed—that report was done in 2011—or whether you were against the whole idea. You talk in your preface about preferring local transport schemes instead. Could you just clarify that?

Stephen Joseph: I will certainly take you through that. We were associated with the North West Transport Roundtable, who opposed the crossing at public inquiry. Subsequent to that we wanted to test out some of the arguments that were being made on tolling, so we commissioned some private finance specialists ourselves to take a look at what was being proposed on tolling. It is interesting that what they concluded, which was that it would be very difficult to pass a revenue risk to the private sector, is exactly what happened, as you heard from Mr Nicholson. Those consultants accurately predicted that the Government would end up standing behind the revenue, and ultimately end up guaranteeing the risk, otherwise it was not going to get built.

There is one other conclusion that they reached, which was that the final value for money of doing this through PFI, particularly in a post-2008 situation where interest rates for doing it had increased, would have to be tested in value for money terms, because there was a risk that everybody was so keen to sign the deal that the value for money was not going to be properly tested. I am not expecting Mr Nicholson to answer that, because the bridge has not been built yet and we do not know what the final outcome will be, but we would argue that this Committee and others here may want to take a look at what ends up being the final value for money of this scheme in terms of the public sector and national Government.

Q94 Chloe Smith: In some of the other evidence submitted to us, specifically Liverpool City Region Combined Authority, we have seen concern at the absence of a national strategy on tolls: “There is not a strategic approach to toll levels nationally and there are significant variations in tolls that do not reflect the relative strategic importance of the crossing.”

Mr Joseph, could you elaborate on your views? I think you said do not have an extensive view on tolls. You dealt with the principle just now, but could you just talk to us about your views on whether there ought to be a national strategy on tolling?

Stephen Joseph: I think there should be a national strategy on tolling, otherwise each time a project comes along you have to reinvent it. That strategy needs to look at wider objectives. We may touch on this later, but one of the reasons why, for example, the Thames Gateway bridge got rejected by the inspector at the public inquiry was the view that even with tolling it was going to add significantly to congestion on local roads and worsen air quality. The air quality issue has got more intense since then. The science has hardened up on this, and on the health damage from, in particular, nitrogen dioxide. That simply was not known about before. As you will have seen, there is some current interest about why we have so many diesel vehicles on the road. Part of the reason for that is that some of the science has advanced. It is going to have to be taken account of, and, therefore, any framework on tolling will have to look at the objectives for building schemes in the first place, and the tolls that are charged as a consequence. A strategy on tolling cannot just be about interoperability and issues like that, important though that is. It is going to have to look at the broader transport issues and maybe ultimately we might even look at some broader transport strategies for the country, which would also be very valuable.

Q95 Chloe Smith: In addition to the element you have just described that might go into a framework, what else would you see in such a framework?

Stephen Joseph: Mr Nicholson is right to say that each road you are talking about will be different, but there will be some common factors. You cannot just do tolling. What happens then? What is the rest of the strategy about, so that, for instance, you do not displace traffic to other roads and you do not have Halton getting a lot of traffic that has been displaced from other parts of Merseyside? What happens to the revenue and how does that work? When parking meters were first introduced, there was an agreement, though I am not sure that it is always honoured, that the money should be ring-fenced for transport purposes. You would need something like that. These are the sorts of things that you would have to include in a national framework. As I said, it will need to address wider issues.

It is worth saying that when you look at a parallel area, which is congestion charging and workplace parking levies, the primary legislation on that in the Transport Act 2000 and subsequent Acts has been very clear—how it is framed, what the objectives are and various things about it. That is not the case in this area, and I would have thought that you need to be most careful.

Q96 Chloe Smith: Do you think it is possible to arrive at a national tariff for tolls? Do you think there ought to be one?

Stephen Joseph: I do not think you can do a national tariff in the absence of any kind of more national road-charging scheme, which I think is outside the scope of this inquiry.

Q97 Chloe Smith: That was going to be my next question. Do you think this leads to having such a scheme?

Stephen Joseph: That is a much broader issue, though it is worth saying that in the run-up to a general election no party is going to talk about this. The fall in revenue from vehicle taxes is something that will have to be addressed, whatever happens after May, and there will be issues about more general charging to replace fuel and vehicle taxes. I am not

saying this just from a UK perspective; around the world there is a lot of discussion about it. For example, Oregon has been experimenting with differential charges; people can choose to pay fuel taxes or pay-as-you-go road charging. That kind of thing may well come in the future, and in that context you would have to think about the existing toll roads and so on.

There is one other thing I ought to say. We have done extensive work on the M6 toll, which does not appear to have worked in almost any way you care to look at it. It has not relieved congestion in the area. The Highways Agency has just spent something like half a billion pounds adding to the existing M6, which was supposed to be relieved by the M6 toll. There has been a lot of restructuring of the debt by Macquarie, who own the Midland Expressway contract, so it has been rolled forward, but almost any way you look at it, that has not worked. That particular model of toll road has not worked. It is good for particular people travelling from the north-west down to London; people get a relieved journey on the M6, but in terms of the wider public interest—certainly if you ask people in the west midlands—I do not think they feel that it has worked for them.

Q98 Chloe Smith: Should there be a national tariff on tolls and road charging?

Stephen Joseph: It depends whether there is a wider move towards road charging. If you are continuing with a policy of isolated tolling for the Mersey Gateway or the Tyne tunnel, I do not think you can specify any kind of national tariff, because circumstances will change. The report we commissioned said that the Mersey Gateway bridge takes into context the Mersey tunnels, which are not exactly competitors, but Mr Nicholson might agree that they act as a kind of benchmark in the area. Any national tariff that did not take account of that would fail. Some of the key principles for individual schemes can be specified in a national framework, but I do not think a formal national tariff will work, in the absence of more general road pricing.

Q99 Chair: Mr Nicholson, are you satisfied that traffic will not be displaced on to local roads?

Steve Nicholson: Yes. As Mr Joseph has just said, tolling provides you with a traffic management opportunity. Like any opportunity, if it is used correctly, there should be benefits that flow from it. When we look at the pattern of movement across the Mersey estuary from the M6 in the east to the tunnels in the west, we have about 450,000 vehicles a day crossing that river system. Most of the crossing points are at or nearly at capacity, but by and large they tend to serve different markets. There is a little bit of interplay. That interplay tends to happen when you have a problem on crossings. Managing incidents is when you need some resilience in the system, and what Mersey Gateway provides is some resilience, in the sense that demand control through tolls will ensure that we always have free-flow conditions on the crossing. It will safeguard against congestion occurring relatively early in the life of the new crossing. There should be opportunities to maintain traffic flow even when incidents occur.

On routine day-to-day travel, we reckon there is around 10% transfer between the tunnels in the west and the new Mersey Gateway crossing. It is relatively modest, what is called, multi-routeing where drivers could choose one crossing or the other. The other 90% are pretty fixed towards using a particular crossing because it is the most advantageous for their purposes.

Q100 Chair: What are the benefits of this crossing? How certain are you that it will bring benefits?

Steve Nicholson: The main benefit is in journey time reliability for both public and private use, mainly freight use. There are a lot of logistical businesses in and around this part of the Liverpool city region. They are contracted to provide “just in time” delivery. There are airport-related businesses and airport travellers. They all need reliable transport. The existing Silver Jubilee bridge is chronically unreliable. It causes all sorts of problems. When the system falls down, it sometimes stretches to most of the working day, so you have a system that is failing and has failed for a number of years. It is that background that people recognised when they accepted tolling as the empowerment to do something about it.

Q101 Chair: In securing value for money, which has to be a key consideration, Halton council say that the UK guarantees scheme helped to deliver value for money. Could you tell us why?

Steve Nicholson: The UK guarantees scheme came about when we were in the middle of procurement. In the way we structured the procurement process, we were looking for the private sector to build the bridge, to do it for a fixed price and to do it on time. We were looking to have the tolling revenue available to us to finance the bridge. We felt that private finance gave us the opportunity to have a rigorous approach to managing the risks, so we set out to see what the private finance appetite out there was for investing in a project like this. Mr Joseph alluded to the fact that pretty early in that process we realised it was not a good idea to ask the private sector to take the tolling risk, so we made that first adjustment.

Q102 Chair: When you say it was not a good idea, do you mean that they would not accept the risk?

Steve Nicholson: Basically, we felt that we would get poor value for money if we asked the private sector to price that risk. The reason was that in 2006 the financial crisis had a major impact on the funding available for infrastructure across the board. Only the most attractive projects were going to be picked up and invested in. Most of the investors in toll revenue projects disappeared from the market at that time, so we structured the project on what is referred to as an availability. We wanted the private sector to make the crossing available to Halton, and Halton would then effectively be the tolling agency. Providing the bridge is available and free from congestion, we are convinced that people will pay the tolls that we are proposing. There is a relatively modest risk around that. We have made some pretty prudent forecasts about the revenue for the tolling, so we feel that the risk is relatively modest. Notwithstanding that, the market conditions were not right to try to ask the private sector to price that risk.

We had taken a structure to the marketplace, advised by some of the consultations that took place before we launched procurement, but we were still facing an uncertain project finance market. We asked each of the three bidders that we pre-qualified to bid for the project to arrange their own private finance. Each of them said they could do it, but we still recognised there was a risk associated with that. The IUK guarantees scheme addressed that risk, but we did not take it on as 100%, which we could have done. We gave the bidders access to 50% of the funding required through the IUK guarantees

scheme. We had the test—the price of that funding compared with what the private sector could deliver—and the prices were very similar. We have ended up with a 50% slice of the funding through IUK and the remaining 50% through private finance investors, mainly banks.

Q103 Martin Vickers: I have to confess that my view on tolling is somewhat clouded by the fact that I spent 25 years campaigning against the tolls on the Humber bridge. We got to a situation then where, thanks to the Chancellor and the Treasury team—of which Chloe was a member earlier in this Parliament—they were eventually persuaded to write off £150 million, which was twice what the estimated cost of the bridge was in the first place, and that was after 32 years.

Mr Joseph, you mentioned earlier that you thought tolls were good because they brought in resources to spend on other transport schemes. Clearly that was not the case with the Humber bridge. Even if it were the case, you acknowledge that the Government may not be prepared to ring-fence. Even if they were, were you suggesting that the ring-fencing should be for the benefit of the local community and schemes within that area?

Stephen Joseph: For local tolling and charging, yes. We pointed to Nottingham, which introduced a workplace parking levy that has bought new tramlines and other transport improvements. The requirement of the legislation is that the levy proceeds get ring-fenced for local transport improvements. The position on which various crossings have been done has varied enormously. The Humber bridge is done on one basis; the Mersey Gateway bridge is another; the M6 toll, as I say, was a PFI tolling scheme; and Dartford has varied over the years. It has been incoherent, which is why a national framework might be a good way into this, but, yes, I think you could argue that Humberside would have had a rather better transport system if the revenue from a toll on Humber bridge was ring-fenced more generally for transport.

Q104 Martin Vickers: But in that case all it was doing was paying off the interest on the debt all the time.

Stephen Joseph: Yes, but I maintain that there are broader arguments about tolling and demand management that will need to be addressed. I also think, though, that it is going to be difficult to justify the building of very large new crossings without some kind of demand management, simply because of the problem of traffic on other roads. That is not the case with the Humber bridge. It is a much broader problem.

When asked about the benefits, Mr Nicholson talked about journey time reliability. In a lot of cases there is also a lot of talk of broader economic and regeneration benefits. These need to be scrutinised with care. First, there is an issue about whether there are other ways of achieving those benefits. In the case of the Mersey Gateway bridge, for a while there was talk of the crossing having a tram attached to it. More generally in the case of the east Thames, there has been a lot of talk of public transport schemes giving better value for money. Some of the claims for jobs and regeneration melt away when investigated closely and queried. The Humber bridge was due to revive the entire Humberside economy when it was going to be built in the 1960s. I am not sure that has quite happened.

Q105 Martin Vickers: It is happening now, but it has taken a long time.

Stephen Joseph: You could argue that the bridge has not necessarily contributed to that. Similarly, arguments about the jobs that are going to be created for local people in Halton or elsewhere need to be scrutinised with care. We argued at the public inquiry that these were suspect and needed to be looked at. This was one of the reasons why the regeneration benefits were scrutinised at the public inquiry into the Thames Gateway bridge and the inspector found them inconclusive—to put it mildly. I think you have had some written evidence from various people about that specifically, pointing out that these claims tend to melt away in practice.

Q106 Martin Vickers: Mr Nicholson, if your scheme were to overrun cost-wise, as these schemes invariably do—certainly the Humber bridge did—how would your toll proposals cope with that?

Steve Nicholson: In the first instance it is not a problem for the council; it is a problem for the private sector contractor because they have given us a fixed price. That is one of the reasons why we have done it this way—to insulate the council from any cost overruns or any delays. It is taking the toll risk, but all the other principal risks are taken by the private sector. That is important because they are better placed to manage them than the council is.

I agree with Mr Joseph in the sense that the objective evidence for regeneration needs to be improved. There is a compelling subjective case that infrastructure has a vital role in supporting economic prosperity. That needs to be converted into hard evidence. With Halton, we are already seeing the emergence of those benefits. We are seeing a lot of inward investment in the logistical industries. There is quite a step change in the investment that was occurring before the Mersey Gateway became a bankable proposition. That evidence needs to be collected so that the next generation of improvements has objective evidence available to it. We will be collecting that evidence. It is a little frustrating because there is a lead time associated with that, I am afraid. I am convinced that it will have the transformational effects that are forecast. You are challenged to demonstrate at inquiry to the satisfaction of due scrutiny, and that is sometimes quite difficult to do. We need to move to a situation where we have that objective evidence available to us.

Q107 Chair: What time span are we talking about? When do you think would be a reasonable time to assess what has happened?

Steve Nicholson: We would look at the evaluation 12 months after opening, so it will be 2018 when we have data available to us on what is actually happening in the transport sense. What has been the attraction to the new crossing and how has it occurred, compared with the forecast? We can collect economic data on what industry is coming into Halton in particular, and we also have regeneration areas in south Liverpool. These are areas where the need is not disputed. These are areas that are targeted for regeneration for all sorts of justifiable reasons.

One of the things you are sometimes up against with a transport project is whether it is a relocation of economic activity that would have taken place in any case, but is just happening in the areas you want it to happen. That is a justifiable benefit in this case, because some of the areas we are targeting are in need of regeneration, but it could well be

that there is surplus in UK plc terms, where there is economic activity that would not have taken place without the investment that has happened.

Stephen Joseph: It is worth saying that at the public inquiry the arguments that we and the North West Transport Roundtable put were about the way in which regeneration was being justified. The regeneration area was deemed to be more or less the whole of Merseyside. There were some question marks about whether the assumptions about local jobs—the very high success rates that were assumed for jobs going to local people—were justified. I think Mr Nicholson is right that, now the bridge is under construction, we need to look at what actually happens afterwards to see how much of that is down to the bridge and how much is down to the whole economy.

I have just one more comment. We have recently done some work on the Government's local sustainable transport fund, and we found some real evidence from those small-scale projects, including ones run by Merseytravel, of real improvement in getting long-term unemployed people back into work by very targeted programmes. They are not large infrastructure programmes; they are about providing discount travel for people to go to jobs further afield, and new bus services to connect areas of high unemployment with areas of employment. The emerging evidence is that those seem to have a real impact in terms of actually helping the most deprived areas and people to get into work. The problem with large infrastructure projects like the Mersey Gateway bridge is that they are not as targeted, and they will tend to attract business from all over the place and jobs from elsewhere.

Chair: It may be that these are different objectives—general economic expansion and other things. Thank you both very much for coming to answer our questions.

Examination of Witnesses

Witnesses: **Rachel Turnbull**, Chief Executive Officer, TT2 Limited, and **Paul Woods**, Chief Finance Officer, North East Combined Authority, gave evidence.

Q108 **Chair:** Good afternoon and welcome to the Transport Select Committee. Could we please have your name and organisation?

Rachel Turnbull: Good afternoon, everybody. Thank you for inviting me. My name is Rachel Turnbull. I am the chief executive officer for TT2 Limited, which is the concessionaire that operates the Tyne tunnels.

Paul Woods: Good afternoon. My name is Paul Woods. I am the chief finance officer of the North East Combined Authority.

Q109 **Chair:** Thank you. The original Tyne tunnel encountered significant financial problems in the past. Could you tell us what were they and how have they been overcome?

Paul Woods: Yes, indeed. We provided you with a book on the new tunnels, which has a little history in it on pages 1 to 4 and 60 to 61. Briefly, when the original tunnel was opened there were some initial issues with the links—the traffic flow links into the tunnel—which had some impact on traffic flow. One of the biggest issues was the effect on tolling of a decision by the Department for Transport. For many years—decades—a tunnel had been sought in the area to the east of the Tyne, and it was only allowed to

proceed with tolling as the source of funding. Within a very short period of the tunnel opening, the Ministry for Transport designated the tunnel as the A1 trunk road, and there was concern about local residents effectively paying tolls on what was a key part of the trunk road network. The Department were approached to see if they could do something in terms of taking on some of the liability for that, and they refused to do so. At the time, there was political resistance to increase the tolls for inflation.

The combination of lower traffic volumes initially, but also the maintenance of the toll at a very low level, meant effectively that the toll income was not covering the interest costs. By 1985, the debt on the tunnel had risen to £20 million. It was a similar story to the Humber bridge, not on the same scale, but relative to the tunnels. In 1985 when I was a newly qualified accountant, I was given the task by the treasurer of the Tyne and Wear PTA of coming up with a financial plan to resolve the issues. We came up with a 20-year business plan, which potentially involved writing off some debt, debt re-profiling, cost reduction and an increase in the tolls. We approached the Department, who rejected the write-off of debt, but we progressed with the plan, and I am pleased to say that at the end of 20 years I was still there and we had delivered the plan. The debt was paid off over that period, through an inflationary uplift in toll income in particular. The tunnel was then successful in terms of traffic flow; it built up traffic flow. At the end of 20 years we had paid off the original debt without any support, and we had developed a surplus to enable us to fund the development costs of the new crossing that has recently opened, and also to generate a reserve of revenue to help with the financing of the new crossing.

Q110 Chair: Should toll rates for river crossings be decided locally or should there be a national framework?

Paul Woods: There are some very important issues here which relate to consistency and to equity. In terms of the arrangements that I have experienced, it is about the local circumstances and the business case for the project. We approached the Department for funding for our new toll and for certain elements of debt write-off, but were rejected on a number of occasions. It was felt that we had to live within our own means in terms of the level of tolling. Politically, a decision was taken on the level of toll, and the design of the project fitted in with that.

I have some reservations that that was not in the best long-term interest of the country. We had to go for a second crossing that was a two-lane tunnel. We seriously looked at an option for a four-lane tunnel, which I think would have been much better value for money in the longer term. It would have been more sustainable and more resilient, but the cost in terms of the toll income that we would have had to charge users was too high. We had to go for an option that was satisfactory for a 10 to 15-year period, but I do not think it was appropriate in the long term.

Q111 Chair: Would it be feasible for there to be a national framework rather than leaving decisions to individual local authorities or groupings of local authorities?

Paul Woods: A national framework would help. A couple of examples are very relevant in terms of the Dartford and Mersey crossings. On the Tyne tunnel crossing we have a permit system and residents can get a 10% discount, but at the time we put our tolls in place there was not the concept of local residents getting a much cheaper deal. We end up with deals

offered in different parts of the country for new crossings, but not being retrospectively applied to existing crossings.

Q112 Chair: Does this experience make you think that it is better for decisions to be taken locally so that you can get innovation, or would it be better to have more national guidance?

Paul Woods: Once we embarked on the contract that we had it was very difficult to revisit that without national assistance—

Q113 Chair: But we are looking at a general policy. Would a national framework be a good idea?

Paul Woods: A national framework would be a good idea, to apply the decisions taken on reduced rates both at Dartford and at Mersey to other crossings. As an example, if someone was employed and crossed the river, they would be paying about £700 a year as a local user of the tunnel. In Dartford that is £20, and in Mersey it is free. Is it equitable for that to be applied to newer crossings but not to existing crossings in terms of a local arrangement? We cannot now retrospectively do that without impacting on the financing of the project, so there are issues about equity when applying the tolling arrangement. Our toll of £1.60 is commensurate with many of the tolls, so we are not particularly out of line but we are out of line on the local discounting arrangement.

Q114 Chair: Ms Turnbull, under the current system tunnel users can prepay using an electric permit or pay cash at the toll booths. Would it be better to remove those toll booths and have free-flow technology? Would that work better?

Rachel Turnbull: In our case, as Paul quite rightly pointed out, because the contract was already structured and put in place in 2007, it did not contemplate open-road tolling and the issues that come with that. There would be the infrastructure investment—the capital expenditure—to look at the redevelopment of the plaza areas, but, more importantly, it would be about the revenue collection and the lack of revenue that would be collected from a theoretical perspective. The way our contract at TT2 is structured is that we would collect 100% of the theoretical revenue, as you said, through prepaid or perhaps cash transactions. If you use open-road tolling, at the moment you are looking at between 80% and 95% of theoretical revenue being collected. That is not something that was anticipated at financial close. Therefore, it would have an impact on the finances.

Q115 Chair: Could a prepaid permit scheme be interoperable with other charging schemes?

Rachel Turnbull: The prepaid permit scheme is part of the EU directive that was set in 2004, and which predetermines how tolling for crossings is structured. Each crossing, from 2004, has to be interoperable, so it has to have different types of tag systems, whether a DSRC type of tag, such as we have, which is a local signal communicative type of technology, or other types of technology that can also be used for interoperability, but it is a prerequisite that it is now applied through these types of structures.

The difficulty with interoperability with other crossings is how the listings would work. Who would provide which permit, for example? How would that revenue find its way back to the origin? For example, if it was our permit, how would we claim that revenue back from another tolling provider? How would we know whether we should allow that person to come through on perhaps a different toll pass? It was discussed as a concept

around white lists and black lists—white lists allowing those permits through and black lists not—and then looking at some type of clearing system in order to be able to transfer funds between all the operators. That is when it got to the point for a lot of the operators that we did not think that there was the technology for the revenue generation to be in the right place, so to speak, and for it to be assigned to the right operator.

Q116 Chair: How are the tolling levels set? Could they be varied for different purposes—for example, to incentivise low-emission vehicles?

Paul Woods: In terms of the original tolling arrangements, we passed the revenue risk on to the contractor unlike the example which was just given. The revenue risk is passed on to the concessionaire. We get the first income up to a certain level; about 4.2 million vehicle uses come to us to cover our part of the debt. The rest of the income is a reward and risk placed on the contractor. That is a key issue in our contract.

We started off with the issue of a discounting arrangement. We introduced a 10% discount and that has been there for some time. It was there to try to encourage people to move away from a cash payment system to a permanent arrangement. That has now grown to about 45% usage in terms of cars and about 75% to 80% usage in terms of HGVs. It was a means, effectively, of getting people on to that arrangement, which enabled the vehicles to go faster through the tunnels. We have not considered much further in terms of discounts. We recently made the tunnel free for motorcycles—a year or so ago—but with our existing financial structure we would have to consider any further discounts very carefully. It has an impact on the finances of the private sector partner. Therefore, we work together looking at different arrangements.

Q117 Chair: Who would take the decision on that? Would it be the private sector or you?

Paul Woods: The authority is the tolling authority. We would take the decision on the level of the tolls, which we do at the moment. There is a shadow toll arrangement in place with the contractor. They get paid whether we put the tolls up or not, on a shadow toll arrangement under a usage agreement. It is the authority's decision about the level of tolls and any discounting that may happen. Clearly we have to have regard to the finances available to us to be able to do that.

Q118 Chair: Who is taking the risk if the amount of traffic or the amount of toll you collect are not as anticipated?

Paul Woods: In the main, the traffic flow risk is taken by the contractor, because they get the traffic flow times a shadow toll rate. We take the risk if we actually reduce the toll to a lower level. We have provided you with some information about our budget for next year, which shows a slight mismatch between years, where our annual deficit has gone up to about £1.5 million next year, but we did create a reserve, currently standing at £26 million, to be able to deal with those revenue risks over the early years of the contract. I am quite confident that we can deal with that, but any change in traffic flow directly affects the income that the contractor receives. We are generally protected as the combined authority.

Q119 Chair: Is it the contractor taking the risk in those circumstances, or do they have a fallback somewhere else?

Rachel Turnbull: We would take the risk in terms of the traffic. If there are any fluctuations in traffic, as Paul described, in the way that the banding structure and the revenue part of the contract works, it basically sits with the private sector—with the concessionaire. There is an element to the banding mechanism, the payment mechanism, which means that it gives us an amount of security—I suppose that is the best way of phrasing it—in that if the authority decides to amend the toll, whether that is putting it up significantly or reducing it in the opposite direction, a mechanism within the formula used to calculate the shadow toll gives us some comfort. For example, if the authority were to put it up to £5 from £1.60 there is an element—a factor—that we can use in order to adjust what shadow toll we would receive. In theory, if the toll was to go up to £5, it would be based on elasticity of demand, whether that affected the traffic figures or not. In a sense, yes, there is a risk from the traffic perspective, but in the pricing of the tolls there is an element within the contract that means we work in partnership to make sure that it is the best for both.

Q120 Chair: From your experience in developing and operating this scheme, what would you say are the respective roles of the public and the private sectors?

Paul Woods: In the public sector, it was deciding what needed to be done in terms of where the crossing was and the type of crossing. Where the private sector played a key part was in bringing knowledge about the implementation, the delivery, the construction and also the operation. We passed the operation of the tunnel over to the private sector, and it has been operated extremely efficiently by TT2. They have produced some substantial revenue savings that would not have been produced had it stayed within the public sector. It is extremely well operated at the moment in terms of its effectiveness. The reputation of the tunnel locally is second to none. It is something that has lots of fan mail, and the new crossing has won many awards over the last few years.

Q121 Chair: There is nothing you would have done differently if you were starting again.

Paul Woods: Nothing we would have done differently except that, had we had access to other forms of funding, we could have looked seriously at whether the new crossing should have been a four-lane tunnel as opposed to a two-lane tunnel, to get long-term resilience and better value for money. At the time we were constrained. The only funding we had access to was the toll income from the existing original level of toll, which meant we had to stay within our means in terms of the type of tunnel that we built.

Q122 Chair: What do you say to people who say that additional road capacity simply leads to more congestion?

Paul Woods: We were faced with a very different situation. We had an existing crossing that was the fourth most congested piece of road in the country. Therefore, existing residents were suffering from air pollution and a whole range of things because of the congestion. When the tunnel was opened, there was an immediate difference and huge recognition of the value of the project. You will see a nice headline in the book with a big heart, from the business press, about a couple and how it basically changed their lives. It has helped businesses and it has actually improved lives.

In terms of its benefit, there is a clear local benefit because it was removing congestion. Had it been a new tunnel, the issue would have been economic development—the more

significant benefits and advantages and so on. The tunnel had to make sure it demonstrated environmental issues in terms of the new crossing. That was done very carefully in the way it was constructed, and particularly the way it is operated. We have not had any significant environmental issues, particularly given the nature of the river. It is the best salmon river in England and Wales, so we had to be very careful through its construction not to affect the fishery. The planning of the construction was done in a very careful way.

Q123 Chair: Was there any significant opposition to the building of the second tunnel?

Paul Woods: We had a number of complaints, particularly around environmental issues and the fisheries. There were not as many complaints as you might have had with a new crossing, because it was obvious that something needed to be done about the congestion that was already there. There were some issues about land acquisitions. We had to acquire and demolish a small number of houses, a school and an old persons' home. There were the normal sorts of issues raised from the occupiers of those properties at the time. They have been resolved through a very carefully designed communications strategy. The local community has been very much on board and supportive of the project, because of the way it was planned and also because of the way TT2 have operated, with very close links to the local community.

Q124 Chair: Can you demonstrate the regeneration benefits that have been brought?

Paul Woods: Yes. We have provided a report that was produced through CURDS. They did a survey of business users on the impact of the new crossing. They were all positive. They were perhaps not as significant as we thought they might have been in the initial period but something that would certainly grow. Yes, we have done a report which we provided to you as evidence.

Initially when the tunnel was first constructed, there were significant benefits, many years ago, both north and south of the Tyne. It also had the effect of moving traffic that was congesting Gateshead and Newcastle, which had significant knock-on benefits 8 miles down river. There were much bigger benefits over a much broader area in the region. In the way the crossing links now, there is significant industry both north and south of the crossing; you have Nissan and a range of offshore employment opportunities. Having that free flow of access across is very important for economic regeneration.

Q125 Mr Sanders: There is an interesting table in our background briefing that shows the total traffic. There is an extraordinary jump between 2011 and 2012, when the amount of traffic goes up by about 2.5 million. Is there a local factor for that? Did something new open?

Paul Woods: Yes.

Q126 Mr Sanders: Can you attribute that new opening to having had the infrastructure in place?

Paul Woods: Yes, absolutely. The figures that we provided to you show a couple of interesting things. The first thing is that there was a drop in traffic from 2007 onwards. The tunnel suffered from the economic decline. Obviously the north-east has been hit very hard. The traffic flow, which was constantly increasing, actually stopped and started to fall, through 2007 and 2008. That fall was not significant. The way that we and TT2 constructed the tunnel at that time was very effective. Liaison with the Department for

Transport and the Highways Agency, and some works to one of the access roads, meant that we kept the traffic flow. You are seeing there the effect of the new crossing opening. It opened in two stages in 2010 and 2011. The new tunnel opened. The existing tunnel was closed for a while for refurbishment and then that was fully opened, so you had two steps of additional capacity. What we see since both tunnels have been operating efficiently and effectively is that the planned increase in traffic is in line with the original estimates, but from a lower base because of a decline in the economy. The economic impact meant a lower base. The effect you are seeing is the new tunnels opening in 2010 and 2011.

Q127 Chair: From your experience, what would you say the Government could do to assist the development of schemes like yours? It has been suggested to us that there could be some kind of centralised support to help in the development. Is there anything that both of you could draw from your experience?

Paul Woods: We are very proud of the work that was done locally. The engineering, the project management and so on was all locally done. It was very successful and we worked very much in partnership, with Bouygues, the contractor, taken on board. We obviously had to work with the Highways Agency on the approach roads. That could have been better. We have two major junctions north and south of the tunnel. At least one of them should have been finished before the tunnel opened. There were delays in the implementation of those major roads. When we raised that as a major concern with the Department, they were persuaded to do some interim works. If those interim works had not been carried out, there would have been a pretty major disaster north of the tunnel in terms of congestion. We were successful in getting a small amount of activity to improve one of the roundabouts north of the river, which eased the congestion problem. That bigger project is now on line to be delivered, commencing in 2016 and finally delivered in 2018. The south works will hopefully finish in 2019.

The issue for us now is the co-operation that needs to happen in the next few years. We do not want the roadworks that are going to happen north and south of the tunnel to drop the traffic flow, because of the impact on our private sector partner in terms of loss of income. There is a significant piece of technical advice that can come from TT2 about the best way of managing that. They showed extreme expertise in delivering that, so liaison needs to continue with the Department and the Highways Agency on delivery of those two roads.

There could be other ways of helping with financing that would have produced a better long-term solution. At the time, we did not have access to business rate retention through either enterprise zones or accelerated development zones. A blend of funding would have been better than simple reliance on toll income paid by current users. It would be better to look at a long-term solution. I would recommend that in any study consideration is given to a different blending of funding—perhaps grant or business income and also toll-using—to get the different benefits and hopefully a more optimised long-term infrastructure solution for an area than simply relying on tolls, as we felt we had to do at the time.

Q128 Chair: Ms Turnbull, are there any lessons you could draw out, or things the Government could do better?

Rachel Turnbull: Yes. I certainly agree with Paul on pretty much everything he said. In terms of the private sector concessionaire's perspective, I again endorse the relationship with the Highways Agency and the national infrastructure schemes that have been put in

place, specifically Silverlink and Testos. If there had been more involvement at the earlier stages of the project—reviewing the maximisation of the benefit of the Tyne Tunnel as a project—perhaps the Highways Agency would have taken a different view on the longevity of the Silverlink scheme and the interim scheme as it stands, albeit that it will then be removed and replaced. From a budget perspective, we did not quite see the logic in the Highways Agency developing an interim scheme that would then ultimately turn into a full scheme. That is one thing we would look at.

From the financing perspective, it is down to the way that each PFI or PPP is structured. Every project is different, which then has its difficulties in terms of national tariffs, and how it would be structured and financed. In terms of the set-up—the mobilisation of the project itself—some type of funding availability for the public sector in order for them to be geared up and have their project team in place at the mobilisation stage of the contract would be extremely beneficial, not only from a private sector perspective but from their perspective as well. Effectively, both teams could start up their strategic partnership together in the same time frame and with the same level of knowledge.

Q129 Chloe Smith: I would like to ask about the human side of bringing seven councils together to achieve something. We heard in evidence in relation to the Thames, both the lower and upper proposals, that there are inevitably differences of view between neighbouring authorities. Can you give us some insight into what you have had to do since the combined authority was formed, or indeed from before, to bring people together around a table, around a plan as large as this?

Paul Woods: I will talk about the Tyne and Wear area first, because it is ostensibly the Tyne tunnel; even within the combined authority, ownership still rests with the Tyneside authorities and not with the broader authorities in Durham and Northumberland. We engaged very much with all of the local members in a working group of members. It was members who led much of the community consultation and the decision making about the tunnel. That has been a feature of the success of the project right from the start. It was helped by the fact that, effectively, the tunnel was self-financing and was not going to be a revenue drain on any of the councils, including those which are slightly further away from the tunnel. Everyone saw the benefit strategically, because it is a strategic crossing. It has a significant impact for all the authorities, including Northumberland and Durham, because the A19 goes through both those corridors. It is clearly perceived as a strategic asset for everybody. The fact that there was no cost helped.

Q130 Chloe Smith: Yes, I bet it did.

Paul Woods: It was generally perceived as something that was essential. It is akin to the debate I saw in January about a river crossing east of London. It was a river crossing east of the conurbation, which has significant benefits to the coastal area. There was very much a consensus around the benefits of the project, and, therefore, everyone got behind it. We did not have any significant issues at all about political support for the project.

When we started the combined authority, there was some nervousness from the two authorities that were not part of Tyne and Wear about the financial liabilities of the crossing. They saw potential risks in terms of insurance and a whole range of risks, without familiarity with the project.

Q131 Chloe Smith: May I just check my understanding? At that point—in 2014—you were eight years clear of having paid off the 20-year financial plan from 1986. Is that a correct understanding?

Paul Woods: Yes; that is correct.

Q132 Chloe Smith: By that stage it was indeed free because all the nasty stuff had been dealt with.

Paul Woods: We had actually generated a surplus, a revenue reserve, to fund a new crossing. It was about £29 million or £30 million at that point. It is now down to £26 million because we have been using it. We had a revenue reserve. We had a contractual arrangement in which we felt all the liabilities had been dealt with. From a Tyne and Wear perspective we were very happy with the risks, but because two authorities who had no familiarity with the tunnel were part of the combined authority, it was written in that it was an asset for the Tyne and Wear area. All the risks associated with that were isolated to Tyne and Wear so that they did not fall on Northumberland and Durham.

All the rewards were also, therefore, by definition ring-fenced to Tyne and Wear. We see in the long term, if the tolls continue once the debt is paid, that potentially a substantial income stream would be available to support transport infrastructure in the region, if those tolls were to be continued in the future. I see it very much financially as a significant asset. Yes, there is a liability, and a debt liability which needs to be managed, but we have been very effective in doing that in our approach since we took over the tunnels in 1985.

One of the things we are very proud about, and got an award for, is the way the new crossing was financed and the prudential borrowing that we brought into play. We have taken a very different approach from many other organisations by not fixing the interest rate on that borrowing. The flexible approach we applied means that we have had a much cheaper outcome, about £25 million over the period. I am now looking, through the combined authority, at an infrastructure fund where in the short term it might cost 2% or 2.5%, as opposed to a much higher figure, by using the revenue reserves of all the councils as a source of funding instead of external borrowing for some of the infrastructure. It is quite a novel treasury management pooling arrangement, which I think will have substantial benefits for infrastructure in our area in the next few years.

Q133 Chloe Smith: Looking at your passenger figures and the benefit that you say can be seen to accrue to all the authorities around, can you foresee any arguments arising over share of the usage, not only share of the passenger figures but share, therefore, of economic benefits or indeed disbenefits?

Paul Woods: The economic benefits are going to fall where they fall, basically. In general, that is in the Tyne and Wear area. The immediate benefits are obviously to the A19 corridor. You have Nissan and a whole range of developments up there. There is access across the river, where we had a significant unemployment problem; a big Alcan works closed north of the river. For those people to be able to access jobs through to the south side with the tunnel crossing was very important.

There were significant benefits to the rest of the conurbation, Gateshead and Newcastle, by the tunnel being there. It took away a lot of the traffic flow. There is a major problem

of congestion in Gateshead and Newcastle on the western bypass at the moment. The Department is spending huge sums of money to try to address that. Of course, the growth of traffic in the tunnel helps to balance and remove some of that pressure. It is a balancing factor in terms of the benefit that flows across.

In relation to future income, it will be an issue for the combined authority in terms of how it deploys that. I see it as being of broad benefit to all of Tyne and Wear, and then potentially also to Northumberland and Durham for transport investment in future years.

Q134 Martin Vickers: I want to reverse your question, Chair, and ask the witnesses whether there is anything that the Government should not be doing. Should you get some barrier out of the way that would help your projects?

Rachel Turnbull: From my personal perspective it is basically down to the structure itself, whether it is a PFI or a PPP, and how that then links with the HA and through the national infrastructure plan. If the financing is PPP, for example, I believe there needs to be a different route with central Government. If it is a PFI, it needs, again, a different route and perhaps also some types of links with the HA. It is very difficult, from my own personal perspective, to create a one-answer-fits-all for everything. It really depends on how the project itself is structured and financed, in which case it would then lend itself to what Government support would be needed, or would not be needed in the case of a PPP, for example.

Paul Woods: It would be that the Government do not cause problems with access to the tunnel; as long as they do not do anything that causes a problem of access, with risks in terms of the finances of the tunnel. That is something to avoid. There are issues, as we have seen recently, whereby changing the tolling arrangements for local residents at different new crossings could create expectations or questions of consistency. Residents locally might say, “Why are we paying £700 a year to get across and somebody else is paying £20 a year because of a preferential rate elsewhere?” At the moment, that is not happening and we are not seeing that public outcry, but it could easily happen. There needs to be consideration of that, as I mentioned earlier, and some consistency about some of the initiatives at existing crossings as well.

Rachel Turnbull: The customer profile needs to be taken into account when looking at said discounts. From the Tyne tunnel perspective—the north-east of England—our customer base is predominantly local. You are looking at potentially 90% getting a significant discount. That takes me back to the first point about having to look at each project in its locality and how it is structured from the finance perspective, and indeed in a national infrastructure plan, and how you can maximise the benefits of that project by joining groups or agencies together at the start of the project.

Chair: Thank you very much for coming to answer our questions.