



Welsh Affairs Committee

Oral evidence: the future of the Severn River crossings, HC 171 Monday 4 July 2016

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Written evidence from witnesses:

- [Department for Transport](#)

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Members present: David T. C. Davies (Chair); Byron Davies; Chris Davies; Dr James Davies; Gerald Jones; Liz Saville Roberts; Craig Williams

Questions 100 – 156

Examination of Witnesses

Witnesses: **Andrew Jones MP**, Parliamentary Under-Secretary of State, Department for Transport, **James Hooson**, Strategic Roads Policy Manager, Department for Transport, and **Andrew Page-Dove**, Regional Director South West, Highways England, gave evidence.

Q100 Chair: Minister, good afternoon. Mr Page-Dove and Mr Hooson, thank you for coming along as well. The purpose of this is to look further into the transitional arrangements for the Severn Bridge once the concession comes to an end. We are grateful to you for coming and answering questions. If I may begin, Minister, could I ask you what the plan is for the transition? How far advanced is it? At what point is it going to be communicated to the wider public?

Andrew Jones: At the moment, it is a bit of a moving target. The concession will end when we have seen the repayment from taking in tolls of £1.029 billion. The latest best estimate for that is in February 2018, so we are currently working on what the arrangements will look like. We know that the crossings will revert back to public ownership. That presents us with opportunities and we are working through what all of those will be. We are still looking at around 20 months away.

There have been meetings with Highways England, which we, the Department for Transport, have asked to have a look at this. We have Highways England and Department for Transport officials with us here this afternoon. We have engaged with Severn River Crossings plc to look through a number of different issues and, not just that, we have had a bit of local liaison as well. We intend to have a complete package to put out to

consultation this autumn, which will include all of the arrangements for potential tolling and everything else.

We should probably note, having said that, that the transitional arrangements do not really need to be consulted upon. We just need to make those happen. I want to make sure that we give as much notice as possible to the people who use the crossings and to the people who work on the crossings. We want to treat everybody fairly so that they have good, ample notice of any changes that may occur.

Q101 Chair: Can I take you back a moment, Minister? You mentioned a moving target of February 2018 but, as you say, it is a moving target. We have heard evidence that suggests that it could come as early as October 2017. It all depends, doesn't it, on the actual revenue that is taken in?

Andrew Jones: It does.

Q102 Chair: Would you accept that it could come earlier than February and that you have been told as a Department that it could come as early as October?

Andrew Jones: Yes, we have certainly been seeing this coming forward. Every time we get an estimate it is coming forward because the volume of traffic is growing and, therefore, more revenue is being taken in tolls. Consequently, the date when the revenue is raised comes earlier.

Q103 Chair: So it is probably going to come before February 2018?

Andrew Jones: It is a possibility and that is why we have been very keen to work this up. We started work on this within the Department many months ago just to make sure that we will be ready whatever happens.

Q104 Chair: In the evidence that we have been taking, we have been hearing that obviously there are a lot of very specialist contractors who are doing work on the bridge. Like any other specialist contractor, they need to have contracts renewed. It was suggested to us that at least 12 months' notice would need to be given of a handover plan so that SRC can decide whether or not to renew contracts with contractors such as Laing, for example. As you have just said, it could come as early as October 2017. Therefore, would you accept that we need to have a comprehensive handover plan in place by October 2016?

Andrew Jones: Yes, and that is exactly our objective. That is exactly what we are working on doing. I do agree with that. The sooner we have this nailed down the better it will be. I agree with your points about being as open and clear as possible for business so that they can plan appropriately and also treat all the people appropriately. We are working to have a handover agreement substantially agreed by October of this year.

Q105 Chair: Would you accept that if it is not agreed by October of this year this could cause significant problems logistically for SRC because they will not know whether or not they can renew 12-month contracts with suppliers?

Andrew Jones: No, I cannot go that far, to be honest. The point is we have to set a date so we do not aim at a moving target. I think it is very hard to aim at a moving target. We cannot say this will be the day it happens, so we have to set a date that everybody can work towards and plan appropriately. We have to recognise that owing to the increasing traffic—and traffic flows were pretty fast in the first half of this year and grew rapidly as well throughout 2015—even if the concession finishes we would not be looking to make changes until we have a formal handover date agreed. What would happen to the revenue? We will just make arrangements for it to come through to the public purse in those circumstances.

Q106 Chair: I will come to that in a moment, but can I just pin you down here? You would expect the handover plan to be in place by October in order to give 12 months' notice to the current concession holders, SRC?

Andrew Jones: We want a constructive approach from all parties with a view to achieving agreement or a substantive agreement on the handover arrangements by October of this year.

Chair: Okay, that is great.

Andrew Jones: If that is not achieved, it will not necessarily be a complete disaster, but we cannot take October 2017 as a fixed date anyway. We need to set a date—it is a moving target—and work towards it, but everybody is working constructively and we should, with luck and a fair wind here, have everything in place to give everybody as much notice as possible.

Q107 Chair: As you have just said, at some point—almost certainly at some point—between October 2017 and February 2018 what is called the required cumulative real revenue, which is basically the sum agreed by SRC and the Government back in 1992, will be reached. I think it is just under £1 billion, isn't it?

Andrew Jones: £1.029 billion in July 1989 prices, but we know that amount of money is going to be achieved, you are right.

Q108 Chair: Once that sum is achieved, will that mean that immediately the bridge legally returns to public ownership and, therefore, VAT will no longer be chargeable? Will the VAT cease to be charged on the day that that sum is reached?

Andrew Jones: I will have to check on the legal status and obviously come back to you on that point, Mr Davies. I am not sure about the exact legal point there. The revenues from the period after the exact amount of money has been raised before we have a handover date would certainly be returned to the public purse, but let me check on the specific point on VAT and come back to you and then perhaps through you to the Committee as a whole.

Chair: Okay. I am getting a bit excited by all of this and I am asking somebody else's question now, so I quickly hand over to Dr Davies.

Q109 Dr James Davies: I think it is worth clarifying, whereas there is some uncertainty about whether VAT would be charged, what exactly will happen to the tolls as a whole on that date.

Andrew Jones: Right. We do not know what date it is and we have to give people notice. We have to have some kind of operational plan. I would suggest the best thing we should do is set a date when we think, "This will be when we make our changes". Those changes will be operational changes and tolling changes. I do not think trying to do it all piecemeal, aiming at a moving target, is a sensible way of operating this. I think we should do it all in one together.

Q110 Dr James Davies: But from the Government's point of view, what costs will you be looking to cover, just for clarity?

Andrew Jones: We will be looking to cover the maintenance of the bridges and the operation of the bridges. I think we also must consider the potential introduction of free-flow tolling. I am generally very in favour of free-flow tolling because it allows unimpeded journeys and improves congestion challenges, but it also comes with a cost. We would be looking to make the system wash its own face.

Q111 Dr James Davies: There is also some debt left over from the first crossing, as I understand it?

Andrew Jones: There is. There is £63 million of debt, but we will have to recover that. We have always been clear we will recover all the debts. I am talking about the arrangements we will be having after the debt has been recovered. What I want to see is a period where we do not really see much change from a user perspective. If you are somebody who is a regular user, you probably are also one of those.

Dr James Davies: I am not, but yes.

Andrew Jones: You are a bit further north but, Mr Davies, I know you will be.

Chair: I am hoping we will see quite a few changes, to be honest with you, especially in terms of the pass price.

Andrew Jones: From a user perspective, on the day it changes nothing will change. We will have a date when everything will change at some point, but I want it to be a smooth change from a user perspective.

Q112 Dr James Davies: Do you have an idea of who will administer the crossings from that date onwards?

Andrew Jones: We have asked Highways England to basically do an assessment on this and we will make a call on whether or not Highways England has the business later this

year. The fact that we have asked them to run this project thus far will give them an insight into it and I am expecting them to pitch for the business. But no decision has been made; I cannot say that we have.

Q113 Liz Saville Roberts: It is very interesting the Chair raising the question about the VAT in what is effectively an interim period, isn't it, when the required cumulative real revenue has been reached? Are there any other issues that arise when that point is reached before we can then move ahead?

Andrew Jones: No, I do not expect there to be interim challenges. I expect us to be effectively in a period that we do not even know how long it may be either, but we need to set a date that we are aiming for, based upon our best projections, when the bridge is returned to our public ownership and we implement all the changes that we have been working on and will be consulting on this autumn. I would hope by that point every single last detail in the handover agreement will have been long sorted out and we are then in an implementation mode. The only question will be that legal status on the VAT, which I will check for you.

Q114 Chair: Minister, how many times has the Severn Crossing Steering Group met since it was set up and when did it last meet?

Andrew Jones: Is this the group that Mr Philip Smith was referring to?

Chair: This is the group that was set up to enable—

Andrew Jones: It is the tripartite working group?

Chair: Yes, between you and SRC.

Andrew Jones: Okay. It has met four times. I have to say I do not have the exact last date, but I know it has met four times. Again, that is checkable if you would like me to get that information to you.

Q115 Chair: No. Well, I had a sense that it had not met as many times as perhaps SRC would have liked. They did not put it quite like that to me, but I just got the sense that perhaps, given the enormous changeover that is going to occur, some people within SRC felt it might have been better if it had met more often.

Andrew Jones: I will certainly have a look at that because this has to be a constructive engagement with all parties participating. They have the day-to-day knowledge of running this. There are, as you mentioned earlier, people who are experts through their day jobs, engineers or whatever. We want them to be involved in this.

Q116 Chair: In the course of doing this inquiry, it was put to me by somebody within the organisation—I forget who, unfortunately, but somebody at quite a senior level—that when the contract was drawn up to build the second Severn crossing there was an enormous amount, quite rightly, of technical detail put into what was required, and maintenance and all

the rest of it, and very little on the handover. There is a feeling, I think, with some people who work in SRC that perhaps this needs sorting out very urgently otherwise there is no way it is going to be a smooth handover once the revenue target has been met. It has not been put quite so bluntly as that and I am summarising a little bit.

Andrew Jones: I think it is fair to say that the contract is very detailed.

Chair: The handover part?

Andrew Jones: No, the contract as you talked about is very detailed, that is right.

Chair: Yes, that is right. They accept that.

Andrew Jones: We have to write the next bit, yes. That is why it does require all the parties coming together. SRC I think has produced a handover plan and we are grateful to them for doing it.

Q117 Chair: What assessment have you made of that plan so far?

Andrew Jones: That is work I have asked both the Department and Highways England to look at and they are yet to come back to me with their assessment. The point is we have started. I know that Highways England has some issues that it has some concerns about and we are working with it to iron out. Can you add anything to that?

Andrew Page-Dove: What I would add to that is that for over 12 months now we have been working with SRC at quite a detailed level, recognising that the Severn Crossings Act and the concession agreement do not have the detail of exactly how you close out the end of the concession. As I say, detailed meetings have been taking place for about 12 months. The steering group as referred to, the working group as the Minister has referred to it, is primarily about being able to come to a conclusion on the direction that policymakers want to take. Those two bits are separate, but there is a lot of work that has been done and undertaken with their people.

Q118 Chair: To close off this section, what I would put to you is that you have agreed that there is a lack of detail within the contract about closure. You have agreed that the revenue could be reached any time between October 2017 and February 2018 and it could well be earlier, towards October than February.

Andrew Jones: It could even be beyond February as well. We just do not know.

Chair: Yes, we do not know but, as you said, because of the rate of increase of traffic it is more likely to come earlier.

Andrew Jones: It is all coming towards us, yes.

Q119 Chair: We could face a situation that in October 2017 the bridge gets handed over without the level of detail that we would want in a contract. Would you not agree that we must have this plan fully in place by October of this year otherwise SRC simply are not going to know whether or not to renew 12-month contracts with their suppliers?

Andrew Page-Dove: Absolutely. If I may, Minister, I am absolutely confident that we will be in that position. I think what I would just ask you to be conscious of is that there is a difference between agreeing the handover plan and what needs to be in it and starting the procurement route, whether that be an extension of an existing arrangement or a new arrangement, which would need to start within the last 12 months but not necessarily before it. The primary focus has to be on setting a clear direction and an intent.

Chair: I think my nagging concern is that everyone is about to go off for the summer. I know that people continue to work throughout August but not perhaps, I sometimes feel, within Government to quite the same levels of industriousness that we see throughout the rest of the year. Before we know it, we are going to be coming back in September and we will be weeks away from that October deadline and we are still not getting very far with it, I fear. But I am sure you will be able to put us right and reassure us later on.

Q120 Gerald Jones: I want to ask a question about the staff working at the tolls. Obviously, we are in a period of uncertainty for everybody, not least the staff who are working there. Could you outline what assurances you can provide for the staff working at the tolls?

Andrew Jones: We are looking at assessing how the crossings should be operated and maintained in the future. That is the work that we have been talking about and it is expected to complete this year. I do not think we can say much beyond that at this point because this is still work in progress, but I go back to what I said earlier. Any changes will be made in consultation with the staff and I will want to make absolutely sure that we are treating everybody fairly and giving people significant amounts of notice. Anything else would not be fair. We are potentially still looking at 18 to 20 months away, but this is work in progress. The commitment you will have from me is that we will consult and we will be fair.

Q121 Gerald Jones: Are those communication channels open at the moment?

Andrew Jones: Highways England is doing the work assessing how we will maintain and operate the crossings and they are working with officials in the DfT and with Severn River Crossings Limited, so yes, those communication channels are open.

Q122 Gerald Jones: Hopefully, they can seek some reassurance from that?

Andrew Jones: Yes. We have not got to a position where we can say, “This is the plan and, therefore, we are consulting upon it”, but we are working on what the plan will be and we can make the commitment that any changes will be made in consultation with the staff. I recognise the points for all operational reasons about the desirability of getting this done quickly, but all the sides are working constructively together. That is a positive point and that is the point I would make to the staff.

Q123 Craig Williams: Thanks, Minister, for that. I appreciate where you are and, of course, we are pushing you for free flow and that kind of technology, which, of course, is making the staff extremely nervous because you do not have to be a rocket scientist to work out what free

flow would mean to the people on the counters. During the consultation, could you stress what the implications would be for the people working on the bridge in terms of working from the different options, from free flow, which I personally would like, to the fully manned bridge that we currently have?

Andrew Jones: It is entirely reasonable to speak up on behalf of them in such a way; of course that is correct. I want to recognise the good work that the people who are working for Severn River Crossing have been doing. They have expertise. They have shown commitment and that is worthy of respect and we would not wish to veer away from that, but the benefits of free-flow tolling are something we should consider. We have seen some benefits from that. If you look at the implementation of the free-flow tolling for the Dart Crossing, that led to much improved journey times and consequently an improvement in congestion, predictability of journey time from a business perspective and less air pollution issues. I would want those benefits to be available for people in the area around the Severn Crossings, too.

Q124 Liz Saville Roberts: It was announced in the last Budget that when the crossings were returned to public ownership, the tolls on the Severn River Crossings would be halved but that this would be subject to public consultation. What I would like to ask is: with whom is this consultation being undertaken or has been undertaken and also when will the consultation be published?

Andrew Jones: We have had two announcements in Budgets. At Budget 2015 the Chancellor announced the tolls would be reduced to reflect the removal of VAT and then at the last Budget earlier this year we have been able to go further than that to make the commitment to halve the tolls. That consultation would be a public consultation and we are talking autumn this year. I cannot be more specific but it is autumn this year.

Q125 Liz Saville Roberts: As it is public, you will be inviting contributions from the public. What form will it take?

Andrew Jones: It will be very wide because we have 25 million vehicle crossings a year. There is clear public interest in a matter of public importance. I would expect local stakeholders in the form of councils on both sides of the border, business groups and the public all to have quite strong views on the subject.

Liz Saville Roberts: Again, all these events are galloping to reach us, so it would be very useful to have some more detail on that.

Andrew Jones: I want to make sure we have a very wide consultation and that will certainly include public consultation.

Q126 Byron Davies: There is a great deal of scepticism in Wales about the whole issue of the Severn Bridges and the charges, and so on, and I am beginning to share it myself, I have to say. Does your Department have a real appreciation of how important the Severn Bridge Crossings are to south Wales, to its economy and to the transport companies that pay enormous costs to travel that every day?

Andrew Jones: I think the answer is yes. I cannot say that I am a Welshman so have skin in the game. My name might be Jones but it is a Yorkshire Jones. I cannot match you on local knowledge obviously, but I have absolutely no doubt whatsoever that these are critical crossings. They are the main vehicle routes in and out of south Wales to England. You only have to look at the volumes of vehicles on the crossings to fully understand how well used they are and, consequently, their economic importance. I have met many colleagues from both sides of the crossings and different political parties—and that includes business groups as well—and they have all emphasised the importance of them, so I think that is entirely understood. I have also met Welsh Ministers, for example, the Secretary of State for Wales.

Q127 Byron Davies: As a regular traveller on the M4, I have to say that Thursday and Friday afternoons queuing to get on to the Severn Bridges through the tolls is no fun and it does not do much for the cause of tourism and the economy in Wales. Is that really appreciated?

Andrew Jones: Yes. What has been said to me on a number of occasions is that people have to pay to go into Wales and not pay to get out and that that is a source of much frustration and anger. That seems to me pretty reasonable. The argument will be, of course, that people are paying a return toll, but I would hope that with free-flow tolling that would be one of the benefits that would be delivered. I am also aware, because we have been monitoring carefully, the peak congestion is westbound on Thursdays and Fridays at rush hour time in the evenings, so I was aware of that. I imagine many are caught up in it and I have been caught up in it myself in the past.

Q128 Byron Davies: Do you use it often?

Andrew Jones: I have in the past, but it is a little off my regular route. I have travelled pretty widely around the country. I did 25 years in business before Parliament and that included quite a lot of business in south Wales.

Byron Davies: But not recently?

Andrew Jones: Well, I have not done any business since being elected in 2010, so not that recently, no.

Chair: Minister, when you next visit Cardiff, please take the car. Okay, I think we are putting you a little bit on the spot there.

Andrew Jones: Yes.

Q129 Gerald Jones: You will be aware that the Welsh Government have had a study of the impact of the reduction in the tolls and that suggests that there would be a 5% increase in traffic. Do you envisage that that increase would lead to greater congestion and, if so, what sort of plans are being put in place to mitigate that?

Andrew Jones: I was aware of the report by the Welsh Government and the report authors did describe some of the economic benefits, but they also said they were tentative

conclusions. I am quite sure that we will see an increase in vehicle traffic as tolls are reduced. That is one of the reasons why I am quite keen to see the tolls reduced. I do not want to have measures in place that are blockages or things that delay businesses in the area.

There is already congestion in the area; I recognise that entirely. That point has been made clearly and powerfully. We would have to model in advance the possible impact and then look at what free-flow tolling might do as an overlay here and at what some of the causes of the congestion are. It could be the toll booths, it could be maintenance work, it could be a knock-on effect, because we have significant congestion in the Brynglas Tunnels, for example. There are a number of factors that cause congestion. All of these go into the modelling and we will be finding a solution that maximises the benefits to users of the crossings.

Q130 Gerald Jones: What is your assessment of the impact of the tolls more generally on the Welsh economy?

Andrew Jones: Successive Governments in the UK have had a policy on collecting tolls for estuarial crossings either in bridge or tunnel form and that policy, I am sure, has been based upon the requirement of paying for the infrastructure in the first place, because obviously it is a much greater investment. You can see that in different parts of the UK now. We need to find the right balance of not having a toll that deters economic activity but a toll that brings in revenue to help pay for the extra benefits that the estuarial crossings provide. That is a bit of a balancing act. I think that we will be able to much enhance that when the costs of the construction and the debts have been repaid and we can move to a half toll fee structure from the current arrangements. I think there will be a benefit to the Welsh economy from the moves we are intending to make.

Q131 Gerald Jones: In terms of the impact on the economy, what sort of discussions have you had, or have you had any discussions with local businesses regarding the impact of the tolls?

Andrew Jones: I have met representatives of the freight organisations many times since becoming a Minister and we have discussed a number of pinch-point issues and road investments across our whole network. Our colleague Jessica Morden, who represents Newport East, arranged a meeting only a couple of weeks ago, which I thought was very helpful in bringing together local businesses and MPs from south Wales. That was again a further welcome insight from the businesses of how important the crossing was to them, building upon the points made by Mr Davies earlier. I am very happy for further such conversations to continue.

Q132 Craig Williams: I was at that meeting and I thought the Freight Transport Association and the points that the Minister made touched on that greatly, especially from the freight point of view. Given the Welsh Government's study that Gerald was talking about and the acceptance that there will be an increase in traffic, how do you work with the devolved Government to model the effect on the M4? You touched on the Brynglas Tunnels and the inaction on building an M4 relief road to date. Given this is coming, given what you have

said you will do with the tolls when they do come into public ownership, how are we going to deal with this capacity? What is the co-operation between yourselves and the devolved Government?

Andrew Jones: I know that my right honourable friend the Secretary of State has raised the issue with the Welsh Government and I have written to Mr Skates, who is the new Minister with this responsibility in the Welsh Government. I have basically suggested we need to sit down and have a conversation about it and I hope we can get that sorted very quickly.

Q133 Craig Williams: Given there has been that inaction to date, even if they started tomorrow, the new capacity on the M4, the Welsh side, in terms of an M4 relief road is not going to be there for many years. There will be immediate capacity problems, won't there?

Andrew Jones: We have a network. When you make a change in one part of a network there are consequent impacts upon other parts of the network. I think the case for the potential introduction of free-flow tolling stands on its merits irrespective of what may or may not happen further down the M4 and the Brynglas Tunnels. This is something that is of merit in itself; one is not dependent upon the other. I am always very open in the way we plan things and would wish to work with Assembly Members and the Welsh Government because I think we are much stronger when we work together. Businesses are not too worried about who administers a road. They just want their journey to be predictable and smooth and cost effective for them.

Craig Williams: The assurance, Chair, that free-flow technology will not be held back by capacity problems is very welcome.

Andrew Jones: I do not see the two as related or interdependent. I see benefits in free-flow tolling and that is why I want to make sure we have explored this fully. I think there have been significant benefits on the Dart Crossing in terms of journey times and I want everybody around our country to get the benefits of new technology. Why wouldn't you?

Q134 Liz Saville Roberts: In your opinion what is the potential when the crossings return to public ownership of perhaps introducing flexible pricing and other methods of incentivising usage at certain times of the day?

Andrew Jones: I will be right up for that. We see that happening already on other crossings and I hope we will have some proposals and I expect them to be part of our consultation.

Liz Saville Roberts: That was my second question. Thank you.

Andrew Jones: For example, you could structure a payment system that offers incentives for HGVs between, say, 11.00 pm and 6.00 am overnight, which is what happens on the Dart Crossing, or you might have incentives to motivate regular users of greener vehicles. I do not know, I am speculating, which is probably not very wise at all, but as a general principle I would be right up for that and you should be expecting to hear more.

Q135 Chair: Minister, are you satisfied with the general condition of both bridges at the moment?

Andrew Jones: I am not an engineer, Mr Davies, but we happen to have one present.

Andrew Page-Dove: I think the short answer is yes. There are some minor servicing defects that we would have to tackle on the M4 crossing, but that is general routine. The M48 crossing has a history. A number of years ago we discovered some issues of water ingress into the cables for the bridge. You will be very familiar with this. We are world-leading on what we are doing around the dehumidification of that and we are in the midst of our third assessment of those cables. Fingers crossed the outcome of those assessments will mean that we have stayed the ingress or saved the structure and integrity of that bridge. We are confident.

Q136 Chair: You are confident, are you? There is this persistent rumour occasionally floated in Chepstow that there are secret plans to close that bridge. I have not heard it for a little while, but there are no plans, are there, and you can reassure the public at large about that?

Andrew Page-Dove: Absolutely not. It is a type of bridge that is used worldwide. We have looked at other evidence from around the world at what they do. We have taken a slightly different approach from the US, for instance, who have very similar bridges, and the success rate that we have had on our cables is far beyond anything that they have achieved. I am very confident that that bridge is absolutely fine.

Q137 Chair: The annual cost of maintenance for the bridges combined varies a little bit, doesn't it, but is between about £13 million and £15 million a year? That is not an exact figure, but it has gone between those two figures, hasn't it, over the last few years?

Andrew Jones: Yes, from memory. We need to check. We have the data here, I think.

Chair: I am not trying to pin you down to any set figure.

Andrew Jones: No, I can tell you the operational—

Chair: This is merely the prelude to a much more important question.

Andrew Jones: I can tell you the operational expenditure in 2015 was £13.39 million. Inspection and maintenance costs of £6 million are included within that figure.

Q138 Chair: Yes, so approximately £13 million to £15 million. Would you agree that the Severn Bridge charges should reflect that annual maintenance cost and should not be set to make a profit for the Government?

Andrew Jones: We are looking at setting the tolls to recover cost and that cost could easily include free-flow tolling, which is quite an expensive system to operate.

Chair: Yes, but the current revenue—

Andrew Jones: But the intention is also potentially to build up some extra cash for on occasions if we need it, but there is not a profit-making exercise here.

Chair: Great. It is not a profit-making exercise.

Andrew Jones: No, that is not what this is about.

Chair: That is fantastic if you are saying that it is not a profit-making exercise.

Andrew Jones: Yes. I am looking to make sure that we have a functioning, well maintained, critical pair of crossings that are fit for the future to fulfil their economic purpose, that are operated in a way that enables the maximum free flow of vehicles with the least inconvenience and they are not a cash system of crossings there to fund a scheme in Kent or a scheme somewhere else. No, that is not right at all.

Q139 Chair: Once all the debts have been paid off, this is a bridge that will continue to charge a toll but a toll that will cover maintenance costs and not a toll that will make a profit for the Government?

Andrew Jones: That is correct.

Chair: That is excellent news.

Q140 Craig Williams: Within that, would there be money allocated for future crossings?

Andrew Jones: There is no plan to build up a sinking fund that would be used for Severn Crossing 3. No, that is not built in, but we are looking at making matters sure because not every bit of maintenance is carried out on an annual basis, just as it is in any kind of maintenance. There are periodically some higher costs, so you would need to spread that so that motorists can plan effectively. This is not a profit-making exercise and we are not looking to build up a significant, eye-watering amount of capital for use for a further crossing. This is about two crossings maintained as I have just described.

Q141 Chair: Can I go back a minute then? The current revenue from memory is about £90 million a year.

Andrew Jones: It has gone up a bit, actually. I have some latest data for you if you are interested.

Chair: Let us say it is about that figure. The current maintenance costs are around £14 million a year, as you have just said. That would imply that at the moment there is a profit of £76 million a year, which is not really a profit because it is being used to pay off the original cost of the bridge.

Andrew Jones: Of course.

Chair: That would suggest to me that once the bridge has been paid for and the extra debt recovered there is a potential for a much greater reduction than 50% because, as you have just told us, it is not a profit-making exercise.

Andrew Jones: I knew you were going to ask that question because you have asked that question in Transport Questions previously. It is a fair question. My point is that we have the visibility to be able to tell people what we are going to be doing. We have been able to give them that visibility, which is why we have had the no VAT announcement, then going further with halving the tolls. It is possible, but I do not want to raise expectations without having done all of the work to get to this point. Am I somebody who believes, as a Conservative, that we should be taking cost out of running operations? Yes, of course.

Chair: Well, we hope you stay on as Minister, Mr Jones, from my point of view.

Craig Williams: It should be one of our recommendations.

Q142 Chair: Yes, quite right. On this issue of the debt, the £63 million that you are seeking to recover for unexpected costs to the first bridge, can I put it to you that you have received about £120 million in unexpected revenue through the imposition of VAT and on top of that an extra £10 million or thereabouts in unexpected revenue through changes to the industrial buildings allowance? In total, the Government have had an extra £130 million that they were not expecting. Is it really fair to go chasing the road users of Wales for the £63 million still, given that you have, if I may put it, as a Government done rather nicely out of it?

Andrew Jones: I cannot really comment upon the VAT implications because that is very much a Treasury question. I understand your point. All I can tell you is that I am working to make sure we clear debt and have a smooth system in place as quickly as possible at lower levels for the people in the area. I understand your point, but I cannot comment about how VAT revenue is—

Q143 Chair: You cannot comment on my VAT figure because you have not had the figure?

Andrew Jones: I am also not responsible for VAT. The VAT goes into the Treasury.

Q144 Chair: But if my figure is broadly correct—if it is—and you were given evidence of that, would you then begin to see that there was an argument for not taking back the £63 million if the Government had already received—if I am right, of course—around £120 million extra in unexpected revenue?

Andrew Jones: That revenue will have been spent in a number of other ways as it went into the Treasury general fund through VAT receipts. I think we have to recognise that we are working to recover the debts as detailed within the system that we are operating. The fact that vehicle traffic is growing and we can see the end of the concession and that we can go first to the removal of VAT and then to halving of the tolls means that things are going to change quite fundamentally, but I cannot make comments about VAT revenue. That money will have been used effectively, I have no doubt.

Q145 Gerald Jones: My question is about the Humber Bridge. In 2011, the Government cancelled the deficit there to the tune of about £150 million. Is there any possibility that could happen in this case for the Severn Bridge?

Andrew Jones: I am aware of the circumstances you are detailing, but the Humber was bedevilled with all sorts of issues. They had exceptional individual circumstances, including the fact that the bridge opened two years late. As a result of that, it has never really been able to maintain or meet its financial obligations. It was because of that that the Government had this one-off review to look at the situation that the Humber Bridge was facing, but I do not think there is a read-across because it was an individual set of circumstances. The formal review that took place justified the Government action.

Q146 Gerald Jones: I am thinking that will be a no?

Andrew Jones: I think it is individual circumstances that drove the Humber. We can see what is happening here and I am planning on carrying out exactly what we have just been discussing, which is the end of the concession, a smooth handover, different tolling arrangements, value for drivers, particularly as we explore the free-flow options, as well as improvements in congestion.

Q147 Byron Davies: There have been several references today to the case for free flow. Do you think there are any convincing arguments for not having free flow?

Andrew Jones: I am struggling to find them. I suppose the main one would be the cost-effectiveness because it is not a cheap system, but at the same time we have learnt a lot. We have had free-flow tolling at the Dart Crossing now for 18 months and have learnt much from that. Through the Chair I could write to the Committee to detail some of the journey time improvements that people have seen at the Dart Crossing if that is of interest.

Chair: Yes, that would be helpful. Thank you.

Andrew Jones: The argument against would only be in cost-effectiveness terms. That is the only thing I could think of, really.

Q148 Byron Davies: What do you think about timescale? How long would it take to set up a free-flow system there?

Andrew Jones: You are looking about three to four years from now, probably nearer the four than three. It is a complicated thing to get right. We have started some work on this and have been working within the Department with Highways England but also engaging DVLA, obviously also a key Welsh employer, looking at how we can potentially have this delivered from Wales.

Q149 Byron Davies: Do you think it would be expensive?

Andrew Jones: We do not have the costs yet so, again, I am into the world of speculation and that is often where you get into terrible areas. We have seen it to be quite expensive in Dartford, but costs come down as technology becomes more established and you learn from things that have gone first. But on the benefits in Dartford, I have absolutely no doubt at all it has been the right thing to do in that area because of the journey time improvements.

Byron Davies: I am fully behind you then, Minister. Thank you.

Q150 Chair: What do you think the impact would be of the M4 relief road, if indeed it ever gets built? I appreciate that is not your problem, but I have been hearing about it for 17 years since I joined the Assembly. If somebody ever actually does get around to building it, do you think that will have an impact on traffic flow and are you prepared for that?

Andrew Jones: Generally, if we invest across the UK in transport infrastructure we will encourage economy activity and social progress. People would be making more journeys. So, I would expect that to be the case. The Brynglas Tunnels is a Welsh Government matter. It has not crossed my desk at all as a result of that but that—

Q151 Chair: They must be talking to you about it, aren't they?

Andrew Jones: I was going to say that principle of investment generating capacity is one that I think everybody has bought into.

Q152 Gerald Jones: I think we have touched on this, but what consideration is being given to the time of the introduction of free-flow technology at the crossings and the impact on the construction of new roads?

Andrew Jones: We are looking at potentially three to four years from now for free flow, but we have started the work already on assessing it and looking at the opportunities. This obviously is of much interest to the Committee, so if you are interested and would like to come and see some of the operation of the free-flow tolling at the Dart Crossing that might or might not be relevant, we can arrange that. My view on this is it offers significant operational benefits from a user perspective and that is why I have asked for this work to be carried out on these crossings. I am looking to see good progress and we will certainly be making sure officials are getting on with it.

Q153 Liz Saville Roberts: As somebody who lives in north Wales I can say that I have seen, although not personally experienced, free flow in operation on the M6 toll because they have the tag lanes there.

A different question: this Committee report is on Severn River Crossings back in 2010 and at that time a representative of the Government told the Committee that there would be no reconsideration of ownership of the crossings until the early 2020s at the earliest. We have already heard about the increased traffic flow and the increased income generated from that. Is that discussion on ownership likely to move ahead, to come nearer to us now, given that the First Minister has stated very clearly his feelings that this should be referred to the Welsh Government in 2018?

Andrew Jones: The crossings serve both England and Wales and are primarily located in England. That is why I think they are managed by the UK Government. The Silk commission did not recommend transferring ownership. The ownership that is changing is what happens at the end of the concession when it reverts to public ownership from Severn

River Crossings plc, the concessionaire. That is the only change of ownership I am envisaging here.

Q154 Liz Saville Roberts: Nonetheless, given that Wales has the lowest GDP of all the home nations and this would have a direct impact on the economy of Wales, surely now this should be being discussed. The fact that some of it is located in England should be balanced against its actual impact on the economy of one of the most deprived areas in the United Kingdom.

Andrew Jones: I am not the Minister for roads in Wales, but I have absolutely no doubt that the implications of what we are doing has an impact on everybody across our whole United Kingdom. I do not have any doubt at all that as we invest in transport infrastructure we see a very good return in terms of economic growth. I fully understand and recognise your points about the comparative performance of Wales.

Q155 Liz Saville Roberts: Will there be discussions going ahead with the Welsh Government post-2018?

Andrew Jones: About transferring ownership?

Liz Saville Roberts: Yes.

Andrew Jones: No, no intention to go down that route at all. The only ownership change that we are discussing or even contemplating is what happens when the concession is finished and they revert to public ownership, but that public ownership is UK Government not Welsh Government.

Q156 Chair: I see no further questions. If there are not any, may I thank you very much, Minister, for coming along and talking to us today? I am afraid it is inevitable there will be further discussions about this, but we also appreciate the offer to go and have a look at the Dartford Crossing.

Andrew Jones: Mr Davies, this is very much work in progress. We are not yet in a position to launch our consultation. I would expect many questions to flow from what we are doing over the months ahead.

Chair: Excellent. Thank you very much indeed. Good afternoon.