

LIVERPOOL CITY REGION COMBINED AUTHORITY

To: The Chair and Members of the Transport Committee

Meeting: 1 February 2018

Authority/Authorities Affected: All Areas

EXEMPT/CONFIDENTIAL ITEM: No

REPORT OF THE LEAD OFFICER: TRANSPORT

MERSEY TUNNEL TOLLS 2018/19

1. PURPOSE OF REPORT

- 1.1 The Liverpool City Region Combined Authority ("the LCRA") is responsible for determining the level of tolls ("the tolls") payable for use of the Mersey Tunnels ("the Tunnels").
- 1.2 This report is intended to assist the LCRA by allowing the following issues to be explained and discussed by the Merseytravel Committee and for a recommendation made to the LCRA on the level of tolls. This report will:
 - (a) outline the legal procedure for revising the level of the tolls;
 - (b) summarise how the current level of tolls was arrived at; and
 - (c) make proposals for the level of tolls payable in 2018/19.

2. RECOMMENDATIONS

- 2.1 Balancing the different factors associated with setting the Mersey Tunnel tolls, the Transport Committee is recommended to:
 - (a) note the contents of this report;
 - (b) note the level of "authorised tolls" for the Mersey Tunnels as determined by the County of Merseyside Act 1980 (as amended by the Tunnels Act 2004), with details on calculation methods explained in section 3 of this report;
 - (c) recommend that the Liverpool City Region Combined Authority implement a schedule of tolls contained in Table 1 below with effect from Sunday 1 April 2018, which in turn aligns to one of the City Region Mayoral pledges:

Vehicle Class	Authorised Toll (November RPI)	2018/19 Cash Toll	2018/19 Fast Tag Toll - Peak	2018/19 Fast Tag Toll – Off Peak*
1	£2.00	£1.80	£1.20	£1.00
2	£4.00	£3.60	£2.40	£2.40
3	£6.00	£5.40	£3.60	£3.60
4	£7.90	£7.20	£4.80	£4.80

*off peak defined as 19:00 hours to 07:00 hours each day, and 24 hours on a Sunday; and

- (d) recommend that the Liverpool City Region Combined Authority continue to offer the discounts set out in paragraph 3.23 of this report for 2018/19.

3. BACKGROUND

- 3.1 The Kingsway (Wallasey) and Queensway (Birkenhead) tunnels are an essential part of the Liverpool City Region's strategic highway network with over 26 million vehicles travelling through them each year.
- 3.2 The tunnels were built as a joint venture by the local authorities and, as such, their upkeep and maintenance remains outside of the national highway network and so is not funded through road tax or general taxation.
- 3.3 The County of Merseyside Act 1980 ("the 1980 Act"), as amended by the Mersey Tunnels Act 2004 ("the 2004 Act"), sets out the procedure for revising the tolls. Under Section 91(7) of the 1980 Act, the LCRCA must make an Order in February of each year ("a Section 91 Order") fixing the amount of tolls payable by each class of vehicle from the following April. There are four prescribed classes of vehicles, each with subcategories, as follows:

Class	Subcategories
1.	(a) Motor cycle with side car and 3 wheeled vehicle.
	(b) Motor car and goods vehicle up to 3.5 tonnes gross weight.
	(c) Passenger vehicle other than a motor car with seating capacity for under 9 persons.
2.	(a) Motor car and goods vehicle up to 3.5 tonnes gross weight, with trailer.
	(b) Goods vehicle over 3.5 tonnes gross weight, with two axles.
	(c) Passenger vehicle with seating capacity for 9 or more persons, with two axles.
3.	(a) Goods vehicle over 3.5 tonnes gross weight, with three axles.
	(b) Passenger vehicle with seating capacity for 9 or more persons, with three axles.
4.	Goods vehicle over 3.5 tonnes gross weight, with 4 or more axles.

- 3.4 The overriding presumption in the Act (as amended) is that tolls rise in line with inflation, so preserving their value in real terms. The increase in the tolls authorised by the Act (the "authorised tolls") is calculated by:
- (a) taking the "base" toll amounts set out in Section 91(6) of the Act for each class;
 - (b) increasing them by the same percentage increase as the rise in the Retail Prices Index ("RPI") from November 1999 ("the base month") to the November immediately preceding the making of the Section 91 Order; and then
 - (c) rounding the new value up or down to the nearest ten pence.
- 3.5 Section 92C of the 1980 Act also gives the LCRCA discretion to reduce the amount of actual tolls payable by any particular class of traffic to less than the authorised toll where it is deemed necessary or appropriate to do so having regard to matters of an economic or social nature within the City Region.
- 3.6 When making decisions on the amount of tolls to be levied, it is very important that the LCRCA must consider the purpose of the legislation with respect to the level of toll. In particular:
- (a) the relative costs of using the Mersey Tunnels must keep pace with other transport alternatives; and
 - (b) it ensures that sufficient funds are available to cover the costs of operating and maintaining the Mersey Tunnels, including the repayment of the historic debt relating to the construction and operation of the Mersey Tunnels
- 3.7 Following the discharge of these financial responsibilities, the Tunnels Act allows the City Region to generate a surplus of income over immediate expenditure. The purpose of this is to provide sufficient resources for long term asset management of the tunnels, including capital financing requirements related to major schemes to ensure business continuity and safe operation.
- 3.8 In addition, the Tunnels Act allows the City Region to benefit from tunnel revenue by making any surpluses not identified for the tunnels themselves to be made available to finance other transport infrastructure priorities across the City Region.

Authorised Tolls – 2018/19

- 3.9 In determining a schedule for tolls in any given year, the legislation is clear that the starting point must be the authorised toll. The level of the authorised toll is calculated each December based on the retail price index for the previous November.
- 3.10 The RPI in November 2017 dictates the following levels of "authorised tolls" for the Mersey Tunnels from 1 April 2018. For the benefit of Members, the table below shows the difference from the previous year also:

Vehicle Class	1 April 2017 Authorised Toll (RPI Linked Rates)	1 April 2018 (RPI Linked Rates)
1	£1.90	£2.00
2	£3.80	£4.00
3	£5.70	£6.00
4	£7.60	£7.90

3.11 The following table shows the tolls payable over the past six years and compares the amount of toll that could have been levied (i.e. the “authorised toll”, being that reflecting the rise in inflation) against the “actual” tolls, as well as the additional discount for Fast Tag users:

Class	Toll	Apr '12	Apr '13	Apr '14	Apr '15	Apr '16	Apr '17
1	Authorised	£1.70	£1.80	£1.80	£1.90	£1.90	£1.90
	Actual Cash	£1.50	£1.60	£1.70	£1.70	£1.70	£1.70
	Fast Tag	£1.30	£1.30	£1.40	£1.40	£1.20	£1.20
2	Authorised	£3.40	£3.50	£3.60	£3.70	£3.70	£3.80
	Actual Cash	£3.00	£3.20	£3.40	£3.40	£3.40	£3.40
	Fast Tag	£2.60	£2.60	£2.80	£2.80	£2.40	£2.40
3	Authorised	£5.20	£5.30	£5.40	£5.60	£5.60	£5.70
	Actual Cash	£4.50	£4.80	£5.10	£5.10	£5.10	£5.10
	Fast Tag	£3.90	£3.90	£4.20	£4.20	£3.60	£3.60
4	Authorised	£6.90	£7.10	£7.30	£7.40	£7.50	£7.60
	Actual Cash	£6.00	£6.40	£6.80	£6.80	£6.80	£6.80
	Fast Tag	£5.20	£5.20	£5.60	£5.60	£4.80	£4.80

3.12 The table shows that the level of the cash toll has fallen behind the authorised toll over a number of years and the discount aimed at Fast Tag, used in the main by local users, has significantly increased. This is further demonstrated this year when inflation levels have increased again, triggering a further increase in the authorised toll.

Local Economic Factors

3.13 In determining toll levels for 2018/19, Members should consider local economic indicators and in particular, the relative cost of a tolled river crossing in relation to other river crossing options and the need for these to be kept broadly consistent over time.

3.14 The table below is a range of comparative costs for rail bus and ferry commuter fares, as well as tunnel tolls since 2009:

Year	Rail	Bus	Ferry Commuter	Tunnel Toll
2009/10	£2.37	£1.92	£1.50	£1.40
2010/11	£2.37	£1.91	£1.55	£1.40
2011/12	£2.49	£2.07	£1.60	£1.50
2012/13	£2.63	£2.27	£2.10	£1.50
2013/14	£2.70	£2.35	£2.20	£1.60
2014/15	£3.00	£2.30	£2.30	£1.70
2015/16	£2.84	£2.24	£2.50	£1.70
2016/17	£2.89	£2.16	£2.60	£1.70
2017/18			£2.70	£1.70
Total % increase	21.9%	12.5%	80%	21.4%

- 3.15 It should be noted that the bus and rail fares quoted above are based on average, not actual fares. The rail and bus fare data for 2017/18 is only available at financial year end.
- 3.16 It should also be noted that the Tunnel Toll level detailed is the full actual class 1 cash toll, not the discounted Fast Tag toll.
- 3.17 The fares quoted for Ferry, Bus and Rail are charged per person in all cases. The Tunnel toll charge is the cost per vehicle, regardless of the number of occupants. The average vehicle occupancy using the Mersey Tunnels, based on survey data, is 1.49 persons per vehicle.
- 3.18 Finally, it should be noted that the cost of Tunnel tolls are just one element of costs associated with use of a vehicle. Other costs such as fuel, insurance and car parking also influence a person's choice to travel via car and are rising in line or above inflation.

Current Tunnel Usage Data

- 3.19 A key indicator for Members to consider when determining toll levels is the existing usage data for the Mersey Tunnels. Attached as Appendix A is a line graph showing total toll paying vehicles through the Tunnels since January 2000. This data tracks actual usage and average trends, taking out specific factors such as large events and other seasonal impacts. This data helps to demonstrate that average usage of the Mersey Tunnels has increased steadily since November 2011 and continues to do so, indicating that tolls are not acting as a barrier to usage.
- 3.20 Between November 2012 and November 2017, total traffic usage of the Mersey Tunnels increased by over 13%, despite two toll increases during that same period.
- 3.21 Another key factor for members to consider is the % of customers who use either cash or Fast Tag as payment methods through the Tunnel. The table below sets out the % of Cash and Fast Tag customers across all classes: -

Vehicle Class	% Cash Payment	% Fast Tag Payment
Class 1	46.03%	53.97%
Class 2	17.07%	82.93%
Class 3	15.56%	84.44%
Class 4	9.44%	90.56%
All Classes	44.68%	55.32%

3.22 This should be considered as key information as the Fast Tag service is available to all customers and this data indicates that approximately 45% of current users pay by cash, and by adopting Fast Tag as a mode of payment additional discounts remain available to those users. The Fast Tag particularly benefits local users, with high concentrations of use from users living in the Liverpool City Region (see appendix B).

Additional Discounts

3.23 As part of the Toll setting process in 2017/18, a small number of discounts were offered. These were: -

- (a) All emergency service liveried vehicles to be allowed free travel through the Mersey Tunnels;
- (b) Travel through the Mersey Tunnels between 10pm on 24 December and 6.00am on 26 December each year be allowed free in recognition that public transport services are not available during these times.

3.24 It is proposed that these discounts/ concessions remain in place during 2018/19.

4. RESOURCE IMPLICATIONS

4.1 Financial

The measures outlined above have been accommodated in the budget setting process for 2018/19 and will see income from toll revenue for 2018/19 increase by approximately £0.5m. This increase is based on an increase in cash Tolls for all classes across all payment types, assuming a 1% increase in traffic, but offset against an increased use of Fast Tag as a means of payment and a reduction for class 1 vehicles during off peak times.

4.2 Human Resources

There are no specific HR related issues associated with this report.

4.3 Physical Assets

There are no specific Asset related issues associated with this report.

4.4 Information Technology

Any change to the toll levels will require modification of the electronic toll system and, subject to approval, detailed discussions will commence with the toll system provider to introduce.

5. RISKS AND MITIGATION

The risks associated with this report have been considered and mitigated through effective budget planning.

6. EQUALITY AND DIVERSITY IMPLICATIONS

An Equality Impact Assessment has been completed in respect of this recommendation, and it has been identified that the decision creates a negative impact for the protected characteristics in the socio economic category. This impact has been mitigated through the various discounts offered as part of the Mersey Tunnels Tolls, including concession services, a reduction on the full authorised toll levels and a further reduction for Fast Tag, our most regular, users.

7. COMMUNICATION ISSUES

The detailed proposals within this report will be accompanied by stakeholder and media communications activity to ensure key points are summarised.

8. CONCLUSION

In considering a suitable recommendation for the LCRCA, Members must balance a range of relevant information associated with the usage and pricing of the Mersey Tunnels, along with the details of the 2004 Act. This report sets out the details around each of these issues and recommends to Members the most appropriate toll levels for 2018/19.

GARY EVANS
Head of Customer Delivery

Contact Officer(s):

Gary Evans, Merseytravel, 0151 330 4502
Jo Sawyer, Corporate Communications Manager 0151 330 1129

Appendices:

Appendix A – Mersey Tunnels Fast Tag Usage Areas
Appendix B – Map of Fast Tag account areas

Background Documents:

None

