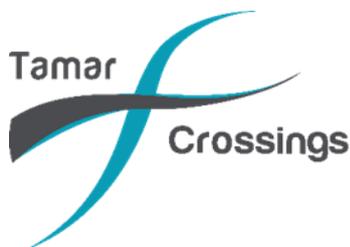


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Attn, Ms Sandra Zamenzadeh, Casework Manager

Date: 7 April 2022

Reply to: Tamar Bridge

Dear Ms Zamenzadeh

Toll Revision Application Tamar Bridge and Torpoint Ferry

Cornwall Council and Plymouth City Council (the Joint Authorities) wish to apply for a revision in tolls and charges using powers derived from the Tamar Bridge Acts 1957 to 1998 and in accordance with the Transport Charges &c. (Miscellaneous Provisions) Act 1954 (the 1954 Act). In accordance with section 13 of the Tamar Bridge Act 1979, if an application is made for the revision of tolls the bridge and ferry shall be regarded as one undertaking for the purpose of section 6 (3) of the 1954 Act.

The background and justification for the proposed revisions are set out below, with supporting information.

Background

The Tamar Bridge and Torpoint Ferry are operated together as a joint undertaking by the Joint Authorities, which appoint members to the Tamar Bridge and Torpoint Ferry Joint Committee (TBTFJC). This Committee acts as the governing board, using powers delegated by the Joint Authorities.

The TBTFJC monitors the financial position of the undertaking on a continuous basis, including forecasting of income and expenditure, and present reports on the financial position to quarterly meetings of the TBTFJC. Other than a brief period of borrowing from the Joint Authorities in 2000 and 2001, the Joint Authorities have held modest reserves in relation to the undertaking since the completion of the major project to strengthen and widen the Tamar Bridge in 2001. The history of the undertaking's income, expenditure and reserves since 1996 is illustrated in tabular and graphical form at Appendices 1 and 2. In addition, the latest three years of audited accounts (2018/19, 2019/20 and 2020/21) are attached at Appendices 3a, b and c. A history of toll increases since 1982 is shown at Appendix 4.

The organisation maintains a contemporary financial model which looks ahead up to 25 years, and is used as a tool to monitor and forecast financial sustainability. This model is reviewed and updated on a regular basis and is considered by the TBTFJC at quarterly meetings and at *ad hoc* workshops.

Tolls were last increased in November 2019, and at that time the next toll increase was forecast to be needed in 2023/24. However, since the beginning of the Covid pandemic in March 2020, traffic levels at the two crossings have been significantly reduced, thereby significantly reducing income. In

addition, on the grounds of public and staff safety and service resilience, tolling at both crossings was temporarily suspended for 6 weeks while modified tolling arrangements were put in place to minimise risk. The effect of the pandemic on traffic flows is illustrated on the graphs at Appendices 5 and 6. It should be noted that Tamar Bridge traffic generates approximately 85% of total income, and it can be seen from Appendix 5 that traffic levels at the Bridge generally remain at levels below 90% of pre-covid levels.

In the summer of 2020 TBTFJC undertook a series of workshops to consider the effect of reduced income on the financial model and the undertaking's financial sustainability, and at its meeting on 11 September 2020 TBTFJC resolved to recommend a 20% toll increase to the Joint Authorities, subject to public consultation feedback. However, while the proposed toll increase was being progressed through governance process within the Joint Authorities, on 19 November 2020 it was confirmed that funds would be paid by the UK Government in the amount of £1.64m to the Joint Authorities (£0.82m each) as income compensation for the undertaking in respect of a proportion of Covid-related income losses for the period April to July 2020, and ongoing support to March 2021 was also confirmed. It was subsequently confirmed that a similar level of support would be provided up to the end of June 2021. As a result of the funding support TBTFJC decided to stop the toll revision process pending further assessment as the pandemic evolved. In total £3.2m of government support was received.

As a result of this government support which covered part of the losses in the period up to June 2021, the financial model was improved in the short-term but longer-term sustainability was not resolved and deficits were still forecast. Through the spring and summer of 2021 TBTFJC monitored the position closely and held a series of meetings and workshops at which a range of financial models and options were considered in detail including the following :

- a range of traffic/income recovery models
- potential secondary sources of income
- review of service levels and cost reductions
- organisational arrangements
- ongoing discussions with the Department for Transport seeking long-term funding support
- appointment of a consultant to review the current business

By the time of the TBTFJC meeting on 3 December 2021 the financial model was forecasting that without intervention all reserves would be exhausted by the end of financial year 2022/23, and at that meeting TBTFJC reluctantly resolved to propose a 30% toll increase to the Joint Authorities, subject to consideration of public consultation response. Plymouth City Council approved the proposal on 24 January 2022, and Cornwall Council approved the proposal on 22 February 2022. Both approvals were subject to a final decision by TBTFJC following its consideration of public consultation feedback, which took place at TBTFJC's meeting on 18 March 2022. At that meeting TBTFJC resolved to proceed with the proposal which would be implemented in two stages:

- reduce discount on pre-paid 'tag' tolls uniformly for all user classes from 50% to 35% in May 2022 (i.e. a 30% increase in tag toll levels)
- increase cash tolls uniformly for all user classes by 30% in January 2023, subject to Secretary of State's approval

More detail on the financial model and the justification for the application are set out below.

Justification for Toll Revision

Financial sustainability is essential for the long-term resilient delivery of safe, reliable and efficient crossings.

The financial model has been used as a tool for considering tolling strategy options. The model uses detailed forecasts of expenditure over the medium term and higher level assumptions up to 2046,

this horizon going beyond the procurement of another generation of Torpoint Ferries – the single largest capital project currently foreseen in the next 25 years. The forecast expenditure is required to ensure the safety, effectiveness and efficiency of the two crossings in providing reliable journeys to meet the expectations of users.

Income forecasting has historically been perceived as a low-risk element of financial modelling as a result of very stable traffic levels, but this has been radically changed by the pandemic.

The contemporary baseline version of the financial model without toll revision is represented in tabular form at Appendix 7 and graphically at Appendix 8. This shows the decline in reserves, going into a deficit position by the end of this financial year, 2022/23.

The model incorporates some key elements and assumptions in respect of income, expenditure and reserves as detailed below.

Traffic levels and income

As stated earlier, the most significant factor that has impacted the model since the last toll increase has been the reduction in income as a result of the Covid pandemic. Now, two years after the first lockdown, traffic levels are still only approximately 90% of pre-Covid levels, and the view of TBTFJC members and officers is that this level of traffic is a reasonably conservative forecast. Throughout the pandemic, dialogue has been maintained with fellow operators to compare traffic levels and forecasting models. It has been determined that we should assume 90% traffic recovery in the model for the period up to April 2025, and this seems to be within the range of forecasts that other operators are using. Beyond that date full recovery has been assumed.

Public consultation feedback (covered in more detail below) has indicated that a significant percentage of users foresee a reduction in the number of crossings that they make as a result of factors like home working, and this response supports the adoption of a conservative approach to traffic recovery forecasting.

Income is a function of traffic levels in the various toll classes and the prevailing toll structure. It has been assumed that the percentages of traffic in the various toll classes will not change, and it has also been assumed that the percentage of users that get discounted tolls through pre-payment will also remain unchanged. Based on the above, income has been assumed to be 90% of pre-Covid levels until April 2025, then revert to pre-Covid levels.

Revenue Expenditure

TBTFJC has looked closely at revenue expenditure in detail. Following a review of potential service level reductions, primarily at the Ferry, it has been determined that any significant savings could only be achieved by disproportionate reductions in service levels, and that the disbenefits to users far outweighed any savings. Inflationary pressures continue to affect revenue costs particularly in respect of fuel and energy. The following annual inflation rates have been used in the financial model:

- salaries 22/23 - 2.5%
 23/24 - 3.0%
 24/25 - 3.0%
 25/26 - 2.5%
- other costs 22/23 - 3.5%
 23/24 - 3.0%
 24/25 - 3.0%
 25/26 - 2.5%

In view of recently emerging inflation data the above rates may in fact be optimistic.

Capital Expenditure

Both the Tamar Bridge and the Torpoint Ferry fleet are mid-life, and the undertaking continues to invest significantly in essential capital projects to optimise the service lives of the assets and thereby ensure resilient long-term service delivery. These capital projects are funded by borrowing, generally over 25 years. Recently completed projects include:

- Tamar Bridge Kerbs and Waterproofing - finished 2020
- Tamar Bridge Protective Coating Phase 2 – finished 2021
- Tamar Bridge Resurfacing – finished 2021
- Torpoint Ferry Refits 2018-2020 (5 year borrowing)

together representing over £20m of recent investment.

Future capital projects over the coming years have been reviewed and all remain essential, and these include the following in the next four years :

- Tamar Bridge Rocker Remedial Works
- Tamar Bridge Supplementary Cable Works
- Tamar Bridge Protective Coating Phase 3
- Torpoint Ferry Chain Gantry Replacement
- Torpoint Ferry Refit Cycle 2023-25 (5 year borrowing)

together representing approximately £20m of essential future investment.

The financial model assumes a future borrowing rate of 3.38%, which equates to the current 25-year PWLB rate, with historical borrowing before April 2019 being fixed at Cornwall Council’s current consolidated average rate of 4.65%.

Reserves

The financial model has historically adopted a ‘prudential minimum’ level of reserves set at £2 million. The financial model forecast is used to ascertain when reserves are expected to drop below £2 million, and allow a lead time before that forecast date to undertake internal processes and the statutory toll revision process. As a result of the pandemic’s unforeseen effect on income, this process has inevitably been compromised and end-of-year reserves levels for 2021/22 onwards are forecast to be below this prudent minimum :

forecast end-of-year reserves position £m				
2021/22	2022/23	2023/24	2024/25	2025/26
+1.316	-1.016	-3.686	-6.949	-10.166

TBTFJC has limited funds for investment, consisting predominantly of the modest reserves balance which is now decreasing rapidly. These funds have been deposited with Cornwall Council, which manages those funds. For budgeting and modelling purposes, it has been assumed that the very limited investment returns available through secure deposit and investment will continue.

Proposed Toll Revision

The financial model was used by members and officers at workshops to explore various options:

- overall toll levels
- timing of toll revision elements – i.e. tag and cash
- discount rates for pre-payment
- vehicle classifications

- differential charging by time of day or season
- relative toll levels at the two crossings
- emissions based tariffs/discounts

Three toll revision options were presented to TBTFJC at its meeting on 3 December 2021 :

- uniform 30% increases
- uniform 35% increases
- hybrid - 35 % increase for cash, 30% increase for tag

In all three cases the proposals assumed tag tolls increasing (i.e. pre-paid discount decreasing) as soon as possible after internal governance, public consultation and public notification, and at the time of the 3 December 2021 meeting this was assumed to be in April 2022 – it is now deferred to May 2022 to accommodate governance timings etc. In all three cases the proposals assumed that cash tolls would be increased in January 2023, subject to the approval of the Secretary of State. In all three cases the proposals assumed that the increases would apply to all vehicle classes as uniform percentages. More details on these proposals can be found in Item 8 of the agenda pack for the December TBTFJC meeting [here](#).

The three options gave differing degrees of resilience, and after detailed consideration TBTFJC resolved to adopt the option with the lowest increases - uniform 30% increases. As stated above, TBTFJC also resolved that if this proposal was endorsed by the Joint Authorities, the final decision would be subject to a review of public consultation findings at the TBTFJC meeting in March 2022. A version of the financial model incorporating the proposed 30% increase is attached in a table at Appendix 9 and graphically at Appendix 10.

The undertaking's approved Business Plan for 2022-23 is based on the income from the proposed 30% toll increases and is attached at Appendix 11.

No changes are proposed in respect of abnormal load charges at either of the two crossings.

Public Consultation

Following determination of the additional income requirements, TBTFJC undertook a comprehensive public consultation exercise in February 2022 to:

- explain to users and other stakeholders the general financial position
- explain why and when it was planned to increase tolls
- gather views on current and alternative tolling structures
- gather views on post-Covid travel behaviour

Approximately 3,900 responses were received from the 30,000 users that received a questionnaire, equating to 13% response rate, giving a statistically reliable sample. A copy of the consultation leaflet is provided as Appendix 12 and a report on the findings from the exercise is attached at Appendix 13. The key respondent headlines from the report are as follows:

- more respondents (47%) were in favour of keeping TamarTag discount at 50% than alternative options of increasing (40%) or decreasing discounts (14%)
- respondents were evenly split at 50% each on whether to keep the ferry toll the same as the bridge toll – despite a significantly higher proportion of bridge users in the user sample
- the majority (56%) were in favour of increasing the differential between cars and larger vehicles although existing ratios are already comparatively high
- the majority of respondents were not in favour of differential tolls at different times of the day or week (62%)
- the majority view (72%) was against lowering charges for low emissions vehicles

- 16% of users indicated that their travel patterns would permanently change post-pandemic - of that group, 83% indicated that the change would be linked to fewer crossings.

56% of respondents offered comments, the most common categories being:

- no price increase/price decrease
- pursue central government for support
- lower charges for locals, higher charges for visitors
- abolish tolls

Key stakeholders consisting local MPs, Parish and Town Councils, emergency services, high volume users of the crossings, highway authorities and motorist and industry bodies were contacted separately. Feedback was received from 2 of the 99 contacted stakeholders. Feedback from Saltash and District Chamber of Commerce, felt that implementing the change to discount rates earlier than that for cash was unfair, as was the uniform pricing policy for bridge and ferry. The Chamber felt that MPs should more actively promote integration of the Bridge with the national road network. The second response from Cornwall Bakery noted the disruption caused by recent resurfacing and, given its high volume of use, the belief that increases should be weighted towards infrequent users. The Bakery also reported similar views to the Chamber on national funding and implementing the change in discount rates earlier than that for cash payments.

Finalisation of Proposal

At its meeting on 18 March 2022, TBTFJC considered the consultation feedback, and reluctantly made a final decision to go ahead with the proposal as originally planned, with uniform 30% increases for all users and vehicle classes at both crossings. In recognition of both Joint Authorities' commitment to 'net zero carbon', TBTFJC did however commit to implementing a toll discount scheme that gives additional discount to zero emissions vehicles, and officers will be presenting a proposed scheme to the June meeting of TBTFJC for consideration.

Comparators

The proposed tolls are considered reasonable in comparison with other tolled crossings around the UK. A table comparing Tamar Bridge tolls with those at other tolled fixed crossings is attached at Appendix 14, and a similar table comparing Torpoint Ferry tolls with other tolled inland waterway ferry crossings is attached at Appendix 15.

Effect on Users

In absolute terms, even with the proposed increase, toll levels are still considered to be relatively low, and a 50% discount scheme using electronic tolling (TamarTag) is accessible to all users willing to pre-pay for crossings with a modest initial pre-payment cost (£30 for an account for a single private vehicle) and a monthly account fee of £0.75. This scheme is widely used with approximately 60% of crossings paid through this means.

A daily commuter using a TamarTag account, to pay for a private car at one of the two crossings five times per week would incur additional weekly expenditure of £1.50 per week as a result of the proposed toll revision.

External Consultant Review

As part of its considerations during summer 2021, TBTFJC resolved that a consultant should be appointed to report on the following in respect of the undertaking :

- assessment of the effectiveness, efficiency and governance
- potential for increasing revenue sources other than tolls
- long term capital finance profiles and related future strategy
- progressing authority to index tolls and improve governance structure

- reflecting the authorities' environmental strategies within the toll structure

That consultancy is currently being procured, and it is anticipated that the findings will be reported to the September meeting of TBTFJC.

Funding Support from Government

You may already be aware that for the last two years TBTFJC Joint Chairmen and/or the Portfolio Holders of the Joint Authorities have pursued the UK Government for funding support primarily in respect of the Tamar Bridge, by writing to MPs and Ministers. On 24 August 2021, the Minister for Roads, Buses and Places, Baroness Vere, rejected these funding support requests, but TBTFJC and the Joint Authorities remain committed to the pursuit of that support funding. Clearly had that support funding been forthcoming the undertaking's financial position would have improved and any toll increases could have been reduced or deferred.

Future Strategy

At the time of the previous application to increase tolls in March 2019, TBTFJC expressed its plan to pursue arrangements which allow further incremental toll increases through indexation in line with inflation. Unfortunately the effects of the pandemic have disrupted that plan, and this application has had to be made in accordance with the current legislative framework. However, as stated above, the undertaking is commissioning an external consultant review which will inform future decisions on governance and the tolling framework. It is anticipated that indexation will be pursued in the near future as part of that process.

Progressing the Application

It is considered that the proposed toll increase is essential to meet forecast expenditure. I trust that this application incorporates the necessary justification and the associated financial and other information necessary to allow your early consideration. We would like to publish the statutory public notice in respect of the application as soon as possible, and therefore your early response would be very much appreciated. A draft public notice is attached at Appendix 16. Subject to approval by DfT, it will be published in the Evening Herald and Western Morning News newspapers and on the TBTFJC website www.tamarcrossings.org.uk.

If you have any queries or need further information please contact either the undersigned by e-mail, at david.list@tamarcrossings.org.uk, on land line number 01752 361577 or on mobile number 07778 806131, or our Business Manager, Andrew Vallance, by e-mail at andrew.vallance@tamarcrossings.org.uk, on land line number 01752 812233 or on mobile number 07887 563401.

Yours sincerely



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