



Notes on Severn Bridges

Severn River Crossing PLC - John Laing Group PLC, Vinci Concessions S.A.S., Barclays plc and Bank of America between them own, through subsidiary companies, 100% of the issued ordinary share capital of the Company.

The Company was formed to take over the operation and maintenance of the Severn Bridge and finance the outstanding debt and to design, construct, finance, operate and maintain the Second Severn Crossing. Revenue from toll charges is being used to repay the outstanding debt/finance. Both bridges will revert to public ownership once the project's required revenue, as defined in the concession agreement with the Secretary of State for Transport, has been collected, subject to a maximum concession period of 30 years.

In July 2017 the Secretary of State for Wales, Alun Cairns announced that the bridges will revert to public ownership on the 8th January 2018, the outstanding amount of approximately £63m accrued through structural works outside the remit of the agreement with the concessionaire, would be paid for through charges and once paid the bridges would be free to cross. It is expected that this would be by end 2018.

In 2016¹ traffic travelling westbound over the Severn Bridge and Second Severn Crossing increased by 4.0% to 14,441,639 toll paying vehicles (2015: 13,891,808). Car journeys increased by 4.4% (2015: increase of 5.8%), whilst Light Goods Vehicles journeys increased by 1.7% (2015: increase of 7.7%) and Heavy Goods Vehicles journeys increased by 2.9% (2015: increase of 3.0%).

With inflation-linked increases in 2016 toll prices, the Company's turnover rose by 5.3% to £103.2 million (2015: £98.0 million). During the year, the Company used cash generated by the business to fully repay the £80 million bank loan.

With lower net finance charges of £0.8 million (2015: £5.1 million) the Company reported a profit before tax of £44.5 million (2015: £38.8 million) and with a higher tax charge of £16.0 million (2015: £13.5 million) the Company recorded a profit after tax of £28.4 million (2015: £25.4 million).

Current 2018 Toll charges are;

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| • Cars and Motor caravans – | £5.70 down from £6.70 |
| • Small Goods Vehicles up to 3.5t and Small Buses - | £11.20 down from £13.40 |
| • Heavy Goods Vehicles - | £16.70 down from £20.00 |

SRC amend the tolls at the start of each year in compliance with the Severn Bridges Act 1992. The act sets down the method and base price for the setting of the toll levels which are adjusted in accordance with RPI, however no increase by the level of RPI will be applied in 2018.

Background Information

- The first road across the Rivers Severn and Wye was opened to traffic on 9 September 1966.
- The 1965 Act was repealed by the Severn Bridges Act 1992 ('the 1992 Act') which provided for the Secretary of State to procure, using private funds, the construction of a second tolled road crossing of the Severn Estuary and to operate a new tolling regime on both crossings.
- The new tolling regime came into effect on 26 April 1992, operated by the private sector concessionaire, Severn River Crossing plc (SRC).
- Under Section 6 (4) of the 1992 Act, the concession period will run for a maximum of 30 years from 26 April 1992.

¹ SEVERN RIVER CROSSING PLC Annual Report and financial statements for the year ending 31 December 2016

- The concession period will end when SRC achieve a cumulative revenue of £1,028,910,000, expressed in July 1989 prices.

Arup Report Main Findings

On the 29th June, 2010 the Welsh Transport Minister, Ieuan Wyn Jones contacted FTA confirming that this study would go ahead.

A summary of the main points highlighted in the report which was published in 2012 were;

- The reports highlight that removal of the tolls could boost productivity in the order of 0.48% (increased GVA of £107m)
- Tolls could mean the difference to the locating inside or outside of Wales for logistics hubs
- The tolls increase the cost of journeys between South Wales and parts of the South and Southwest of England. However, the impact varies dependant on the vehicle type.
- Traffic modelling showed that a reduction in the tolls of 50% (2018) would increase bridge traffic by 5%, removal of the tolls altogether would result in an increase in traffic of 12% conversely an increase in tolls of 50% would reduce traffic by nearly 5%.
- 20% of businesses claim that the tolls are either significant or very significant; this response was related to a particular sectors, location and type of business.
- It should be considered that the tolls could be expected to deter competition in local markets as well as providing a barrier for Welsh businesses when competing in England; this impact is felt more keenly by business in South Wales.
- The tolls represent a significant deterrent to commuting between South Wales and South East of England.
- Removal of the toll could encourage an increase of 11% in commuting across the bridges.

Milestones

- 2000 - the European Court of Justice ruled that Value-Added Tax (VAT) should be applied to tolls levied by private operators, including the Severn Crossings Concession. The UK Government ruled that VAT should be included within the existing toll. This was achieved by extending the SRC Concession through refinancing. VAT was applied to the Severn Bridges tolls on 1 February 2003.
- 2007 – FSB carried out a limited report into the impact of the tolls. FTA joined the working group however although some haulage operators were interviewed by Aberystwyth University who were compiling the report, high street businesses were the main focus point of this report.
- 2008 - FTA arrange visit to Owens Roads Services in Wales to discuss the impact of Fuel duty and high Severn Crossing tolls on their business.
- 2010 – FTA meet with Ieuan Wyn Jones Plaid Cymru – (Transport Minister ‘former’) to discuss the tolls from this came a commitment to commence a study to look at the impact of the tolls on the Welsh Economy (ARUP report 2012 - See below).
- 2010 – Welsh Affairs Committee enquiry into the tolls and their impact on the Welsh Economy, FTA provide written and Verbal evidence.
- 2010 – introduction of credit cards payments (driven by the Ryder Cup being held in Wales)
- 2012 – Arup report finally published.
- 2014 – Transport Minister confirms that VAT would not be paid on the bridges once they are handed back in 2018
- 2016 - Welsh Affairs Committee second enquiry into the tolls and their impact on the Welsh Economy, FTA provide written and Verbal evidence. No written outcome by the Committee to date.
- 2016 introduction of contactless payment
- 2016 – FTA in conjunction with Jessica Morden MP host a Westminster debate on the Future of the Severn Bridges, debate attended by Transport minister.
- 2016 – George Osborne's budget statement highlights a reduction in tolls once back in public ownership. 50% reduction in tolls – FTA press release suggests that this could go further.
- 2017 - General Election - FTA publish Welsh Manifesto – outlines FTA SB policy position, - sent to all MP's
- 2017 – Jessica Morden MP parliamentary Debate on Bridges, FTA provide input into debate

- 2017 - Government announce consultation on Future of Severn Bridges, reduction in tolls and explore concept of Free flow tolling. FTA respond to Consultation.
- 2017 - FTA join SOS for Wales Alan Cairns for the announcement that the tolls will be scrapped in 2018.
- 2017 - 14.09.17 – DfT response to consultation – confirms scrapping tolls end 2018. Also, a reduction in tolls from the 8th December 2018, when it will become a charge, by the rate of VAT which due to government rules can't be applied.

https://www.gov.uk/government/publications?departments%5B%5D=department-for-transport&publication_filter_option=consultations