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Madam

ALDWARE BRIDGE LIMITED - PROPOSED REVISION OF TOLLS

I am directed by the Secretary of State for Transport to refer to the report of the Inspector, Mr C R Tyrrell MA CENG MICE FIHT, who held a public inquiry into an application by Wilbraham & Co, on the behalf of Aldware Bridge Limited (the Company) under the provisions of section 6 of the Transport Charges &c. (Miscellaneous Provisions) Act 1954 (1954 Act) for an Order to revise the maximum tolls that can be charged for using the Aldware Bridge, near Linton-on-Ouse, North Yorkshire. A copy of the Inspector's report of the inquiry is attached.

2. The existing classifications and tolls charged are as follows:

Class	Vehicle	Toll Charge
1	Car	15p
2	Car with caravan and trailer Small bus A goods vehicle up to 3.5 tonnes maximum weight	30p
3	Large bus A goods vehicle over 3.5 tonnes (but not more than 7.5 tonnes) maximum weight	80p

3. The Company proposes to simplify the classification of vehicles by reducing the number of classes to two. The new classes and the proposed toll levels are as follows:

1	Vehicles weighing up to 3.5 tonnes maximum weight	40p
2	Vehicles weighing over 3.5 tonnes but not more than 7.5 tonnes maximum weight	£1

4. There is a 7.5 tonne weight limit on vehicles using the bridge. The Company's application also originally sought to introduce a charge of £20 for vehicles exceeding this weight limit to deter them from using the bridge; this part of the application was subsequently withdrawn following representations by the highway authority, North Yorkshire County Council. The Company accepted the Council's concern that it would not be appropriate to set a toll for vehicles which are legally barred from using the bridge.

5. The Secretary of State has considered the Inspector's report and his obligations under section 6(3) of the 1954 Act that he must

“...have regard to the financial position and future prospects of the undertaking and shall not make any revision of charges which in his opinion would be likely to result in the undertaking receiving an annual revenue either substantially less or substantially more than adequate to meet such expenditure on the working, management and maintenance of the undertaking and such other costs, charges and expenses of the undertaking as are properly chargeable to revenue, including reasonable contributions to any reserve, contingency or other fund and, where appropriate, a reasonable return upon the paid up share capital of the undertaking ...”

6. As such, he has taken into account information supplied by the Company on past, current and future performance and future expenditure on the maintenance of the undertaking.

7. Evidence provided by the Company showed that if the tolls were not increased the Company would by 2012 in theory have incurred losses of £1.352M, would have an overdraft/indebtedness to the bank of £956,327, and amounts owed to the directors of £372,104. The Company stated that no bank or other commercial lender would support a loss-making business such as this, and the Company would be forced into liquidation.

8. The Company believe that the proposed toll increases are far from excessive, and are barely enough to save the Company from such a fate. Even with the proposed toll increases, the Company would still have net losses of £328,449 in 2012 and would still owe a substantial amount (£329,355) to the directors, with no dividends having been paid. Only in terms of indebtedness to the bank would matters change, with a positive bank balance of £194,618 having been built up including the sinking funds for future major works.

9. At the Inquiry the Company accepted that the rates of inflation for the cost of major maintenance works due in 2012 and 2025 may not be as high as those used in its initial forecast. The Company prepared a reworked financial forecast with a sensitivity test in terms of inflation of a lower-bound assumption of 3% per year. The effect of this reworking of the figures, assuming the tolls are increased as in the Application, was to reduce the net losses in 2012 from £328,449 to £15,781. The amount owed to the directors would remain at £329,355 (plus accrued dividends), but the cash at the bank would increase to £393,758 including the sinking funds for future major works.

10. The Company argued that, even with these changes, which in terms of the inflation figures should be seen as very much a best-case scenario, the increase requested would not provide an unduly generous return to the investors, nor would it generate sufficient

funds to pay dividends or pay back any but a nominal £10,000 of the funds introduced by the directors.

11. One local resident wrote in support of the Company's application. The material points are:

- It would be inappropriate to pursue the suggestion that the highway authority should take over the bridge and scrap the toll, as this would put further demands on the public purse as well as putting the toll-collectors out of a job. It has been some time since tolls were put up, during which time running-costs have all increased and major refurbishment expenditure has been incurred.
- The proposed tolling regime would be more equitable for the drivers of small vans, who at present are charged the 30p rate rather than the 15p rate which is applied to the car-based version of the same vehicle and even to much larger 4x4 vehicles.

12. The Secretary of State has also considered the representations against the application. There were twenty-four objections to the application. One objection was unequivocally withdrawn after the Company amended its application to no longer seek a toll for vehicles over 7.5 tonnes. The material points of these objections are set out in section 6 of the Inspector's report. However, in summary, the objections are that:

- (a) the size of the increase in tolls is not justified, especially as it is greatly in excess of inflation since the last increase was granted in 1997;
- (b) the bridge is an important link to the west for the inhabitants of Linton-on-Ouse, with long detours if the bridge is not available. It is used for work, educational, shopping and leisure trips by local residents, as well as being important for agricultural and other businesses in the area and for the local RAF station. The whole system of a privately-owned link is archaic, and the local community would be disadvantaged in many ways if such totally unreasonable toll increases were accepted;
- (c) central or local government should take over the running of the link, which should be strengthened to take all traffic;
- (d) the public notice of the application for a toll increase was published in an inappropriate newspaper circulating mainly in Leeds and the publicity about the proposed increase was not effective until the item was picked up by the Linton-on-Ouse village information sheet in its July 2004 edition;
- (e) a great deal of the reason for the deteriorating state of the bridge's structure was down to unprofessionalism and poor planning on the Company's part;
- (f) some detailed aspects of the Company's financial forecasts do not seem to be logical and the Company's position is not as serious as has been made out; and
- (g) a significant contribution to the deterioration of the structure is its use by overweight vehicles. Various steps could have been taken to deal with such

vehicles. The Company seems to have no effective means in place to prevent overweight vehicles crossing, and has not produced any evidence of suitable training for the toll collectors.

13. The Secretary of State accepts the opinion of the Inspector on the representations made. Full details of the Inspector's conclusions are set out in section 8 of his report. In summary, and with reference to the objections summarised in paragraph 12 above, these are:

- (a) Although the proposed increases can be represented as substantial percentage increases on the existing tolls (especially in the case of the charge for a car), in absolute terms the increases are significantly less than the average cost of motoring of 40p for one extra mile.
- (b) Whilst the Inspector accepted that the effect on increased tolls would fall heavily on some members of the community, he also accepted that without a reasonable increase the Company's parlous state would deteriorate and, if the directors decided to withdraw their support, it would become insolvent and the future of the bridge would be at risk; this would represent a much more serious threat to the community than the proposed increase. Given that the cost to a motorist of using one of the diversion routes instead of the bridge is very much greater than the toll cost, the bridge is a significant asset to the community. Although any increase in tolls is understandably unwelcome in the community, this is not a sufficient matter to outweigh the requirement to have regard to the Company's reasonable financial prospects.
- (c) The Inspector accepted that there was currently no prospect of the local highway authority taking over the bridge or providing a replacement and that there was little likelihood that financial support from local or central government would be forthcoming.
- (d) The Inspector noted that the use of the newspaper chosen to publish the initial notice of the toll application was approved by the Department for Transport, thus satisfying the requirements of section 6(4) of the 1954 Act. The Inspector noted that the public notice of the application in June 2004 was reported in the Linton-on-Ouse Village information sheet at the beginning of July 2004 and the notice of the public inquiry was published widely in April 2005. The Inspector, therefore, concluded that adequate publicity for the proposals had been given, and that local residents had not been disadvantaged even if the choice of initial publication was not ideal.
- (e) In response to the view that more prudent management by the Company or by the bridge's earlier individual owners should have made provision for the cost of major works carried out in the year 2000, the Inspector concluded that with day-to-day running costs of the bridge exceeding the toll revenue since the Company was formed there has been no opportunity to make such provision.
- (f) The Inspector did not accept the objectors' view the Company's financial position was not as serious as has been made out. The Inspector concluded

that the Company was in a parlous state and that without a toll increase this would only deteriorate. He concluded that the proposed increases would provide annual revenue that would not be substantially less or substantially more than adequate to meet expenditure.

- (g) With regard to overweight vehicles using the bridge, other than noting that such usage takes place and that the effect of such loading is difficult to assess, the Inspector came to no conclusion on this point.

14. In his conclusion, the Inspector states that after careful consideration of all the issues, he recommends that the Secretary of State make an Order in terms applied for by the Company.

15. On the basis of the evidence before him and having regard to his obligations under section 6 of the 1954 Act, the Secretary of State is satisfied that the proposed toll revisions are justified. The Secretary of State has, therefore, decided to make the Order.

I am, Madam
Your obedient servant

A handwritten signature in dark ink, appearing to read 'David Lamberti', written in a cursive style.

DAVID LAMBERTI
Head of Road Strategy Division