1 Purpose of Report

1.1 To advise members on progress of the Bill and provide background information on the financial arrangements being sought by the Authority's officers.

2 Main Report

2.1 At the meeting on 31st August 2007, members were advised that the Transport Minister, Stewart Stevenson had established a Bill Reference Group consisting of officers of this Authority and the Scottish Parliament. The remit of the Group is to:

- Consider the content and terms of the Bill
- Comment on the practicalities and consequences of implementing the detailed provisions of the Bill as they relate to the Authority, and on any subsequent amendments, deletions or additions, for the duration of the Bill process through to Royal Assent; and
- Provide, for their respective organisations, assurance to Ministers, the Authority and constituent councils of the Authority that all transitional matters of joint interest have been identified and are being, or will be addressed in an appropriate and expeditious manner.

2.2 The Bill takes forward a motion passed by the Scottish Parliament on 31 May 2007 to abolish tolls on the Forth and Tay road bridges. In terms of the Forth road bridge, the legislation repeals the power to toll and any statutory provision which is dependent on that power to toll, or will be redundant once that power is removed.

2.3 The Minister has stated his expectation that the Bill be approved by Parliament before the end of the year. If this timescale is achieved, tolls could be removed at the end of January 2008.
Alternative funding for future operation and maintenance of the bridge is not included in the Bill but is referred to in the accompanying Financial Memorandum where it is stated that “Ministers intend to replace the Board’s toll income by way of direct grant funding”. The Financial Memorandum also provides for grant to fund the one-off costs associated with the removal of the tolls and making changes to the road layout and signing on the northbound approach to the bridge, as well as possible costs associated with staff redundancies.

During the Committee stages, the General Manager and Treasurer were invited to present oral evidence to the Transport, Infrastructure and Climate Change Committee on 11th September and to the Finance Committee on 25th September. The Transport Committee later visited the bridge on 3rd October.

Written statements were presented to both committees (appendix 1 and 2).

Officers considered the following objectives were critical to secure future funding for maintenance and operation of the bridge;

- Grants to have the flexibility to carry over into subsequent years.
- Grants to be adjusted where costs vary from estimates or where unforeseen work is required.
- Retention of the Authority’s borrowing powers.
- Preservation of a reasonable reserve fund.
- A longer term financial commitment beyond the 3-year period of Government Spending Review.

As a consequence of providing information to the Reference Group for input to the Financial Memorandum, it was necessary to update the Authority’s financial plans which were last approved by members in February 2007. The plans have been updated to reflect revised scheme estimates and include an allowance for the further investigations identified by the Main Cable Replacement/Augmentation study. (Appendix 3).

Equally important to the determination of the cost of implementing tolls abolition, was the completion of the staffing review (reported to this board separately) in order to provide an estimate for staff severance costs.

In the Stage 1 Report, published on 7 November 2007 the Transport, Infrastructure and Climate Change Committee requests that the Scottish Government responds to the concerns raised about future funding. In evidence, Scottish Government officials assured the Committee that the bridge authorities would have the flexibility and confidence to plan long-term expenditure. They stated that “We need to ensure that everybody understands that there is a long-term commitment to funding the boards. The specifics will be dealt with in three-year chunks, but the boards have a long-
term funding commitment from the Government that allows them to enter contracts that extend beyond three years."

2.11 Discussions are continuing with officials of the Scottish Parliament and officers are confident that a satisfactory outcome will be achieved in securing a flexible funding arrangement that will enable the Authority to continue with its long-term maintenance plan.

3 Recommendation

It is recommended that members note the report.

Appendices

Appendix 1 – Statement to Transport, Infrastructure and Climate Change Committee
Appendix 2 - Written evidence to Finance Committee
Appendix 3 – Capital Plan – Draft 141107

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Background Papers
Appendix 1 – Statement to the Transport, Infrastructure and Climate Change Committee

Transport, Infrastructure and Climate Change Committee
11 September 2007
Statement from Alastair Andrew, General Manager and Bridgemaster of Forth Estuary Transport Authority (FETA)

**Introductions:** Alastair Andrew and John Connarty, Principal Finance Manager from the Finance Department of the City of Edinburgh Council.

The Forth Road Bridge is a unique structure with unique requirements. The important thing during this process is that we deliver what the Minister is looking for in a way that safeguards the integrity of this vital link in Scotland’s transport network for the years ahead.

As General Manager & Bridgemaster I have two overriding concerns: the continuing safe maintenance and operation of the Forth Road Bridge; and the welfare of my workforce, many of whom have served over many years and for whom this legislation is life changing.

I would urge Parliament to seek clarity on the precise timing of the tolls being removed. This is vital if we are to effectively plan and implement the required remodelling works on the toll plaza and the communication process for those staff whose jobs will be affected.

We must face the fact that congestion is likely to increase as a result of toll abolition. This has been predicted by traffic modelling – most recently in the Toll Impact Study – and was seen following the removal of tolls from the Erskine Bridge, where traffic increased by an average of 23%. The current toll plaza performs an additional role as a control mechanism regulating the flow of traffic onto the Bridge. The solution is not as simple as just removing the tollbooths. They must be replaced with another system that will merge the five lanes of traffic approaching the bridge safely and effectively.
We must also maintain an effective control on traffic crossing the bridge. This is vital for managing loading on the Bridge, moving abnormal loads (of which there were 390 northbound last year), dealing with road traffic accidents, recovering broken down vehicles, and managing security issues and other unforeseen incidents.

Earlier I said that the Bridge was unique, and FETA’s experienced staff understand its unique maintenance requirements. This can be as simple as using glycol to de-ice the deck in winter because of the corrosive effect of salt, to the complexity of installing an advanced dehumidification system to fight corrosion inside the main cables. Hand in hand with routine maintenance and inspection goes a 15-year strategic programme of capital works to refurbish and strengthen the structure.

As Parliament seeks to replace toll revenue, it is vital that a flexible financing structure is established that takes into account the variable nature of this maintenance programme.

Ladies and gentlemen, this is a huge subject and I cannot do it justice in only a few minutes. Please come out and see the bridge for yourselves.
FETA’s number one priority is the continuing safe maintenance and operation of the Forth Road Bridge. At present this is entirely funded by toll income approaching £12m each year. Before this income stream is removed, a financial settlement must be agreed that safeguards the integrity of this vital transport link for the years to come.

The Forth Road Bridge is the oldest long-span suspension bridge in Europe, and FETA’s experienced staff understands its unique maintenance requirements. Routine maintenance and inspection goes hand in hand with a rolling 15-year programme of capital works and capital expenditure can vary considerably from year to year.

It is difficult to predict future bridge maintenance requirements. For example, the introduction of new codes on structural assessment resulted in unforeseen strengthening works to the main towers totalling £12.7m; consideration of a ship impact risk evaluation required the provision of pier defences costing £9.9m; following an unexpected failure and subsequent extensive testing, it was necessary to replace all hanger ropes at a cost of £8m; and, following internal inspection of the main cables, FETA is installing a system of dehumidification at an estimated cost of £10m.

The uniqueness of the work can also mean significant differences between estimated and actual costs of contracts. For example, strengthening works to the towers were estimated to cost £9.7m, but the actual cost was £12.7m; ship impact defences were estimated to cost £7.4m, but the actual cost was £9.9m. Currently, contracts estimated at £10m for bearing and joint replacement and £65m for suspended span painting are still to be awarded.
Current studies being undertaken include off-site testing of the vehicle parapets which were provided before the emergence of a British Standard on containment, the proving of the structural integrity of the cable anchorages and the feasibility of replacing the main suspension cables in the event that the de-humidification project fails. These three schemes have the potential for further major expenditure.

History shows that most capital works on the bridge are delayed by adverse weather and that even experienced contractors tend to under-estimate the effects of working at height, in the exposed environment of the bridge.

As Parliament seeks to replace toll revenue, it is vital that a flexible financing structure is established that takes into account the unique, variable, long-term nature of the Bridge’s maintenance programme.

Current position

FETA is broadly satisfied with the terms of the financial memorandum appended to the Abolition of Tolls Bill:

- Ministers intend to replace the toll income with direct grant funding.
- The grant estimates contained in the financial memorandum are consistent with FETA’s approved financial plan and include provision for the one-off costs of toll plaza remodelling and staff severance payments.
- The memorandum indicates that FETA will be able to hold a reasonable reserve and have the ability to borrow in exceptional circumstances.
- There is a commitment to work on a detailed agreement with FETA.

Having said that, we will be seeking clarity from the Scottish Government on a number of issues including:

- Detailed grant conditions, including flexibility between years.
- The process to adjust grant where costs vary from estimates or where unforeseen work is required.
- How borrowing powers will operate in practice.
- The definition of reasonable reserve.
• A longer term commitment beyond the 3 year period of the Government Spending Review when required.

• How the Scottish Government will provide security of future income to FETA where the Authority wishes to invite tenders for works which include significant financial commitments beyond 3 year Spending Review period.

Submitted by:

Alastair Andrew, General Manager, Forth Estuary Transport Authority

John Connarty, Principal Finance Manage, City of Edinburgh