



Councillor David Gemmell

Chair

Humber Bridge Board

Ferriby Bridge

HESSLE

HU13 0JG

29 November 2011

Dear David

HUMBER BRIDGE REVIEW

The Chancellor announced the outcome of the Humber Bridge Review earlier today in his Autumn Statement. We are writing to you now to add detail to his statement.

We have now completed our Review, including the modelling of the economic impact of the tolls. This work has suggested reducing tolls on the Bridge has a positive economic impact for both the Humber area and the UK more widely, and has an acceptable benefit to cost ratio.

We recognise that the Bridge has a unique history, and a unique burden of interest in relation to its construction cost.

On the basis of the Review's findings the Government considers that a substantial write down of the current level of debt is justified, and our aim is to work towards a new settlement which ensures that the future finances of the bridge are sustainable for both local communities and national government. We are therefore making an offer to the Bridge Board and the Humber area local authorities, as follows:

The Government will write down £150 million of the bridge debt, which currently stands at £332m. This is enough to allow the toll for cars to be reduced from £3 to £1.50 as soon as possible. Recognising that this is a

substantial write down, this offer is conditional on the Bridge Board and Humber area local authorities agreeing to:

- 1) Radical reform of the Bridge Board to bring in new expertise and give it a sharper commercial focus, so that costs are controlled and opportunities to bring in new revenue are seized.
- 2) The Humber area local authorities taking on full responsibility for the remaining lower level of debt, and sharing it out much more broadly and realistically between them.

Reforming the Board would be a two stage process. The first stage would be initiated straight away, using existing powers. The second stage would be implemented as soon as possible after new legislation is obtained.

In the first stage, we would expect to see an application to the Secretary of State for Transport under Section 97 of the Humber Bridge Act 1959 to reduce the number of councillors on the Board significantly from the current twenty-two. We also want to see representatives of the Local Enterprise Partnership and local businesses added to the Board, initially as non-voting observers. We will then expect a second stage of reform after new legislation has been obtained, allowing for more radical reform options. At a minimum we would want to see a single representative from each Council bearing a share of the responsibility for the debt, and full Board membership and voting rights for the private sector representatives.

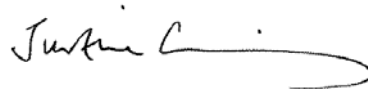
Regarding the revised sharing-out of responsibility for the debt, we will be seeking to move from the current arrangement of Hull City Council standing behind 98% of the £332m debt. Under a new structure to facilitate joint ownership and responsiveness to the communities using the Bridge, the Government would wish to see a more equitable arrangement between all relevant local authorities, with each standing behind, for example, a quarter or a fifth share each of the much lower figure of £182 million.

Having completed the review, the Government's aim is to complete this deal, and to formalise the write down before the end of the 2011-12 financial year. To meet this target, the Bridge Board and all the local authorities should work together and provide the Government with a formally agreed proposal by February in order to allow finalisation of the new debt structure in parallel to work on the reform of the governance of the Bridge.

To facilitate this process, Department for Transport officials will share the results from the Review and work with the appropriate local authority and Bridge Board officials in the coming weeks.

The Government has never viewed this Review as a matter of competing rival bids, between which we would judge and announce a “winner”. Instead we view this announcement as an opportunity for all Humber stakeholders to work together to seize the opportunity we present, for the benefit of all residents and businesses in the Humber area.

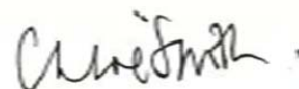
We very much hope this announcement will be seen for what it is: a fundamental step forward in tackling the legacy challenge of the Humber Bridge.



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