
M4 Relief Road

FSB Wales
response to the
Environment
and
Sustainability
Committee

18th October 2013





M4 Relief Road

The Federation of Small Businesses Wales

The Federation of Small Businesses Wales welcomes the opportunity to present its views to Environment and Sustainability Committee on the M4 relief road proposals. FSB Wales is the authoritative voice of small businesses in Wales. With 10,000 members, a Welsh Policy Unit, two regional committees and twelve branch committees; FSB Wales is in constant contact with small businesses at a grassroots level. It undertakes a monthly online survey of its members as well as an annual membership survey on a wide range of issues and concerns facing small business.

Introduction

FSB Wales agrees that there are acute problems in and around Newport as a result of congestion on the M4. However, FSB Wales does not believe the economic, environmental and affordability concerns around the proposed M4 relief road have been sufficiently balanced. This is particularly the case for the current consultation, to which FSB Wales is yet to submit a full response. Wider consideration of the costs is needed to allow for further consideration of the infrastructure investment options that are available, including public transport measures such as the South East Wales Metro.

Borrowing powers and the Silk Commission

FSB Wales has taken an active interest in proposals for dealing with capacity issues on the M4 in and around Newport. FSB Wales has sought to make its position clear in relation to the proposed M4 relief road as well as the recommendations of part one the Commission on Devolution in Wales and proposals for the devolution of toll income to the Welsh Government.

As a result of this ongoing engagement FSB Wales has written to both the Secretary of State for Wales and the First Minister to clarify its position and to seek a speedy resolution to the question of fiscal devolution (both letters are attached). This included three main points that were as follows:

- The level of tolls levied on vehicles using either of the Severn Crossings should decrease at the earliest opportunity in order to remove a barrier to cross border trade and economic growth. Future toll revenue is an insufficient and unreliable source upon which to predicate borrowing for infrastructure;
- FSB Wales accepts the need to maintain tolls to fund the maintenance of the Crossings but that any future tolls should be limited solely to covering the costs of maintenance and specifically those costs directly associated with maintaining the Severn crossings and not the ordinary costs associated with maintaining the highways. We also point out that we are currently of the opinion that the management of the tolls should be devolved to Wales;
- The UK Government's delay in responding to the first part of the Commission on Devolution in Wales is in our opinion causing uncertainty and having a negative impact on the Welsh economy.



Affordability of a relief road

During the previous consultation on improving capacity in and around Newport, FSB Wales favoured option C which included a number of measures around the A48 to the south of Newport as well as associated public transport measures. This would cost an estimated £300m according to the Welsh Government consultation and would alleviate many of the problems of resilience and capacity¹.

The Commission on Devolution in Wales has created the possibility of the Welsh Government accessing borrowing powers of roughly £1.3bn as a result of fiscal devolution to Wales². This has caused the Welsh Government to re-examine the potential for an M4 relief road to the south of Newport as an additional alternative. Research carried out by Arup on behalf of the Welsh Government has estimated that the three options provided in the current consultation would cost between £830m and £947m to implement³. Many observers have estimated that this cost could rise significantly.

FSB Wales believes that given the significant environmental impact the full relief road would cause, there would likely be costly challenges to the implementation of the proposed development. This is reinforced in the previous Welsh Government consultation that stated:

“Challenge from public and/or stakeholders who may oppose the scheme on grounds of likely environmental impact may also require consideration.”⁴

Furthermore, FSB Wales is firmly of the view that focusing a significant proportion of spending on a narrow section of motorway in South East Wales is not an equitable use of resources. Rather, the Welsh Government should look to fund significant projects across Wales, such as improvements to the A55, the implementation of the South East Wales Metro and the potential electrification of the North Wales Main Line.

It is disappointing to see that the current consultation includes no information about the costs of the three proposed relief roads. This is available in the supporting documentation but is not being put in context during the public consultation. FSB Wales believes this undermines the consultation process.

Furthermore, there are clearly a number of alternatives such as the development of the A48 SDR and the South East Wales Metro that are not part of the consultation process. FSB Wales believes

¹ Welsh Government. 2012. *M4 Corridor Enhancement Measures Magor to Castleton (M4 CEM): Easing The Flow* [online]. Available at:

<http://www.m4cem.com/downloads/reports/to%20email%20Consultation%20Document%20REV%20B%20-%20E.pdf> (accessed 16th October 2013). P.42.

² Commission on Devolution in Wales. 2012. *Empowerment and Responsibility: Financial Powers to Strengthen Wales* [Online]. Available at:

<http://commissionondevolutioninwales.independent.gov.uk/files/2013/01/English-WEB-main-report1.pdf> (accessed 16th October 2013). P.115.

³ Welsh Government. 2013. *M4 Corridor Around Newport: WelTAG Appraisal Report Stage 1 (Strategy Level)* [Online]. Available at: [http://www.m4newport.com/assets/issue-m4-corridor-around-newport-weltag-appraisal-report-stage-1-\(strategy-level\).pdf](http://www.m4newport.com/assets/issue-m4-corridor-around-newport-weltag-appraisal-report-stage-1-(strategy-level).pdf) (accessed 16th October 2013). P.41.

⁴ Welsh Government. 2012. *M4 Corridor Enhancement Measures (M4 CEM): WelTAG Appraisal Report Stage 1 (strategy level)* [Online]. Available at: <http://www.m4newport.com/assets/issue-m4-weltag-stage-1-appraisal-report-march-2013-signed.pdf> (accessed 16th October 2013). P.61-62



this is a mistake and does not allow for the consideration of the full menu of options available to the Welsh Government.

Environmental Impact

The consultation issued by the Welsh Government during March and July 2012 contained an analysis of the environmental impact of the four options then presented. Clearly, option A (a new relief road to the south of Newport) offered the biggest economic advantage but also provided the most serious threat to the environment and at the highest cost in terms of capital investment⁵.

FSB Wales believes that pursuing improvements to the A48 whilst also improving public transport in the areas would be a more reasonable option. This is particularly pertinent given that the current consultation identifies 43 per cent of journeys being less than 20 miles i.e. local traffic. The economic benefit of the A48 approach would still be significant, but the environmental and cost concerns would be far more limited. Furthermore, practical measures could be put in place far sooner for its delivery.

Conclusion

FSB Wales agrees that there are acute issues of capacity on the M4 in and around Newport. However, initial observations suggest the environmental, economic and affordability aspects of the proposals for a relief road south of Newport are not sufficiently balanced. The Welsh Government has failed to examine wider options such as electrification and improvements to the A48 as part of the consultation. Furthermore, the omission of cost implications in the public consultation undermines its credibility.

⁵ *Ibid.* P.57.



Contact:

Federation of Small Businesses
WALES OFFICE
1 Cleeve House
Lambourne Crescent
Llanishen
CARDIFF CF14 5GP

Telephone: 029 2074 7406

Email: policy.wales@fsb.org.uk

Web: www.fsb.org.uk/wales

The Federation of Small Businesses

The FSB is non-profit making and non-party political. The Federation of Small Businesses is the UK's **largest campaigning pressure group** promoting and protecting the interests of the self-employed and owners of small firms. Formed in 1974, it now has **200,000 members across 33 regions and 194 branches**.

Lobbying

Our lobbying arm - led by the Westminster Press and Parliamentary office - applies pressure on MPs, Government and Whitehall and puts the FSB viewpoint over to the media. The FSB also has Press and Parliamentary Offices in Glasgow, Cardiff and Belfast to lobby the devolved assemblies. Development Managers work alongside members in our regions to further FSB influence at a regional level.

Member Benefits

In addition, Member Services is committed to delivering a wide range of high quality, good value business services to members of the FSB. These services will be subject to continuing review and will represent a positive enhancement to the benefit of membership of the Leading Business Organisation in the UK.

Vision

A community that recognises, values and adequately rewards the endeavours of those who are self employed and small business owners within the UK

The Federation of Small Businesses is the trading name of the National Federation of Self Employed and Small Businesses Limited. Our registered office is Sir Frank Whittle Way, Blackpool Business Park, Blackpool, Lancashire, FY4 2FE. Our company number is 1263540 and our Data Protection Act registration number is Z7356876. We are a non-profit making organisation and we have registered with the Information Commissioner on a voluntary basis.

Associate Companies

We have two associated companies, FSB (Member Services) Limited (company number 02875304 and Data Protection Act registration number Z7356601) and NFSE Sales Limited (company number 01222258 and Data Protection Act registration number Z7315310).



Federation of Small Businesses
Ffederasiwn y Busnesau Bach
The UK's Leading Business Organisation
Mudiad Busnes Arweiniol y DU

WALES OFFICE
1 Cleeve House
Lambourne Crescent
Llanishen
Cardiff
CF14 5GP

SWYDDFA CYMRU
1 Tŷ Cleeve
Cilgant Lambourne
Llanishen
Caerdydd
CF14 5GP

Tel/Ffôn: 029 2074 7406
Fax/Ffacs: 029 2074 7595

E-mail/E-bost: admin.wales@fsb.org.uk
Website/Safle We: www.fsb.org.uk

Rt Hon David Jones MP
Secretary of State for Wales
The Wales Office
Gwydyr House,
Whitehall
London
SW1A 2NP

09 September 2013

Dear Secretary of State,

Severn Crossings tolls and proposed M4 relief road

Following recent developments regarding the issue of the Severn Crossings tolls and the proposed M4 relief road, I would like to clarify the position of FSB Wales.

Tolls damage the Welsh economy

FSB Wales members believe that the Severn Crossings tolls have a damaging effect on the Welsh economy. While it is difficult to isolate the exact impact that the tolls have, this theory is supported by research from the Welsh Government in 2012 which showed that the total costs of the tolls to businesses and consumers is in excess of £80M per year, taking VAT into account (Welsh Government, *The Impact of the Severn Tolls on the Welsh Economy*, 2012). The impact on individual businesses has been well articulated by numerous small firms, companies and individual traders in a series of research and information-gathering exercises, most recently at an informal session held by Stephen Hammond MP in response to the Welsh Affairs Committee's own report into the subject. The Committee highlighted its concerns that the high level of the tolls on the Severn Crossings hampers the development of businesses in Wales and deters inward investment to Wales (Welsh Affairs Committee, *Crossing the Border: Road and Rail Links between England and Wales*, 2012). In its report, it was recognised that other strategic road

Registered Office: National Federation of Self Employed and Small Businesses Ltd.,
Sir Frank Whittle Way, Blackpool Business Park, Blackpool, FY4 2FE
Tel: 01253 336000 Fax: 01253 348046 Email: ho@fsb.org.uk Web: www.fsb.org.uk

crossings had benefitted from the removal of tolls. It also noted that other economic impacts such as the imposition of changes to VAT which have generated additional income for HM Treasury.

Despite opposition to the principle of road tolling, FSB Wales wishes to hold a pragmatic ('real world') position that recognises the strategic importance of both crossings to the communities either side of the Severn Estuary. As such, our members accept the need to maintain tolls to fund their maintenance but are strongly of the view that any such tolls should in the future be limited solely to covering the costs of maintenance. This cost should be limited to the costs directly associated with maintaining the Severn crossings and exclude the ordinary costs associated with maintaining the highways.

M4 relief road

We understand the desire for an M4 relief road. In responding to the Welsh Government's consultation on M4 Corridor Enhancement Measures in 2012, FSB Wales' preferred option was Highway Option C: Grade separated junction improvements to the A48 SDR as set out in Welsh Government's 2012 consultation M4 Corridor Enhancement Measures Magor to Castleton (M4 CEM) Easing the Flow. This option minimises environmental impact while supporting sustainable economic development across the South East Wales region. Even within this option, we would prefer to see greater use made of the Steelworks Access Road which would provide a line directly from junction 28 to 23a. This would significantly increase the resilience of the network whilst dealing with some of the capacity issues between Castleton and Magor. In times of constrained public expenditure, FSB Wales feels that this is a practical and affordable measure that would bring lasting benefit, not only to the users of the M4, but the outlying communities that surround Newport.

Borrowing powers and tolls

Given that there is much consensus on the need to reduce tolls and to support infrastructure development across Wales, we feel that any attempt to fund a relief road using Severn Crossings tolls is flawed and does not represent an efficient and effective use of income. The issue of the need for an M4 relief road should be treated separately to that of the future of revenue from the Severn Crossings. The concession period for the Severn Crossings is limited to 30 years, although we recognise that the Secretary of State has powers under the Severn Bridges Act to levy tolls for a maximum of 35 years. The actual end date of the concession will be achieved when Severn River Crossings has collected a fixed sum of money from tolls and current predictions suggest that this will be 2018 (Written evidence from Welsh Government to Welsh Affairs Committee, SCT 03, June 2013). It is noteworthy that the predicted endpoint of the concession varies and has been put back on numerous occasions. This tolling period could be extended by up to five years to recoup UK Government losses. In 2012, research by Welsh Government suggested that the concession could come to an end in around 2017 (Welsh Government, *The Impact of the Severn*

Tolls on the Welsh Economy, 2012). As it is currently accepted that this is now likely to be 2018, this suggests that the amounts collected via Severn Crossings tolls are decreasing and would not represent a stable base on which to predicate any future Welsh Government borrowing powers.

We would seek clarification as to whether the UK Government will continue to maintain tolls after the end of the concession as recent estimates hold that this debt is around £88 million. A basic calculation suggests that this will require a further two years of tolling. Clarification on the current stage of negotiations is now urgently required as the Welsh Government has argued that it should make any decisions on future tolls and has stated its desire to both lower the tolls and collect additional income to fund infrastructure improvements. Given that a 2010 report estimated the running costs of the crossings to be £15M with a yearly income of £72M (Welsh Affairs Committee, *The Severn Crossings Toll*, 2010), FSB Wales does not believe that it is possible to reduce the tolls and also use future income to fund an M4 relief road, estimated to cost £1BN. Such a plan also contravenes efforts to reduce carbon emissions and undermines environmental principles by making economic and infrastructure development dependent on increased vehicle use.

Commission on Devolution in Wales

As stated in our response to the Commission on Devolution in Wales, FSB Wales wishes to see full and unequivocal support from the UK and Welsh Governments for the tax and borrowing recommendations proposed by the Commission on Devolution in Wales ('Silk Commission') in order to address the issue of funding of major infrastructure projects. We are also of the opinion that clarity, transparency, and ultimately accountability are at the heart of these recommendations. We urge an imminent response from the UK Government to this Commission and note that the delay already apparent in this respect is causing confusion, obfuscation and general uncertainty. Such a state of affairs is detrimental to business, potentially limiting infrastructure investment in Wales and generally liable to compound the historic poor performance of the economy of Wales. The current state of impasse between the Welsh Government and the Wales Office cannot continue. We are also patently aware that the need to improve elements of infrastructure in Wales is likely to require financial support from the UK-wide budget as is the accepted case for rail electrification.

Wales and UK collaboration

It is vital that decisions about major cross-border infrastructure projects are undertaken collaboratively between the Welsh and UK Governments and not in isolation by either. There is clear evidence that in terms of projects such as the electrification of the main line to Swansea and in the very welcome commitment to electrification of the Valleys line that cooperation and collaboration can only benefit the communities of Wales. However, in reflecting on the course of the recent Commission on Devolution in Wales, we cannot conclude that future collaboration can be taken for granted. On a practical note, we wish to see greater involvement of the Welsh Government with Infrastructure UK with the aim of integrating the Wales elements into a UK-

wide plan reflecting the UK's long-term infrastructure priorities. While major projects would benefit from both management and investment at a UK level, FSB Wales does not feel that this is incompatible with decisions being ultimately made by those most likely to have a detailed understanding. Currently, we feel that in the case of the M4 and the Severn Crossings this means decisions should rest with the Welsh Government. However, given recent announcements on the prospective use of tolls, it is clear that this is a qualified position.

Ultimately, FSB Wales seeks clarity on the future of the revenue from the Severn Crossings and the UK Government's response to the Commission on Devolution in Wales. Without this, we fear that the ongoing discussions around such significant projects will continue to be mired by confusion and poor thinking.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'JK Jones'.

Janet Jones
Wales Policy Chair
Federation of Small Businesses



Federation of Small Businesses
Ffederasiwn y Busnesau Bach
The UK's Leading Business Organisation
Mudiad Busnes Arweiniol y DU

WALES OFFICE
1 Cleeve House
Lambourne Crescent
Llanishen
Cardiff
CF14 5GP

SWYDDFA CYMRU
1 Tŷ Cleeve
Cilgant Lambourne
Llanishen
Caerdydd
CF14 5GP

Tel/Ffôn: 029 2074 7406
Fax/Ffacs: 029 2074 7595

E-mail/E-bost: admin.wales@fsb.org.uk
Website/Safle We: www.fsb.org.uk

Rt Hon Carwyn Jones AM
First Minister
Welsh Government
5th Floor, Tŷ Hywel
Cardiff Bay
CF99 1NA

09 September 2013

Dear First Minister,

Severn Crossings tolls and proposed M4 relief road

During recent weeks and months there has been considerable speculation over the future of the tolls on the Severn Crossings, the M4 relief road and the much awaited response by the Secretary of State for Wales to the recommendations made by the Commission on Devolution in Wales. As a result our Policy Unit has discussed each of these issues in isolation and within the context of the wider debate on infrastructure, fiscal autonomy and the current plan for economic development.

The Welsh Policy Unit of the Federation of Small Businesses has engaged wholeheartedly with all these policy considerations and in the interests of transparency and with a desire to ensure clarity and I have the pleasure in enclosing on their behalf a copy of the FSB Wales correspondence with the Secretary of State for Wales, the Right Honourable David Jones MP.

Our letter makes three main points:

- The level of tolls levied on vehicles using either of the Severn Crossings should decrease at the earliest opportunity in order to remove a barrier to cross border trade and economic growth. It also points out that in our opinion the future toll revenue is an insufficient and unreliable source upon which to predicate borrowing for infrastructure;

Registered Office: National Federation of Self Employed and Small Businesses Ltd.,
Sir Frank Whittle Way, Blackpool Business Park, Blackpool, FY4 2FE
Tel: 01253 336000 Fax: 01253 348046 Email: ho@fsb.org.uk Web: www.fsb.org.uk

- The letter explains that FSB Wales accepts the need to maintain tolls to fund the maintenance of the Crossings but that any future tolls should be limited solely to covering the costs of maintenance and specifically those costs directly associated with maintaining the Severn crossings and not the ordinary costs associated with maintaining the highways. We also point out that we are currently of the opinion that the management of the tolls should be devolved to Wales;
- The UK Government's delay in responding to the first part of the Commission on Devolution in Wales is in our opinion causing uncertainty and having a negative impact on the Welsh economy.

During our participation at the Council for Economic Renewal we have been assured that toll income will not be used to fund an M4 relief road, and are keen to reiterate our support for the principle of borrowing powers being extended directly to the Welsh Government. This clearly requires alternative sources of revenue and you will no doubt be aware that our submission to the Silk Commission has supported this.

In addition in our response to the UK Government's consultation on the future of Stamp Duty Land tax that we once again have lent our support to the call for further devolution of powers to the Welsh Government. We are mindful that your government has accepted the principle of the full and complete devolution of Non Domestic Rates to Wales in response to the Non Domestic Rates review.

My colleagues and I look forward to hearing positive developments in respect of the future of devolution in Wales that help resolve the current state of impasse. We would also appreciate your response to the question of toll income from the Severn Crossings should its administration be devolved to Wales.

Yours sincerely,



Janet Jones
Wales Policy Chair
Federation of Small Businesses