

The DfT Conditional Funding Offer

Funding Stages

1. Preliminary Funding Approval (March 2006)

Capital Grant = £86m

Revenue Grant = £9.5m per year

(equiv to £123m PFI Credits)

2. Conditional Funding Offer (October 2011)

Capital Grant = £86m

Revenue Grant = £14.55m per year from opening
for 26.5 years

(Total Cash contribution circa £470m)

The Basis of the Funding Package

The Outline Business Case has been approved by DfT and HM Treasury.

This scrutiny has put in place

1. Funding Commitments;
2. Resource Commitments; and
3. Organisation Requirements

All required to enable the project to commence procurement leading to construction commencing within two years.

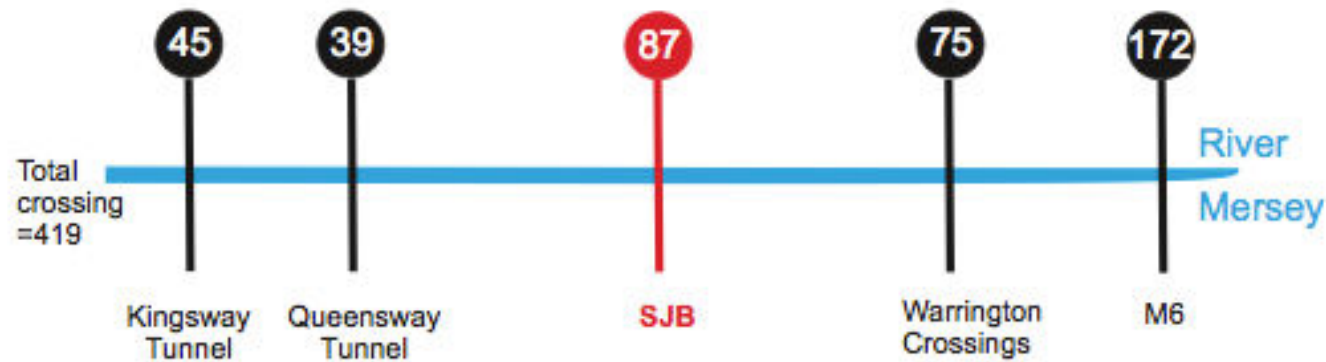
These measures and proposals are now defined in the Conditions of the DfT Funding Offer, which the Council has been asked to accept.

Conditional funding approval from government – the Conditions

1. Savings on reducing the revenue grant to be shared between DfT and HBC (if traffic using the crossings is higher than forecast then DfT grant is reduced and HBC has more revenue for toll discounts/transport).
2. Revenue grant to be reviewed regularly (after five years and then every three years).
3. £86m grant is capped (no change).
4. HBC can use up to 10% of toll revenue for discount purposes
5. HBC takes the Toll Revenue Risk

Traffic Diagram of alternative River Mersey crossings – 2017 – Same toll level as Mersey tunnels

Without Mersey Gateway:



With Mersey Gateway:

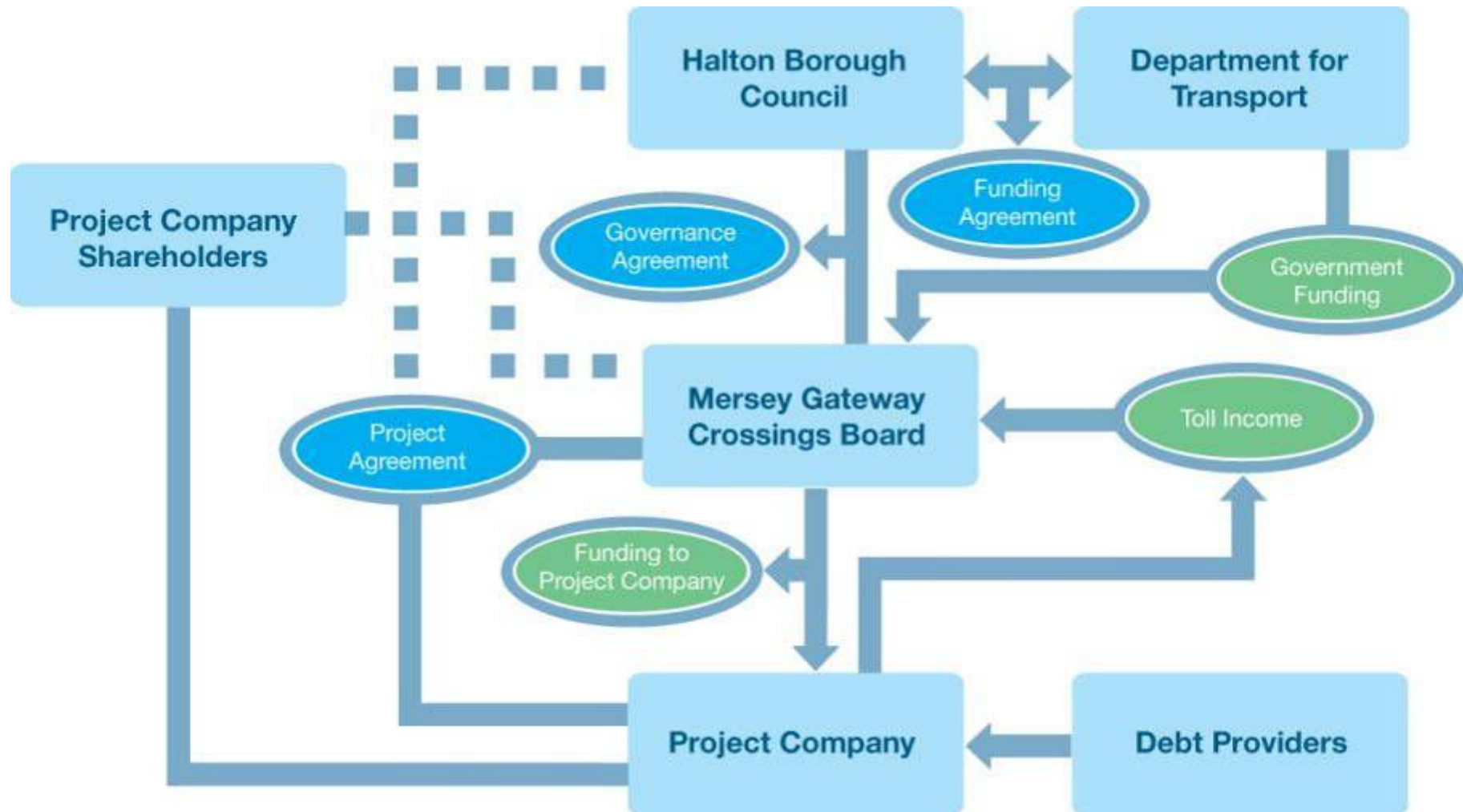


Notes:

i. Traffic flows are vehicles/average weekday in 2017 (000's), rounded to nearest 1000

06-07-2011

Governance structure



Mersey Gateway Crossings Board – key responsibilities

- Working Under the Direction of HBC (a Governance Agreement would be established)
- Management of cash flow
- Setting tolling levels, strategy and policy under delegated arrangements
- Monitoring the performance of the project company
- Administration of payments
- Manage Funding Agreement with Government
- Would maintain cash reserve of circa £8m

Mersey Gateway Project Company – key responsibilities

- Complete the Design
- Secure Private Finance
- Construct the Scheme
- Maintain infrastructure and Operate Tolling Service for 26 years
- Meet Service Specification in Return for Annual Payments (Unitary Charge)
- Provide Tolling Advice to Board (plus potential investment in the DMPA)

Conditional funding approval from government – the Conditions

6. If we get obtain lower prices than our OBC estimate then gain shared 30/70 (in favour of DfT) .
7. If we get more traffic than base case then extra toll revenue shared 15/85 (in favour of DfT) .
8. After all project debt has been repaid then DfT and HBC to agree if tolls to be retained. If not agreed then tolls are removed.
9. If tolling continues after project paid for the revenue would be treated as 70/30 in favour of the Government .

Conditional funding approval from government – the Conditions

10. There are two more HMT/DFT approval stages

- one in December 2012 after completion of the dialogue phase; and
- the Final Funding submission just prior to appointing preferred bidder and driving to financial close in May 2013.

Timetable

