

**EXPLANATORY MEMORANDUM TO
THE HUMBER BRIDGE (DEBTS) ORDER 2007**

2007 No. 1828

1. This explanatory memorandum has been prepared by the Department for Transport and is laid before Parliament by Command of Her Majesty.

2. Description

The Humber Bridge (Debts) Order has an effect financially equivalent to setting an interest rate of 4.25% per annum on the entire principal debt owed by the Humber Bridge Board to the Secretary of State for Transport (£334,437,000 as at 1 April 2006) over a five year period. This rate will apply from 1 April 2006 until 31 March 2011 at which time the rates will be reviewed or allowed to revert to a rate of 7.75% on that part of the debt on which interest is then payable .

3. Matters of special interest to the Joint Committee on Statutory Instruments.

3.1 None, other than a written statement to Parliament which was made on 26th June 2007.

4. Legislative Background

4.1 This Order revises the rates of interest to be paid on the principal debt on which the Board is obliged to pay interest, following the agreements with the Secretary of State dated 29th March 1972, 1st July 1998 and 19th June 2007, as effected by the Humber Bridge Act 1971 and the Humber Bridge (Debts) Order 1998.

5. Territorial Extent and Application

5.1 This instrument applies to England.

6. European Convention on Human Rights

6.1 As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

7. Policy background

7.1 In 2006 the Humber Bridge Board approached the Department for Transport advising that, because traffic growth had not met the levels predicted prior to the 1998 restructuring and because of previously unforeseen major maintenance work required, the debt to be repaid according to the schedule of the 1998 loan agreement between the Humber Bridge Board and the Secretary of State for

Transport would become unmanageable from 2007-08 at the 7.75% interest rate which has been payable since 1998.

- 7.2 In principle, if the Board were unable to service the debt, the costs would be met through a precept (order) on the residents of Hull, Haltemprice and Barton-upon-Humber. Barton-upon-Humber (within North Lincolnshire Council's jurisdiction and Haltemprice (within East Riding of Yorkshire Council's jurisdiction) are liable to the current value of an old fourpenny rate. There is, however, unlimited liability for Kingston upon Hull City Council. A precept levied by the Board would therefore fall heaviest on the council tax payers of Hull.
- 7.3 To avoid this, and after consultation with the Board, the Secretary of State agreed with the Board to lower interest rates to allow the Humber Bridge Board to meet its legal obligations to repay debt and to finance higher maintenance costs without the need for a levy on the residents of Hull, Haltemprice and Barton upon Humber. As this measure does not affect others, it was not considered necessary to consult more widely.
- 7.4 The Order therefore sets repayments equivalent over five years to an interest rate of 4.25% per annum on the entire principal debt owed by the Humber Bridge Board to the Secretary of State for Transport (£334,437,000 as at 1 April 2006). However, under the Humber Bridge (Debts) Order 1998 interest is deemed not payable on amounts of capital set out in that Order for each year from 1998 until 2013, and interest can only accrue on the remaining active debt (rather than the entire capital debt) until 2013. To achieve the equivalent of a rate of 4.25% per annum interest on the entire principal debt, for each financial year between 2006 and 2010, the Humber Bridge (Debts) Order 2007 sets interest rates higher than 4.25% per annum for each year to accrue on the active debt.
- 7.5 The rates of interest specified by the Order will apply from 1 April 2006 until 31 March 2011 at which time the rates will be reviewed or allowed to revert to a rate of 7.75% on the part of the debt on which interest is payable, the rate specified in the Humber Bridge (Debts) Order 1998.

8. Impact

- 8.1 A Regulatory Impact Assessment has not been prepared for this instrument as it has no impact on business, charities or voluntary bodies.

9. Contact

Dr Adam Simmons at the Department for Transport (Tel: 020 7944 4447, e-mail: adam.simmons@dft.gsi.gov.uk) can answer any queries regarding the instrument.