RHA

Haulage Cost Movement 2022

The purpose of the annual road haulage cost movement report is to assist members and their customers to understand trends in the industry. It reflects cost movements, reasons for changes, and makes predictions. Every firm has different costs and circumstances which are unique to each company but here we report on averages as provided to us by members in our annual survey. The haulage sector is responsible for moving 90 percent of the UK economy and the RHA represents around 8,500 haulage related businesses from owner operators, SMEs and 90 percent of the largest haulage companies operating in the UK.

Survey on the movement of costs

RHA haulage cost movement result: 11.6 percent excluding fuel or 19 percent fuel-inclusive based on 44-tonne articulated vehicle and trailer

2022: UK enters recession amid rampant inflation

Inflation had started to rise quite sharply from February 2021 after the worst of the COVID period and this was adding pressure to haulage rates as we entered 2022 along with companies struggling with demand against a general requirement for more HGV drivers. Energy prices were high, notably so on gas and there remained a shortage of goods in general and of raw materials for manufacturing. This was due to the inactive lockdown related time with mothballed businesses taking time to get going again, quite simply they could not keep up with demand. Supply chains were creaking with these delays seemingly everywhere.

To this day, China is still suffering from local/regional lockdown policies stifling its economy and very much influencing these product delays. With rarity of goods came the cost increases and of course the transporting of goods in general became ever so much more expensive due to energy costs going through the roof as Russia invaded Ukraine in late February. Diesel remains a very big issue for commerce and for haulage and logistics operators.

The inflation rate announced in January 2022 for December (CPI) was at 5.4% and it was clear that inflation was only going to continue the upward trend. A heavy, cumbersome economic wrecking ball was now metaphorically rolling down the hill towards us and gathering pace. By November, data for October had seen this steadily increase to 11.1% (CPI), a 41 year high and with RPI even higher at 14.2%. Various economists have though recently predicted that inflation may well have now reached the peak.

The Bank of England has a target inflation rate set by the Government at 2%, they believe it will finally start to fall in the middle of 2023 and take two years to get back to that 2%. The actual Bank Rate (Bank of England base rate) in November was set at 3% (it was 0.1% in December 2021) to get inflation under control. Morgan Stanley, in November said that the increases will likely peak at 4% where the Bank predicts just over that by late 2023.

Inflation is the scourge of economies, whatever you need to pay for, costs more, or you get less. It means wages are worth less and hence calls by unions this year, along with strike action in some instances for enhanced pay deals to cope with the 'cost of living' crisis. This is most noticeable to the public in energy costs, food bills and mortgages for homeowners, of which there has been plenty of comment in the national news. Food of course gets moved, in general, a number of times from production to final shop and each step had extra costs, especially notable in fuel costs where we averaged a 39.2% increase for diesel to the end of September when our cost survey of members starts. Food inflation was recorded at 14.7% for October by Kantar and widely reported on early in November.

Despite slow goods production, the first half at least of 2022 for most operators appeared to be good business albeit with these added fuel prices. Other costs for operators were also ramping up, frankly in all areas but notably 'off the chart' for instance with AdBlue which ended at plus 86%. This was accountable to the Russian invasion and both fuel and AdBlue suffered a scarcity issues. The association was contacted by many concerned members seeking advice on how to deal with these added costs as it burdened them with instant financial pressure. One immediate concern at the time was fuel credit, a firm only gets so much credit and with increases on diesel in the initial weeks following the invasion exceeding 5ppl per day it wasn't hard to see that suddenly the available credit would not buy nearly as much fuel which has always been an upfront cost to haulage operators. Some customers could or would not see the difficulty here leading to many an awkward conversation to deal with financial pressures, it was not a grab by operators.

The economic clouds could be seen to be gathering once summer had ended and talk of recession started building. Inflation and energy costs were reaching a crescendo following the disastrous Truss led Government and Budget of late September when the Pound tanked. By early October, the 2022 Barclays-BDO Logistics Confidence Index revealed logistics industry confidence had dropped 12 points to 50.41 for the year.

This confidence loss was attributed to these increased costs and economic pressures along with concerns regarding skills shortages discussed later in this report. Indeed, the rise in energy costs has taken such a toll on supply chain companies that they had taken extreme measures, such as cutting lines or reducing the number of trading hours or days, according to The Grocer in November.

The purchasing managers index (PMI) bottomed out at 48.2 in October and in November was only marginally higher at 48.3 showing output decline continuing with anything under 50 points considered an economic contraction. Retail sales increased 0.6% in October, but the high street looks like it is in for a gloomy ride. Online shopping in October accounted for 26.1% of retail volume, a level that has been similar since May.

SMMT advised that new car registrations slumped in 2022 with an expected 'worst in 40 years' scenario although results following the September peak had increased the actual year was estimated to be around 5% down on the previous year with supply chain concerns and high inflation from the cost-of-living crisis. SMMT saying there is hope for the coming year though with strong demand for hybrid vehicles.

HGV registrations for Q3 as reported in November had soared to their best result in five years with strong demand for articulated trucks at +53.1%, with rigids increasing 15.8%. The year to date was a 7.8% increase although it was 18.4% down on pre-Covid figures. Vehicle transporter members report struggling with increased wages of other sectors which is hampering their efforts to have enough drivers/rolling stock available to cope with not only new vehicle movements but the second-hand and rental markets too. In previous years, this was considered one of the premier HGV roles, paying accordingly however members report tight rates are leading to them not being able to draw drivers away from other roles.

Autumn Statement

RHA welcomed the energy support package for businesses until April 2023, and the steps taken to assist businesses affected by the Business Rates revaluation, particularly the relief from rate increases. The association will be working closely with the Government's review of the Energy Bill Relief Scheme to ensure our industry's critical role is properly considered and additional support maintained.

It was good to see the Chancellor's commitment to infrastructure as a priority for growth, but there is a need for a renewed focus on roads investment at all levels of government across the UK to keep British businesses and supply chains moving.

Despite making it clear to the Treasury of the impact of fuel prices, RHA was disappointed that no further action has been taken to reduce fuel duty. RHA will continue to emphasise the need for our proposed Essential User Rebate of at least 15 pence per litre. It is an anti-inflationary measure which will help ease fiscal pressures in the supply chain and reduce the rising cost of living for everyone. RHA will push for this to be considered in the Spring Budget 2023.

Business Taxes

- From December 2023, the OECD's global tax reforms will be introduced. This will ensure that multinational corporations, including big tech companies, pay the right tax in the countries they operate in.
- The government will provide a £13.6 billion package of business rates support.
- The planned increase in the Corporation Tax rate to 25% for companies with over £250,000 in profits will go ahead.
- The NICs Secondary Threshold for employers will be maintained at £9,100 until April 2028.
- The VAT registration threshold will be maintained at £85,000 for two years from April 2024.
- The government is setting the Annual Investment Allowance at its highest ever permanent level of £1 million from 1 April 2023.

Energy

- The government is extending the Energy Profits Levy to the end of March 2028 and increasing its rate to 35% from 1 January 2023.
- The government will consult stakeholders over the coming months as part of a review of the UK's long-term tax treatment of the North Sea after the Energy Profits Levy ceases.
- The government will introduce a new, temporary 45% Electricity Generator Levy from 1 January 2023.
- The government will proceed with a new nuclear power plant at Sizewell C with contracts to be signed in the coming weeks.
- An energy efficiency task force will be established, backed by £6 billion in new funding. It aims to support the UK to reduce its energy demand from building and industry by 15% by 2030.

Freight crossings and international aspects

The latest Department for Transport (DfT) freight statistics show that in the 12-month period ending September 2022 a total of 3.22 million trips were made from Great Britain to Europe. This represented 2% more than the previous 12-month period. It was however 6% lower than the average of the years 2015 to 2019.

- 2.05 million (2.04m in 2021) were powered vehicle
- 1.17 million (1.11m in 2021) were unaccompanied trailers

While powered vehicle crossings increased by 1% it was the unaccompanied trailers that continued the upward trend with a 6% increase and up 17% on the 2015 to 2019 statistics.

Poland stays out in front, however with 419,313 movements it saw a reduction of 27,090 and that equates to a loss of 9%. Meanwhile, UK operators were down by 19% to 228,961 trips. The most popular disembarkation point was France (again), with 1,717,667 trips, but this was a loss of 6% with Denmark, Germany and the Netherlands making gains. The Dover Strait is still the biggest route at 1,658,374 trips but this represents a 6% reduction. Unaccompanied trailer movements are most popular disembarking from the Netherlands at 485,940 (+10%).

Where unaccompanied trailers are concerned the disembarkation points are:

- North Sea 72.2% (771,724) +6%
- Irish Sea 23.7% (253,638) -11%
- English Channel 2.4% (25,558) +23%
- Dover Strait 1.7% (18,591 (-17%)

The Traffic Commissioners warned operators in their annual report of several high-profile cases where trailer suppliers (including those based offshore) were avoiding responsibilities to ensure safe operation of trailers on GB roads. The lack of adequate arrangements regarding regular and frequent brake testing has been a prominent failing. The potential impact on British roads is significant and the traffic commissioners felt the need to issue several warnings regarding this to companies involved in this type of third-party trailer operation. They say that, for the avoidance of doubt, operators providing traction-only services to third-party trailers are responsible in law for the condition of that trailer when in use.

International road freight by UK registered HGVs in 2021 decreased compared to 2020

- 20% less goods lifted at 5.2 million tonnes
- 15% less goods moved at 3.3 million tonnes

Whilst export declarations had been required from January 2021, the Goods Vehicle Movement Service (GVMS) was used primarily when goods were moved under the 'Transit' regime. From the start of 2022 though this was extended with the introduction for traders moving any goods to the UK to have a full customs declaration at the point of importation and pay relevant tariffs; delaying declarations was no longer possible.

This also meant that the Goods Vehicle Movement Service (GVMS) was used for vehicles travelling in both directions. Inevitably, there were 'teething' problems and early confusion as traders, agents and hauliers got to grips with the new systems, this persisted for months, and it was fortunate that the New Year was a quiet time generally for haulage operations. This left queues though, at Sevington in Kent and Calais in France had a similar situation which was mainly due to 'errors' surrounding the customs declarations.

Economic indicators

Key statistics

	2019	2020	2021	2022	Source
GDP%	1.4	-11.3	6.5	4.2	Autumn Budget & Spending Review
RPI%	2.6	1.2	6	14.2	ONS (October data)
CPI%	1.8	0.6	4.2	11.1	ONS (October data)
Employment (millions)	32.8 (3.8)	32.5 (4.6)	32.2 (4.9)	32.7 (3.7)	Autumn Budget & Spending Review
Wages and salaries %	3.5	0.1 (-0.9)	4.3	5	ASHE survey all sectors (private sectors)
Total HGV op costs at 44t	+1.88%	-1.28%	11.7%*	19%*	RHA
Total HGV exc fuel	3.85%	2.77%	11.76%	11.60%	RHA

* This is the annual average fuel price to the end of September and is not reflective of the recent trend which pushes the fuel inclusive total to 16%

There are still more customs processes to come in 2023 which relate to the importation of POAO Products of Animal Origin (POAO) and Sanitary & Phytosanitary (SPS) checks.

Dover TAP was frequently used in January and February, as Storm Eunice made itself known causing further channel crossing delays. Then March saw the terrible situation where P&O Ferries owners chose to sack all their regular staff and redeploy with far cheaper agency crew which led to further still inevitable crossings and freight chaos. The BROCK barrier was deployed mid-March, to support Dover TAP through the P & O issue. Because it was deployed, this meant that all freight vehicles heading for the channel were forced to use the M20 so that should BROCK needed to go active and freight held between junctions 8 & 9, it would already be flowing that way. Any freight vehicles found to be in the wrong place were issued with fines.

P & O went operational again on 28th April, but some freight operators were reluctant to use them and those using the port were still experiencing some related hold ups. The BROCK barrier continued in place through the Easter period and on until after the summer holidays. It was finally removed from the M20 over the first weekend in September. Meanwhile, Dover TAP is still in use, as required for Port traffic.

Separately, from late May, operators of vans over 2500kg (MAM) travelling into the EU, Iceland, Liechtenstein, Norway and Switzerland were also now required to have an international operator licence along with operators of vans or indeed cars towing trailers where the travel was for 'hire and reward'. Regulation yes, but also an added expense in challenging times which will have ceased this type of operation for some small operations.

Containers

At the beginning of November, the Maersk shipping group warned that the there had a been a slowing of demand for transport and logistics with the recession clouds gathering. That demand has shrunk by 2% to 4% and is expected to continue into 2023. So, it is true to say that the container market is very difficult right now. In fact, in mid-November there were articles highlighting that the capacity has shrunk so far that shipping rates into Europe from the Far-East for 40-foot containers can now be arranged for $1800. Compare that to previous reports since COVID when rates were in five figures!

Members are now reporting being asked for rate reductions when it comes to container haulage even when actual costs are quite literally soaring to record highs. This is a sign of the weak market conditions and will not bode well for the future when the country begins to come out of recession as demand eventually increases. The question is, will there be adequate UK drivers and vehicle combinations to cope quickly if firms react by downsizing?

In the UK, port worker strikes have caused issues especially for regional hauliers. Felixstowe has had significant impact on a lot of businesses, Liverpool has arguably had a more severe impact however, on a smaller number of businesses. The rail strikes have also caused a lot of disruption, ironically it has helped road haulage as cargo still needs to move.

Congestion & on road facilities

Eco protesters have caused chaos this year, notably in recent protests around the M25 where daily road closures (by the police) meant members were contacting to us as they were losing money and getting frustrated at not be able to go about their legitimate business. We are debating what possible action could be taken there. The country requires a road network that enables free movement but also has facilities for truck parking that are secure and where drivers can take breaks or rest.

The daytime HGV charge for the M6 toll increased from £12.60 to £14.20 this year – that's 12.7%. This didn't stop the toll road seeing an increase in HGV usage though and Midland Expressway (MEL) explained that for August and September they had seen HGV traffic grow up to 51%, it's best since 2019.

Another toll increase was announced in January 2022 when the Mersey Tunnel published that from April, a 44-tonne artic would pay £5.60 on the fast tag account up from £4.80 (16.66%) or cash/card at £8 from £7.20 (11.11%).

RHA Facilities Campaign and aims

1. Secure more lorry and coach parking
2. Improve the standard of driver facilities
3. Establish RHA as a leading advocate for increasing and improving driver facilitie

In late October we launched our call for planning reform to increase the quality and availability of lorry parking. This is because we estimate there is a shortage of 11,000 overnight lorry parking spaces – forcing truckers to park in laybys, industrial estates, etc. These of course, have little to no access to toilets, showers and food.

Developers are keen to open new facilities for drivers but planning bureaucracy gets in the way. We're calling for reform of the National Planning Policy Framework (NPPF) to cut red tape and make it easier for developers to open those much-needed facilities for our drivers.

RHA proposes that the Framework should be amended to reflect regional and national need for lorry parking – not just local, reduce distances between facilities, and defined with driver welfare as a priority. Better facilities would likely help attract new talent to driving roles.

Recently, the government announced funding to improve truck stops which is welcome but new facilities are VITAL. The government say they are opening a matched funding grant scheme in an aid to improve driver facilities. Truck-stop and service station operators can now apply for these funds from the £32.5m pot that was announced last year.

Richard Smith, RHA managing director said: ***"We're pleased to see that service station operators can apply for grants to improve facilities for drivers – the standards at many truck stops are poor so it's right that the Government has shown this commitment.***

"But thousands of truckers every night are still left without safe and secure places to park.

"Simplifying planning bureaucracy would help firms develop new sites quicker, which would boost local economies and offer truckers the facilities they deserve."

Logistics

It is said that 2.54 million people work in the haulage and logistics industry while the 2022 Traffic Commissioners' Annual Report details that 1.57 million people (2021 1.46m) are employed in the transport and storage sectors themselves which makes it the UK's fifth largest employer and as the saying goes, without trucks you get nothing. Logistics operations, like many other sectors have had to adapt and evolve since COVID crippled world economies and movement throughout 2020. Working from home became a sudden culture change which brought with it the requirement for increased business to consumer deliveries whilst downsizing more traditional volumes to stores and many businesses. Online retail and parcel carrier operations expanded exponentially but also struggled with the demands place on them.

There has been a strong appetite for warehouse space, and new builds are slowing. According to Savills, warehouse rents have risen by an average of 16% since the start of 2022 and are expected to rise by 25% by 2026. With vacancy rates currently at record low levels – the UKWA suggesting a figure of 3% - and not expected to rise dramatically, coupled with rising demand across many sectors, especially e-commerce and parcel companies, it is no surprise that rents are expected to rise significantly.

These rent increases together with a labour shortage and record vacancies with increased energy costs are a perfect storm for warehouse operators. The continued effects of COVID and the current cost of living crisis is likely to result in further demands on warehouse space because of lower retail sales. This will, in turn see increased storage rates charged by warehouse operators.

The School of Marketing, in a mid-year report advised that transport and storage business failures have risen by 14% having studied ONS government data. Our sector was mid-rated at 8 of 16 in performance terms with 78 company failures per 100. This was, however, an improvement from 89 during COVID.

In early January 2021 the Prompt Payment Code (PPC) overhaul came into effect, however in November 2022 a SAGE report suggested that 40% of SMEs are still consistently paid late. Payment with all modern means should be far easier and timely, larger companies are quite frankly using their smaller partners as their overdraft facility.

Each year though, we look at the recently released Motor Transport Top 100 report as it gives an outline of what is being achieved in the market by the top UK logistics firms. In 2020, pre-tax profits were reported at a dismal 1.51% (hardly surprising), last year was better (3.4%) and the 2022 figure recently reported has improved to 5.2%.

Turnover to appears to have doubled, up from 4.16% to 8.9%. Their report does describe how some of the increases have come from the creation of larger firms due to acquisitions.

While this all sounds good news, the recent evidence is one of a softening market now and even in the middle of the peak which is not a good sign, indicating the tough times ahead. How soft? The peak obviously is a busy period, and Barclaycard recently commented that Cyber Monday had seen a 5% increase of spend on last year however while internet sales may be good hospitality as another example is having a worrying time. Compared to pre-pandemic levels, peak is maybe only 20% up compared to an expectancy of 30%. SME members, who are our core membership, highlight this with examples such as a lack of backloads and sub-contract opportunities at this point in the year along with the pressure on their rates.

Waste management members reported good business up to September. However, the energy costs are cripplingly expensive as this is a high energy use sector with lots of plant machinery, the loss of red diesel tax advantage and the increase in wages for staff especially for pickers. They were thankful for the Autumn Statement energy help like many others are wary of the future. Tanker members have expensive kit, often they require extra training and/or qualifications for their drivers and again the front eight months were good. Eco protesters have caused them operational disruption in many instances this year including criminal damage. The tank container operators are in stiff competition while road tankers face demand issues coping with spikes as the number of smaller sub-contractors diminishes.

The coach sector has recovered somewhat from the dark days of COVID non-use. Sadly, this is because PCV operators' numbers have decreased by around 10% since the pandemic. Commercially, most operators are heavily impacted by the dire shortage of PCV drivers which affects their ability to trade or maximise vehicle use, again consequently, there are less coaches available for customers, so rates, fortunately have improved.

In general, operators are working smarter not harder, maximising available staff so at this stage for many they are in a better trading position although concerns about the recession impacting the leisure sector/resorts/attractions/events etc are of obvious concern as the coach industry is intrinsically linked to these. Costs inflation and supply chain issues concern them like others.

Skill shortage

The skills shortage in haulage is nowhere near as acute as last year when we had estimated the UK driver shortage 80,000. However, it is a far from resolved situation and driver supply is still tight but improved pay, and more testing is helping. Various educational routes to HGV licence acquisition made this possible. Productivity though is an issue in many (most) sectors where vehicles are being laid up due to not enough driving staff or a lack of experience. Dealing with the day-to-day demand is generally being met but holiday cover and seasonal peak will continue to be sticking points. The softening market may mask the shortage for a while more but firms who have not invested in good employment practice, training regimes, driver school and other measures may find themselves in operational difficulty.

Continuing the driver issue, the IRU has recently published a paper on the European driver shortage issue. The growing chasm between retiring and new drivers is set to triple the rate of unfilled truck driver positions, to over 60% by 2026, and increase by more than five-fold for bus and coach drivers, to almost 50% by 2026. Without action to make the driver profession more accessible and attractive, Europe could lack over two million drivers by 2026, impacting half of all freight movements and millions of passenger journeys. It is clear the driver requirement is more than a domestic one, it is European and global too.

However, as alluded to previously there is more than just a driver shortage, there is also demand for more driver trainers which affects the training time. In the wider logistics sector, there are approximately 50,000 warehouse operative posts and maintenance is a real issue with fitters and mechanics in short supply and high demand too.

Skill funding guide

In November, RHA launched a Skills Funding Guide which sets out options for operators across the UK to help them understand what works best for them. It features advice on apprenticeships, traineeships, bootcamps, recruitment incentive support, regional government funding, and more.

We had also proposed a skills levy for England, a reform of the Apprenticeship Levy. This is because levy funding can only be used for apprenticeships of at least 12 months duration, a format that is inflexible and fails to meet the needs of many employers. We are still waiting for the Government DCPC reform although we understand this is now completed. It was due by June this year following a review process announced in November 2021. RHA responded to consultation in January 2022 which included this telling paragraph:

A comment from an operator that was repeated by others, ***"every year we lose at least 2-3 drivers who use it as a milestone for retirement. If made simpler, it could entice them to maybe work a little longer to retirement."***

This highlights the impact of Driver CPC on retention of experienced, older drivers.

Bootcamps

In late August the Government confirmed that the HGV Skills bootcamp, a scheme which has been developed to support an increase in HGV driver training, had been extended into next year. Originally, this was only a one year offer for 2021 to 2022, but the one-year extension now gives people the opportunity to gain Level 2 qualifications which will prepare learners for HGV licence acquisition of all vehicles up to category C+E (articulated).

Rod McKenzie, Executive Director of Policy and Public Affairs, said at the time: "This is great news for the logistics industry and a major victory for the RHA which has been calling for the bootcamps to be extended into 2023. It will pave the way for thousands of lorry drivers to come into the industry and tackle the continuing HGV driver shortage.

"However, there needs to be a permanent option for training providers. Providers have had to create new courses, which requires investment, and they need the assurance that these will continue beyond 2023. These courses can be funded long-term by reforming the apprenticeship levy, to include other approved funded training schemes. We also urge the Department for Education to open the training for Cat D licences, to help with the bus and coach driver shortages, this could easily be incorporated."

RHA Environment campaign and aims

1. Champion the move towards net zero vehicles and technology
2. Help our members make the journey towards net zero
3. Reduce our carbon footprint

Government must back low carbon fuels as an interim on the road to Net Zero. This is the point made by the RHA environment lead, Chris Ashley. The RHA has published a third update to its environment policy paper 'Eliminate – Minimise – Offset'. In it, we set out our view on how the journey to decarbonise the commercial vehicle fleet is progressing and our thoughts on what the next steps should be.

We know that members want to reduce carbon emissions now, but we also know that the barriers to introduce electric or hydrogen-powered vehicles – such as vehicle availability and the lack of infrastructure to power these vehicles – are immense. Whilst we resolve those issues, we have asked the government to unequivocally back the use of low carbon fuels such as HVO, compressed natural gas (CNG) or liquid natural gas (LNG). Whilst not completely zero emission, these fuels can substantially reduce carbon emissions now and, in some instances, be used as a drop-in fuel within an existing fleet.

We also know however that members are understandably nervous about investing in these fuels for fear of ending up with a 'stranded asset'. Additionally, compared to diesel, the availability of these fuels is very low and at present a higher cost. This is where government backing is essential and, until now, has not been as forthcoming, as we would like to give our sector the confidence it needs to invest.

Earlier this year, the government promised to publish a Low Carbon Fuels Strategy by the end of this year, to address these concerns of industry. We intend to pursue this with the new team of ministers by making two arguments.

- Appropriately sourced low carbon fuels should be seen as a positive interim step to take on the decarbonisation journey.
- Low carbon fuels will provide resilience whenever power outages occur that prevent electric vehicles from being re-charged.

Power outages

Storm Arwen back in 2021 provided a timely reminder of the prolonged disruption that occurs whenever power outages happen. Currently, it remains to be seen what new ministers think about low carbon fuels. The focus within government up until now has been on how the country implements zero emission vehicles. To an extent, that is understandable and using low carbon fuels must not detract from that agenda.

However, the new prime minister has also commissioned a Net Zero Review with a remit to consider how the costs of decarbonisation borne by industry and consumers can be minimised.

Rebate

We believe this presents another opportunity for the government to look again at low carbon fuels which, if accompanied by a fuel duty rebate to incentivise uptake, offers a viable way to decarbonise the commercial vehicle fleet. Meanwhile, we will also continue to play our part to accelerate the introduction of zero emission vehicles. To complement the government-funded trials under way, we seek to reach out to the vehicle manufacturers to get these vehicles into the hands of our members so that they can be tested in real-world conditions.

Traffic Commissioners' annual report

The Traffic Commissioners for Great Britain (TCs) are independent and are sponsored by the Department for Transport to promote safe, fair, efficient, and reliable passenger and goods transport. This is via effective licensing and regulation of these vehicle type's use. Their report recognises that it has been a difficult year again for goods vehicle and PSV industries, with costs increasing and shortages affecting all operators. To this extent, they acknowledge the hard work of compliant operators in keeping GB roads as safe as possible.

Last year we advised that the Senior Traffic Commissioner's Statutory Document No. 2 on finance had been updated to reflect new financial standing levels in January 2021. Those rates are now fixed in legislation and will not be subject to any further alterations without amending legislation. The link below gives an updated document where the values have not changed however additional categories have been added for certain vans / trailers / cars combinations on hire and reward international work. **Link to Statutory Document No.2 directions (Sept 2022)**

Financial Standing Requirements – Standard and International Operator Licences

Licence type	**Vehicles**	Heavy goods vehicle (HGVs)	**Public service vehicles (PSVs)**
International	**First HGV vehicle**	£8,000 or £1,600 for each light goods vehicle	**£8,000**
	Each additional HGV vehicle	£4,500	**£4,500**
	Each additional light vehicle	£800	
Standard	**First HGV vehicle**	£8,000	**£8,000**
	Each additional HGV vehicle	£4,500	**£4,500**
Restricted	**First vehicle**	£3,100	**£3,100**
	Each additional Vehicle	£1,700	**£1,700**

Total Operator licences and associated vehicles (incl. community licences)

The Department for Transport (DfT) statistics on the total number of licenced HGVs (axle and tax configuration) for 2021 and released in May 2022 advise there were 428,050 (UK) and 406,856 in GB. Using the GB figure as a comparison with the TC (GB) operator licencing information (below) it indicates a gap of 27,954 vehicles above 3.5-tonnes between those registered with operators and those that are, for example available on hire fleets. The table in question though (VEH0524), has been marked for review. With the intention to revamp the information published on goods vehicles over 3.5 tonnes by combining the current set of 6 tables into a more useful format.

Traffic Commissioner data on operator licences and vehicle numbers

Number of goods vehicle operators licences (associated vehicle numbers in brackets)	**Restricted**	**Standard National**	**Standard International**	**Total**	**Certified copies of European Community Licences**
2017-18	37,514 (95,282)	**26,682** (199,575)	**8,351** (83,619)	**72,547** (378,476)	32,433
2018-19	36,475 (94,661)	**25,940** (195,342)	**8,348** (83,572)	**70,763** (373,575)	33,174
2019-20	35,542 (93,207)	**25,160** (189,223)	**8,281** (80,200)	**68,983** (362,630)	33,791
2020-21	35,505 (92.196)	**25,091** (192,831)	**8,932** (84,260)	**69,528** (369,287)	34,421
2021-22	35,381 (93,305)	**25,428** (197,331)	**9,510** (88,266)	**70,319** (378,902)	34,676

O-Licences 2022 v 2021	**down 124**	**increase 337**	**increase 578**	**increase 791**	
Vehicles 2022 v 2021	increase 1,109	increase 4,500	increase 4,006	increase 9,615	

Northern Ireland – Goods vehicles operator licences & vehicles

Number of goods vehicle operators licences for Northern Ireland (associated vehicle numbers in brackets)	**Restricted**	**Standard National**	**Standard International**	**Total**
2019/20 Q4	**3,165** (9,041)	**362** (1,992)	**1,828** (10,692)	**5,355** (21,725)
2020/21 Q4	**3,219** (9,137)	**359** (1,955)	**1,878** (10,880)	**5,456** (21,972)
2021/22 Q4	**3,276** (9,157)	**358** (1,990)	**1,953** (11,308)	**5,587** (22,455)

Driver & Vehicle Standards Agency (DVSA)

DVSA issued updated Categorisation of Defects guidance in September this year which lists numerous 'safety of load' issues one of which is that two straps would now be required per IBC unless other mitigating measures were taken.

Earlier in the year, DVSA advised that HGV driver test figures had improved dramatically. Their statistics were that between 1 January and 31 March they carried out 11,197 more lorry tests than the same period in 2020. The actual 2022 figure for that quarter was 26,391 tests. This hasn't stopped us pressing for more help in the sector though and there has been a lack of booking slots, something which we have raised and continue to have concerns about.

DVLA

In May, the DVLA claimed the turnaround in paper licence applications had returned to "normal" but at the same time it said that there were significant delays in processing medical-related applications – with the backlog not cleared until September 2022.

According to the Agency, all services were now operating within normal turnaround times and drivers should allow 4 weeks for new documents to be sent if applying by post.

HSE Fee for Intervention

The HSE charge rate for 'Fee for Intervention' increased once again from 1st April 2022, from £160 to £163 (1.9%) for a one-year period. This fee is subject to annual amendment.

RHA survey on movement of costs

% Total Cost 25.09.21	Cost Category	% Price Movement in period	% Total Cost 30.09.22
11.96	Vehicle Depreciation inc. interest	18.88	12.06
0.34	Road Tax	0.00	0.28
2.86	Insurance	5.00	2.53
29.96	Driver Employment Costs	10.10	27.73
6.68	Repairs & Maintenance	10.00	6.18
2.53	Tyres	10.50	2.21
18.08	Overhead Costs	10.00	16.72
2.27	Trailer	15.00	2.19
74.52	**Total**		69.89
24.74	Fuel	39.20	28.95
0.74	Additive	86.00	1.16
100	Total = Fuel + Other Costs	18.96	100

Cost Category	PPL Cost	Percentage Movement
2019 Fuel ppl (Average over 2019 (60/40)	102.71	0.81
2020 Fuel ppl (Average over 2020 (60/40)	90.61	-11.78
2021 Fuel ppl (Average over 2021 (60/40)	100.53	10.95
2022 Fuel ppl (Average over 2021 (60/40)	139.95	39.20

Results and tables produced by RHA/Apprise Consulting following the 2022 costs survey to members held in early October up to the end of September.

The overall percentage increase for 2022 based on our own member survey is 11.6 percent, **excluding fuel**. Once fuel is included, this increases to 19 percent. We separate the two because many firms or work streams operate on fuel escalator basis. However, too many smaller operators either cannot or do not address the massive variations in fuel via this method.

We use a blended year average based on the price of bulk (60%) and card rate (40%) up to the end of September.

The 44-tonne cost model demonstrates annual costs of £138,796 excluding fuel and additive. This is an increase of £14,401 on the previous year.

Including fuel and additive gives the total annual costs for the 44-tonne are £198,581 with fuel at average price of 139.95ppl to the end of September

Increases in the individual aspects involved in operating a truck are detailed and highlighted in grey with the adjusted cost percentages for our 2022 model in the right-hand column.

Full details of the calculations can be found in the 2023 cost-tables document which is prepared by Apprise Consulting and as ever members should carefully use their own workings to ensure costs are covered before attempting to apply any profit margin. Fuel pricing is volatile and where possible should be separated as an indexed cost linked to a fuel mechanism so that this can be dealt with on a frequent basis. Failure to adopt this will mean loss of fair revenue.

Vehicle and depreciation: 20 percent (trailer 15 percent)

Commercial vehicles and trailers continued the heavy price increase scenario of last year and once again the time taken to fulfil an order is long. Some members reported as early as April that manufacturers had closed their order books for the year and delivery was 18 months.

Some manufacturers had plants in Ukraine either for build or parts scenarios so this was a disruptor, but Russia was a good market for vehicles and with orders there being released it should have meant more build space for the rest of Europe.

The price of steel has greatly affected vehicle and trailer builds especially for example where car transporters are concerned. Young second hand values are strong due to the new build time lag from order to delivery.

One help is that the Chancellor recently announced that the Annual Investment Allowance would now be at £1 million allowance on a permanent basis.

VED + LEVY: 0 percent

The HGV Levy remains suspended until 31 July 2023 at which point it will be re-introduced after originally going into suspension during and because of COVID hardship from 1 August 2020. The levy will apply to heavy goods vehicles of 12 tonnes gross vehicle weight or more. It is specific to an HGV and a typical EURO VI VED & Levy combination would be approximately £1,200 per annum.

Insurance: 5 percent

Insurance costs have increased by 5% compared to last year. Our model suggests this was £4,776 up to £5,015 for general haulage rather than any specific sector. There was little mention from members regarding insurance this year apart from the individual percentage movements.

Driver employment costs: 10.1 percent

Many firms report the shortage of 'trampers', with day shifts appearing to be the preference for the majority as workers want a more balanced work/life situation. If this continues, then how haulage operates will need to change.

Typically, members either caught up with pay increases last year and have offered small increases this year or they did not increase significantly last year and have had to do so this year. Not all the 10.1% increase is down to pay awards, it is cover, National Insurance increases, training and in some cases agency cover. The recent hike in the National living wage increasing next year by 9.7% to £10.42 will add tremendous pressure to van and rigid HGV rates at the lower end of the pay scale.

Members who did use agencies reported average increases between 10 - 12.5% with some reporting 30% plus. The driver shortage issue itself is discussed under 'skills shortage'.

"We publish an annual survey regarding employee remuneration within the haulage industry and this is due to be published early January where we will look further into the driver role and related pay."

Repairs and maintenance: 10 percent

Members have complained to us long and hard this year about poor quality work and delays with servicing and this includes main dealer scenarios.

We have R&M costs at £12,271 following the 10% increase from £11,155.

Tyres: 10.5 percent

Some members had sent examples of increases applied this year and in many cases increases came at several times in the year indicating increases way above what we finally took as the average position.

Like most goods, tyres can require global shipping where there have been inevitable increases in costs in this area. Tyres for many markets have been scarce too this year, affected by the price of oil, rubber, carbon black and steel.

Overhead costs: 10 percent

Once again overheads increases were large, members were also clearly concerned about the prospect of massive extra energy costs, but this was alleviated to some extent when business was given a 6-month stay during the period that Kwasi Kwarteng was briefly Chancellor. Increases include administration staff wage and NI increases, cleaners, IT systems, telephone systems etc. The cost of building repairs and maintenance too and quite often with delays due to demand for such work.

Diesel exhaust fluid (DEF): 86 percent

Better known by the trade name AdBlue, there has been tremendous difficulties this year procuring this liquid additive that is essential to the operation of the modern EURO VI diesel engine.

AdBlue is based on ammonia mixed with carbon dioxide to produce urea. Ammonia though is generally used for several purposes, not only for the AdBlue production. The main use of ammonium is for fertilisers in agriculture and so it competes for use although the automotive grade is superior and must be used to create a product to ISO22242. If a lesser grade is used there are potential serious issues with vehicle warranties.

The production of AdBlue uses a lot of energy and with gas prices so dramatically steep some production was simply shut down. Principle areas of urea production are both Ukraine and Russia (something like 40%) so this has put added strain onto other areas globally. Supplies are coming in from China but that is suffering from slow container movements. Various EU plants temporarily ceased production or reduced volumes earlier this year including Yara plants in Ferrara (Italy) and Le Havre (France) reducing their European capacity to 45%. Along with this, in Germany (SKW Piesteritz) the biggest urea/ammonia plant stopped production in August with reports it was selling off the last of its AdBlue stocks.

The net result was enormous increases and many suppliers only selling to established customers. AdBlue can be purchased as a distress purchase at the forecourt, but the price will have a serious mark up. The 1000 litre IBC will probably be typical for most members and larger users will have bulk AdBlue pumped into their tanks. The price range is wide, and in our report, we have increased the annual cost from £1234 to £2295 as 6% of fuel use. Our AdBlue inflationary position is an 86% increase to 92ppl (IBC). The percentage of overall operating cost for the DEF element was 0.74% in our December 2021 report, now this has increased to 1.16%. Unfortunately, it remains a key requirement for the modern diesel engine.

Fuel: 39.2 percent

Fuel increased beyond all reasonable expectation this year because of the invasion by Russia of Ukraine. This had a profound and instant effect from 24 February as countries scrambled to pull out or reduce their reliance on Russian oil and diesel (plus other distillates). In normal times the UK imported between 18-25% of its diesel supply direct from Russia. Losing this in the space of a few weeks caused massive supply strain and globally prices shot up. Our fuel survey showed peak price was mid-June at 160.81ppl ex-vat for bulk diesel. The average until the end of September in a 60/40 mix of bulk and card prices was 139.95ppl.

Forecourts were accused of price gouging and not passing on the 5ppl fuel duty cut from the then Chancellor Rishi Sunak on 23 March, which led to a Competition Markets Authority (CMA) investigation at the request of the then Secretary of State for Business, Energy and Industrial Strategy (BEIS), Kwasi Kwarteng on 11 June. It was completed and the forecourt sector effectively were given a clean bill of health on 8 July. However, it noted a need to take a deeper dive at refining activities with some preliminary commentary by Autumn 2022 but a full report in mid-2023. On 6th December CMA updated this with a view that in 2023, there has indeed been some evidence of 'rocket and feather' at the forecourt with margins taken on both unleaded and diesel increasing.

Around 5% of global refining capacity was lost, mothballed during the pandemic and maintenance issues along with the Russian/Ukraine situation has stretched the ability for global production. This is an ongoing concern and security of supply is both a national strategic issue but also something companies themselves need to consider.

As last year, we expect but do not yet know the exact biodiesel percentage increase in the calculation mix for a litre of diesel. Last year this added around 1.9ppl to cost and no doubt it will be similar at the start of 2023.

MPG in our model 44-tonne articulated combination is 8.3mpg over 75,000 miles. Fuel consumption is dependent on many factors including the vehicle, operation, geography, and load type. A skilled driver is able to make a positive contribution and will save companies money.

Fuel pricing forecasts 2023 and factors

The fuel forecast at the end of 2021 (the previous annual report), was clearly not remotely close in the end. This, of course was due to the situation dramatically changing when Russia invaded Ukraine late in February 2022. Prices, therefore, are expected to remain high with volatility assumed in early 2023 due to low global stock levels with refineries continuing to struggle with demand for petroleum-based fuels that on one hand are looking to be phased out yet at the same time are quite simply very much still required into the near future.

The following points need consideration:

Exchange rate: Oils and fuels are traded globally in Dollars and are then converted to Pounds for the UK market. At the start of 2022 the Sterling to US dollars exchange rate was 136 cents (Jan average). The October average was 113 cents. Working out using the exchange rate for Tuesday 8 November the exchange rate was 115.635 cents and **the differential between that and 136 cents (Jan) cost UK users just over 13.12ppl, simply because of the lower exchange rate.** This is on the wholesale rate not any applied margin nor VAT.

Fuel duty: In the Spring Statement 2022, the Chancellor cut 5ppl off fuel duty from 18.00 hours on 23 March 2022 for **12 months** in response to massive fuel cost increases. He also lowered red diesel duty from 11.14ppl to 10.18ppl however most sectors lost the right to use this for specific activities from the end of March. **At present we can only presume the fuel duty rate will return to 57.95ppl**

Renewable fuel transport obligation (RTFO) Bio: Each year until 2032 the percentage of biofuel added to make a litre of diesel increases.

This year the split is:
Diesel 88.28% (Oct $1209.98 per tonne)
Bio 11.72% (Oct $1748.43 per tonne)

Biodiesel increases in percentage each year under RTFO rules and in October it averaged 44.5% more than pure diesel. The two are mixed at the above rates to produce a litre and hence each year as the bio percentage increases so does the cost of a litre. In 2022, the increase was 1.9ppl approximately.

OPEC production of oil: In October OPEC+ announced production cuts to support prices. OPEC+ to a large extent can control the direction of oil pricing by restricting supply or opening the taps.

Predicting the future of fuel pricing is notoriously difficult and recent fundamental changes in the price of oil (-20%) along with the G7 imposed $60 cap on Russian oil with weak demand has led to prices for diesel tumbling.

At present we are on a par with pre-invasion wholesale rates even though forecourt pricing is still too high and slow to fall into line.

Large commentators in the finance markets still predict Brent for 2023 over $100, indeed, Goldman Sachs has recently reduced their estimate from $110 to $100 and the US Energy Information Administration (EIA) has predicted $92. It will only take China to seriously modify their COVID lockdown situation for growth to start in oil pricing.

However, based on the forecasted Brent rate for 2023 of $100 and the exchange rate at the current level:

- RTFO increase from 1 January 2023 at 1ppl (approx.)
- Fuel duty back to 57.95ppl (23 March 2023)
- The average could be around 140ppl ex-vat for bulk
- Likely to be at least a 10ppl variation to this though throughout the year

Quarterly fuel figures (bulk fuel)

	RHA Average Monthly Bulk Diesel Price ppl ex vat	Monthly rounded average exchange rate £ v $ (shown in cents)	Brent barrel price $	Diesel per tonne $
Oct-21	114.77	137	83.67	896.04
Nov-21	116.17	134	81.46	874.73
Dec-21	111.73	133	74.1	808.19
Quarter 4 (2021) Average	**114.22**	**134.67**	**79.74**	**859.65**
Jan-22	115.78	136	87.24	873.08
Feb-22	119.48	135	98.23	937.99
Mar-22	144.94	132	118.84	1,256.84
Quarter 1 (2022) Average	**126.73**	**134.33**	**101.44**	**1,022.64**
Apr-22	143.79	129	104.27	1,225.10
May-22	142.71	124	113.29	1,239.70
Jun-22	155.41	123	117.5	1,471.70
Quarter 2 (2022) Average	**147.30**	**125.33**	**111.69**	**1,312.17**
Jul-22	148.44	120	105.12	1,302.17
Aug-22	143.11	120	97.74	1,228.24
Sep-22	141.29	113	89.37	1,123.32
Quarter 3 (2022) Average	**144.28**	**117.67**	**97.41**	**1217.91**
Oct-22	151.03	113	93.59	1273.08
Nov-22	139.55	117	90.85	1117.84

RHA wins

We believe we are making a difference and that costs in some areas are reduced from our campaigning such as:

- Fuel Duty cut and Excise Duty Frozen
- Secured change in 28-day tacho recordings
- Oxfordshire postpones planes to expand Zero Emission Zone
- £52.5 million confirmed for improving driver facilities
- Sleeper Cab Allowance Scheme – extended
- New Skills Bootcamps for HGV Drivers - extended
- New HGV Driver Apprenticeships
- Increased Funding for HGV Apprenticeships
- Review of Driver Certificate of Professional Competence (DCPC)
- Extension of £3,000 incentive payments for HGV apprentices
- Tackling the Driver Shortage – 12-point plan
- Resumption of DVSA vocational testing
- Net Zero
- Manchester Clean Air Zone delayed and under review
- Burford lorry ban overturned
- Department for Transport consulting on exemptions to phase out of diesel HGVs
- Fuel rebate scheme introduced in NI

The future

The Government Energy Bill Relief Scheme is for all UK businesses and runs until the end of March 2023. There is a review underway to determine which sectors are eligible for support after the initial scheme finishes. Consideration is being given to a wide range of industries considering locations, supply chains, critical infrastructure, purpose of using the energy and the financial vulnerability of certain industries etc. Support is also being compared with other EU countries to take account of competitiveness. Transport is in great demand – the balance of availability is key.

- In recent days, ONS migration figures have shown that 381,459 people have been given the right to work in the UK over the past year. Most of these have been classified as sought after 'skilled-workers'. 170,000 of these appear to be heath and social care and another 140,000 other 'skilled-worker' definitions. Logistics certainly needs some extra workers to ease the current shortages across all sectors of haulage and logistics operations.
- Costing vehicles, what does the future hold for both new prices, alternative fuels, and residual values?
- At present, fuel duty was cut for one year so the expectation is that 5ppl will be added once more in March 2023.
- There is the OBR issue that there is in fact a potential 23% increase for fuel duty potentially on the table. This would take fuel duty from 52.95ppl to 65.13ppl
- Implementation of the RHA requested fuel rebate could lead to lower inflation

Cost Tables

This report highlights cost **movement** and provides a commentary on key issues. The figures are median averages and **are not the cost changes for an individual transport operator but an overall reflection of the market**. All companies are different, but any firm should bear in mind that various aspects of an individual job need consideration, such as time, distance and job-related costs (subsistence, tolls, escort vehicles, etc.), not to mention of course the addition of profit margin.

We also produce a **cost-tables** document as an example method, with updated information and a formula to allow operators to look at and model their own unique costs relating to their haulage operations.

Key points:

- Manage your costs
- Do not rely on per mile or per day only charging
- Use a fuel mechanism
- How to make a profit

The Cost Tables will be available to members via **www.rha.uk.net**

> It is pointless to rely on costs relating to another firm. A company can monitor basic shifts and trends of competitors, but they need to understand their own costs and from that work out where they need to be.


NO
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