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Dear Minister

Very many congratulations on your appointment as Exchequer Secretary. I am very much looking forward to working with you.

I am writing to update you on the industry's priorities as we approach the Autumn Budget.

From your own constituency in Faversham and Mid-Kent, I know you will be well aware of the vital contribution of the haulage industry to the UK economy and its critical role in supporting our finely balanced supply chains. We represent nearly 7,000 haulage businesses across the country as well as coach and van operators, campaigning on their behalf. Logistics is the lifeblood of the UK economy and is vital to the success and future growth of British industry.

You take up your role in challenging times as we experience acute labour shortages in some sectors of the UK economy, recover from the shock of COVID-19 and adjust to our exit from the EU. The road haulage industry is experiencing a period of significant pressure as we focus on delivering a resilient supply chain so that the public continues to receive critical goods such as food and medical supplies whilst grappling with an escalating shortage of HGV drivers.

In the upcoming Budget, we ask the Treasury to support the haulage sector and the thousands of small haulier businesses across the country who keep Britain moving. I outline below the key areas we need support on.

### **Fuel Duty**

Decisions taken by the Treasury on the Autumn Budget loom large for our members, the vast majority of whom are small businesses operating a fleet of less than ten lorries. They are operating on a low margin and already face significant cost pressures. Fuel duty is their biggest outlay and for this reason, we are asking the Treasury for a freeze in fuel duty. Our formal submission explains our case in detail, in relation to current pressures but we ask that Government commits to no increase in fuel duty for diesel for a further two years and enable hauliers to invest in new drivers, their training and cleaner road stock.

Supporting the economic recovery must be the Government's top priority. Any increase in fuel duty will undermine that priority, damaging the economy at a time when many businesses and households are struggling as we emerge from the pandemic and hitting the pockets of the nation's 37 million drivers. Independent research from CEBR estimates that a 3 pence per litre cut would add another £1bn to UK GDP, create at least 8,000 more jobs and reduce inflationary pressure significantly.

## **Driver Shortage**

As you will be aware, the haulage industry has been severely impacted by a shortage of HGV drivers. Today, we estimate the shortage of HGV drivers to be close to 100,000, affecting major retailers and critical supply chains including medical and essential freight which has been delayed or undelivered, and refuse and waste uncollected. We are seeing visible shortages on supermarket shelves and up to 20 per cent of menu items unavailable in the hospitality sector. With stock building in preparation for Christmas well underway for retailers, this issue is escalating fast.

Urgent intervention is critical to solving the short-term crisis we are in while we invest and train a domestic workforce. We are asking for HGV drivers across the EU to be allowed back to the UK temporarily. To enable this, HGV drivers should be added to the Shortage Occupation List. This will allow UK-registered transport operators to access a workforce that can live and work in the UK more easily and encourage those who have left to return. This does not undermine the ending of freedom of movement. It is a choice for the UK to make, post-Brexit.

The Government's recent announcement of allowing 5000 HGV drivers to come to the UK for 3 months in the run-up to Christmas is inadequate given the estimated 100,000 shortage of drivers. It barely scratches the surface of the urgent problem of Christmas deliveries and current supply chain difficulties. It is unlikely the UK will get more than a few weeks from any overseas driver once they have applied, been granted permission, and found somewhere to live in the UK, quite apart from leaving their current job. The short period of 3 months is also unattractive for drivers who are currently employed in their home country. The Government must urgently re-think the current approach to this escalating situation.

In the upcoming Budget, we ask Government to help address the driver shortage by investing further in skills and infrastructure.

## **Skills**

The skills shortage in the haulage sector is a significant issue which is now affecting critical supply chains. Apprenticeships are a vital tool in the recruitment of new drivers. Early figures show that there has been an increase in apprenticeships for LGV drivers this year in response to the driver shortage.

Our industry has contributed over £470m into the apprenticeship levy while only being able to draw down less than 10%. The levy is widely considered as a stealth tax on our sector and whilst we have many suggestions of how this can be improved so far, they have not been taken up.

The £3,000 incentive payment has helped to make apprenticeships within logistics more viable. Before the pandemic, it would normally take 6 months within the LGV apprenticeship for learners to pass their HGV licence. However, given the delays at DVLA and DVSA in processing provisional licences and availability of test dates, learners are waiting for 9 months until they have their licence. It means that apprentices are unproductive for a significant amount of time during the apprenticeship. The £3,000 incentive payment has helped cover this cost.

We ask that the Government continues to fund the £3,000 incentive payment for a further 12 months to allow logistics businesses time to fully utilise the offer.

We welcome the recent investment in Skills Bootcamps to train 5000 new HGV drivers which is an important first step in tackling the skills shortage. We understand this scheme has been set up as a

pilot and will end in March. We ask that sufficient funding is put in place to ensure this is a permanent addition to the list of Skills Bootcamps – it must be part of the long-term solution to the driver shortage.

### **Infrastructure Investment**

It is a fundamental need for the UK economy that goods can be moved to meet the needs of people and businesses in an efficient and predictable way. Current levels of congestion result in unpredictable and longer journey times, undermining productivity, and the competitiveness of the UK economy.

As you know, we have a severe shortage of lorry parking. Current provision of safe, secure parking and welfare facilities available to goods vehicle drivers is inadequate. Drivers need appropriate places to rest, sleep and eat. In 2018, the Department for Transport identified a 3,000 space a night shortage on the Strategic Road Network - nationally, we consider there to be a shortage of around 11,000 lorry parking places.

The lack of available facilities on our road network makes recruitment and retention of drivers much more difficult. The Chancellor should maintain and extend commitments to long-term investment in the road system – on the strategic road network, the major road network, and other major local roads.

We ask that the Chancellor supports improving the provision of safe, secure parking and welfare facilities available to goods vehicle drivers by providing ring-fenced funding for local authorities for designated lorry parking. The Designated Funding provision in Road Investment Strategy 2 (RIS2) for Lorry Parking on the Strategic Road Network must be ring fenced. All road improvement schemes need to include lorry facilities and parking provision from the outset.

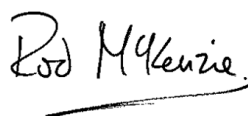
### **Annual Investment Allowance**

The Annual Investment Allowance is being reduced from £1 million to £250,000 on the 1 January 2022. The problem our members are facing is that new equipment is being severely delayed by vehicle manufacturers. Orders for new lorries are currently being cancelled and re-orders are now not possible until the middle of 2022.

We ask that the Annual Investment Allowance of £1 million is extended for the duration of 2022. This will support industry recovery and allow businesses to invest more effectively in newer, more efficient vehicles.

It is our view that there has never been a more challenging time for this industry. I look forward to working in partnership with you and your team on the issues I have highlighted. I will ask my office to work with yours to find a time to discuss these issues in the near future.

Yours sincerely



Rod McKenzie  
Managing Director – Policy & Public Affairs