Spring Statement Submission

February 2022

The Road Haulage Association (RHA) is a major trade body and training provider representing 8,500 road haulage, coach, and van operators across the UK, 85% of whom are small and medium-sized enterprises (SMEs). Our members operate around 250,000 HGVs (half of the UK fleet) out of 10,000 operating centres and range from a single-truck company to those with thousands of vehicles.

We have set out below our priorities ahead of the Spring Statement.

Foreword

The road transport industry is experiencing significant pressure as we emerge from the pandemic and one year on from the UK's departure from the EU. Decisions made at the Spring Statement, and the Budget later this year, loom large for the industry, the vast majority of which are small businesses operating a fleet of less than six vehicles.

The industry has faced incredibly difficult pressures over the past two years from shortages of drivers, vehicles and parts combined with increasing wage, fuel, and energy costs. Despite severe financial challenges, hauliers across the country have remained focused on delivering a resilient supply chain, which was vital to our national response to the pandemic.

Government must focus on sustainable, long-term growth and competitiveness and address labour shortages and cost pressures including rising energy prices and high inflation. As Ministers pursue their net zero priorities, coherent regulations which support asset values and minimise costs to SMEs are also vital. The logistics sector employs 2.5 million people and contributes £127 billion GVA to the UK economy. It is the lifeblood of the UK economy and is vital to the success and future growth of British industry.

In the upcoming fiscal statement, we ask the Chancellor to support the sector and the thousands of small haulier businesses across the country who keep Britain moving through the following measures:

- Commit to no increase in fuel duty for diesel for a further two years.
- Introduce an essential-user rebate for lorry and coach operations (this effectively brings fuel duty to German levels) for the next five years
- A one-year delay to the red diesel rule changes, with a phasing thereafter to account for the current economic circumstances
- Address the acute labour shortages by allowing greater flexibility with the Apprenticeship Levy, allowing businesses to buy training modules with their levy funds
- Continue HGV skills bootcamps, maintaining funding to this training scheme as an alternative to apprenticeships.
- 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.
- Provide increased funding for lorry parking facilities to plug the acute shortage

Fuel Duty

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.

The costs of operating a 44-tonne HGV have increased by 17% in the past year.

As the global oil price and demand for fuels increases, we have near record diesel prices compounded by an 18% increase in driver wages. To add to this, in April there is the loss of the red-diesel rebated fuel.

Independent research demonstrates that a reduction in fuel duty would lead to more growth and job creation. 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.

Our core asks of Government on Fuel Duty rates are:

- The Government should commit to no increase in fuel duty for diesel for a further two years.
- The Government should introduce an essential-user rebate for lorry and coach operations (this effectively brings fuel duty to German levels) for the next five years; that would be a rebate of around 15 pence per litre for road haulage and coach operators.
- A one-year delay to the red diesel rule changes, with a phasing thereafter to account for the current economic circumstances
- The Government should incentivise the move to clean fuels by motivating industry and entrepreneurs to develop technologies that will not impact adversely on the economy, drivers, or businesses. It is essential that the Government guarantees that diesel vehicles can continue in use after the new vehicle bans are put in place without fines, penalties of extra charges based on the fuel used. If this is not done it will undermine investment in new vehicles.

The Government should consider in future Budgets how they are to replace the loss of Fuel Duty revenue without increasing it for the world's already highest taxed drivers. A fair and equitable solution is needed to replace the £35bn of Fuel Duty and VAT. All road users, whatever their vehicles, must pay to use our roads and highways, irrespective of their chosen 'fuel' technology. The tax take from the operation of diesel commercial road vehicles should not be increased above current levels by any new road user charging schemes.

With the Government's extension of unlimited cabotage movements of HGVs for up to 14 days in the UK, foreign hauliers are at a competitive advantage given they pay no fuel duty while operating here and the wages paid to their drivers are far lower than those paid to UK drivers. This temporary measure is due to end in April and we do not support its extension.

Skills

The skills shortage in the road transport sector is a significant issue which continues to affect supply chains. There has been a shortage of HGV drivers in the UK for several years, however the pandemic, coupled with the UK's departure from the EU, created an acute shortage. Today, we estimate there to be an 85,000 shortage of drivers. We cannot train the drivers we need overnight.

Skills policy is not set up to deliver the workforce for the future to meet economic demand. Our industry has contributed over £650m into the apprenticeship levy while only being able to draw down less than 10%. Many levy payers are unable to fully utilise funds. Greater flexibility is needed with the Apprenticeship Levy, allowing businesses to buy training modules with their levy funds, not just full apprenticeship qualifications.

There are significant labour shortages across many sectors. By expanding the apprenticeship levy to allow levy funds to be used for other approved schemes that better suit certain jobs, this will widen access to potential UK workers

Our core asks of Government in relation to skills are:

- Given the success of the HGV skills bootcamps, we need to maintain funding to this training scheme as an alternative to apprenticeships. This scheme is due to end in March 2022.

- Greater flexibility on the types of training that employers can offer using Levy funds: moving beyond 'just' apprenticeships to a mix of apprenticeships and other recognised training that better meets the needs of businesses and employees across skills levels 2 – 5, for example.

- The National Skills Fund should be opened up to all levels of training and cater for the many occupations that require training to start from foundation level.

- Apprenticeships must be more adaptable with short and long programmes provided dependent on what that specific training requires. For example, the core learning within the apprenticeship could be delivered in a shorter timeframe for those who have previous driving experience, such as couriers or service leavers who already have an HGV licence. Being able to use levy funds for this kind of upskilling would be beneficial to all road transport businesses.

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. Road freight has increased by 20% since the pandemic. Current levels of congestion result in unpredictable and longer journey times. This leads to waste and undermines productivity and the competitiveness of the UK economy.

The move to net zero vehicles means that investment in roads does not undermine the drive towards net zero. It is vital for the economy, and ultimately the environment, that investment is maintained.

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 National Planning Policy Framework does not sufficiently support local authority planners to grant permission for new and expanded lorry parks.

The lack of available facilities on our road network makes recruitment and retention of drivers much more difficult.

As we move towards net zero, lorry parking facilities will become an essential part of the charging infrastructure for battery electric lorries.

Our core asks of Government on infrastructure investment are:

- 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.

- The Government guidance in the National Planning Policy Framework needs to be strengthened to make it easier to secure planning permission for lorry parking facilities, including mandating local authorities to provide enough facilities and overnight parking for lorries to meet demand.

- We ask that the Chancellor supports improving the provision of safe, secure parking and welfare facilities available to goods vehicle drivers by providing more 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. We welcome the £32.5m announced in the Autumn Budget for upgrading driver facilities, however we are still awaiting this to be allocated to specific sites.

HMRC Overnight Subsistence Allowance

There is currently a tax-free overnight subsistence allowance which is available to employed lorry drivers. The rate is £34.90 per night. This allowance is payable by employers when drivers have to spend the night away from home. The cost of meals is included in the overnight rate. Where drivers have a sleeper cab, 75% of the allowance (£26.20) may be paid. This covers costs such as meals, laundry, and showers.

We are asking for a roll-over of the current agreement followed by a review in 6 months to obtain a revised nightly rate that reflects current pricing. We also want the ability for drivers to purchase food for the week at a supermarket rather than having to make daily purchases. The urgency of resolving this given rising cost pressures cannot be underestimated. We also ask for coach drivers to have the same entitlement as lorry drivers to this allowance.

Closing Comment

Transporting people and goods is a fundamental building block for the economy and society. It is the core enabler of all economic activity. The logistics sector delivers in every circumstance including crises because it is flexible, adaptable and operates in a highly competitive market.

It is essential that we maintain that flexibility, adaptability, and competitiveness. To do so requires consistent laws and regulations that allow the sector to work and invest in a predictable way so it can continue to deliver for us all.

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