

RHA Briefing /

Spring Budget 2024 submission



Key recommendations:

In the upcoming Spring Budget on 6 March 2024, we ask the Chancellor to support the thousands of HGV, coach and van operators across the country who keep Britain moving through the following key measures:

1. Continue the freeze on fuel duty and maintain the 5p cut.
2. Temporary suspension of Vehicle Excise Duty on HGVs and the HGV Levy
3. An emissions-linked rebate on fuel duty on alternative fuels.
4. An essential user rebate on fuel duty for commercial operators.
5. Reform of business rates to support transport businesses operating warehouses.
6. Help businesses suffering from higher interest rates by extending full expensing to the cost of vehicle leasing.
7. Reduction in insurance premium tax which disproportionately impacts road transport operators due to the number of mandatory insurances.
8. Encourage training providers and colleges to offer heavy vehicle mechanic apprenticeships by increasing the funding band available to at least £23,000.
9. Reduce Employers' National Insurance for operators training new starters, allowing greater investment to upskill UK workers.

We have set out below further detail on our priorities ahead of the Spring Budget.

Hauliers are under significant financial pressure

The road transport industry is critical to the UK supply chain and economic growth. It is facing incredibly difficult pressures owing to rising vehicle, equipment and maintenance prices, higher labour costs, a skills shortage and insufficient infrastructure – leaving HGV and coach drivers without the support they need to carry out their work.

These challenges have placed severe economic strain on road transport businesses as evidenced by the following:

- Freight volumes are **down by 10% in 2023**.
- Operating costs for a typical 44-tonne HGV have **increased by almost 10%** (excluding fuel costs), based on the RHA's own survey of its member businesses. This is in addition to a **20% increase** in operating costs in 2022.
- The number of licenses for goods vehicle operators has **dropped from nearly 76,000 to just over 69,000** since 2014.
- The number of trips made by hauliers has **fallen by 6.16%** – 3,218,000 trips were made from Britain to Europe in 2022 compared to an average of 3,429,658 between 2015-19
- A record number (**over 450**) haulage businesses have collapsed in the last 12 months, **more than double** the number two years ago.
- Confidence in the logistics industry is now the second lowest on record, with **the level of demand a concern for 71% of operators**.
- ONS Labour Market Statistics show that from September 2022 to September 2023, the number of vacancies in the transport and storage industry dropped by 15,000.

Several well-known haulage firms have entered administration over the past few months including operators such as Knights of Old Group, Lloyd Milton, Lloyd Fraser, WH Barley, Magnus Group, Tuffnells and more.

In addition to ongoing cost pressures, there is a confusing patchwork of regulations that vary town by town and city by city, red tape at the borders, and the challenge of transitioning to net zero vehicles and fuel – all of which further impact haulage businesses across the UK.

Road haulage is an enabler of economic growth, and, in the current climate of severe cost pressures, operators need targeted support.

Increased costs in the logistics sector are passed on to the end consumer wherever possible, and where not possible, haulage firms risk business failure. Reduced costs on operators will help not just providers themselves but will also help reduce prices on basic goods and overall living costs for everybody.

The introduction of full expensing has been welcomed by business across the country, however the benefit extends only to businesses who have the reserves and liquidity to invest capital into their vehicles. For those companies who have no option but to lease their vehicles, interest rates now ten times what they were four years ago has dramatically increased their costs.

Any increase in fuel duty will impact the price of goods and vital supply chains. UK hauliers and coach operators already face a competitive disadvantage compared to the European market, with UK diesel prices at the pump significantly higher than the EU 27 average.

With the ongoing war in Ukraine and increased terrorist activity in the Red Sea leading to potential supply issues, the price of fuel is likely to remain volatile. Haulage firms can either absorb these costs, which in a business of such small margins is often difficult, or pass these costs on via a fuel escalator, which increases inflation.

An Essential User Rebate of at least 15ppl that would start addressing these gaps and act as an anti-inflationary measure.

Although wholesale prices have fallen at times, these reductions have not always been passed on to consumers, so we welcome measures to stimulate fairer and more competitive pricing via the Government's proposals for a new Pumpwatch scheme.

In the upcoming Spring Budget, we are therefore calling on the Government to focus on stability, long-term growth and targeted support to tackle the major challenges the road transport industry currently faces to ease cost pressures on operators:

RHA's recommendations to Government to reduce cost pressures:

1. **Continue the freeze on fuel duty and maintain the 5p cut.**
2. **Temporary suspension of Vehicle Excise Duty on HGVs and the HGV Levy**
3. **An emissions-linked rebate on fuel duty on alternative fuels.**
4. **An essential user rebate on fuel duty for haulage firms**
5. **Reform of business rates to support transport businesses operating warehouses.**
6. **Help for businesses suffering from higher interest rates e.g. extending full expensing to the cost of vehicle leasing.**
7. **Reduction in insurance premium tax which disproportionately impacts road transport operators due to the number of mandatory insurances.**

Plugging the skills shortage

The skills shortage in the road transport sector is a significant issue which continues to affect supply chains. Although the investment in HGV skills bootcamps has helped to reduce the HGV driver shortage, there is a significant lack of bus and coach drivers and heavy vehicle technicians.

It is important to note that road freight volumes have decreased over the past five years. Given the economic implications of the pandemic and the Ukraine-Russian War, there has been turbulence in the overall economic activity of UK-registered HGVs. Domestic road freight activity has fallen in the UK from Q1 2021 to Q1 of 2023 by approximately 10%. An upturn in the economy would lead to greater skills shortages and pressures on the HGV driver workforce.

The skills bootcamps play an important role in providing a shorter training route to relieve skills shortages. However, apprenticeships will continue to be crucial for those occupations that require more in-depth training.

The number of colleges and training providers running apprenticeships such as heavy vehicle technicians have been in significant decline in recent years. It is vital that apprenticeships are funded to their true cost to prevent more leaving the marketplace.

RHA's recommendations to Government on skills:

- **Reform the Apprenticeship Levy into a wider Skills Levy for apprenticeships and approved vocational courses, such as Skills Bootcamps.**
- **Extending the skills bootcamps to include bus and coach licence training and entry level heavy vehicle technician training such as tyre fitting and vehicle inspections.**
- **Open up the National Skills Fund to all levels of training and cater for the many skilled occupations that require foundation and intermediate level training to take up entry level roles which are vital to economic growth.**
- **Give a 10% uplift to all apprenticeships that have not seen increases since 2017.**
- **Encourage training provider and college take up of heavy vehicle mechanic apprenticeships by increasing the funding band available to at least £23,000.**



A planning process which enables logistics operations and roadside facilities

Drivers need secure facilities where they can park, eat, relax, and sleep – the very basics which we all take for granted. Driver facilities across the country are significantly below acceptable standards. Nationally, the RHA estimates an 11,000 shortage of lorry and coach parking spaces. Commercial vehicle drivers are the backbone of our economy yet every day they are up against a lack of safe and secure parking and in some cases, are forced to take their rest periods in their vehicles at the side of the road with no access to hygiene facilities.

This issue is compounded by the fact that freight crime is on the rise. In 2022, there were over 5000 reported HGV, Freight, and Cargo crimes and in 2021, £71.4 million worth of stolen goods from HGVs was recovered. Freight crimes range from threats and attacks on drivers (with 20% of registered HGV drivers having experienced this) to theft, as lorries and their trailer loads are often very valuable. Drivers are often working alone, working long shifts, and travelling late at night, which criminals target and exploit for their financial gain. As freight and cargo are crucial to our national infrastructure, blockages and thefts have the potential to severely disrupt supply chains.

Coach travel is also often affected by a lack of parking bays and facilities in city centres and near to tourist attractions and lack of suitable drop off points. Furthermore, the National Planning Policy Framework does not sufficiently support local authority planners to grant permission for new and the expansion of

existing lorry parks. This is because the current guidance is too narrowly drafted for it to be fit for purpose. The lack of available facilities on our road network also makes recruitment and retention of drivers much more difficult.

RHA's recommendations to Government

- **The National Planning Policy Framework needs to be strengthened to make it easier to secure planning permission for lorry and coach parking facilities, including mandating local authorities to provide enough facilities and overnight parking for lorries to meet demand.**
- **Provide 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 provisions from the outset.**
- **Establish a cross-departmental taskforce to review existing driver facilities and work with industry, operators, and local authorities on a viable long-term solution to increase available facilities across the country.**



Support businesses to cut their emissions now with low carbon fuels

The market for zero emission commercial vehicles, particularly HGVs and coaches capable of long-distance journeys, is far behind the personal vehicle market. Businesses who wish to take steps to reduce their carbon output currently have limited options to do so.

Current government strategy treats low carbon fuels and the road to net zero as two separate, distinct policy areas, whereas for the road haulage industry they are part of the same picture. The role of low carbon fuels in decarbonisation and achieving net zero both now and in the future should be recognised.

Whilst zero emission technologies are developed, low carbon fuels allow operators to reduce CO₂ emissions by up to 90%. However, the cost per unit of low carbon fuels is higher than its

diesel equivalent, giving operators little incentive to switch to fuels that can decarbonise transport now. Currently the same level of fuel duty is applied to these fuels as fossil fuels; we believe the Government should consider altering this position in order to make cleaner fuels more affordable, allowing businesses to make a real positive environmental impact now.

RHA's recommendations to Government

The Government should provide a fiscal incentive through an emissions-linked rebate to encourage a move to low carbon fuels, such as HVO.



Net Zero

The industry knows the part it has to play in the move to net zero; companies are not afraid to invest in the future, but the risk of stranded assets and the problems of low supply significantly increase the risk for hauliers and coach operators, who are predominantly small businesses. The continued cost-of-living crisis also makes it difficult for businesses to afford to invest in expensive and new technologies, without the proper available support.

Through fleet replacement and the Euro VI engine standard, nitrogen dioxide (NOx) emissions have already dropped 76% since 2013. The market for Euro VI commercial vehicles is now maturing to a point where these cleaner vehicles are a viable choice for the majority of businesses. However, the same cannot be said for zero emission vehicles, where the infrastructure is not in place to allow the introduction of such vehicles at the scale required.

Current Clean Air Zone (CAZ) policy gives a large amount of discretionary power to local authorities to establish restrictions on vehicle movements. While the principle behind CAZs is one we support, decisions are being made in some areas that are based on idealism and dogma rather than scientific and market realities. The premature introduction of zero emission zones (ZEZs) must be avoided until a mature second-hand market of qualifying vehicles is in place - this is so that small businesses can afford to buy these vehicles. We predict the earliest date where ZEZs can be introduced is 2037.

We call on the Government to ensure that environmental policy takes all relevant factors into account, including economic

sustainability, and does not seek to punish an already struggling industry that is crucial to our economic and environmental prosperity.

RHA's recommendations to Government

- **Support our vital small businesses as they plan their net zero investments, ensuring there is a realistic timescale and regulatory certainty for the phase-in of low and zero emission vehicle technologies.**
- **Commit to creating a commercial vehicle decarbonisation roadmap that supports investments and accommodates the diverse nature of haulage and coach operations.**
- **Accelerate investment in the infrastructure needed to power zero emission lorries and coaches.**
- **Perform a review of Clean Air Zones and their effectiveness in improving air quality - with a commitment to learning the lessons from their implementation and ending schemes where appropriate levels have been met.**
- **Put in place measures to prevent local authorities introducing charges designed to incentivise the uptake of zero emission vehicles before the vehicle market can deliver.**



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.

About the RHA

The Road Haulage Association (RHA) is a major trade association 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



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RHA