



RHA

RHA submission to HM Treasury

Autumn Budget 2026

Foreword

The mantra of the new government has been about kickstarting growth in every postcode. Road transport performs that function in every part of the UK. HGVs, coaches and vans are not simply moving goods and people around the country. They connect manufacturers to markets, workers to jobs, visitors to destinations, construction to development and businesses to their customers.

If we want more housebuilding, better infrastructure, thriving high streets, increased exports and stronger regional economies, then we also need the transport and logistics capacity to support them.

Road freight moves 81% of all goods and 98% of agricultural and food products, underlining the sector's critical role in keeping the UK supplied. Yet transport operators continue to face significant increases in employment, insurance, vehicle, maintenance and compliance costs, alongside a growing tax and regulatory burden. Additional costs on road transport ultimately feed through to businesses and consumers, hampering growth.

This Budget must be about creating an environment that reduces the cost of doing business, eases the cost of living and gives hauliers, coach operators and van businesses the confidence to invest, grow and plan for the future.

Fuel is a significant operating cost for transport businesses. The delay to the planned rise in fuel duty in September created much needed breathing space for businesses and consumers. However, the industry continues to face record insolvencies and is set to be impacted by a triple whammy of increases in fuel duty in January, March and again in April 2027. **The government must provide additional breathing space and cancel these planned increases. Road transport businesses on thin margins cannot survive three tax increases in four months.**

Creating a realistic pathway to decarbonisation must also form part of this Budget, with incentives for businesses to use alternative fuels to reduce emissions, which can be supported through fuel duty rebates to make alternatives to diesel more financially viable.

Growth is about investing in the things that matter which is why we are concerned about plans to cut £428m from the road investment strategy (RIS3). Reliable roads, strategic investment, local road maintenance, safe and secure driver facilities and the energy infrastructure needed for future fleets should not simply be viewed as costs. They are investments in productivity, connectivity and growth.

Trading internationally is a crucial part of the growth story. The government must restart funding for the Single Trade Window to simplify international trade for businesses and undertake an impact assessment of the Entry Exit System (EES) to determine the real impacts across the supply chain, and how we can work together to address them.

A key part of economic growth is employment. The government is right to focus on NEETs, and we ask that the right flexibilities in the skills system are created to support them, including ensuring Growth and Skills Levy funds can be spent on short modular courses. The HGV skills bootcamps were an effective way to get people into the sector, particularly crucial as driver recruitment remains an issue for many in the HGV and coach sectors. A return to national funding of this scheme should be considered to boost economic growth.

To retain drivers in the industry, we must ensure their health and wellbeing are properly supported. Crucial to this is having safe and secure parking, and facilities to help provide comfortable rest breaks from driving. This is why the National Highways Designated Funds in RIS3 cannot be seen as an easy way to deliver savings, as this is a crucial element to supporting roadside facilities and the vital workers who use them.

This is an opportunity to create a Budget that backs the businesses that keep Britain moving - the trucks moving our goods, the coaches moving our people and the vans supporting businesses and communities

every day. Devolution, whilst providing much needed powers locally, must also recognise that logistics operates across boundaries and that different systems across cities in the UK, such as clean air zones and direct vision standards, add in complexity and ultimately cost.

When road transport works well, the wider economy works better. This Budget must support the businesses that enable the economy to thrive. Growth is ultimately built from keeping the UK moving.

Summary of RHA budget recommendations

Summary of RHA budget recommendations
Continue the freeze on fuel duty and introduce an essential user rebate for commercial vehicles
Freeze the HGV Levy and maintain the VED holiday for HGVs to reduce cost pressures on the industry and wider economy
Introduce a fuel duty rebate linked to emissions reduction to encourage the use of low carbon fuels that can reduce emissions from the conventional diesel fleet by up to 90%
Reverse the planned cuts to RIS3 of £428m and reinstate the cancelled schemes. Confirm the funding mechanism for the Lower Thames Crossing.
Restart funding for the Single Trade Window to simplify international trade for businesses and undertake an impact assessment of the Entry Exit System (EES).
Fund HGV skills bootcamps on a national basis and make the Growth and Skills Levy open to supporting short modular choices to get people into logistics.
Ensure that National Highways Designated Funds in RIS3, used to support driver facilities, are not cut as part of cost saving plans.

Reducing cost pressures and regulatory burden

An increase in fuel duty would put further pressure on consumer prices, both through higher fuel prices and through increased supply chain costs.

The freeze in fuel duty since 2011 has constrained consumer prices and boosted household spending. Any decision to end this freeze would be a significant concern for the road transport industry, which remains heavily reliant on diesel while affordable zero-emission alternatives are not yet available at scale.

Economic research commissioned by the RHA has assessed the wider impact of fuel duty increases on UK households, including the effects across different expenditure groups and income levels.

The research found that a 5p increase in fuel duty would increase overall consumer prices by 0.3% and increase annual household living costs by £1.9 billion. Over the course of the Parliament, this would represent a substantial additional cost to households.

The impact would be felt both directly through higher prices at the pump and indirectly through higher costs across supply chains. A typical motor vehicle owning household would spend around £100 more each year following a 5p increase in fuel duty, with costs continuing to accumulate over subsequent years.

Fuel is also one of the largest operating costs for hauliers, accounting for around a third of running costs for an average 44-tonne HGV. Average annual fuel costs are currently around £60,757 and a 5p increase in fuel duty would add approximately £2,325 per year to the operating cost of an HGV travelling 85,000 miles.

Road haulage is a highly competitive, low-margin industry, with average margins of around 2%. Operators therefore have very limited capacity to absorb additional taxation, meaning increased costs will ultimately need to be passed through the supply chain.

This comes alongside significant cumulative cost pressures facing operators, including higher employment and insurance costs, increased enforcement penalties, Clean Air Zone charges, the Direct Vision Standard in London and increasingly complex border and regulatory requirements, such as the introduction of the Entry/Exit System.

Fuel duty is also regressive, with lower-income households that use vehicles spending a greater proportion of their income on fuel than higher-income households.

There is also a question over whether increasing fuel duty represents an effective long-term means of raising revenue. As the vehicle fleet becomes increasingly fuel efficient and transitions towards zero-emission technologies, the tax base for petrol and diesel will inevitably decline. Revenue gains from higher rates will therefore diminish over time.

Independent CEBR analysis indicates that 62% of the initial annual revenue raised by a 5p increase would disappear within five years and 84% within 15 years. A 5p increase expected to raise around £2.8 billion initially would generate approximately £2.59 billion in the first year, falling to around £1 billion after five years and just £0.4 billion after 15 years¹. Fuel duty increases would therefore raise costs for households and businesses, put further pressure on inflation, weaken economic growth and increase costs for the haulage industry, while providing diminishing returns to the Exchequer. The RHA urges the Government to maintain the fuel duty freeze and support the competitiveness of the road transport sector.

As things stand, there are set to be three increases in fuel duty in the first four months of 2027:

- **1st January 2027:** 3ppl
- **1st March 2027:** 2ppl
- **1st April 2027:** Uprating by RPI

This triple hit on prices is unsustainable for the road transport sector. To provide breathing space as companies go into 2027, we call on the government to abandon these increases and to de-link future increases from RPI. We know that rising fuel prices in themselves have an inflationary impact, so tying increases to inflation could have a spiralling effect on the whole UK economy.

An Essential User Rebate

UK hauliers and coach operators continue to face a significant competitive disadvantage across the European market. UK diesel prices at the pump remain considerably higher than in many other European countries and are also above those in major economies including Germany, Japan, Canada, the USA and China.

An Essential User Rebate would bring the level of taxation per litre on diesel closer to that in the Republic of Ireland and significantly reduce the competitive disadvantage faced by UK commercial vehicle operators compared with their European counterparts. While a rebate of 15ppl would not offset all the additional costs faced by hauliers, it would provide meaningful support to mitigate rising operating pressures and help reduce inflationary impacts passed through to consumers.

1 Sources: CEBR analysis (2024); Full Circle Economics Report (2025); RHA Annual Costs Survey.

Using data from the Department for Business and Trade and the Office for Budget Responsibility, we estimate that an Essential User Rebate would cost the exchequer a £1 billion per year, compared with a much lower cost of a freeze in fuel duty.

There is clear precedent for the Chancellor to introduce an Essential User Rebate. The existing Bus Service Operators Grant (BSOG) provides a rebate to bus operators to recover a proportion of their fuel costs, based on fuel consumption. Similarly, the Rural Fuel Duty Relief scheme demonstrates that the Government is prepared to intervene where fuel duty places a disproportionate burden on motorists and businesses.

Our recommendation to Government is that it introduces an Essential User Rebate of at least 15ppl for all hauliers, HGV operators and coach operators. For businesses fulfilling nationally important roles that currently have no viable alternative to diesel, this would provide much-needed support, protect consumers from further cost pressures and strengthen the competitiveness of the UK logistics sector.

Recommendations to Government

- Maintain the freeze on fuel duty. Reverse plans to increase fuel duty in early 2027 and decouple future increases from RPI.
- Introduce an essential user rebate to support the road transport sector, mirroring support seen across Europe during the Middle East crisis.
- Freeze the HGV Levy and maintain the VED holiday to reduce cost pressures.

Supporting the transition to Net Zero

We know our sector must play its part to decarbonise. However, the cost of decarbonising the HGV fleet is estimated to be £100bn and presents a formidable barrier. Currently, there are around 1,100 UK-registered electric HGVs on our roads out of a UK-fleet of 495,000 lorries with no registered hydrogen-powered HGVs on UK roads. We are also guided by the forecast set out in the Climate Change Committee's Seventh Carbon Budget on how zero emission HGVs will replace their diesel equivalents to meet planned climate objectives.

Whilst there has been welcome progress to introduce zero emission HGVs and coaches into fleets, structural issues over how the transition is financed persist. To accelerate the transition to Net Zero, the Government has an opportunity to be much bolder in supporting road transport businesses, especially micro-businesses.

To this end, we welcome the £1bn of additional funding announced in March 2026 split across the Depot Charging Scheme and Zero Emission Truck Grant to help operators invest in zero emission HGVs. We ask that the Zero Emission Truck Grant is extended to allow coach operators invest in zero emission coaches. This builds on the £200m investment by the Government in the Zero Emission and Hydrogen Infrastructure Demonstrator (ZEHID) to provide essential research and development support into how battery electric and hydrogen fuel cell lorries perform.

However, the unknown residual value of the future zero emission fleet is a significant risk for both operators and the finance industry to underwrite. We commend the work of the Green Finance Institute (GFI) to develop a Residual Value Guarantee Blueprint to address this and urge that the Government adopts the GFI's recommendations to implement this. According to the GFI, a "£10 million (\$13.5 million) reserve for RVGs could mobilise over £228 million (\$338 million) in additional capital for BETs [battery electric trucks]". We also believe other innovative ways of how the transition can be financed should be considered, including how our sector can access capital from the National Wealth Fund.

Meanwhile, our Future of Fleets report, published in June 2025, reflected findings from a recent industry-wide Net Zero survey, highlighting the very real challenge of meeting the UK's Net Zero targets. 70% of HGV operators, 75% of coach operators and 56% of van operators reported having no plans in place to introduce zero emission vehicles into their fleets, with operators across the different vehicle modes consistently ranking lack of range on electric vehicles vehicle mileage and cost as the main barriers preventing them from doing so. This is a stark reminder that Net Zero must be commercially viable and significant additional support and investment is needed if planned new diesel phase-out targets for HGVs and vans are to be met.

Whilst we welcome the financial commitments signalled by the Government to support our sector's investment in Net Zero, the vehicles that transport our goods and passengers on UK roads must ultimately pay for themselves.

Incentivising the take up of low carbon fuels

The RHA believes we cannot wait for a perfect zero emission solution. In the interim, the use of low carbon fuels such as hydrotreated vegetable oil (HVO) should be promoted.

Whilst zero emission solutions such as battery or hydrogen-powered vehicles are developed, low carbon fuels offer an interim solution that help HGV and coach operators to reduce CO2 emissions from existing fleets by up to 90%.

The supply of low carbon fuels for road transport use in the UK is currently very low due to a lack of refuelling infrastructure and high cost. In 2025, HVO constituted 1% of the UK fuels market, with CNG and LNG together constituting 0.52%. This compares with diesel (54%) and petrol (34%).

Recommendations to Government

- Continue funding support for the Depot Charging Scheme and extend the Zero Emission Truck Grant to include coaches.
- Introduce a fuel duty rebate linked to emissions reduction to encourages the use of low carbon fuels that can reduce emissions from the conventional diesel fleet by up to 90%.
- Work with the road freight industry on how it can access the National Wealth Fund to invest in zero emission vehicles and infrastructure.
- Accelerate investment in the energy infrastructure needed to power zero emission HGVs and coaches.
- Government support for schemes such as a residual value guarantee and credit risk guarantee should be considered, to enable HGV and coach costs to be brought down.
- Creating a parity for the VAT rates for EV charging would also further incentivise a switch to electric vehicles.

Infrastructure investment to deliver growth

For the economy to grow, we need a road network to help facilitate the truck, van and coach sectors which keep the country moving.

Around 25% of the economy falls within four strategic road network (SRN) reliant sectors: freight and logistics, primary materials, manufacturing, and construction. These sectors contribute an estimated £410 billion to the UK economy (2.5 times the value of the SRN itself), creating 7.6 million jobs. By 2050 this is forecasted to grow by 41% to £578 billion Gross Value Added (GVA) and 8 million jobs. The freight and logistics sector alone contributes an estimated £127 billion of GVA. Elsewhere, the coach sector alone brings in an additional £14 billion of GVA. The economic significance of enhancements on the SRN is therefore immense and makes it indispensable for industries dependent on timely deliveries, including retail, manufacturing, and agriculture.

The Government should safeguard, and where possible increase, investment in the SRN as a critical enabler of economic growth. At a time when the Government is rightly focused on delivering economic growth in every postcode and improving productivity, reducing investment in the network risks undermining these objectives.

This is at a time of rising demand for the SRN. The Department for Transport is forecasting up to a 55% increase in traffic by 2040 and up to 85% in congestion levels. Congestion accounts for 16% of the current cost of running an HGV due to lost productivity and missed opportunity. It is estimated that 35% of HGVs trips will be delayed in 2050 without mitigation. It is hugely disappointing to see cuts to the Road Investment Strategy (RIS3) which will undermine economic growth. Transport Focus' 2025 Coach and Logistics Operators survey revealed that only 36 percent of road freight operators are satisfied with the strategic road network, with a similar number dissatisfied. While coach operators were slightly more positive overall (42%), the vast majority are dissatisfied.

The quantum of funding announced for RIS3 originally was £24.9 billion for the five-year period which compares with £27.4bn for RIS2, representing roughly a 10% cut. We note that when including separate funding for the Lower Thames Crossing, the funds are comparable, although it does not change the fact that funding has not kept up with inflation. The removal therefore of £428m is another step in the wrong direction and adds to significant concern within the industry that the issues of congestion and reliability on the SRN are not being taken seriously.

The RHA therefore urges HM Treasury to protect the RIS3 settlement and maintain a meaningful programme of network enhancements alongside essential maintenance and renewals. While the condition and resilience of the existing network must be protected, maintenance alone cannot address the capacity, congestion and connectivity challenges facing the UK. Enhancements unlock private investment, support regional development and create substantial economic activity across construction, manufacturing, logistics and professional services.

Recommendations to Government

- Ensure the original funding for the RIS3 period remains protected.
- Safeguard funding for continuation of the National Highways Lorry Parking Facilities Improvements Scheme (£22m for 2026-2029).
- Confirm funding mechanisms for Lower Thames Crossing to provide certainty for this crucial infrastructure project.

Roadside facilities

Plans to reduce capital funding within RIS3 by 2% poses significant questions. This capital funding includes the Designated Funds used by National Highways to transform driver welfare facilities and lorry parking sites. Nationally there is an estimated 11,000 lorry parking space shortage, while dissatisfaction with UK roadside facilities remains high at around 62%, according to Transport Focus. It is therefore concerning that funding is being removed which could make improvements in this vital area.

Recommendations to Government

- Safeguard funding for continuation of the National Highways Lorry Parking Facilities Improvements Scheme (£22m for 2026-2029).
- Ensure any changes to the Designated Funds in RIS3 do not lead to cuts to support for roadside facilities.

Plugging skills shortages

The skills shortage in the road transport sector is a chronic issue that continues to affect supply chains. There is still a significant shortage of HGV and coach drivers, which is compounded by an ageing workforce. The industry is also struggling to recruit and train vehicle technicians to ensure the safe operation of vehicles. The long-term viability of road haulage and coach is dependent on recruiting and training a new generation of skilled workers.

HGV drivers are central to our industry. In 2021, the driver shortage crisis highlighted the imperative of managing the demand for HGV drivers. Since 2021, the economic downturn has resulted in a reduction in freight movements and has shielded the sector from further driver shortages.

RHA analysis shows that the sector will need over 60,000 new HGV drivers each year for the next five years to maintain supply chains. This driver demand is due to an ageing driver workforce which will see a significant number retire over the next five years and an expected upturn in the economy. A significant number have retired from driving in recent years and DVLA data shows that over 117,000 HGV drivers did not renew their Driver Qualification Card (the best indicator of the number of active HGV drivers). It is vital that there is an increased focus on training new drivers to ensure the resilience of our supply chains. With only 1.6% of drivers under the age of 24, there is a significant difference in the age profile of HGV drivers compared to the working population.

Logistics businesses have struggled to make the HGV apprenticeship work with less than a 40% achievement rate. In contrast, the HGV skills bootcamps have seen a 70% completion rate. The short course is better suited to learners gaining their licence, however if this route was linked to the Growth and Skills Levy the outcomes could be further improved by ensuring a job upon completion.

We support the continuation of the HGV driver skills bootcamps. The original funding allocated for the HGV driver bootcamps was £34 million, however no further funding was allocated this year. HGV driver bootcamps were oversubscribed when first launched and have continued to be the preferred funded training route.

Unless greater flexibility is introduced across all sectors and a wider range of shorter, modular training options is made available, no changes should be made to the current apprenticeship levy payment structure. The £3 million payroll threshold is now beginning to affect many smaller businesses, due to cumulative salary increases over the past eight years. Reducing this threshold any further would place additional financial strain on SMEs, who are already facing significant cost pressures from recent increases in the minimum wage and employer National Insurance contributions. In the current climate, expanding the levy's scope without addressing these issues risks undermining the very businesses the apprenticeship system aims to support.

Recommendations to Government

- The HGV skills bootcamps funding should be reinstated on a national basis to ensure the resilience of the future HGV driving workforce and supply chains.
- Retain the Growth and Skills Levy at current thresholds. Business recruitment costs have increased due to rises in Employers' NI and the minimum wage. Raising levy payments or changing thresholds will negatively affect workforce planning.
- Continue the reforms of the Growth and Skills Levy and expand the Apprenticeship Units to entry level heavy vehicle technician roles such as tyre fitter and trailer inspections and offer a unit for HGV and coach driver training.
- Ensure that the funding bands for the heavy vehicle technician apprenticeships keep pace with the cost of running the course, especially in light of new zero emission technologies.

Boosting trade

International trade is another crucial element to delivering economic growth, making up over 60% of the UK's GDP with a value approaching £2 billion per annum.

Whilst the export of services is at an all-time high, annual goods exports remain down 13% on their 2022 peak. As strong growth in imports of goods and services (6.3%) continues to outpace growth in exports (3.7%), reducing the UK's £5.5 billion trade deficit can only be achieved by delivering a better trading environment for the export of UK goods.

With UN Trade and Development finding global growth in the trade of goods up 12.5% year on year, the UK government must look to address the underperformance of the UK's goods exports, if it is to realise its goal of growth in every postcode including those that do not directly benefit from the UK's net export of services, including financial services.

Single Trade Window

The Government should urgently clarify its intentions and position on funding development of a Single Trade Window that can simplify processes for businesses including hauliers and deliver the digital trade system required to keep pace with future evolutions in how international trade works in practice.

Achieving the UK Government's welcome commitment to rebuilding a closer economic relationship to the European Union and aligning systems to achieve interoperability with the UK's largest single trading partner, will be made harder if the UK's pause in funding for the Single Trade Window means it falls behind on its ambitious reforms in this area, whilst EU Customs Reform continues to make progress.

UK road hauliers supporting international supply chains report frustrations in cases where it is unclear why an international goods movement is being blocked and which agency should be approached to achieve resolution. This exacerbates operational inefficiencies and delays. We therefore recommend a fully effective Single Trade Window should aim to facilitate quicker resolution of cases where goods are being held at the border.

Entry/Exit System

Since the UK left the European Union in 2020, all UK citizens, including HGV and coach drivers, are allowed to enter and work in the EU Schengen zone for 90 days out of 180. As few drivers are willing to do overseas work, this restriction has made it difficult for businesses to maintain their overseas operations without asking drivers to breach these limits. Inconsistent application of EES checks when UK-national professional drivers exit the Schengen zone risks disrupting international trade through inappropriate enforcement of alleged overstaying.

We have consistently called for a professional drivers' exemption from 90/180 rules to ensure that the HGV and coach sectors are exempt, allowing goods and people to flow more freely. For too long the government has ignored the real risk of negative impacts from EES, and we therefore call for an EES supply chain assessment to understand the impact on the sectors we support, such as the live events industry (such as music and sports), tourism, perishable goods, vehicle recovery, manufacturing and defence supply chains.

Windsor Framework

In Northern Ireland, we know that trade in goods from Great Britain does not flow as freely as it could, hampering economic growth and constraining the ability to fully realise the benefits of its unique Dual Market Access. The complexities of trading within under the Windsor Framework and its various schemes creates a high, dynamic regulatory bar for goods movements that can make achieving compliance confusing for prospective traders and costly for logistics providers. For road hauliers this means playing the role of educator for new and existing customers trading into Northern Ireland, whilst also investing time and resource in their own compliance capabilities within the context of a highly commercially competitive sector that strives for operational efficiencies.

The RHA supports the concept of a Trusted Haulier Scheme that recognises the burden placed on hauliers to operate within the Windsor Framework, and that incentivises meeting these standards with access to streamlined compliance processes and operational efficiencies.

Alongside work on the next phase of the Trader Support Service, the RHA encourages the UK and EU to deepen and accelerate exploration of how Trusted Haulier Scheme could deliver mechanisms that would serve to open the wider Northern Ireland economy to traders from Great Britain, better delivering on the promise of Dual Market Access.

Recommendations to Government

- Restart funding for the Single Trade Window.
- Investment in the road network around the Port of Dover to help support flows of HGVs, coaches and other vehicles.
- Undertake an Entry Exit System (EES) supply chain assessment, to understand the impact on the sectors we support, including live events such as music and sports, tourism, perishable goods, vehicle recovery and defence supply chains.
- To support the Windsor Framework, investment in a Trusted Haulier Scheme.

About the RHA

■ The RHA is the largest dedicated trade association representing over 8,000 HGV, coach, and van operators across the UK.

Our members are operators of vehicles who, between them, 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.

The UK road haulage sector is responsible for 81% of all freight movements and is directly involved in the transportation of 98% of all agricultural products.

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