

House of Lords EU Internal Market Sub-Committee
Request for Evidence from the Road Haulage Association on trade in non-financial services

4 October 2016

1. I would like to thank you for the opportunity to comment as per your request to us made on the 13th September 2016.
2. The Road Haulage Association (RHA) is the trade organisation for the commercial hire-and-reward sector of the road haulage industry. The RHA represents some 7,000 companies throughout the UK, with around 100,000 HGVs. Member fleet sizes and driver numbers varying from one vehicle and driver through to thousands. Membership includes many family-owned businesses as well as some large PLCs.
3. On exit of the EU the RHA wants any outcome to:-
 - Support the economy & growth,
 - Maintain free movement of goods vehicles in international transport,
 - Retain the ability to recruit drivers from abroad,
 - Maintain free flow through borders (customs).
4. The following is our response to your direct questions.

Q1. Please provide us with an overview of trade in your sector. Please include a summary of the significance of the sector to UK trade in services, including employment statistics (linked to trade if possible), the volume and balance of trade, value added and Foreign Direct Investment (FDI), and UK strengths and specialisations in the sector.

Road Haulage Association Response

5. The commercial road haulage sector is part of the wider logistics sector of the UK that includes transport, warehousing and distribution in all its forms. The logistics sector employs 2.2 million people and contributed over £90bn GVA to the UK economy in 2012¹. There are about 400,000 Heavy Goods Vehicles (HGV's) in operation with 76,000 operators².

¹https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/360931/14.10.02._SLMI_Logistics_Evidence_Report.pdf

² Domestic Road Freight Statistics, published 18 August 2016.
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/546346/domestic-road-freight-statistics-2015.pdf

6. Road haulage companies come in all shapes and sizes, from large multinationals such as DHL and XPO through to small operators with a single vehicle. Some parts of the market are very specialized, such as fuel transport, others are less so. In all cases, service providers are working in a very competitive market place which is focused on fulfilling customer demands.
7. The sector is largely concerned with enabling trade as opposed to being a direct driver of trade itself. Access to markets is critical for the efficient operation of the road haulage sector, which in turn is critical for those companies whose goods are being transported.
8. There are two distinct markets the committee will need to consider in the commercial haulage sector; these are the Domestic road haulage market and the International road haulage market.
9. The Domestic haulage market is dominated by UK based operators. These operators are licensed under a system of regulation that is a mixture of UK and European derived legislation. There are many UK licenced operators that are subsidiaries of international companies, this is quite common and there has been a substantial shift towards non-UK ownership compared with 20 years ago among large operators. Non – UK operators (those licenced in other EU Member States) do undertake some UK Domestic movements under EU derived rules that permit limited activity for non-resident EU operators (Cabotage and Combined Transport). Total HGV traffic undertaken by foreign registered vehicles has grown by almost 50%, from 3.3% to 4.8% between 2013 and 2015 - this market share includes both cabotage and international transport.
10. The International market is dominated by operators from other EU Member States. The most recent statistics³ show that market share for UK operators is just 12.4% of the total (283,000 movements out of 2,283,000 movements). The UK market share fell by 10% in 2015. It should be noted that some of these non-UK operators are subsidiaries of UK companies that have based themselves in other EU States to take advantage of lower costs.

EU and market access

Q2. How and to what extent does the EU facilitate enhanced market access for your business/in your sector? Is there a harmonised Single Market framework that

³ International Road Freight Statistics, published 18 August 2016.

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/546347/international-road-freight-statistics-2015.pdf

allows you full access to other member states' markets? If not, how (and how well) does the Single Market function in your sector?

Road Haulage Association Response

11. The Domestic road haulage markets in each of the EU Member States is not fully liberalised for operators from other EU Member States. There is partial liberalisation through "cabotage" rules that are allowed by Article 8 of EU Regulation 1072/2009. This permits limited activity by non-resident operators for up to 1 week after arriving in a Member State. Operators from other EU States can also work under the Combined Transport rules defined by Directive 92/106/EEC, but only if the operation complies with the detailed rules laid out.
12. The International road haulage market is fully liberalised within the EU for all EU operators with an International Operators Licence, there are no permits required or quota limitations. Any operator with an international licence from any EU State can undertake international road transport between any two EU States (for example, a Dutch lorry can transport goods between Italy and France without limitation).
13. EU rules underpin the much of regulatory regime for the operation of the commercial road haulage sector. This includes rules relating to market access, operator licensing, transport manager qualifications, driver licensing and qualifications, drivers hours and tachograph standards, vehicle standards and roadworthiness. There is a mixture of EU Regulation and EU Directives that have been woven into UK legal frameworks. There is significant co-operation between EU enforcement agencies that is underpinned by EU regulations and Directives. However sanctions against operators by regulators in other EU States are often ineffective in stopping sub-standard from continuing to work.
14. It is worth noting that within the international road haulage market there are wide variations between the running costs of vehicles from different EU Member States. Wages vary greatly between Member States, fuel duty rates vary, vehicle excise duties and operator licensing costs also vary significantly within the single market.
15. Over the past decade or so, the UK road haulage industry has lost not only market share of international transport but also absolute volumes. There are a number of reasons, including the weighting towards imports rather than exports and lower costs; but another factor is regulation and compliance. In what is a highly competitive industry, it is important that regulations are complied with. The more so when, in the case of road haulage, competing

firms are working alongside each other. The UK has no regulatory sanctions against non-compliant foreign hauliers other than low level fines and resource-intensive targeted and frequent stop-checks at the roadside (where if it were a UK firm, it would be ejected from the industry).

16. The single market also means that there is generally no customs paperwork applied to international road transport as it travels between EU States (no customs intervention at borders). There are core rules that apply to the paperwork that needs to be carried on board a vehicle engaged in international transportation. Some rules are EU based (e.g. drivers licences, operators licences, roadworthiness records), some are based on other international agreements (e.g. CMR delivery notes and ATP accreditation for refrigerated vehicles).

Q3. Do other aspects of EU membership help or impede the ability of your business to operate (eg, access to justice, horizontal legal regimes, free movement of persons, mutual recognition of professional qualifications, regulation and standards)?

Road Haulage Association Response

17. The EU rules have been helpful in facilitating international road haulage movements in particular and facilitating common standards more generally. (please refer to the previous answer).
18. Access to labour from other EU States has been important since the new Accession States became a source of drivers for UK firms in 2004. There was an immediate drive to recruit, especially in Poland, and Eastern European drivers are now to be found working for large and small fleets throughout the UK domestic haulage sector. They are now essential to the UK supply chain. The RHA estimates that at least 60,000 lorry drivers from the EU are now working in UK domestic transport. Having common standards for driver licensing has been helpful in this.

Exiting the European Union

Q4. What specific issues does the UK exiting the EU raise for your business/sector? Please be as specific as possible.

Road Haulage Association Response

19. There are several issues relating to international road haulage that are a concern for the RHA.

20. Arrangements that allow HGV's to transport goods freely are supported – if restrictions are applied to the movement of HGV's working in international transport it would reduce efficiency and increase costs for all concerned. We would be concerned if bureaucratic special licensing, permit or quota systems were required for UK operators to carry out international transport in the EU or for EU operators to carry out international transport in the UK.
21. There will be damaging consequences for efficient road haulage operations if delays are incurred at ports for goods coming in and out of the UK as a result of increased bureaucracy. This is primarily a customs issue – but the consequences on operational efficiency in the road haulage sector (and at ports and airports) should be considered.
22. Availability of labour will also be a concern.
23. The mutual recognition of many international qualifications and standards needs to be maintained for efficient road haulage operation. (Arrangements for drivers, Transport Managers, vehicle standards and roadworthiness standards are examples). It is worth noting that we would expect that any UK operator would have to obey all EU rules when operating in EU States when exit takes place. (Drivers hours, vehicle rules, tachograph and so on).
24. The Domestic market for UK based operators is unlikely to be dramatically impacted by exiting the EU in the short term. Most (not all) regulations agreed at the EU level are broadly supported by the sector. On exit, there may be some regulations that could be simplified and more tightly focused around the UK regulatory and legal systems. However, this can be considered further once exit is agreed and the degree of freedom to customise domestic rules is known.
25. Domestic transport undertaken by non-UK operators (cabotage) is based on article 8 of EU Regulation 1072/2009 and the Combined Transport Directive 92/106/EEC – there are likely to be calls for rights conferred by these instruments to be reconsidered.

Future UK-EU trade relationships

Q5. What would the impact be for your business/sector of leaving the EU and operating on WTO (GATS) terms? To what extent would businesses be able to

continue to trade in services as at present? How would your business adapt to this specific scenario? Are WTO terms an attractive option?

Road Haulage Association Response

26. The RHA is concerned about the customs processes that may be introduced if WTO trading arrangements are put in place. Ports have physically developed without the space or systems to allow for significant paperwork to be processed. There is insufficient space to hold vehicles for significant customs examinations or paperwork processing should that be required. Port operators, in particular Eurotunnel and Dover will be able to explain the issues in more depth.
27. Businesses in the transport sector would be able to adapt to new customs requirements, but changes to arrangements will add costs to transactions. The amount involved will depend on how burdensome any new customs arrangements become.
28. The second area of concern is the market access for goods vehicle movements. At the current time there are no quantitative limitations for internationally licensed UK operators moving to or through any EU State (and vice versa). Licensing and the main rules governing vehicles and operations are common throughout the EU and EEA. There is an international system for the transmission of information about offences committed by operators outside of their home member state (this includes EEA States too) – tis is called the European Register of Road Undertakings (ERRU).
29. There are no quota limits or permits required for international operations in the EU/EEA transport area at this time. If such rules were introduced (it would be assumed that any such rules would be mutual) it would impact greatly on the costs of services provided and also create impediments for the smooth and effective movement of goods.

Q6. Would leaving the EU but remaining a member of the European Economic Area (EEA) retain present levels of market access for your business or not? Is this an attractive option?

Road Haulage Association Response

30. The key points for the sector are the same as the points for working under WTO arrangements. If there are significant additional paperwork requirements at points of entry and exit then additional costs will be incurred.

31. It is worth noting Norway and Switzerland have access to the international road haulage market in the same way as EU Member States but with the added burden of the need to complete customs declarations due to possible duty implications with loads. (These declarations are called “T-Forms”, they are completed electronically and are checked by customs at the borders).

32. Norway and Switzerland also follow the wider common rules for the sector (Roadworthiness, drivers hours, tachograph, etc), so in effect are subject to EU Regulations and Directives for the sector. It would be reasonable to believe that a UK – EEA arrangement would follow a similar formula. (In evidence provided to DfT we estimated costs of following the Swiss model at £660 million plus any additional costs of border delays and the possible impact on stock-holding requirements/supply chain integration).

Q7. Is a negotiated UK-EU Free Trade Agreement (FTA) an attractive option? How confident are you that the needs of your business/sector, including but not limited to market access, would be accommodated in such an agreement?

Road Haulage Association Response

33. A Free Trade Agreement is impossible to comment on without understanding what is in and out of the agreement. The RHA would like to see international access to the road haulage market maintained if such an agreement was made.

Q8. What should the Government’s key objectives be for your sector in its negotiations with the EU?

Road Haulage Association Response

34. The maintenance of economic activity and trade is a key objective. Avoid new bureaucracy.

35. For our sector the priorities should be to maintain mutual access to the international road haulage market and to ensure that processes at border crossing points do not undermine the efficient transport of goods.

Opportunities

Q9. Does leaving the EU raise significant benefits or growth opportunities for your business/sector? What are these and how can they best be exploited? To what extent do they offset/outweigh concerns about reduced access to EU markets?

Road Haulage Association Response

36. As an essential service industry working across the whole UK economy, the impacts of leaving the EU could be felt in many ways. Given the industry derives many of its regulations from the EU the RHA has been reviewing the potential to gain from reform of road haulage regulations. The industry is generally content with the current regulatory framework including the major regulations derived from the EU such as emissions, weights, dimensions and drivers' hours.
37. There are a small number of regulations which some of the RHA's members would like to see scrapped, of which the most frequently mentioned is the Road Transport Directive on Working Time (which in effect adds a second set of rules to the drivers' hours regulation). Another is the Combined Transport Directive.
38. In a third category are EU-derived rules to which we would like to see reform. These include the Driver Certificates of Professional Competence (CPC), which remains strongly opposed by some, but, whose basic principle (mandatory continued professional development for lorry drivers) has come to be accepted by much of the industry; and the Third Driving Directive.
39. The trade-off between these reforms and reduced access to EU markets is difficult to quantify – the more so when future regulatory changes we might anticipate from the EU are considered. (The EU continues to work on new regulation in the road transport field). On the other side of the equation, the RHA is unable to express an opinion as to the extent to which reduced access to EU markets might be offset by increased opportunities elsewhere. That said, we judge that the benefits to reform of EU based regulations which could be gained – after they were discussed and agreed by a range of UK stakeholders and government – are likely to be secondary to the impact of any reduced EU market access.
40. Road haulage is a resilient industry and will serve the economy within whatever regulatory framework is set for it. Leaving the EU should prompt a fresh look at not only EU-derived regulations but also those derived from the UK and the manner in which they are imposed and enforced.

Other

41. Q10. Please make any additional points here.

Road Haulage Association Response

42. The road haulage industry is of fundamental importance to every person and business in the UK. The services provided serve the economy safely and efficiently, much (but not all) of the regulation of the road haulage market focused around road safety, fair competition, enforcement, driver, vehicle and roadworthiness standards.
43. In spring 2014 the RHA highlighted further concerns over a significant driver shortage. This shortage was the product of many years of under-investment in training of new drivers and a growing dependence on drivers from abroad. This has been increasingly seen by RHA members as a poor long-term strategy for UK and a threat to supply chain resilience. The detailed case put to government for increased support for investment in training UK residents to drive lorries is now being reflected in the post-Brexit vote debate on UK skills. A debate that includes concerns about training in many sectors, including the NHS.
44. The RHA has been working with government for the past two years to promote the industry and to help deliver changes in employer behaviour. That programme has started to bear fruit and the new funding model for Trailblazer apprenticeships, which we hope will be confirmed this month, will make start to make the economy, haulage firms and individuals coming into the industry better equipped to face the challenges and opportunities of the future regardless of the details of how we leave the EU.

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Road Haulage Association
4 October 2016