

Spending Review 2025 - Phase 2

Submission from the Road Haulage Association (RHA) to HM Treasury

February 2025

About the RHA

The RHA is the leading trade association representing over 8,500 logistics businesses including road haulage, van and coach companies across the UK, 85% of whom are small and medium-sized enterprises (SMEs). 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. Our growing coach membership of over 150 operators run mostly non-scheduled passenger services. 81% of all freight movements are by road and road freight is directly involved in the transportation of 98% of agricultural products.

Opening comments

The RHA welcomes the opportunity to provide a response to the Spending Review Phase 2. In responding to this consultation, our goal is to highlight how delivery of the new government's missions, particularly around attaining the highest level of sustained economic growth in the G7 are intrinsically linked to a strong logistics sector, which is vital to the frictionless movement of goods and passengers. However, the needs of the freight and logistics sector are significantly dependent on decisions made at the Spending Review Phase 2.

In this submission we will outline the current challenges facing the road freight and coach sectors and how the Government can assist in the delivery of its Comprehensive Spending Review.

The logistics and road freight industry is a critical driver of economic growth.

The freight and logistics sector is ideally placed to support inclusive economic growth. It is already a major contributor to economic activity, productivity, and employment across the whole of the UK and this contribution is growing. Since 2010, the number of jobs in transport and storage has grown by 26% compared to only 14% across the whole economy.

In 2021, the number of UK businesses classified as transport and storage was 88% higher than in 2011, with fastest growth in the Midlands, East of England, Yorkshire and The Humber.

Logistics is already a significant contributor to growth the UK economy:

- 81% of all freight is moved by road; 98% of all food and agricultural products
- The industry contributes £13.5 billion to the UK economy each year.
- The transport and logistics industry accounts for 5.6% of UK's GDP.

- In the UK it is estimated that the sector contributes 10% of the UK non-financial business economy and £127 billion gross value added (GVA) through more than 200,000 enterprises.

There is a strong geographic and community element to the logistics industry. Logistics activity is more geographically balanced across the UK than other industries – because wherever there are homes and businesses logistics is needed to connect and service them. High logistics density is linked with 1.3 percentage points additional GDP per capita growth over the 2012-19 period. Housebuilding, the NHS and food distribution all rely upon road haulage.

The road haulage and logistics industry is especially important to good jobs and wider employment across the economy. Road haulage and logistics accounts for 2.7 million employees - 8.2% of the domestic UK workforce. These jobs are both well spread and vital to local communities: Three-quarters of local authorities host at least 1,000 logistics job and the industry accounts for at least 10% of total jobs in 38 local authorities. Vitally, logistics is a jobs multiplier with every 1,500 logistics workers in an area supports a further 1,000 jobs in the supply chain, service providers, and other businesses in the local community.

Investing in the Strategic Road Network – Third Road Investment Strategy (RIS3)

Why investment is needed now

Congestion is one of the main handbrakes of productivity and growth, costing the UK economy £30.8 billion a year, or at an average cost per driver of £968 a year⁹. By 2030 the cumulative cost of congestion will exceed £300 billion. The Department for Transport is forecasting up to a 55 per cent increase in traffic by 2040 and up to 85 per cent in congestion levels¹¹. Do nothing is therefore not an option, and investment is needed now not merely to deal with the problems of today but to futureproof the economy for increasing travel demand.

How congestion impacts on business: road freight

- Congestion currently accounts for 16% of the current cost of running a HGV due to lost productivity and missed opportunity.
- It costs a haulier £130 per hour per vehicle that is stationary in traffic
- Reducing travel delays saves the freight and logistics sector approximately £1 per minute per vehicle

The Third Road Investment Strategy (RIS3)

The quantum of funding made available for RIS2 was £27bn. Of this, £14bn was allocated for network enhancements. **Adjusting for inflation, we would therefore expect to see a minimum of £17.5bn allocated for network enhancements, within the overall RIS3 package. In addition, we would expect to see an additional £14.6bn made available for schemes which featured in RIS2 but remain undelivered (or £5.6bn if funding for Lower Thames Crossing is found elsewhere). Therefore we anticipate a RIS3 which contains a minimum of £23.1bn of funding for network enhancements (or £32.1bn if funding for Lower Thames Crossing cannot be sought elsewhere).**

Case Study 1 – A50/A500 Corridor

Investment in roads has a disproportionately positive effect on regional economies, particularly in areas dependent on manufacturing and logistics. Nine out of ten businesses are located within ten miles of the SRN. For example, the Midlands—a key logistics hub—relies heavily on the A50/A500 corridor, which is a lifeline for businesses moving goods domestically and to ports for export. Upgrading this corridor is projected to deliver £12 billion in regional economic benefits.

The case for network enhancements

The economic benefits of investment in the Strategic Road Network are clear. National Highways' own analysis shows that the current Road Investment Strategy delivers £26.7bn in value benefits to the UK economy. It represents high value for money – meaning that more than £2 of benefits are generated for each £1 spent on new bypasses, junction

improvements and carriageway widening. Continuing this approach into RIS3 is a significant opportunity to not unlock kickstart economic growth but provide high value investment for the taxpayer.

Investment in the SRN is an economic multiplier. Studies by Cambridge Econometrics show that around 25% of the economy falls within four 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. The economic opportunities of investing in the SRN are therefore immense, given its indispensable nature for industries dependent on timely deliveries, including retail, manufacturing, and agriculture.

Resolving congestion has a significant tangible impact on British business. Enhanced journey times accelerate getting workers into more productive and focussed clusters of activity. As businesses cluster, productivity improves. The net benefit of this from RIS2 alone is estimated to deliver £1.5 billion of benefits to the wider economy, in addition to the £4.6 billion productivity boost from faster and cheaper business trips.

More than three quarters of imports and exports leave and arrive at international gateways by road and 99% of all GB freight uses the UK's road network at some point¹⁹. The UK's reliance on trade, particularly post-Brexit, underscores the importance of efficient freight routes. Ports such as Dover and Felixstowe depend on fast, reliable connections to inland logistics hubs

Key road schemes to deliver growth which are vital for freight in order of priority:

- **Lower Thames Crossing – Scheme delivery anticipated for 2032:** The Lower Thames Crossing is critical for easing congestion at the Dartford Crossing, enabling more efficient freight movement and boosting capacity for south-east trade routes.
- **A66 Northern Trans-Pennine – Scheme delivery anticipated for 2030**
Enhancing the A66 will provide a reliable east-west corridor across the Pennines, reducing delays and improving connectivity between key northern freight hubs
- **A12/A14 Copdock interchange:** Resolving this bottleneck is absolutely vital for the frictionless movement of goods from Felixstowe to both the west midlands via the A14, and London and the south via the A12.
- **A120 Braintree to A12:** Providing capacity enhancements for the A120 will cater for freight movements between Felixstowe and Stansted Airport
- **Tilbury Link Road:** Upgrading the A13 between Tilbury and the M25 is vital for local freight movements in the Thames Estuary
- **A46 Newark Bypass - Scheme delivery anticipated for 2030:** Improving the A46 at Newark will enhance a key link between the Midlands and the Humber ports
- **M60 Junction 18 Simister Island Interchange - Scheme delivery anticipated**

for 2029: Improving this interchange is critical for freight in Greater Manchester, and will reduce delays for hauliers accessing the M60, M62, and M66 networks.

- **M6 Junction 15 Potteries (southern access):** Improving this junction is vital for hauliers operating between Manchester and Birmingham.

- **A5 Dodwells to Longshoot:** Upgrading this stretch of the A5 will improve safety and reliability on a critical route for hauliers connecting the Midlands with the south-east.

Case Study 2: A14 Huntingdon to Cambridge Scheme

The A14 is a critical link between the eastern ports and the north and west of England, particularly for businesses and freight. It is of local, regional, national, and international significance. The old route was frequently congested and traffic was often disrupted by breakdowns, accidents and roadworks. From its opening in May 2020, the scheme has been transformative and brought significant growth opportunities to the area including:

- The A14 Huntingdon to Cambridge scheme cost £1.5 billion and is projected to bring nearly £2.5 billion of benefits to the UK economy.

- The wider Cambridgeshire economy, which was frustrated by a lack of housing and constraints on movement caused by road traffic congestion, now has a road that will help unlock the development of 23,000 new homes and improve access to labour markets. It is consequently, one of the fastest growing economies in the UK with this enhanced road capacity making the region more attractive for investment, supporting growth in manufacturing, logistics, and technology.

- Goods will now be transported much more efficiently across the country, saving on average £70 million per year to the UK economy.

The importance of local road maintenance

Why investment is needed now

Potholes cost the UK economy £14 billion annually, according to the Centre for Economic and Business Research. The bulk of this figure is attributed to the 1.3 billion hours which are added to travel time because of potholes, subsequently costing £12.7 billion using a weighted average cost of time. It should be noted that this calculation excludes time lost from added congestion and from delayed freight, which if included would put the figure higher.

The current state of road maintenance

RAC data suggests that, on average, there are around six potholes per mile on council-controlled roads in England and Wales. Pothole-related breakdowns jumped by a fifth (17%) in the final three months of 2024 compared to the previous quarter, a sign of the ongoing poor condition of Britain's roads. However, there is an increasing trend of local authority spending falling on road maintenance: between 2022 and 2023, 1.4 million potholes were filled in England and Wales - down from 1.7 million the year before. Given increasing pressures and tight fiscal constraints local authorities are operating under, they are currently unable to prevent the problem from escalating on their network.

The case for more road maintenance funding now

[The results of the 2022 ALARM survey](#) demonstrated a considerable disparity in costs between planned works and reactive, 'emergency' works, with planned works costing an average of 35% less than reactive repairs in England (£46 planned; £71 reactive) and 57% less in Wales (£45 planned; £105 reactive). Councils have warned that the full cost of repair to our network is around the £16bn mark, and this funding as such may only cover reactive rather than planned works. Given the limitations of repair work possible under current financial constraints, this cost is currently ballooning, and action is needed now to ensure that repairs to the network are sustainable and deliverable.

We are therefore calling upon the government to provide a long-term settlement of £16bn, to be delivered across a medium timescale to local authorities which will enable them to conduct planned works, thereby providing value for money for the taxpayer, and taking the handbrake off economic growth.

Creating a resilient supply chain - HGV Facilities Grant Scheme

As part of the Government’s actions to address the HGV Driver’s Shortage, the Government committed to £52.5m investment in improving roadside facilities for HGV drivers. **We call for this scheme to remain fully funded in the next Spending period.** If further amends were made to the rules of the scheme then additional funding could continue the good work it has already achieved improving facilities.

Recommendations for Spending Review

- 1. Reallocate the remaining funds for the next spending period – (£14m from DfT, £7m from NH)**
- 2. Allocate an additional £50m over 5 years.**
- 3. Change the grant rules to allow investment in new facilities or increase the match funding element.**

Source	Allocated	Spent	Total Investment w/ match funding
Department for Transport	£32.5m	Round 1: £8m Round 2: £6m Round 3: £4.5m Total: £18.5m	Round 1: £19m Round 2: £16m Round 3: £12m Total: £47m
National Highways Designated Funds	£20m	£13m	£26m
Total	£52.5m	£31.5m	£75m

a. Enabling resilient growth

In 2023, two thirds of HGV drivers asked by Transport focus were dissatisfied with both the quality and the quantity of HGV driver facilities across the country. It has long been held that poor quality facilities have been an anchor on the ability to recruit new drivers and keep the ones we have, particularly women who only make up 1-2% of the HGV driver workforce. HGV Drivers are the deliverers of economic growth and by investing in improving facilities, we can improve the reputation of the industry and encourage more drivers to join and stay in it.

The scheme so far has been successful, with the percentage of drivers satisfied with quality of facilities growing from 19% to 36%, according to Transport Focus. Industry investment has also outpaced government investment by nearly 2:1 across all schemes. While not the main focus of the grant, it is also helping address the low quantity of HGV parking spaces; upon completion of all schemes 1,000 places should be added to the network. Increasing capacity not only raises standards by increasing commercial competition but also addresses other significant issues that hurt resilient economic growth in their own right.

Facilities also play a larger role in the UK supply chain and National Freight Network, helping improve road safety for all road users. Driver’s Hours regulations mandate stops every 4.5hrs to ensure drivers are well rested and piloting vehicles safely, ranging from 45 minutes to 45 hours. If we are to mandate drivers need to stop and take good rest, we need to provide enough spaces for them to do so.

The DfT National Lorry Parking Survey 2022 found nearly 4,500 lorries parked in laybys, industrial estates and on other roads. The utilisation rate for on-site lorry parking was 83% nationally (85% is classed as critical). In key transport corridors the rates were even higher, such as the South East (94%), East Midlands (92%) and East of England (95%). DfT policy on placement of facilities (Circular 01/2022) states that in areas of identified need there should be HGV parking facilities every 14 miles on the motorway and every 20 minutes driving time on all-purpose trunk roads. Investment in these areas without facilities would be a significant boost to local economies.

b. Delivering the clean energy superpower mission

It is estimated the cost of converting the UK's HGVs to zero-emission vehicles will be upwards of £100bn. While the technologies are not yet advanced enough for businesses to make the decision to buy these vehicles now, important steps can be taken now to bring that day closer and reduce cost in the long run.

If battery power is to play its part in the UK supply chain, overnight parking facilities will be absolutely essential to keep vehicles moving. Significant investment will be required to bring necessary electricity infrastructure to sites to ensure they can charge vehicles quickly and keep them moving.

Developers of new HGV parking sites are all keen to ensure sites are futureproofed for net zero – electric charging is also seen as something that can help get planning permission. Targeting investment at new sites to help with connecting them to the National Grid will be a significant step along the road to net zero.

HGV parking facilities need to be considered as essential transport infrastructure, particularly along key corridors and near logistics parks and pick up sites.

As new homes and employment sites are built, deliveries increase and more HGV movements are necessary. With the growing demand for faster deliveries, it is more important than ever to consider the stopping needs of the drivers of these vehicles. Grant funding to assist the development of new HGV parking in areas where insufficient consideration has been given at local level will help address these issues.

Recommendations for changes to grant funding criteria

- Focus on areas of high lorry parking need/high freight crime figures rather than relying on applications alone.
- Link the scheme to sites identified by National Highways following the end of works on roadbuilding projects e.g. repurposing construction yards
- Only support grant awards linked to measures that will help achieve minimum security standards such as Park Mark Freight accreditation
- Include the cost of grid connections within grant scheme.
- Link payments to successful plans from local authorities.

The importance of skills funding and securing the future workforce

Key to achieving economic growth is improving the UK's productivity. Improving skill levels of the workforce is a key component in improving productivity. In the UK, there is a skills inequality. According to the Learning Work Institute "The Great Skills Divide" report, the UK has larger workforce skills gaps between different parts of the country than most other European countries.

Government skills funding is £1bn lower in England than in 2010 and employers are investing 26% less per employee than in 2005. Whilst 71% of Londoners will have a higher education by 2035, this is substantially lower in other regions. This lack of skills will hold back growth in the UK.

The UK economy is critically dependent on an efficient supply chain. Since the pandemic there have been strains on labour supply which has affected two key job roles within logistics: HGV driving and heavy vehicle technicians.

HGV driving

Both roles have different training requirements. With HGV driving suited to short courses such as the skills bootcamp and technicians suiting longer on the job training such as apprenticeships.

Since the introduction of the HGV driving skills bootcamps, between 2021 to 2023, over 10,000 people had started the HGV driver bootcamp. Out of the number to pass their licence acquisition, 72% of learners had positive outcomes, finding work as a result of the training.

RHA research shows that over the next 5 years; to maintain the current HGV driver workforce, 40,000 new drivers will need to be trained each year. Given the current cost pressures on hauliers, with record numbers of insolvencies, the cost of training is prohibitive for smaller businesses to cover.

The HGV skills bootcamps have provided a much-needed funded training option and for many training providers, this is their core offering.

Heavy vehicle technician shortage

Equally there is a strong demand for technician training, with the ratio of heavy vehicle technicians per registered vehicle reducing from 1 for every 25 in 2010 to 1 for every 31 in 2023.

The shortage of technicians to maintain vehicles will have a serious impact on vehicle availability and could ultimately affect vehicle safety. Given it takes 3 years to complete a heavy vehicle technician apprenticeship, there are no quick fixes in solving the labour shortage.

One of the reasons for the reduction is the lack of course availability. In 2010, over 100 colleges and Independent Training Providers across Great Britain offered the heavy vehicle course, this is now around 30.

Funding issues for technicians

With changing technology, the costs of providing quality training on relevant equipment has been steadily increasing over the past decade. Engine rigs need to be relevant to the vehicles that the students will be expected to work on within the workplace.

Training requires costly rigs to practice on - gearbox rigs cost approx. £19,000, Internal Combustion Engine (ICE) rigs cost approx. £38,000 and electric vehicle rigs can cost up to £60,000. This is significant expenditure for training providers and is currently under dispute as to whether it can be included within costings for apprenticeship funding - the sticking point being whether it needs replacing within the 3-year term of the apprenticeship. Additionally, there are more general costs such as premises, administration, consumables and training staff.

- In 2018, IfATE (Institute for Apprenticeships and Technical Education) reviewed the funding. At this point the funding was £18,000 and although it was a stretch and certainly not profitable, colleges and ITPs were able to make it work.
- Unfortunately, due to an administrative error, the funding was reduced to £15,000. The impact this has had on training providers have been significant.
- In Spring 2023, funding was increased to £20,000 and although this has helped, it still doesn't represent the real cost of the apprenticeship, estimated to be £23,000 for the current apprenticeship.
- However, this apprenticeship is in the process of being reviewed to include new zero emission vehicles which will require significant investment. Therefore, the apprenticeship requires the maximum band allocation of £26,000.

It leaves the training providers reliant on the generosity of vehicle manufacturers to gift training kit. Purchasing equipment from scratch is prohibitive to colleges and prevents them from starting to offer the course, meaning that students tend to complete block residential training which limits the numbers of students able to do the course.

Diversity of training equals a diverse workforce

The bootcamps have attracted a greater diversity of learner, with 8% of starts female and 32% identifying as non-white British. Current HGV driver workforce numbers show less than 2% are women and only 5.3% are not ethnically white.

By providing HGV skills bootcamp training (which is a maximum of 16 weeks and unlike the apprenticeship, does not require a pass at maths and English to complete the course), it allows for a greater number of people to participate.

The case for investing in upskilling

Investing in training can provide a good return for the government. Taking an employee from a minimum wage job, such as warehouse operative to HGV driver would provide government with a far greater tax revenue.

A warehouse operative on the minimum wage earning £22,222 (35hrs at £12.21) would pay a total of £2,700.76 in income tax and national insurance contributions. However, if upskilled to become an HGV driver, they could expect to earn £40,000 which would generate £7,678.60 in tax revenue.

Given that the HGV bootcamps cost approximately £5,000, this investment is paid back within 2 years of earning the HGV driver's salary.

The need for national funding

Although we recognise the benefits of regional targeted funding for training, logistics is a UK wide sector. Therefore, it's crucial that funding is available on a national basis to ensure that businesses not in devolved areas are not at a competitive disadvantage.

Funding schemes such as the HGV skills bootcamps have thrived in all regions and it will be crucial that these are continued as they are due to end in February 2026 which will leave the sector without a suitable funded training option.

Reforming the apprenticeship levy

The new Growth and Skills Levy needs to provide the flexibility that businesses require. Allowing businesses to use levy funds for training other than apprenticeships will allow them to fully utilise their levy.

Although the levy spend is being better utilised, in the funding year 2023-24, the Department for Education still handed back £60 million of apprenticeship levy funding to the Treasury.

Apprenticeship funding returned to Treasury

Apprenticeship	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24	Totals
Budget	£2,010m	£2,231m	£2,469m	£2,467m	£2,466m	£2,554m	£2,585m	£16,782m
Spend	£1,586m	£1,738m	£1,919m	£1,863m	£2,455m	£2,458m	£2,525m	£14,544m
Returned £	£424m	£493m	£550m	£604m	£11m	£96m	£60m	£2,238m
Returned %	21%	22%	22%	24%	0.4%	4%	2.3%	13%

Source: DfE and Treasury

Within the logistics sector, approximately 10% of the levy funds that have been paid in have been utilised.

However, the HGV skills bootcamps have provided a key training need. The 16-week course is better suited to the training for licence acquisition as opposed to the 12-month minimum for an apprenticeship.

With the apprenticeship levy only allowing for apprenticeship funding, allowing greater flexibility for levy funds would mean a greater take up training. Businesses will be able to utilise funds for the training that best fits their needs. Allowing for easier upskilling of the current workforce and the apprenticeships that continue to be offered will be for training that best suits longer form courses.

Seizing the economic opportunity of the Net Zero transition

The RHA supports investment in the environment, and our core Net Zero ask of the Spending Review is that the Government prioritises measures that reduce the costs of transitioning to Net Zero. We request that the Government provides:

1. policy certainty over phase-out dates for new diesel HGV and coach sales and the investment programme in the electricity network.
2. financial support to lower decarbonisation operating costs.

Background

The RHA is actively involved in shaping the conditions that allow our 8,500 members to decarbonise their HGV and coach fleets to meet the Net Zero targets set by the UK Parliament. At the time of writing, there are around 500 registered electric HGVs on UK roads, according to the SMMT, out of a total UK-registered fleet of 535,000 HGVs¹. There are no hydrogen-powered HGVs or coaches currently in commercial use.

Our approach to achieving these two missions is guided by the Climate Change Committee (CCC). In its *6th Carbon Budget: The UK's Path to Net Zero* (December 2020), the CCC clearly set out how Net Zero would cost the UK less than 1% of GDP (p5), that transport accounted for 22% of carbon emissions (p29), and that a £10 billion increase in annual investment by the transport sector would not only lower emissions to meet the CCC's "balanced pathway" but could result in 80,000 UK jobs in electric vehicle and battery manufacturing (p284).

However, a detailed benefit-cost ratio analysis on Net Zero has been noticeably absent. We therefore welcome that, as part of its *7th Carbon Budget* to be published in 2025, the CCC will address this in the depth required². This analysis will be essential to steer spending and investment by both Government and industry over the coming years to 2050.

Decarbonising HGVs and coaches – the story so far

Decarbonising HGVs and coaches transcend many issues and sectors (primarily, energy, transport and finance) and is not straightforward. How commercial vehicles perform to meet exacting and specific customer needs cost-effectively is essential. Vehicles will be "specced" by an operator to meet these precise needs and, in turn, this reality creates multiple use-cases to ensure inefficient running is eliminated.³

¹ DfT Stats VEH1111

² - <https://www.theccc.org.uk/publication/proposed-methodology-for-the-seventh-carbon-budget-advice/?chapter=3-the-economy-costs-and-benefits#3-the-economy-costs-and-benefits>

³ Currently, vehicles are "specced" based on 100 years-worth of data arising from diesel-based technologies and innovations. As we transition to Net Zero, this performance data will be lost and, instead, the haulage/coach sectors will be reliant on unproven new zero emission electric or hydrogen-powered technologies. This presents significant risks to the high-performance logistics industry and its ability to move goods and passengers according to the Chartered Institute of Logistics and Transport (CILT) seven R's definition of – "transporting the right product, in the right quantity, in the right conditions, to the right place, at the right time, to the right customer at the right price."

Ultimately, no one wants a broken-down lorry or coach due to a poor understanding of its capability within the use-case to which it has been assigned. This would incur crippling recovery costs and penalty payments for late delivery. For perspective, it currently costs a haulier £130 per hour per vehicle that a vehicle is stationary in traffic, with congestion costing the UK economy £30.8bn per year (Source: *The Future of Roads Report*, RHA, Jan 2025, p9)

To ensure Parliament's Net Zero intentions are met whilst also sustaining the exceptional levels of service demanded by our sector's customers, the RHA has instigated a pragmatic 15-year "Net Zero strategy" to address **five structural barriers** that prevent the rapid introduction of zero emission commercial vehicles. These are:

- reducing costs
- providing energy infrastructure
- ensuring vehicle performance
- evolving skills
- changing mindsets

On "vehicle performance", we strongly welcome the £200m R&D funding by the Government into the Zero Emission HGV and Infrastructure Demonstrator (ZEHID) programme to assess how electric and hydrogen fuel cell-powered vehicles over 40 tonnes operate in real-world conditions. Performance information derived from this intervention will help inform the business case to invest in future zero emission vehicles.

Nevertheless, *The Green Finance Institute* (GFI) has estimated that £100bn of investment is needed to decarbonise the UK HGV fleet alone. This breaks down as an £40-£75bn of additional finance for operators to invest in zero emission HGVs, £24 billion in depot infrastructure and £1 - £2bn in public charging infrastructure availability for HGVs⁴.

The ability of our sector to access that finance however is hindered by three factors: uncertainty over the residual values of both the future zero emission fleet and legacy Euro VI diesel fleet; uncertainty over which zero emission technologies will prevail – ie. will it be battery electric or hydrogen-powered HGVs, or both; the micro-business profile of the haulage sector together which increases lending and leasing risks for financiers. Currently, there are over 63,000 businesses in haulage, 95% of whom are micro-businesses employing fewer than 10 people⁵. These businesses typically operate on a 2% margin, which equates to around £70 per week or £3500 per year per lorry (2024: 1.58% - Source: RHA Cost Movement Report, December 2024, p8).

Whilst ZEHID will help answer questions arising from the first two factors, further support by the Government will be needed to accelerate the take-up of zero emission HGVs if the 2035/40 diesel phaseout dates are to be met.

Our spending review asks

Our core ask of the Spending Review is for the Government to prioritise measures that reduce the costs of transitioning to Net Zero. From this, we make two requests:

- **provide policy certainty to allow transport businesses to plan their Net Zero investments and attract the private finance required to fund Net Zero.** This means ensuring the 2035/40 diesel phase-out dates for HGVs are kept, with clarity provided on equivalent phase-out dates for coaches. In addition, whilst we welcome the £30bn investment by the National Grid to upgrade the electricity network over the next five years, plans to improve grid connections must be expedited so that HGV and coach depots can connect to the grid in a timely manner.

⁴ *Delivering Net Zero: Unlocking public and private capital for Zero Emission Trucks*, GFI, Nov 2023, p10.

⁵ University of Cambridge, Centre for Sustainable Road Freight, *Road Freight Transport SMEs – Summary Slide Set*, January 2023, p15

- Secondly, whilst the zero emissions vehicle market for HGVs and coaches innovates and matures to cater for the multiple use-case needs of our sector, we ask that the Government provides financial support to lower decarbonisation operating costs. This will assist our sector's ability to phase in zero emission and low carbon vehicles to meet the UK's Net Zero obligations. These are:

- **confirmation that the scope of the Rapid Charging Fund will extend to en-route re-charging for HGVs at Motorway Service Areas (MSAs) and truck stops.**

Analysis by the National Grid in 2022 showed that “within the current £950m budget of the Rapid Charging Fund, there would be no additional cost to add substantial en-route e-HGV rapid charging at a large share of MSAs”. (Source: Supporting the growth of clean transport – decarbonising Heavy Goods Vehicles on the Strategic Road Network, National Grid, May 2022, p4) In addition, on a small sample size of 160 RHA members, over half of respondees indicated that they would make use of public re-charging facilities. (Source: RHA, HGV Infrastructure Strategy Survey, November 2023)

- **a Government-backed loan scheme that reduces the financing costs of acquiring a zero emission HGV or coach. Currently, we are working with the Green Finance Institute to appraise and narrow down ten options outlined in their *Delivering Net Zero: Unlocking public and private capital for Zero Emission Trucks* report (November 2023) with a view to providing a recommendation to Government in 2025. Potential options are a Residual Value (RV) Guarantee scheme and a Small Operator Loan Default Guarantee scheme.**

Together with the GFI and other partners such as the Connected Places Catapult, we would welcome having detailed discussions with HM Treasury and DfT so that the right options for both Government and our sector industry are selected.

Supporting the freight and logistics sector

British Business Bank: Loans for transport innovation and sustainable technology (Business Loans).

It is clear that freight and logistics businesses are unable to meet the high capital requirements to invest in zero-emission vehicles, and as a result the proliferation of BEVs moves at a glacial pace compared to the private car market. At present, there are less than 500 non-diesel HGVs on UK roads and only a fraction in the hands of the sectors smallest players. **In answering this, the British Business Bank is well-positioned to advertise and offer loans for businesses in the purchasing of these vehicles.**

It is true that government offers low-emission vehicle plug-in grants between £16,000-£25,000 per N3 vehicle, however this does not offer the flexibility to suitably de-risk the high capital costs associated with modern next generation battery-electric HGVs at over £300,000 per vehicle. Operators report that experimentation and adoption would be possible if only input costs were reduced. Operators surveyed in November 2024 on the confidence of

investing in non-diesel HGVs and the likelihood of the sector meeting 2035-phase out targets responded 72% 'Not Confident' to 'No Confident' and 90% 'Disagree' to 'Strongly Disagree' respectively.

Without a sufficient commitment to rationalising the existing business case for emerging technology, the sector will struggle to adapt and justify the accompanying infrastructure through other segments of the private sector. Such examples include government investment alongside Innovate UK in 2023, or business plans such as Milence's Panattoni Park, expected to service eHGVs in 2026 or Aegis Energy plans to roll out fleet charging facilities².

Offering loans via the BBB to raise the stock of eHGVs entering UK service ultimately forms the business case for growth generating infrastructure and tertiary services. And moreover, forms the basis for kickstarting a second-hand BEV HGVs market to supply SMEs.

Delays to a broad commercial adoption of available Net Zero technologies not only threatens the very principal of the national commitment but also undermines the viability of businesses unable to adapt at pace with a rapidly changing economy and in time for future regulatory constraints. There were 501 business insolvencies in the sector in 2023 (an increase of 44% since pre Covid-19 levels), with 2024 also set to reflect this high turnover (likely around a 41% rise). It is imperative to assist the UK economy in its ongoing transformation towards sustainability and deepen commercial opportunities in this sector and galvanise private interest.

National Wealth Fund: Empowering Foundational Sectors

The RHA welcomed the opportunity to contribute to the recent 'Invest 2035' consultation and present the case for the freight and logistics sectors be considered 'foundational sectors' moving forward and receiving due consideration as a target for investment catalysation. The RHA was also pleased to see the National Wealth Fund Taskforce to expand upon the UKIB mandated 'priority sectors' and urges government to consider the enabling function of the freight sector as a focus for investment moving forward.

The Green Finance Institute has said that the cost of the transition to Net Zero for the freight and logistics sectors was £100 billion, highlighting the scale of the current challenge and rallying cry for the private sector which is beginning to materialise. As such, the RHA hopes to highlight the at-present 'financing gap', or technological adoption gulf between private car and HGV electrification and the centrality of the NWF in signalling investible propositions.

As a result, the RHA advises government to ambitiously raise funds for the NWF beyond the initial capitalisation of £27.8billion and specifically grow the 'equity' investment allocation to accelerate technological solutions across priority areas and scale these businesses. In essence, the RHA hopes to see the upcoming spending review recognise the leverage of the NWF as a fiscal multiplier with investment opportunities in the transport sector.

Additionally, the geographic distribution of haulage business is widespread. Since 2024, over 4,250 unique postcodes and 713 unique towns and cities registered start-ups. Strengthening the equitable nature of the UK economy and the establishing growth clusters must be a government priority. Transport and haulage sectors bring mixed-ability employment to

isolated communities and areas with growing economic prospects supported elsewhere in the governments agenda. As such, the upcoming Spending Review must review the regional distribution of resources with respect to public-private investment and target enabling industries with cross-cutting commercial offerings with areas identified by the industrial strategy.

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