

RHA

Driving Forward

The steps to a successful sustainable future for road freight and coaches.



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Foreword



Richard Smith

Managing Director

This year, during National Lorry Week, we've been travelling the length and breadth of the country, talking to local and national politicians, Government officials and – most importantly – to our members.

The industry faces real challenges: rising vehicle and equipment prices, higher labour costs, a skills shortage, insufficient infrastructure to support HGV and coach drivers in their work, a confusing patchwork of regulations that vary town by town and city by city, red tape at the border, and the challenges of meeting net zero targets.

Yet the hard-working professionals in our industry have continued to respond to these challenges with resilience, adaptability, and unwavering dedication to ensure the continued flow of commerce, domestic and international, that is the lifeblood of our nation's economy.

I have been grateful to see that the decision makers in Westminster, Holyrood, the Senedd, and Stormont appear to be recognising this and we've engaged in productive conversations with them at the very highest levels.

But words are not enough. At this pivotal moment, our industry needs real action to be taken, and real change to be implemented if logistics – and by extension the wider economy – is to thrive. In this document, we've outlined a series of specific policy proposals which we believe will help our vital industry succeed.

Driving Forward focuses on four key areas: vehicles, infrastructure, people, and regulation. The end-result of careful and focused research, both qualitative and quantitative, this report lays out the changes that need to be made in order to equip our equipment and our people for net zero, alleviate skills shortages in our sector, manage rising costs, and guarantee the UK's logistics industry remains competitive with those of our peer nations.

As we navigate the challenges ahead, we must remember that the haulage industry is the backbone of our nation, and it deserves our unwavering support and commitment. Together, we can ensure the UK's haulage industry remains a beacon of resilience, efficiency, and excellence.

Executive Summary

The road haulage industry is critical to the UK's supply chain and economic growth, contributing at least £13.6bn to the UK economy each year. In 2020, 89% of UK freight (by weight) was transported by road.

However, the sector is facing a multitude of challenges as it contends with the transition to net zero, inadequate infrastructure, a major skills gap, and unsustainable cost increases, which threaten its future growth.

These challenges have been exacerbated by the pandemic and the rising cost of living. Small-to-medium (SME) sized operators – which make up the majority of the UK road transport sector – have inevitably been hit the hardest. These businesses typically have a fleet of less than six vehicles and operate with average margins of 2%.

Despite these challenges, hauliers across the country have remained focused on delivering a resilient supply chain. However, if action isn't taken now to address current and future challenges for the industry, businesses, the supply chain, and our economic growth will suffer.

This is why a sustainable, long-term plan is needed to keep business moving on our roads and ensure the future of our supply chain network. Delivering stability, growth, and targeted support should be at the centre of this plan.

At the Road Haulage Association (RHA) – the leading trade body for the UK haulage sector – we urge the UK Government to focus on the following areas in order to future-proof the industry:

- **Vehicles:** Working with industry to successfully transition to net zero compliant HGVs and coaches
- **Infrastructure:** Providing adequate facilities and infrastructure for drivers across the UK
- **People:** Investing in the next generation of drivers and technicians
- **Regulation:** Ensuring proportionate taxation and standards

We have developed a series of policy recommendations which we believe will be effective in delivering the change the sector needs to see.

Our asks complement and build upon the Government's Future of Freight report which was published in June 2022. This report was designed to be a starting point for the industry, identifying key priorities with an initial set of proposals.

We now need to go further and see policy interventions that will help the UK road haulage sector become more resilient, environmentally sustainable, and forward-looking, enabling businesses and the wider sector to thrive.

RHA's recommendations to the UK Government

Transitioning vehicles to net zero

Vehicles Recommendation One: Government should publish a specific Road Haulage and Coach Roadmap to Net Zero 2050 setting out a plan to help the industry achieve net zero by the required deadline.

Vehicles Recommendation Two: To complement the Zero Emission Road Freight Demonstrator Programme, the Government should speed up investment in the energy infrastructure to power zero emission commercial vehicles so that such vehicles can be introduced at scale and pace.

Vehicles Recommendation Three: Government should consider financial incentives to bring down the purchase and running costs of new low carbon and zero emission vehicles.

Vehicles Recommendation Four: Government should publish its Low Carbon Strategy so that the use of low carbon fuels within road transport is unequivocally supported.

Providing suitable infrastructure

Infrastructure Recommendation One: Establishment of the National Freight Network.

Infrastructure Recommendation Two: A long term strategy and funding settlement for the maintenance and improvement of UK roads that covers both the Strategic Road Network and local roads, with a commitment to new road building to tackle congestion issues across the United Kingdom.

Infrastructure Recommendation Three: All Nationally Significant Infrastructure Projects and works that form part of the Road Investment Strategy should identify opportunities for roadside facilities and lorry parking, with potential sites set aside for that use once development is completed e.g., construction compounds.

Infrastructure Recommendation Four: A driver facilities taskforce, covering both freight and coach sectors, led by DfT and DLUHC, bringing together planning authorities and industry with a remit to address the corridors and regions in greatest need of parking and rest stops, facilitate conversations between relevant stakeholders and support applications being made in these areas.

Supporting the next generation

People Recommendation One: The Government must work with the road haulage industry to raise awareness of the range of jobs available within logistics and ensure schools, DWP work coaches and job centres represent and promote opportunities in the logistics industry.

People Recommendation Two: Government should review the funding levels for apprenticeships and reintroduce incentives to increase their take-up by colleges, apprentices and employers, particularly SMEs.

People Recommendation Three: The Government should increase funding for Level 2 skills needed for the future of road freight by reforming the Apprenticeship Levy to a more flexible Skills Levy, and targeting National Skill funding to help relieve shortages.

People Recommendation Four: Government should develop further skills bootcamps e.g. technicians and Cat D licences to help ease labour shortages and prepare for transition to zero emission vehicles.

Creating the right regulatory environment

Regulation Recommendation One: A full industry supported review of the regulations affecting road haulage and passenger transport, with an eye to simplification, increasing productivity, exploiting new opportunities and adapting to recent political and social changes.

Regulation Recommendation Two: Reform of the regulatory framework around the safe operation of HGVs and PSVs to be developed alongside the road map for adoption of zero emission vehicles to accommodate increased weights and new modes of operation.

Regulation Recommendation Three: Revised guidance for Local Authorities on the role, importance and impact of the road freight industry, and details of best practice on the development of transport, planning and clean air policy.

Regulation Recommendation Four: Future taxes to pay for UK road infrastructure, including the de facto replacement for fuel duty, to not increase the financial burden or limit the efficient operation of the road haulage industry.

Transitioning vehicles to net zero

The challenge

In 2021 at COP26, the Government announced that the UK would be the first country in the world to commit to phasing out new, non-zero emission heavy goods vehicles weighing 26 tonnes and under by 2035, with all new HGVs sold in the UK to be zero emission by 2040.

We recognise the role that the road haulage industry has to play in the transition to net zero. However, there are a number of barriers that the industry is experiencing including a lack of suitable vehicles, a sensible plan to manage the transition to net zero, and the disproportionate financial impact to small businesses from Clean Air Zones and Ultra Low Emission Zones.

To help the industry, the UK Government has invested £200million in the Zero Emission Road Freight Demonstrator Programme, and other innovation funding. However, there is uncertainty as to whether viable solutions to decarbonise all HGVs can be found in time.

Whilst the coach sector will inevitably rely heavily on developing technology for HGVs as it transitions to zero emissions, it has to be recognised that there is traditionally a lag of up to five years as it is evolved and refined for use in coaches. The plans and respective roadmaps must allow for this.

Vehicle availability

With over 600,000 UK-registered HGVs and around 30,000 coaches on British roads, the current phase out dates present an immense challenge. A mature supply of zero emission HGVs and coaches does not yet exist for the heaviest vehicles with available options limited and expensive. In addition, extensive investment in the energy infrastructure to power zero emission vehicles is needed.

The majority of businesses operating lorries and coaches are small and medium sized enterprises. The cost of a new vehicle is currently prohibitive, with electric vehicles currently costing three times more than their diesel equivalents.

In a low-margin (typically 2%) industry such as logistics, it is high-risk for SMEs to make large investments in new vehicles that are untested in real-world conditions and when they cannot be certain that the new vehicles will allow them to continue to deliver the quality of service they currently provide.

■ **Vehicles Recommendation One:** Government should publish a specific Road Haulage Roadmap to Net Zero 2050 setting out a plan to help the industry achieve net zero by the required deadline.

■ **Vehicles Recommendation Two:** Government should consider financial incentives for SMEs to bring down the purchase and running costs of new low carbon and zero emission vehicles.

Charging and refuelling infrastructure

Given ongoing uncertainty around the type of infrastructure needed, the prospect of a strong network of public charge points for electric HGVs is still many years away, which is hampering the transition to net zero vehicles.

In 2021, the Government published a chargepoint design for electric HGVs. However, the industry has not seen any progress made on this since its unveiling, causing further uncertainty among haulage businesses and manufacturers.

Building on the energy grid connection reforms announced by the Prime Minister in September 2023 and best practice from the roll-out of EV infrastructure for cars, net zero HGV and coach infrastructure must be recognised as necessary and fundamental part of the Strategic Road Network and supported by direct Government investment.

■ **Vehicles Recommendation Three:** To complement the Zero Emission Road Freight Demonstrator Programme, the Government should speed up investment in the energy infrastructure to power zero emission commercial vehicles so that such vehicles can be introduced at scale and pace.

Fuel options

The industry is still waiting for Government to publish the Low Fuels Strategy. Since 2014, the industry has invested over £2.2bn in the newest and cleanest model of lorry – the Euro 6 model. This has enabled haulage operators to reduce nitrogen oxide (NOx) emissions by over 72%.

We also know that the use of low carbon fuels such as HVO and CNG can substantially reduce emissions by up to 90%. These transitional options are vital to supporting the industry through transition and there is currently no clarity from government as to whether this is an acceptable way forward.

■ **Vehicles Recommendation Four:** Government should publish its Low Carbon Strategy so that the use of low carbon fuels within road transport is unequivocally supported.

Providing suitable infrastructure

The challenge

In order to keep the UK economy moving and competitive, the road haulage industry needs robust infrastructure which is fit for purpose in the long time. This includes a strong nationwide network of roads, lorry parking spaces and driver facilities. However, for decades, there has been a shortage of adequate roadside facilities in the UK, including truck stops, rest areas and charging points to satisfy future net zero requirements. This leads to a challenge for RHA members to bring more people into the industry, and to satisfy the needs of those already involved in road haulage. There is also a need to ensure that our existing roads are fit for purpose, and that local authorities are provided with the right levels of funding to ensure that our roads can continue to be used safely in the long term. Due to funding constraints, local authorities are often making minimal repairs, which they have to do statutorily, rather than undertaking a more cost-effective and efficient programme of works.

The National Freight Network

As part of the Future of Freight strategy, the Government committed to identifying a National Freight Network, to improve visibility and understanding of the sector. The focus of this work will look on end to end supply chains and key corridors, and will be used to inform and support key activities, including the road to net zero.

Investment in our road network

The DfT is forecasting up to 55 per cent increase in traffic by 2040 and up to 85 per cent in congestion levels. The British Social Attitudes Survey has revealed that concern about congestion has risen significantly, and Inrix estimates that congestion costs the UK economy £30.8 billion a year. This works out at an average cost per driver of £968 a year. The percentage of people seeing congestion in towns and cities as a serious or very serious problem rose from a low of 39 per cent in 2012 to 55 per cent in the latest survey. By 2030 the cumulative cost of congestion will exceed £300 billion.

The case for planned road investment offers significant value over its public transport alternatives. The A14 carries around 85,000 vehicles per day, 26% of which is HGV traffic. The award-winning National Highways improvement scheme completed in May 2020 has successfully resolved the significant congestion issues that occurred regularly and often between Huntingdon and Cambridge by building a new 12-mile bypass and widening 9 miles of existing carriageway at a cost of £1.5 billion. For the same cost as the HS2 Birmingham-London link (£79bn), 50 of these types of schemes could be delivered, transforming our road network. The results of the 2022 ALARM survey by the Asphalt Industry Alliance demonstrated a considerable disparity in costs, 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). The cost of repairing the backlog

of potholes across the country is thought to be £12bn. It is vital that this issue is addressed now before the cost balloons further, so that further investment can go straight into new infrastructure, rather than repairing our existing one.

- **Infrastructure Recommendation One:** A long term strategy and funding settlement for the maintenance and improvement of UK roads that covers both the Strategic Road Network and local roads, with a commitment to new road building to tackle congestion issues across the United Kingdom.

Lorry parking

DfT's National Survey of Lorry Parking last year found that the lorry parking utilisation rate across the UK was 83%, near critical level, with utilisation in the South East, East Midlands and East of England higher than 90%. Most concerning is the East of England which was at 99% capacity for overnight lorry parking; given the area contains the nation's busiest port in Felixstowe, this statistic is a clear example of how the level of investment in supporting infrastructure has not kept up with the growth in that region. This situation forces drivers to take rest periods in insecure locations such as laybys and industrial estates, threatening their health and safety and putting them at risk of crime. Nationally, we consider there to be a shortage of around 11,000 lorry parking places. Planning guidance does not sufficiently support local authority planners to grant permission for new and expanded lorry parks, which hampers efforts to consider and implement improved lorry parking and facilities for HGV drivers on a national scale.

Grant funding of £32.5m was announced by DfT for truck stop operators to upgrade and improve their existing sites. This is in addition to £20m being made available by National Highways in April 2022. This funding is a welcome contribution to improving standards, but it does not impact the number of spaces available or the number of truck stops. Measures outlined in the Future of Freight plan are a welcome demonstration of the Government's recognition of the issue. Intended reforms to the National Planning Policy Framework and other supporting regulations should improve the chances of applications for lorry parking facilities being approved. However, identified problem areas will need more direct action to encourage the development of the new lorry parking sites the national network needs.

- **Infrastructure Recommendation Two:** All Nationally Significant Infrastructure Projects and works that form part of the Road Investment Strategy should identify opportunities for roadside facilities and lorry parking, with potential sites set aside for that use once development is completed e.g., construction compounds.
- **Infrastructure Recommendation Three:** A driver facilities taskforce, led by DfT and DLUHC, bringing together planning authorities and industry with a remit to address the corridors and regions in greatest need of parking and rest stops, facilitate conversations between relevant stakeholders and support applications being made in these areas.

Supporting the next generation

The challenge

The skills shortages in road transport and logistics remain a significant issue which continues to affect supply chains and the industry's ability to meet demands and operate safely.

The shortage of HGV drivers is the most widely recognised issue in this area, and while the worst of the shortage has stabilised since Government committed to take action in this area, issues still remain. The ageing driver demographic in particular means training levels must be maintained.

There is also a particular shortage of coach drivers. Many drivers were furloughed or lost their jobs during the pandemic and chose not to return, whilst others took advantage of the Skills Bootcamps to transfer to freight haulage. Current training provision for Category D licences also focusses on recruitment for bus driving rather than coaches.

This skills gap does not just apply to drivers, but also technicians, mechanics, and warehouse operatives – roles that are equally as vital to ensuring the sector can continue to operate and meet demand.

Attracting people into the industry

The perception of the road haulage industry has long been a major barrier for recruitment. Government and industry must address the lack of awareness and negative perceptions of working in logistics and promote the availability of attractive, fulfilling jobs at all levels.

When it comes to recruiting younger people, a lack of awareness and understanding among school leavers about the opportunities available in the industry is an obstacle, particularly for school-age students who have limited access to work experience in the haulage or coach sectors.

- **People Recommendation One:** The Government must work with the road haulage industry to raise awareness of the range of jobs available within logistics and ensure schools, DWP work coaches and job centres represent and promote opportunities in the logistics industry.

Apprenticeships

There needs to be greater provision for apprenticeships, especially for technicians where there has been a significant decline in the number of colleges engaged in the sector.

One of the main issues for colleges and training providers to leave the market is the underfunding of courses. With many apprenticeships not seeing increases in funding since their conception in 2017, training providers have not only moved away from apprenticeship but have been going into administration due to underfunded courses and unstable funding.

In addition, apprenticeship programmes can be prohibitive for small to medium sized businesses who struggle to provide the off-the-job training and meaningful work element of learning until apprentices have gained their HGV licence.

- **People Recommendation Two:** A review of funding levels for apprenticeships and a reintroduction of incentives to increase their take-up by colleges, apprentices and employers, particularly SMEs.

Essential training and upskilling

While the range of careers within logistics is diverse, 68% of jobs are at qualification Level 2 and below. With Department for Education 19+ funding allocation focused on qualifications at Level 3 and above, long-term funding is scarce outside the apprenticeship route.

Apprenticeship programmes can also be prohibitive for small to medium sized businesses who struggle to provide the off-the-job training and meaningful work element of learning until apprentices have gained their HGV licence. Often a shorter, more flexible course like a bootcamp is a better way to pass on relevant skills than an apprenticeship.

The move towards net zero will require significant upskilling of the existing workforce. This might include heavy vehicle mechanics needing training for alternative fuel trucks, or HGV and coach drivers who will need to change their driving style based on the type of vehicle they operate.

Extending bootcamps to cover more skills, like Cat D and vehicle inspection, will allow for the upskilling of existing staff and opening opportunities for further training in the future alongside attracting new people into the sector

The majority of organisations operating in the industry are SMEs, with incredibly small margins. This limits their ability to be able to pay for training courses, for example, it can cost between £2000 and £4000 for an HGV licence. Further assistance may be necessary to ensure SMEs can keep their staff trained for the needs of the industry moving into the future.

- **People Recommendation Three:** The Government should increase funding for Level 2 skills needed for the future of road freight by reforming the Apprenticeship Levy to a more flexible Skills Levy and targeting National Skill funding to help relieve shortages.
- **People Recommendation Four:** Government should develop further skills bootcamps e.g. technicians and Cat D licences to help ease labour shortages and prepare for transition to zero emission vehicles.

Creating the right regulatory environment

The challenge

The road transport industry is one of the most heavily regulated industries in the UK and strict rules exist around the operation of HGVs and coaches to ensure safety for all road users.

While DfT is the responsible department for many of these, regulations from a wide cross-section of departments have a direct impact on the road freight industry. Strong communication is necessary between stakeholders in order for the regulatory framework to remain fit for purpose.

The unavoidable result of regulation is the cost of compliance, and as regulation grows and becomes more expensive to comply with, many business owners are making the decision to retire than adapt.

Given political and economic events over the last 10 years, the state of transition the road transport industry currently occupies, and the ongoing pressures the industry is under, it is right to question whether the current rules remain fit for purpose for the future of the industry.

Out of the EU, post pandemic

Many of our regulations for vehicle operation and driving hours derived originally from European Union legislation and were adopted into UK law through the EU Withdrawal Act 2018. Where the Government is keen to promote and exploit opportunities from leaving the European Union, the regulations that affect both HGV and PSV operations could be one such avenue that has not yet been fully explored. Retained European Union Legislation is set to be removed from the statute book on 31 December 2023 unless specifically extended with a view to reform by June 2026 (in accordance with the Retained EU Law (Revocation and Reform) Act 2023).

The decision to leave the European Union coupled with the pandemic also significantly impacted how businesses do business in the UK, with work life balance priorities shifting for many workers.

The political and social changes of the last decade have been significant to the point that an in depth review of haulage and coach regulations is increasingly necessary.

Regulation Recommendation One: A full industry supported review of the regulations affecting road haulage, with an eye to simplification, increasing productivity, exploiting new opportunities and adapting to recent political and social changes. Any regulations still relying on REUL will need their sunset date extended beyond 2023 in order for this process to be completed.

New technologies, new rules

As outlined in the Vehicles section, a technological revolution is set to break out across the road freight industry that will transform day to day operations. Electric vehicles currently have a shorter range and take much longer to refuel than diesel vehicles. Batteries for HGVs weigh around 4 tonnes, additional weight that would essentially add another vehicle for every ten currently operating and the same applies to PSVs where passenger and baggage capacity is similarly reduced.

Current working time and weight carriage regulations are based upon the present HGV fleet, but as these vehicles are replaced it will be necessary to consider how best to ensure road haulage continues to operate efficiently and safely on the nation's roads.

Regulation Recommendation Two: Reform of the regulatory framework around the safe operation of HGVs to be developed alongside the road map for adoption of zero emission vehicles to accommodate increased weights and new modes of operation.

The Role of Local Government

Local authorities have historically sought to limit HGV and PSV movements as a way of tackling congestion or improving air quality. Such measures usually shift or exacerbate the problems they are meant to deal with, and cause additional negative impacts to local economies. Understanding and working with the road haulage industry delivers better outcomes on environmental, public health and economic aims.

Government has recently announced new guidance on the use of 20mph zones and low traffic neighbourhoods as part of its "Plan for Drivers", so local authorities do not use them inappropriately.

The controversial expansion of London's Ultra Low Emission Zone, together with its sister policy of Clean Air Zones throughout England, has brought into sharp focus the financial impacts to SMEs and the poorest in society. Lessons must be learned from this experience, with the Government issuing revised guidance to local authorities on how air quality can be improved without disproportionately penalising those least able to adjust.

The needs of freight are also rarely fully accounted for in Local Plans and other development and transport policies. From a desktop study only around 10% of local plans analysed show strong examples recognising the opportunities related to freight on balance with UK environmental and social objectives, and 46% of local councils barely mention road freight at all – this is very poor and must change. The lack of consideration of freight means that the infrastructure the freight industry requires is often rejected on the grounds of strong local opposition based on inaccurate perceptions of the nature of the industry.

Regulation Recommendation Three: Revised guidance for Local Authorities on the role, importance and impact of the road freight and passenger transport industry, and details of best practice on the development of transport, planning and clean air policy.

The cost of haulage

Road freight is critical to the UK supply chain and economic growth. It faces building pressures from cost increases across wages, fuel, and energy, compounded by shortages of drivers, technicians, vehicles, and parts. Challenges brought about by the rising cost-of-living have placed severe economic strain on road transport businesses – particularly small-to-medium enterprises (SMEs).

Over the past 12 months, the costs of operating all vehicles have risen and in the case of an HGV by nearly 10%. As a direct result of rising costs, many operators are running at a loss with margins wiped out by cost increases. Those who are making choices now to reduce their carbon footprint are taking a particular financial hit, as the majority of customers are not willing to pay more for greener options.

Recent Government policy decisions have provided support for the road freight industry by freezing fuel duty and the VED rate for HGVs. The return of the HGV Levy in August 2023 however has increased the burden for UK hauliers, with its evolution into another environmental levy detracting from its original purpose; to ensure non-UK hauliers contribute to maintenance of the UK road infrastructure.

The road to net zero will inevitably lead to the need to replace the lost tax revenue from fuel duty. While government has not taken an official position on what measures could be introduced, it has been received wisdom that road pricing is the most likely avenue to be pursued.

It is important that any future taxes or duties that the road haulage industry will be liable for do not restrict operations or increase costs and delays in the supply chain, which leads to higher prices in shops and reduced economic productivity.

Regulation Recommendation Four: Future taxes to pay for UK road infrastructure, including the de facto replacement for fuel duty, to not increase the financial burden or limit the efficient operation of the road haulage industry.

Conclusion

This report sets out the RHA's recommendations to support the growth and future of the road haulage industry. Through incentives to drive the net zero transition, improving necessary infrastructure, promoting access to skills, and creating regulation that protects the standards of the industry, the Government can ensure that the haulage and logistics sector continues to contribute to the growth of British business and the UK economy.

The RHA stands ready to continue our work with Government to shape and future-proof this sector, to deliver the growth the UK needs.

! The RHA is the leading trade association representing over 8,500 road haulage, coach and van 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.

! For more information, please connect with us:



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