Logistics UK Spring Budget 2023 representation

Logistics UK is one of the country's largest business groups, supporting, shaping and standing up for safe and efficient logistics. We are the only organisation representing the entire logistics sector. We welcome the opportunity to submit a representation to HM Treasury ahead of the Spring Budget 2023.

What we represent

We represent a sector delivering an increasingly innovative, productive and sustainable system of essential national infrastructure. This system ensures the availability of the products that households, businesses and public services rely on every day, and is supporting the UK's transformation for the future.

Our membership of over 20,000 includes global, national and regional businesses and SMEs spanning the road, rail, sea and air industries as well as the buyers of freight services, such as retailers and manufacturers.

As an organisation, we deliver services, representation and thought leadership, helping members and policy makers to seize new opportunities for the sector and the economy as a whole right across the country.

Why it matters

As a system of essential national infrastructure, efficient logistics is vital to the UK. The sector employs 2.56 million people in the UK, directly and indirectly in logistics roles, accounting for 8.5% of the UK workforce. It contributes £148bn to the UK economy each year (representing 12% of the economy), supporting growth, productivity and aspiration in communities across the country.

We are supporting key national agendas to take the country forward and are crucial to industries highlighted in the Chancellor's 2022 autumn statement, including advanced manufacturing, green industries and life sciences. To unlock the UK's potential, the logistics sector is calling for:

- **A fair transition to a green economy** across the UK that enables businesses to develop and move to greener energy and fuels in a cost-efficient way, with partnerships on innovation and charges that reflect the value that logistics delivers within communities across the UK.
- **Innovative and integrated national infrastructure,** with planning, regulatory and tax reform, infrastructure investment and R&D partnerships to enable the sector to deliver an increasingly productive and strategic logistics network, supporting economic growth across the UK.
- **Skills partnerships to support a thriving sector,** reflecting the breadth of high quality roles across the logistics sector and supporting aspiration in communities across the country.
- **Simple borders and regulations to boost trade and investment,** enabling UK businesses to trade across Europe and around the world and create investment opportunities in the UK.

Together, we can deliver a more innovative, productive and green economy for communities right across the UK.

<table>
<tr><th colspan="2">Our policy asks for the Spring Budget 2023</th></tr>
<tr><td>Fair transition to a green economy</td><td>
Move to a dynamic mechanism for fuel duty that considers the Treasury’s increased VAT receipts from fuel, supporting a fair level of duty and preventing inflationary cost increases for goods on the shelves. This would keep fuel duty at 52.95ppl from April 2023 onwards.
Ensure low carbon fuels are incentivised in the tax system so that they cost less than diesel. With industry already investing in the transition to low carbon fuels, we are calling for a continuation of the gas duty differential to 2030, a Hydrotreated Vegetable Oil (HVO) differential, support with the adoption of Liquified Natural Gas (LNG) and Compressed Natural Gas (CNG), and incentivisation of UK manufactured Sustainable Aviation Fuel (SAF).
Develop a long-term plan for utilising low carbon fuels across transport modes, including HVO, LNG, CNG. This should be based on evidence from industry and backed by investment in infrastructure and R&D and supported by a clear regulatory framework.
Replace the super deduction that ends in March 2023 with a permanent, 100% tax deduction for capital spending in the year of expenditure, unlocking investment in the logistics sector. This should include investments in both buildings and equipment which will support the transition to net zero logistics and support increased productivity. This successor should be available to businesses regardless of the type of finance they use, including those acquired via leasing.
Introduce a fair and equitable approach for funding electricity connections to enable the expansion of depot charging for electric vehicles, including through the tax system and the plug-in grant being available to fund connections and charging infrastructure. This should be supported by transparency on available grid capacity and a common service agreement amongst Distribution Network Operators for connections.
The logistics sector to be involved in conversations with the Treasury on the potential options for road charging and other replacements for fuel duty as the transition to electric vehicles for cars and smaller logistics vehicles progresses. This should include reviewing all the various national charges on fuel as well as other regional road charges (ULEZ), with standardisation needed across those rules and charges through a national framework, including a common payment platform.
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<tr><td>Innovative and integrated infrastructure</td><td>
Continued ambition in infrastructure investment and delivery, with any delays to delivery not being a reason to reduce scope.
Simplification in co-funding opportunities for innovation and modal shift, increasing business awareness and ultimately supporting the development of an integrated national freight network.
Energy support to manage shocks, keeping that support under review, and coordination with the logistics sector to enable long-term planning and unlock investment.
Work with the industry to unlock investment in energy generation, by linking feed in rates to wholesale electricity prices, enabling greater levels of commercial energy generation and energy security.
Keeping the impact of increased business rates on warehousing under close review given the risk of inhibiting investment and pushing inflationary costs onto consumers, businesses and public services.
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Skills partnerships to support a thriving sector	• Reform the Apprenticeship Levy into a Training Levy to support skills development across the logistics system.
Simple borders and regulations to boost trade and investment	• Investment in minimal friction at borders, including simple customs rules, industry-friendly processes and mutual recognition of standards and qualifications. • Funding for training and capacity building in customs and trade, including reform of the Apprenticeship Levy to enable a greater proportion to be used for customs.

Our policy asks for other government departments to support economic growth	
Fair transition to a green economy	• A national plan to address the patchwork of charges and regulations inhibiting logistics across cities, ensuring consideration of whether there are viable fuel/technology alternatives, and the impact on emissions from increased mileage and the loss of economic opportunities from logistics basing itself distant from cities. • Logistics UK being members of the Energy Forum committed to in the Future of Freight Plan. • Electric charging and refuelling infrastructure roadmap designed in collaboration with business to work for logistics vehicles, backed with clear guidance and incentives for local authorities. • Electric generation roadmap to ensure sufficient supply margin as more vehicles move to and rely on the National Grid. • Reforms to training and vehicle inspection regimes for large electric vans up to 4.25 tonnes to take into account that those vans are currently being unfairly caught in costly rules designed for HGVs, as they are heavier than diesel vans. • A detailed long-term rail electrification plan.
Innovative and integrated infrastructure	• A 30-year infrastructure plan with funded five-year delivery plans, owned jointly between the government and logistics sector to deliver a national freight network, including transport, warehousing and other facilities, so businesses can invest with confidence. • Logistics prioritised in national planning to deliver major projects, including road, rail, airports, ports, inland waterways and warehousing and associated facilities, safeguarding land and integrating transport modes. • Local planning and regional devolution to support – not hinder – logistics networks to enable last mile, local jobs and growth. • Local planning resources and guidance, as well as partnerships with industry, to support fast decisions and the efficient location of logistics in urban areas. • Proper recognition of the significant value of logistics depots in planning assessments.
Skills partnerships to support a thriving sector	• Continued support for Generation Logistics, including through schools and colleges. • Skills bootcamps to rectify shortages as they emerge. • The targeted use of migration to resolve shortages through Skilled Worker visas and adding further logistics roles to the Shortage Occupation List.

Simple borders and regulations to boost trade and investment	• A negotiated outcome to challenges with the Northern Ireland Protocol, including Trusted Trader Schemes, mutual recognition of qualifications, impact assessments and management framework for any future regulatory divergence. • Free Trade Agreements which unlock market access and facilitate efficient trade systems for UK logistics companies. • Support for the UK sector to lead on zero carbon and environmental innovation.

Key issues for the Budget

A fair transition to a green economy

As a responsible sector, achievement of the UK's net zero target is a challenge our members are committed to, and which will require continued partnership between the government and industry to achieve. In addition, we support the meeting of the government's clean air targets and look forward to the publication of ae low carbon fuels strategy.

Achieving these ambitions requires a plan for a fair transition that enables businesses to develop and move to greener energy and fuels in a cost-efficient way, with partnerships on innovation, and charges that reflect the value that logistics delivers within communities across the UK. Conversely adding taxes and charges to business when greener options are not available in sufficient scale increases the costs of the goods and products that consumers, businesses and public services rely on every day, and reduces the funding available to invest in the transition.

Fuel duty

The invasion of Ukraine brought about supply concerns and multiple rounds of sanctions on Russian crude oil, increasing the price of a barrel of crude oil globally by up to 50% to $130. As a result, logistics firms are paying historically high prices for diesel, with a litre of diesel reaching £2 in July 2022 and remaining stubbornly high since.

Getting the rate of fuel excise duty and other charging mechanisms, such as Clean Air Zones, right is therefore crucial for achieving this fair transition. The goal should be to encourage the uptake of greener vehicle technologies when those technologies are available, and not to push of the cost of doing business and the price of goods on our shelves when they are not. That is why we welcomed the fuel duty cut announced and implemented on 23 March 2022, and the maintenance of the freeze in the duty announced on the same day.

It is also why we are deeply concerned about the possibility of a 23% increase in fuel duty from March 2023 when the temporary five pence-per-litre (ppl) cut is due to end and the excise rate is due to increase by RPI inflation. Such an increase would equate to an additional 12 pence per litre for petrol and diesel at the pumps and an additional £4,850 for the cost of running a 44t truck. We estimate that a small haulage firm with seven HGVs (99% of logistics businesses are SMEs) would have £34,000 added to its annual operating costs if the duty rise were to be introduced after March 2023. With most businesses in this sector operating highly efficiently with lean profit margins, a duty hike of this magnitude would have significant impacts for operating costs and, ultimately, on inflation for customers, businesses and public services.

We are calling on the Treasury to deliver a dynamic mechanism for setting fuel duty that considers the Treasury's VAT receipts from fuel. At a time of high fuel prices, rather than the Treasury benefitting from increased VAT receipts, this approach would protect the economy by cushioning consumers, public services and businesses from further price rises linked to transport costs, while maintaining current tax receipts for the Treasury.

As a result of the continued increase in the mineral cost of diesel and the increased VAT this has delivered to the Treasury, we estimate the government's total tax take per litre, even with the 5ppl cut since March 2022, has remained around the same level since that cut. As such, the dynamic mechanism we are calling for would see fuel duty remain at the current rate of 52.95ppl.

We are also calling for the other charges applied to haulage to be reviewed. In addition to fuel duty, there are several other fiscal charges to be paid, adding to the cost of business. Firstly, operators of vehicles above 3.5 tonnes must also pay vehicle excise duty (VED) based on the vehicle weight, number of axles, and whether it is a rigid or articulated vehicle or towing a drawbar trailer. Secondly, although currently suspended until 31 July 2023, all UK and international hauliers of vehicles over 12 tonnes must pay the HGV Road User Levy.

Low carbon fuels

Given our support for a transition to a green economy, we very much welcome the government maintaining its investment in research and development in the areas of fuels and vehicles. However, the costs of transition are prohibitive for many businesses and, with so many options available and in development, including in the area of synthetic fuels, investing in change brings with it significant financial risk.

We are calling for a long-term plan for utilising low carbon fuels across transport modes, including HVO, LNG and CNG. This should be based on evidence from industry and backed by investment in infrastructure and R&D and supported by a clear regulatory framework.

To support this, it is important that the Zero Emission Road Freight Trials are delivered, and the results are shared as quickly as possible to provide clarity and certainty for HGV operators on which zero tailpipe emission technologies will be commercially viable, enabling long-term business planning. This includes trials for an Electric Road system (ERS) using overhead catenary systems on the main trunking routes used by HGVs.

We welcome these demonstrator projects focusing on the recharging and refuelling infrastructure that is needed to support vehicles, as it crucial this is delivered to cater to all vehicle types at the right time and in the right places. This will help operators confidently transition to zero tailpipe technologies. However, beyond the trials, there must be a clear plan to deliver this supporting infrastructure.

The many businesses that have begun a transition to greener fuels have found that, with the rise in energy prices, fuels currently come at a cost premium. Some of these businesses have reverted back to diesel in response while others have not moved away from diesel yet due to the cost of the fuel, lack of availability of fuelling infrastructure and lack of clarity from the government on the direction of travel for alternative fuels.

The current gas duty differential has helped some of our members switch to biomethane, but the 2024 review point is already a barrier to investment, both for operators and fuel providers. Furthermore, the increase in natural gas prices is a significant concern for members already utilising biomethane.

In addition to a long-term transition plan, we are calling for low carbon fuels to be properly incentivised in the tax system, so that they cost less than diesel. We want to see a continuation of the gas duty differential to 2030 in addition to the introduction of a HVO differential, support with the adoption of LNG/CNG, and treating LNG in the same way as CNG for support.

Consideration should be given to decoupling the price of biomethane/bio-CNG from wholesale natural gas prices to incentivise immediate emissions reduction. We also support the work undertaken by Zemo Partnership that proposes staggered fuel duties based on the different levels of CO_2 of alternative fuels.

In rail, a long-term programme of electrification is required, with a plan published in order to unlock further investment from the sector in electric locomotives. Similarly, a plan is required for those parts of the network that will not be electrified by 2050, including trials for alternatives such as the use of hydrogen technology as soon as possible, noting that locomotives have a long lifespan.

In air, SAF will be the key to reducing emissions, with the ability to reduce emissions by up to 70%. However, the cost of SAF is still much more expensive than jet fuel. It is at least double the price and often more than double. It is also in scarce supply. Logistics UK is calling on government to invest in domestic production of SAF to increase the availability and reduce the cost of SAF so that more of the sector can use this fuel and further reduce emissions from air freight.

In water, we await the government response to 2022's 'Course to Zero consultation: UK domestic maritime decarbonisation'. We are calling for a clear route map to the fuels of the future and propulsion technology so that the sector has certainty over what to invest in. Water vessels have a long lifespan, and many vessels will need expensive retro fitting. It is vital therefore that any changes to existing vessels are in line with government's plans. Logistics UK urges government to consider what financial support is available to support maritime businesses to decarbonise.

Charging and electricity networks

Now more than ever, long-term planning certainty will be critical to ensuring cost effective investment by government and business. The transition to a net zero logistics system will require new thinking on public private partnerships for vehicle and technology development and infrastructure investment. Targeted investment remains essential to logistics' efficiency, productivity and innovation.

Operators need to have confidence that the public charging network will be available and accessible to their drivers across the country, including rural areas, so we are looking to government to improve support for both depot-based and public charging as both will be vital in the transition to electric vehicles.

Whilst recent funding announcements to support local authorities to increase the number of public charge points are welcome, we have concerns that the pace of the roll out is not being given sufficient urgency and that the roll out is not considering the needs of the logistics sector.

It is also important that the public charge point network can accommodate commercial vehicles. The focus for many local authorities has been on providing charge points for private cars, and the average charging bay or car parking space is designed for a C segment hatchback and not a delivery van. Logistics vehicles provide essential goods and services to local communities and, while most fleet operators will charge their vehicles at their depot, there will still be occasions when their vehicles will need to use the public charge point networks. Equally, operators whose drivers take their vehicles home, and do not have off-street space to install a home charger, will rely on on-street charge points.

When allocating funding for local authorities to install public charge points, government guidance to ensure installations are accessible to commercial vehicles must be included. This includes guidance on the size and headroom of parking bays. Project Rapid Charge should also be expanded beyond the strategic road network, as commercial vehicles require rapid charging across their routes in order to keep vehicle-use efficient.

It is also important that public charge points offer value for money. Currently, home charging of electric vehicles attracts VAT at 5% as it is on a home fuel bill, while public charging attracts VAT of 20%. This penalises those who cannot charge their vehicles at home, which includes many people in the logistics sector who use their work vehicles for personal use outside of work hours.

For operators electrifying their fleet, the capital expenditure required can be significant, not only for vehicle acquisition but, more pertinently, to increase power capacity at premises. In addition, operators seeking new premises struggle to identify where there is local capacity to strengthen energy networks, as there is very limited capacity information available from network operators.

We are calling for a rebalancing in who is responsible for improving the energy network to enable electric charging for fleets, with the logistics industry currently unfairly responsible for the full cost and none of the cost of new connections borne by the Distribution Network Operators (DNOs). This should include the plug-in grant being available to fund connections and charging infrastructure.

In addition, we are calling for the retention of capital allowances for the establishment of vehicle charging facilities at depots. Under the current rules, it is unclear if capital allowances can be used to offset the costs involved in increasing power capacities. While the uplift of power supply will be solely used by the occupier who is paying for the uplift, the asset (the power supply) remains the property of the energy network, and this means that the investment cost would need to be amortised in the first year, diverting funds from other projects.

Some operators currently in the process of electrifying their van fleets are already facing challenges with the cost of installing charging infrastructure at their depots, alongside any additional cost required to upgrade power supply. Costs of over £1 million have been reported and it is often not commercially viable, especially if premises are leased. In this instance, if the business relocated, the infrastructure would remain and, in some cases, may even be removed by the landlord, resulting in no further benefit to the business from the investment they had made.

The qualifying criteria for the use of capital allowances in respect of decarbonisation infrastructure expenditure must incorporate net zero investment, including power supply infrastructure, with clear guidance about eligibility. This is especially important for SMEs who may not have access to specialised tax advice. We are also calling for energy networks to share much clearer information on where there is capacity to efficiently strengthen energy networks and install new connections.

We are also calling for a successor to the super deduction that ends in March 2023 with a permanent 100% tax deduction for capital spending in the year of expenditure, unlocking investment in the logistics sector. This should include investments in both buildings and equipment which will support the transition to net zero logistics and support increased productivity. This successor should be available to businesses regardless of the type of finance they use, including those acquired via leasing.

Beyond cost, we are seeking other improvements to increase the delivery of depot charging. This includes:

- A standardised flat rate costs for DNO upgrades
- Sustainable growth in the DNO capacity to support the demand
- Increased acceptance of load balancing options to reduce DNO upgrades
- DNOs signing up to a common service level agreement to standardise the processes involved in working with individual DNOs

Other reforms that would improve the cost effectiveness in investing in electric vehicles in the logistics sector are:

- Removal of the additional mandatory training requirement to allow drivers with a category B licence to drive alternatively fuelled vehicles (AFVs) up to 4,250kg, given that recent driving licence entitlement changes mean that category B drivers can already operate conventionally fuelled vehicle and trailer combinations over the AFV derogation's 4,250kg limit without additional training. There are no known stability or safety issues, and we do not believe additional mandatory classroom training for AFVs is necessary. Requirements laid out in the Health and Safety at Work Act 1974 and the Provision and Use of Work Equipment Regulations 1998 mean that employers are legally required to ensure that any work equipment is safe and appropriate for the purpose to which it is being applied, taking into account the working conditions and health and safety risks.

- Reviewing the weight at which electric vehicles require testing by the DVSA from one year, rather than the three-year point for lighter vehicles. Electric vans are heavier than their diesel equivalents, due to the weight of batteries, and thus many smaller vehicles are currently caught in a testing regime designed for larger vehicles. This adds cost to industry and slows the transition to electric.

- Increasing weight and length allowances for electric vehicles, to enable such vehicles to operate with full length trailers.

Road charging

With the transition towards electric vehicles, especially for cars and smaller logistics vehicles, we understand the need to review the future shape of road taxation and pricing. We would therefore like to work urgently with the Treasury to help develop effective solutions, as businesses need to understand the taxes and charges that may be applied to vehicles in the future so they can invest now with confidence.

We welcome the National Infrastructure Commission looking at the progress made in this area and we would like to see some further direction for it included in the second National Infrastructure Assessment, due to be published in autumn 2023.

We are also calling for reforms and the introduction of a national framework to rationalise the patchwork of charging mechanisms, including Clean Air Zones that have already come into effect and are in development across the country. We fully support efforts to reduce particulates in urban areas. However, where these do not align with any overall fuels strategy or where there are no viable alternatives to the vehicles being targeted, they simply add cost to business and push logistics operations further out of city regions, adding mileage and emissions, and inhibiting the development of logistics jobs within those regions. In addition, operators use fleets across the UK meaning vehicles need to operate in all jurisdictions. Specific requirements to enter towns and cities, especially where those requirements differ between towns and cities, add inefficiency and cost.

Prior to the delivery of such a national framework, we want to see a common payment method across the country, as well as a national portal or dashboard highlighting the requirements of different local authorities, to ensure compliance as simple as possible.

Innovative and integrated national infrastructure

We support the delivery of innovative and integrated national logistics infrastructure, with planning, regulatory and tax reform, infrastructure investment and R&D partnerships to enable the logistics sector to deliver an increasingly productive and strategic national network, supporting economic growth across the UK.

Ultimately, we are calling for a 30-year infrastructure plan with funded five-year delivery plans, owned jointly between the government and logistics sector to deliver a national freight network, including all transport, warehousing and other facilities, so that businesses can invest with confidence. This should be backed by prioritisation for logistics in national and local planning, with land safeguarded to support integration, efficiency and reduced carbon emissions the UK's logistics system, including last mile and jobs in urban areas.

We therefore welcome the commitment made by government to work with business to deliver a national freight network, and also welcome the commitment to maintain levels of infrastructure and innovation funding, and the recent progress made to better represent freight and logistics in the planning system.

In the area of innovation, we are calling for simplification in how co-funding pots are developed and made available, to increase awareness of funding opportunities across the logistics sector. We also want to see these reviewed alongside the development of a national freight network, to ensure they support that end.

In the area of government investment, transport infrastructure spending continues to be needed across the UK – nationally and locally – to enhance capacity, reduce unreliability and support decarbonisation. With government projections showing a continued growth in freight traffic, this spending needs to be well planned and stable over the long-term. This will give businesses the confidence to invest and plan for growth. Our priorities for spending across road and rail include maintenance, relieving congestion, infrastructure provision and facilitating connectivity between different logistics transport modes so that the entire freight network can be used optimally.

It is widely known that there are significant delays to several schemes contained in current investment strategies. As government works with the agencies responsible for delivering the iterations of road and rail investment plans, it is essential that:

- Delays to existing schemes are not seen as a reason to reduce the scale and/or scope of future strategies. Wherever possible, government's focus needs be on speeding up the delivery of enhancements, rather than curtailing ambition. The alternative is to further stymie the growth of our industry.

- Where inflationary pressures mean that difficult decisions need to be made in relation to prioritising investment, it is critical that schemes that improve the efficient flow of freight are given prominence.

- Agencies tasked with improving and maintaining our critical infrastructure, including National Highways, Network Rail and National Grid must have the capacity to effectively manage new schemes through both planning and delivery to avoid further delays.

Successful investment to deliver an integrated network, in addition to funding, requires a planning environment that ensures there is adequate space for the logistics industry to operate. Nationally, we have seen some progress in ensuring logistics is given due attention in planning and we await the government's call for evidence on freight planning issues, to inform planning reform opportunities. However, attention is also needed at a local level to encourage and enable local planning authorities to make rapid, positive decisions that support efficient supply chains. We await the government consultation to update the Local Transport Planning guidance.

As a result of local spending reductions, planning departments have often seen some of the most significant cuts. Experienced planners have been lost and departments are not able to work proactively with industry to achieve positive outcomes. Inefficient planning processes are not in the interests of either applicants or the public purse; delays and appeals are costly and can be avoided with a more collaborative approach to planning applications. There is a role for central government in both ensuring that planning departments are operating effectively and providing adequate funding to local authorities to ensure they can do so.

At a strategic level, government must ensure that national guidance recognises that freight is a national system, is clear in the need to safeguard land for logistics operations and recognises the full value of logistics sites and the need to integrate local supply chain infrastructure with new housing developments from the very outset. This includes recognising the value of road, rail, airports, ports, inland waterways and warehousing and associated facilities, safeguarding land and integrating transport modes. Too often, new communities are built with little regard to the difficulties that will be faced by businesses and organisations that need to supply them. This runs counter to the aspirations of government to 'level up'.

Business rates

Many of our members will be impacted by increased business rates due to come into force from April 2023, with the Valuation Office Agency setting out that warehousing will see an average 27.1% increase in rateable value.

We are calling on the government to keep the impact of increased business rates on warehousing under close review given the risk of inhibiting investment and pushing inflationary costs onto consumers, businesses and public services.

We are also calling for all elements of green investment, such as the installation of charging and alternative fuelling infrastructure, to not add to rateable value as, currently, there is a disincentive to make such green investments as it will increase business rates.

Energy security and cost efficiency for the UK's logistics infrastructure

Energy security and cost efficiency are also crucial for the UK's logistics sector, both for day-to-day operations and also for increasing the confidence to invest.

Logistics UK welcomed the Energy Bill Relief Scheme (EBRS) to support businesses with the rising costs of energy. With regards to the future of the scheme, we wrote to the Chancellor of the Exchequer on 8 November 2022 explaining that we recognised that budgetary constraints must be considered. However, we do have concerns about the reduction in support in the new Energy Bill Discount Scheme (EBDS) compared to the current EBRS, given that the fund is 85% smaller, and yet, average gas and electricity market prices were only 35% lower in the week the EBDS was announced compared to in the week the EBRS was announced in September.

We also have concerns about the impact of the difference in support for most non-domestic and designated Energy and Trade Intensive Industries, given that the logistics sector includes many energy-intensive elements. For example, a firm in the logistics sector, such as a chain of large supermarkets, may have its primary operation in retail and yet have significant operations in processing and preserving food.

Given the continued volatility in energy supply and markets, partly as a result of the ongoing war in Ukraine, we are urging the government not to rule out further support if it is needed, even if this lands within the planned 12 months of the EBDS. We also urge the government to engage with the logistics sector about how we can work together to manage further shocks.

Energy security is also essential for the logistics sector, and thus, for ensuring the availability of the products households, businesses and public services rely on every day. We welcomed the British Energy Security Strategy, published April 2022, including its focus on increasing wind, hydrogen and solar production and paving the way for the approval of further nuclear reactors. We are also calling for an electric generation roadmap to ensure sufficient supply margin as more vehicles move to and rely on the National Grid, and the government to work with the industry to unlock investment in energy generation, by linking feed in rates to wholesale electricity prices, enabling greater levels of commercial energy generation and energy security.

Government recognised logistics as a key sector during the COVID-19 response. Our members support all of the Designated Services included on the government's Electricity Supply Emergency Code (ESEC) and yet our members have not been included in government discussions on energy supply to date and are excluded from the list of Designated Services in the ESEC. We hope you will agree that the industry should have a seat at the table when government makes contingency plans for potential disruption of energy supply, and that the sector should be on the ESEC list.

Skills partnerships to support a thriving sector

The logistics sector employs 2.56 million people, directly and indirectly in logistics roles. Like all sectors of the economy, we are managing change in terms of technology and demographics, and we were also significantly impacted by the end of freedom of movement. For example, between the third quarter of 2019 and the third quarter of 2022, 13,900 HGV mechanics, technicians, and electricians from the EU have left the UK labour market. Consequently, 54% of respondents to Logistics UK's quarterly performance tracker reported 'severe' or 'very severe' in recruiting HGV mechanics. This has resulted in a high degree of wage inflation, with the advertised salary for HGV mechanics and technicians rising 11.6% in the year to December 2022, which increases costs for operators.

We therefore welcome government recognition of the importance of the sector, including with resilience of haulage and logistics being a priority under the No. 10 Delivery Unit-led 'Sector Delivery Leads' initiative; working with the industry to tackle delays in licensing; funding for skills bootcamps and joint funding of Generation Logistics.

Highlighting opportunities

The logistics sector is making significant investment in skills, including through the Generation Logistics campaign. This has been developed in collaboration with the Department for Transport, Logistics UK, the Chartered Institute of Logistics and businesses across the sector to change perceptions and attract new entrants to the logistics workforce. It is helping to raise the profile of the logistics sector and demonstrate the value that a career in the sector can provide, targeting career-starters and career-changers alike.

As the next stage of Generation Logistics approaches, the sector is calling for continued government support to showcase the campaign through schools and colleagues, to further increase its reach.

Recruitment

Skills Bootcamps, as supported by the government and Logistics UK and as recently delivered through the HGV Skills Bootcamps, have proven to be a successful approach for meeting shortages – and there is more that can be done to increase awareness, to encourage take up.

Our members reported that the bootcamp model did, in many cases, help to increase the number of HGV drivers training and applying for jobs. This bootcamp model should therefore stay in place and be extended to help fill other crucial skill gaps as they emerge.

Skills investment

Skills investment needs to deliver better value for money for the public and private sectors. To help rectify this, an immediate review of the funding model for the apprenticeship levy should be undertaken to ensure funding delivers the value intended. During the 2019/20 financial year, only 15% of apprenticeship levy paying employer accounts fully utilised the funds available to them. More flexibility in how the levy can be spent could lead to increased apprenticeships starts, allowing more companies to utilise the funding available, whilst meeting the needs of their business.

Following our call, in 2022, for the government to review the funding model for the Apprenticeship Levy, we welcomed the Chancellor stating that the government will consider whether the current tax system including the operation of the apprenticeship levy is doing enough to incentivise businesses to invest in the right kinds of training.

We support the creation of a Training Levy, to replace the existing Apprenticeship Levy. Doing so would allow companies to solve their own skills shortages in the short term, by allocating levy funding for training programmes which do not necessitate a year-long apprenticeship, such as HGV drivers and pilots. This would not only allow employers to spend their levy funds in the most effective way possible, but also ensure that companies can play an active role in solving acute skill gaps.

We also want to see improvements to the government's lifetime skills guarantee, which can be improved to allow more flexibility for both businesses and employees. At present, adults who have prior level 3 qualifications are unable to access funding for most of the courses being offered, and those who are eligible are only able to access full funding for a prescribed list of level 3 qualifications, which do not necessarily reflect the roles which industry needs to fill. Therefore, while Logistics UK supports the government's commitment to lifelong learning, it must ensure that people are not ruled out of this guarantee based on prior experience, and that funding is available for the qualifications which are highest demand. Furthermore, meeting demand for qualifications within the logistics sector would require greater funding for level 2 roles, since these make up most of the shortage occupations in the industry at present.

A flexible approach to migration

Despite significant investment in supporting the domestic workforce into logistics roles, the sector will require some support from abroad, at least in the shorter term. Given that logistics was one of the industries most reliant on EU workers when Freedom of Movement was in place, there are several acute shortages in the sector which require shorter term solutions.

Ensuring that Skilled Worker visas are available for more logistics roles than at present would support the UK logistics system, as would adding these roles to the Shortage Occupation List (SOL). We are expecting a review of the SOL soon and will be recommending that mechanical engineers remain on the list, while forklift drivers, warehouse operatives, HGV drivers and vehicle mechanics be added. It may also be helpful to review whether the current system for sponsoring visas works for business.

Simple borders and regulations to boost trade and investment

We are supporting and calling for simple borders and regulations to boost trade and investment, enabling UK businesses to trade across Europe and around the world and create investment opportunities in the UK.

In 2021, the UK exported £320 billion goods and imported £476 billion, made possible by the logistics sector. At the heart of the government's trade strategy must be recognition of logistics as a driver of export growth and inward investment.

Minimal friction at borders to boost trade and investment

Trade thrives when borders and customs procedures are as frictionless as possible, processes are industry-friendly, and transport connectivity is efficient, including through the mutual recognition of standards and qualifications for logistics workers.

It is crucial that the ambition, vision, transformations and strategic objectives of the 2025 Border Strategy are fully resourced and realised as quickly as possible, that delays and the number of successive changes are minimised and there is clear and timely communication with industry. This includes having the 'most effective border in the world'; a border that is highly productive, free flowing, predictable and resilient for all users.

It is important that there is ongoing involvement of the logistics industry in early testing of prototypes of future systems. Systems should be accessible prior to their launch to give businesses time to organise training, identify any structural and design weaknesses and anticipate any repercussions on their own systems and processes that may interact with government platforms. There should also be a clear structure for escalating and resolving concerns and cases.

As processes are modernised and digitalised, there must be clear protection of commercially sensitive information.

Government must provide the ongoing support required to enable government and industry to deliver the major transformation needed by 2025 and beyond it to implement the long-term Target Operating Model.

Government funding must be delivered for training and capacity building in customs and trade to meet the increased demand for the intermediary sector to provide support to businesses adapting to new trading conditions. This should include reform of the Apprenticeship Levy to enable a greater proportion of this funding stream to be used for customs.

The government should carry out a 'red tape review' in the trade arena at critical junctures to minimise the burden on business.

Northern Ireland Protocol – Keeping GB and NI Trading.

We are calling on the UK government and the EU to agree a negotiated outcome that maximises opportunities from Trusted Trader Schemes, and delivers stability, certainty, simplicity and affordability for businesses.

It is essential that any political agreement is tested with logistics businesses to ensure it works in the real world, and that businesses have enough time to update systems to implement any new requirements. It is also essential that a framework is agreed for carrying out impact assessments on Northern Ireland and managing future divergence between the UK and the EU.

Logistics recognised within the UK's trade deals and leading the way on global logistics innovation and decarbonisation

Logistics presents a major opportunity to expand trade and inward investment, and to ensure UK businesses are playing their full part in international progress on logistics innovation and decarbonisation.

As such, we want to see Free Trade Agreements which unlock market access, support mutual recognition of qualifications, facilitate efficient trade systems for UK logistics companies, and which involve UK logistics in research and development opportunities. To support this, we are calling for best-in-class trade facilitation arrangements with key commercial partners around the world and a supportive environment for trade, both in the UK and globally.

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