Logistics UK Scottish Budget 2023 representation

November 2023

Logistics UK is one of the UK's largest business groups, representing the entire logistics industry and supporting, shaping and standing up for safe and efficient logistics. Our membership of more than 20,000 includes global and UK businesses and SMEs spanning road, rail, inland waterways, sea and air 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, in Scotland and right across the UK. This document includes our priorities for the Scottish Budget.

The logistics sector is calling for:

- **Fair transition to a green economy:** The logistics sector is embracing the decarbonisation agenda and is committed to playing its part to help Scotland and the UK achieve net zero. To deliver a fair transition and unlock private investment, the sector needs greater involvement in developing plans for energy infrastructure, innovation funding, regulatory changes and tax incentives.
- **Skills to support a thriving sector:** The logistics sector is investing in recruitment and skills to respond to the rapidly changing needs of businesses. An ageing population and reduced migration from the EU are trends affecting all communities and parts of the economy, but are acutely felt in Scotland's remote towns and industries.
- **Innovative and integrated infrastructure:** The logistics sector is becoming ever smarter and more integrated, within businesses and between logistics sites and transport modes. The infrastructure it relies on also needs to become more integrated and multimodal. Ultimately, we require a UK logistics transport network, to guide the investment needed to deliver goods in the optimum productive, strategic and green way.
- **Trade to be backed as a driver of innovation and productivity:** Logistics enables all international goods trade, and it has responded with agility to challenges such as EU exit, COVID-19 and the war in Ukraine. Trade should be backed as a driver of progress, with simple regulations and borders, and sufficient infrastructure capacity at ports and airports.

What we represent

Logistics is a sector delivering an increasingly safe, sustainable and efficient system of infrastructure – creating opportunities across the UK and linking Scotland to the global trade network. Spanning land, water and air, it delivers for everyone, everywhere, every day.

- Logistics delivers big public value on small margins, ensuring the availability of the products households, businesses and public services rely on. It moves goods more than 200 billion tonne-km within the UK per year and enables the trade of more than £1 trillion of goods, while working hard to avoid adding pressure to the cost of living. This is a challenge with fuel and energy costs at a historic high and restrictions on logistics growing.
- The sector delivers smart, green, resilient growth and jobs. It contributes £163 billion to the UK economy each year (12% of UK non-financial GVA). In Scotland, there are 10,960 logistics businesses and over 200,000 logistics workers which accounts for 7.8% of all jobs in Scotland.[1]
- Logistics delivers for the future, as an essential system for growth. It underpins the whole economy, with an economic footprint three times larger than its direct GVA contribution, with

[1] Repgraph analysis for Logistics UK. Labour Force Survey, Office for National Statistics.

the public sector and other private sector businesses spending 15% of their total input-related spending on logistics services per year.[2]

Fair transition to a green economy

The logistics sector is embracing the decarbonisation agenda and is committed to playing its part to help the UK achieve net zero. To deliver a fair transition and unlock private investment, the sector needs a greater say on plans for energy infrastructure, innovation funding, regulatory changes and tax incentives.

Grid capacity and public charging

As logistics operators transition their fleets towards net zero, greater demands are being placed on grid capacity. To charge fleets of electric vehicles on site, operators are often required to pay for the installation of a substation, which presents a huge cost. Furthermore, new sustainable energy projects are seeing waiting times up to a decade to connect to the grid, meaning that the overall output of the grid is not increasing as quickly as it can.

The transition to net zero will be impossible for the sector if the placement of public charge points for vehicles is not planned more strategically. The Scottish Government should take a strategic approach to energy planning to ensure that grid capacity is not only expanded in areas which currently have high demand – in rural areas, these projects may need to be subsidised where this is the case. This will ensure that electric vehicles can still be used in rural areas, as the present number of accessible charge points in those areas means that internal combustion engine vehicles are still the preferred option based on their range and more plentiful refuelling options.

Skills to support a thriving sector

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Apprenticeships

The Scottish Government should ensure transparency for allocating funds collected via the Apprenticeship Levy to show how and where the levy money is spent. While we support the Scottish Government's position on allowing the levy funds to be spent on wider training beyond just apprenticeships, employers would like to see greater transparency on where that funding is going. The Scottish Government can make this process more transparent by publishing annual reports on the allocation of this funding.

The Scottish Government should reconsider the £15,000 cap on apprenticeship funding per employer as well as other restrictions on how the funding can be accessed, to ensure that training opportunities are maximised from the apprenticeship funding pot.

Skills shortages

The transition to a green economy cannot happen with a skilled workforce behind it. There must be a focus on developing future skills in the education system now, not only in further education but also in our schools.

Maintenance and repair of electric and alternatively fuelled vehicles is a constant struggle for the transport and logistics sector; there are simply not enough trained mechanics and engineers to meet demand. As electric fleets grow, so too must the workforce. Furthermore, as the percentage of electric vehicles in fleets increases over time, we will begin to see even greater demand for technicians who are trained to operate on those vehicles. Logistics UK is calling for electric vehicle maintenance become a compulsory element of training for technicians, so that they do not have to be upskilled in the future.

[2] Logistics: a solution to the UK's productivity puzzle, Oxford Economics, September 2023

Scotland, like the rest of the UK, has a longer-term, chronic issue when it comes to HGV drivers. While this shortage is not being felt as acutely as the technician shortage presently, the Scottish Government can help to ensure that this issue is addressed in the long term. Logistics UK is currently assisting SDS in the development of the new Driving Goods Vehicle apprenticeship, and are confident that the new course will deliver greater value and return on investment for both employers and employees, thus attracting greater numbers of new applicants. It will then fall to the Scottish Government to ensure that this course is properly funded and supported once it comes into place.

Emerging and future skills

As Scotland transitions to net zero, additional skills will need to be embedded within the wider skills system. While employers will bear some responsibility for delivering sustainability training within their workplace, this knowledge will need to be embedded within the education system as well. Developing a defined portfolio of 'green skills' which can be embedded within the education system would be beneficial in this regard.

Digital skills must also be a focus area for the professional development of both young people and those already within the workforce. Those skills are highly valued by employers, and greater provision of these skills for those who do not yet have them should be prioritised.

To facilitate the improvements noted above, the Scottish Government should produce a clear strategy for skills going forward, which acknowledges the challenges and opportunities presented by digitisation, net zero and AI. This strategy should include clear timelines for delivery, so that employers can be assured that the education system is giving people the tools they need to succeed in the modern world of work.

Innovative and integrated infrastructure

The UK's logistics sector is becoming ever smarter and more integrated, within businesses and between logistics sites and transport modes. The infrastructure it relies on also needs to become more integrated and multimodal. Bottlenecks in the logistics infrastructure, the slow pace of planning and delivery and lack of long-term plans create inefficiencies and inhibits private investment.

In the short-term, this means rectifying the congestion hotspots that are harming productivity. For the longer term, we require a UK logistics transport network to guide the investment required to deliver goods in the optimum productive, strategic and greenest way.

Better maintenance of existing strategic and local infrastructure to improve reliability and safety

The logistics system relies on an efficient network of transport infrastructure. However, poor road conditions, overrunning works and capacity constraints are all combining to make journey planning highly unpredictable, thus increasing business costs such as through missed deliveries, unnecessary overtime, increased fuel consumption, inefficient fleet utilisation and damaged vehicles.

We are calling for the Scottish Government to invest in improved road maintenance and pothole repair by ensuring both national agencies and local authorities are adequately funded.

Investment focused on tackling the congestion hotspots, on road and rail, and at ports and airports

In addition to maintenance issues, transport infrastructure is increasingly constrained, adding cost to the logistics sector and further hampering the economy.

Having an HGV stuck in congestion costs £1.29 per minute to the operator and, overall, congestion cost the UK economy £9.5 billion in 2022 alone.[3]

The planned improvements to the A9 must be prioritised so that as well as increased safety for road users, journeys for passenger and freight traffic are more efficient.

Improvements to Rail Infrastructure

[3] Logistics Report 2023, September 2023

Improvements to rail infrastructure should be done so in a way which prioritises connectivity between Scotland and England. Doing so is crucial to the capacity of rail freight, which will in turn help to fulfil Scotland's net zero obligations. Not doing so could give English firms a competitive advantage in the future when the potential of rail freight is realised. During the covid pandemic, Scotland mobilised quickly to move some freight from road onto rail to maximise the capacity freed up as a result of the reduced demand from passengers. This showed that with focus and determination, challenges to modal shift can be overcome. Logistics UK urges the Scottish Government to support further movement of freight onto rail.

The expansion of rail capacity should also consider connections with ports a high priority. High quality rail linkages with ports, particularly in the rest of the UK, would facilitate more efficient movement of goods between nations and offer UK firms greater flexibility.

The Scottish Government has chosen not to support the UK Government in their attempts to establish a trial period for longer, heavier vehicles which would facilitate intermodal logistics. We would urge Scottish Government to re-consider their engagement with the UK government when it comes to exploring the benefits of intermodal freight.

Aviation strategy

The Scottish Government should publish an aviation strategy which sets out its vision for the use of sustainable aviation fuel (SAF) and air cargo. The Scottish aviation sector has huge potential to boost its exporting power, and a clear strategy which facilitates this should be published as soon as possible. Given that a consultation on aviation strategy concluded a year ago, the Scottish Government should make it a priority to publish this plan.

To meet net zero targets, the aviation sector needs cheaper and more readily available SAF. Production within the UK would help this, and Scotland could be leading the way in manufacturing of SAF with the right strategy and investment.

Cross UK trade to be backed as a driver of innovation and productivity

Logistics enables all international goods trade, and it has responded with agility to challenges such as EU exit, COVID-19 and the war in Ukraine. Trade should be backed as a driver of progress, with simple regulations and borders, and sufficient infrastructure capacity at ports and airports.

Significant road improvements are needed to improve journey time reliability between major urban centres and cross-border, as well as greater resilience for non-motorway sections.

We are also calling for the delivery of the A75 and A77 upgrades to improve safety, capacity and reliability. These are the main road arteries serving the south-west of Scotland, and the access points to Northern Ireland at one end and to Scotland's central belt (in the case of the A77) and to England (in the case of the A75) at the other. The A1 also has a clear case for improvement. It is not continually dualled all the way down from Edinburgh to Newcastle and is frequently congested. Delays are also experienced when bad weather hits. This route is particularly susceptible to high winds and snow due to the height of the route.

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