Logistics UK representation to the Spring Budget

24 January 2024

Logistics UK is one of the country'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, national and regional 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, right across the UK. This document includes our priorities for HM Treasury and 2024 Budget.

To unlock the UK's potential, the logistics sector is calling for the Chancellor of the Exchequer to establish a cross-Whitehall Logistics Productivity Forum, and take action in four priority areas. This can supercharge the UK economy by between £3.9 billion and £7.9 billion, which would raise enough in taxes to fund between 20,000 and 40,000 additional nurses or teachers[1].

Our four priority areas for unlocking growth are:

- Fair transition to a green economy.
- Innovative and integrated infrastructure.
- Skills partnership to support a thriving sector.
- Trade to be backed as a driver of innovation and productivity.

To support our priorities and inform policymaking, we are also calling for an improved separation of official logistics and general transport and planning data.

Currently, logistics and freight data (concerned with planning decisions and the movement of goods, inventory management, supply chain optimisation, greenhouse gas emissions, and efficiency of freight transportation) is unhelpfully intertwined with general transport data (including public transport networks like buses, trains and trams). An improved distinction would allow for more specific, tailored strategies that address the unique challenges and opportunities within the logistics industry, enhancing efficiency, and creating more targeted value, particularly in the interface with public infrastructure.

A fair transition to a green economy

Immediate priorities for the Spring Budget

- The extension to the 5 pence per litre (ppl) cut in Fuel Duty, set to end on 23 March 2024, to be maintained for another year. Now is not the time to increase costs for industry, especially given other inflationary pressures.
- Business investment, including in decarbonisation, to be backed in the tax system by extending full expensing for capital investment to cover leased and hired vehicles, and the fees paid to energy network operators to deliver the asset upgrades necessary for vehicle charging.
- Low Carbon Fuels (LCFs) in terms of use and production, incentivised in the tax system to increase their adoption, given they can reduce carbon emissions immediately. LCFs must be cost competitive with diesel and kerosene but often they are more expensive. This requires a continuation of the gas duty differential to 2030, development of a Hydrotreated Vegetable Oil (HVO) differential, decoupling the price of biomethane from wholesale natural gas prices, and

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

support from the government for the production of LCFs, including Sustainable Aviation Fuel (SAF).

- Reduce waste by removing VAT on charitable donations. Logistics UK is calling for a change in VAT rules to support product donations from retailers and manufacturers directly to individuals and families in need.

Long term priorities for HM Treasury and the government

- The introduction of a dynamic mechanism for Fuel Duty to give greater certainty to business. In periods of high inflation and fuel prices, this would enable the Treasury to keep Fuel Duty down by taking into account its tax receipts from VAT and other sources – and therefore ensure the sector's funds can be focused on decarbonisation.
- An agreed and co-created logistics roadmap to net zero and the phase-out of fossil fuels, based on the availability of technology, infrastructure investment, regulatory reform and tax incentives. This emission reduction plan should include the role of zero tailpipe emission technology for road vehicles and charging, rail electrification and shorepower at ports, as well as the role of low carbon and sustainable fuels across transport modes.
- A national logistics network supported by the energy infrastructure and sufficient power supply required for the transition to net-zero by all freight transport modes.

Innovative and integrated national infrastructure

Immediate priorities for the Spring Budget

- Long-term and stable investment in the maintenance of existing strategic and local infrastructure, to improve reliability and safety.
- Investment and planning decisions focused on enabling efficient logistics and tackling the UK's top congestion hotspots, on road and rail, as well as at ports and airports – including to better align the UK's transport and trade policies and ambitions.
- Continuing to invest in logistics innovation programmes to drive logistics productivity and, therefore, economic growth.
- The slow and inflexible nature of the planning system to be addressed to support the delivery of new logistics sites and enable current sites to be adapted efficiently.

Long term priorities for HM Treasury and the government

- Investment in a national logistics network, backed by reforms to infrastructure planning, local planning and innovation funding to deliver a joined-up 30-year strategy, with cross-party commitment and five-year delivery plans. This must cover the whole of logistics, including warehousing, facilities, ports, airports and the corridors that connect them to communities across the UK.

Skills partnerships to support a thriving sector

Immediate priorities for the Spring Budget

- Reform skills funding to ensure businesses can create opportunities and meet long-term needs, including ensuring appropriate funding for training providers; and broadening eligibility for roles in the logistics sector to receive support through the National Skills Fund.
- Improve access to, and the appeal of, careers in logistics by committing to fund the Generation Logistics campaign alongside the sector for a third year from October 2024; by investing in facilities to improve the welfare of logistics worker; and through the targeted use of migration to meet short-term, acute skills needs.

Long term priorities for the HM Treasury and the government

- Transform the Apprenticeship Levy into a more flexible Training Levy.

- Proactively identify and develop the transferable and cross-cutting skills needed by the current and future logistics industry.

Trade as a driver of innovation and productivity

- Government to urgently rebuild confidence and credibility among the logistics sector that it can provide workable solutions that deliver the certainty, stability, simplicity and affordability the sector needs to trade smoothly.
- The logistics sector is concerned that the current insufficient detail on UK policy and lack of engagement with EU Member States is creating a high risk of misunderstanding among traders, which could result in delays at the border, reduced choice of products and higher costs for the UK.

Immediate priorities for the Spring Budget

- Efficient delivery of the 2025 UK Border Strategy, including the Border Target Operating Model and Single Trade Window, in close coordination with the logistics sector and pragmatic partnership working with the EU on border policies.
- UK government to work in partnership with the French government and European Commission to secure an immediate extension to the autumn 2024 deadline for introduction of the new EU Entry/Exit Scheme to facilitate delivery of a unique solution at juxtaposed borders to ensure the smooth flow of freight and UK EU trade.
- Efficient implementation of the Windsor Framework, in close coordination with the logistics sector, to protect and grow GB-Northern Ireland (NI) trade, and UK-Republic of Ireland (ROI) trade, and maximise trading and prosperity opportunities for NI through its unique access to both the UK and EU single market.

Long term priorities for the HM Treasury and the government

- Evolution and expansion of our trading relationship with EU and the European Free Trade Association (EFTA) continually focussed on making trade as frictionless as possible.
- Free Trade Facilitation Agreements and Free Trade Agreements that unlock market access and enable efficient trade systems for UK logistics.

Progress on this agenda will give the sector the certainty it needs to invest in the future, delivering a more innovative, productive and green economy for communities right across the UK.

What we represent

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

- The sector delivers resilient growth and jobs. It contributes £163 billion to the economy each year (12% of UK non-financial GVA), employs 2.7 million people (8.2% of the UK workforce), pays £5 billion in revenue to Treasury through Vehicle Excise Duty (VED) and Fuel Duty, in addition to other taxes.[2]
- Logistics underpins the whole economy, with an economic footprint three times larger than its direct GVA contribution, with the public sector and other private sector businesses spending 15% of their total input-related spending on logistics services per year. [3] Logistics hubs provide a catalyst for further growth and investment, helping places to thrive.
- 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.

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

A 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, creating opportunities for the UK to be a leader in green innovation and investment. However, the agenda is raising urgent questions over the energy infrastructure required to support a fair transition to a green economy – inhibiting private sector investment, and there remains no agreed plan on LCFs.

Businesses need support now with the higher costs associated with operating zero emission vehicles and using LCFs. In addition, any environmental charges on logistics must consider whether they assist or hinder a reduction in emissions.

For the longer term, the sector needs a greater say on the government's plans for energy infrastructure, innovation funding and regulatory and tax incentives, to give businesses the confidence to invest at pace.

Key asks

Short term:

- The extension to the 5ppl cut in fuel duty, set to end on 23 March 2024, to be maintained for another year. Now is not the time to increase costs for industry, especially given other inflationary pressures.
- Business investment, including in decarbonisation, to be backed in the tax system by extending full expensing for capital investment to cover leased and hired vehicles, and fees paid to energy network operators to deliver the asset upgrades necessary for vehicle charging.
- Low Carbon Fuels (LCFs) in terms of use and production, incentivised in the tax system to increase their adoption, given they can reduce carbon emissions immediately. LCFs must be cost competitive with diesel and kerosene but often they are more expensive. This requires a continuation of the gas duty differential to 2030, development of a Hydrotreated Vegetable Oil (HVO) differential, decoupling the price of biomethane from wholesale natural gas prices, and support from the government for the production of LCFs, including SAF.
- Reduce waste by removing VAT on charitable donations. Logistics UK is calling for a change in VAT rules to support product donations from retailers and manufacturers directly to individuals and families in need.

Long term:

- The introduction of a dynamic mechanism for fuel duty to give greater certainty to business. In periods of high inflation and fuel prices, this would enable the Treasury to keep fuel duty down by taking into account its tax receipts from VAT and other sources – and therefore ensure the sector's funds can be focused on decarbonisation.
- An agreed and co-created logistics roadmap to net zero and the phase-out of fossil fuels, based on the availability of technology, infrastructure investment, regulatory reform and tax incentives. This emission reduction plan should include the role of zero tailpipe emission technology for road vehicles and charging, rail electrification and shorepower at ports, as well as the role of low carbon and sustainable fuels across transport modes.
- A national logistics network supported by the energy infrastructure and sufficient power supply required for the transition to net-zero by all freight transport modes.

Fuel Duty

The extension to the 5ppl cut in Fuel Duty is set to end on 23 March 2024. Now is not the time to increase costs for industry, especially given other inflationary pressures. Logistics UK calls for the cut to be maintained for a further year.

This measure is vital given the current economic climate. Logistics underpins every sector and what is happening within the sector is often a sign of things to come for the wider economy. While the UK's monthly GDP[4] is estimated to have grown by 0.3% in November 2023, the logistics sector is already going backwards, both domestically and internationally: the take-up of warehousing (an indicator of how many goods are in circulation) was down by more than 50%, year on year, in the first nine months of 2023. At the same time, insolvencies across the sector are up more than 8% compared with a year ago. Internationally, the cost of shipping containers is the lowest it has been for three years, indicating a lack of demand. International oil prices are expected to hover around $80 per barrel throughout 2024, according to a recent Reuters survey[5]. This projection is based on the anticipation that subdued global economic growth will limit demand. Additionally, the situation in the Red Sea is likely to influence these prices.

Looking to the future, we want to see the introduction of a dynamic mechanism for Fuel Duty to give greater certainty to business. In periods of high inflation and fuel prices, this would enable the Treasury to keep Fuel Duty down by taking into account its tax receipts from VAT and other sources – and therefore ensure the sector's funds can be focused on decarbonisation.

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, all UK and international hauliers of vehicles over 12 tonnes must pay the HGV Road User Levy.

Tax incentives, regulatory changes and investment to increase the uptake of green technologies available now

LCFs

There is a growing risk that the energy infrastructure needed to decarbonise will not be delivered at the pace the sector requires, while zero tailpipe emission HGVs remain unproven for long distance operations. There is also no agreed plan for the role LCFs will play in the transition, despite them being able to reduce emissions from internal combustion engines by up to 80%[6]. Such fuels can provide a bridging technology for decarbonising heavy vehicles, which is vital as many internal combustion engine HGVs will remain in use into the 2050s.

LCFs are often more expensive than diesel and in short supply, and the logistics sector is not clear whether the government will back them for the long term – all of which is hampering their uptake. The many businesses that have begun a transition to greener fuels have found that, with the rise in energy prices, these fuels currently come at a cost premium. Some businesses have reverted back to diesel, while others have not moved away from diesel at all 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.

We want to see LCFs, in terms of use and production, incentivised in the tax system to increase their adoption, given they can reduce carbon emissions immediately. LCFs must be cost competitive with diesel and kerosene but often they are more expensive. This requires a continuation of the gas duty differential to 2030, development of a HVO differential, decoupling the price of biomethane from wholesale natural gas prices, and support from the government for the production of LCFs, including SAF.

A global solution is required, with the UK government taking a lead role. The annual COP summits provide a global stage for the UK to demonstrate leadership on this critical aspect of national and global efforts to decarbonise.

LCFs have a role to play in reducing emissions in:

- Road, as currently the road system and infrastructure is not ready for a mass uptake of battery electric vehicles (BEVs) in the logistics sector. This is due to the infrastructure in place

[4] https://www.ons.gov.uk/economy/grossdomesticproductgdp/bulletins/gdpmonthlyestimateuk/november2023
[5] https://www.ons.gov.uk/economy/grossdomesticproductgdp/bulletins/gdpmonthlyestimateuk/november2023
[6] https://www.zemo.org.uk/work-with-us/fuels/projects/2020-high-blend-biofuels.htm

being unsuitable for charging electric HGVs and it is not clear what that charging infrastructure would look like or where it would be located. This is compounded by the lack of vehicles available on the market that can be used for all journeys and types of operations undertaken by HGVs and heavy vans.

- Rail, now and for any parts of the rail network that are not electrified by 2050. For a fully electric train to be used, its entire journey must be on electrified track. If any section of that journey is on standard tracks, a solely electric train cannot be used, and cargo must currently be moved by a diesel or bi-mode electric-diesel locomotive instead. Replacing diesel with LCFs would significantly reduce emissions in lieu of more of the rail network being electrified.

- Aviation, with SAF seen as the primary way to significantly cut aviation emissions by up to 80%.[7] However, SAF is still much more expensive than jet fuel and without a domestic supply, UK aviation is reliant on imported SAF. It is at least double the price and often more than double. It is also in scarce supply.
- Maritime, where electrification for all vessels and journeys is not a viable option.

We are also calling on the government to secure a halt to the proposed changes to the Greenhouse Gas Protocol (GHGP) that would mean companies would no longer be able to report the benefit of using biomethane in their truck fleets. This would mean having to report use as if they were using fossil natural gas which has only a small carbon benefit over diesel and does not reflect the emission reduction benefits of using biofuels.

A long-term strategy is also required for LCFs across the economy that makes strategic decisions over infrastructure, manufacturing and which fuels would be best used by which industries, given the likelihood of scarcity of supply driven by international demand. This strategy should be evidence-based; keep the cost of logistics down; consider the carbon emissions impact of the whole fuel lifecycle; be backed by investment in infrastructure and R&D; and by a clear regulatory framework.

We want to better understand how the government balances its technology neutral approach with an objective that limits the use of certain technologies. For example, in the government's 2023 response to the Transport Committee's "Fuelling the future" report, it said that while its approach is technology neutral, it is not neutral on the "end goal [which] must be zero exhaust emissions." We are concerned that this approach limits the use of LCFs, synthetic fuels and hydrogen internal combustion, which can all play a role in reducing emissions or delivering net zero across the fuel lifecycle. We therefore welcome that the recent Biomass Strategy highlights a role for LCFs.

For SAF specifically, we want to see government action on the development of at least five SAF plants under construction by 2025, a price support mechanism funded by government to encourage production – and we welcome the government's recent announcement on this, and the laying of legislation for a 10% SAF mandate. We are also asking the government to play regard to aviation decarbonisation support in the US (Inflation Reduction Act) and EU (Fit for 55) schemes and the EU Emissions Trading Scheme, when setting UK policy to ensure it is ambitious enough. Compared to the UK ETS, the EU ETS is more mature, bigger in scope, more liquid, and has a higher auction price. EU ETS II is set to go further still, to include road transport and buildings. The UK must have the ambition to match this.

Electrification

Logistics businesses are increasingly investing in or considering moving to net zero vehicles where possible. This requires sufficient renewable energy in the UK and significant resilience and improvements to be delivered to the UK transmission and distribution energy grid.

Consideration also needs to also be given to the impact on productivity of the reduced payload that EVs can carry, as a result of their batteries taking up a significant proportion of their overall permitted weights. This is particularly pertinent for 44 tonnes gross vehicle weight HGVs where the EV tractor unladen weight penalty is approximately four tonnes, resulting in a payload reduction of over 18%. This reduces the commercial viability of adopting such vehicles. We are therefore urging the

[7] https://www.iata.org/en/programs/environment/sustainable-aviation-fuels/

government to review EV gross weights and dimensions, to ensure EV HGV uptake and overall logistics productivity is not compromised.

Depot charging – road

Most road operators see depot charging as the primary charging option for their electric fleets. However, there is a significant concern about whether there will be adequate power supplies to meet increased demand as fleet electrification progresses. There is also concern about the costs involved in increasing power supply to depots.

Members are deploying EVs at depots where there is currently adequate power supply and space to charge fleets on site. Where they operate on multi-sites, sites that have constrained power supply will be considered later in their decarbonisation journey, while they work through the challenges of increasing power supply. For those areas with constraints, logistics businesses are keen to work with local authorities on their own charging infrastructure roll out plans to identify mutual benefits and are calling for the government to facilitate such a collaborative approach between local authorities and fleet operators.

For operators who are electrifying their fleet, the capital expenditure required for depot charging can also be significant. Some operators currently in the process of electrifying their van fleets have reported costs of over £1 million for energy asset extensions, which 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. Any costs involved in increased power supply at premises, is in addition to the costs of acquiring new electric fleets and installing chargepoints.

Logistics UK want to see changes to the eligibility criteria for using fully expensed capital allowances to offset the costs of increasing electricity supply through energy asset extensions at commercial vehicle premises and support businesses seeking to electrify their vehicle operations. Commercial vehicle operators are already incurring significant costs upgrading to zero emission vehicle fleets and installing charging infrastructure. It is inequitable they should also have to pay for all the costs of upgrading an asset they do not own.

Operators seeking new premises also struggle to identify where there is sufficient local grid capacity for depot charging, or where there is capacity to strengthen energy networks.

A significant barrier to an accelerated EV transition is the end-to-end process with the distribution network operators (DNOs). The processes involved among the various DNOs across the country are inconsistent and unclear at best. We urge the UK government to work with DNOs and the devolved governments to develop a common service level agreement to standardise the processes between DNOs across the country. We would like to see this outline the process from application to the quote, payment to the assigned person visiting sites, and also payment to design and install. Particularly, we urge a common step-by-step breakdown to better understand timescale expectations for the customer. This would ensure a common approach to charging infrastructure roll out across the UK.

Public charging – road

Even for those operators that will mainly use depot charging, they need to have confidence that the public charging network will be available and accessible to their drivers across the country, including for those drivers who take their vehicles home at night. The sector is concerned about the pace of the roll out of public chargepoints, with 84% of operators with public chargepoint experience citing availability as an issue (Logistics UK, 2023). This reflects a lack of sufficient urgency and consideration of the needs of vehicles used by the logistics sector.

The focus for many local authorities has been on providing chargepoints for private cars. As a result, 32% of logistics operators report charging bays as unsuitable for commercial vehicles (Logistics UK, 2023) as they are not designed with medium- and large-sized vans in mind. Long wheelbase (LWB) vans are around six metres long – Ford's LWB eTransit is 5981mm and the medium wheelbase (MWB) model is 5531mm; a Mercedes eSprinter goes up to 5932mm, compared to electric cars which are usually between 2.5 and 4.7 metres long. Public chargepoints are also rarely wide enough, or have sufficient height allowance to accommodate chiller units, if located in covered public car parks. In addition, public charging posts are typically located in areas with high footfall, such as shopping

centres and town centres, while many logistics operators deliver to every address in the UK – including remote communities in rural areas – so the location of public charging should be addressed.

As well as increasing the pace of the roll out of EV chargepoints, there needs to be widespread coverage of public chargepoints that can be used by commercial vehicles on and near the strategic road network (SRN), in residential areas for use by drivers who take their vehicles home, and also tradespeople working in those areas during the working day and for much greater availability in rural areas. Within this uplift there needs to be consideration for ensuring the chargepoint network can cater for commercial vehicles including rapid chargers and charging that is appropriate for HGVs and trucks.

As of 1 January 2023, there were a total of 37,055 public electric chargepoints in the UK, only 7% more than 1 October 2022. As a result, monthly installations will need to rise by 288% to meet the 300,000 by 2030 target set by the DfT.

A standardised booking system for local government-run charging points is needed: If there were a single, UK-wide booking system for charging points run by local government, fleet operators would be able to book and secure allocated charging points. This would increase the use of, and revenue from, local government-run charging points, particularly at nighttime, when demand on them is typically lower.

Fleet transition

Another challenge facing logistics operators on the road is that around 900,000 vans and 100,000 HGVs are leased or rented to UK businesses, representing 1-in-5 vans and HGVs on UK roads[8]. These are not covered by the criteria for the 100% tax deductible annual investment allowance for capital spending, adding to the cost of transitioning from traditional to electric vehicles. Logistics UK calls for full expensing to cover hired and leased vehicles.

Warehousing

A key element of the logistics sector's decarbonisation is the significant reduction of emissions from warehouse operations. Many warehouses, particularly older sites, use gas for heating for example, and will need to introduce new technologies to replace this, such as through solar panels and battery storage. It is paramount that there is an incentive in place to encourage energy efficiency uptakes. We are calling on the Treasury to investigate whether the feedback rate of renewable energy sources should be linked with the wholesale price, so businesses generating clean power can benefit from price rises in the wider energy market.

To make further progress on electrification of logistics, the sector is calling for the following:

All parts of logistics

- A logistics first approach to inform energy infrastructure planning reflecting the fact that logistics underpins the whole economy.
- Significant strengthening of power infrastructure to support charging.
- A fair and equitable approach for funding electricity asset extensions to enable the expansion of on-site charging for commercial EVs, including shore power at ports.
- Reforms to planning to reduce the time it takes to install charging infrastructure at depots.
- Transparency on available grid capacity to help inform investment decisions, together with DNOs adopting common approaches to costs and service agreements, as well as increasing their own capacity and accepting load balancing options.
- Rates incentives and capital incentives to support green initiatives on premises such as solar and wind.

[8] https://www.bvrla.co.uk/news-insight/commercial-vehicles.html

Road

- Interim reporting of the results of the recently allocated zero emission HGV and infrastructure demonstrator programme (ZEHID). These trials will ultimately help provide clarity about which vehicle and energy technologies are most appropriate for various use cases, but with results not being reported in full until at least 2030, it is vital industry has sight of the progress of these trials to avoid UK falling behind US and EU in terms of inward investment. Progress on the planned Zero Emission HGV Infrastructure Strategy, to plan how the needs of vehicle charging and grid capacity will be managed. Logistics UK is calling for unspent ZEHID funds to be carried over to the following financial year.
- Amendment of the qualifying criteria for the 100% tax deductible annual investment allowance for capital spending in the year of expenditure, to include vehicles acquired via leasing or hiring, and clarify the usage of the allowance to investments in both buildings and equipment, including costs associated with increasing electricity supply at commercial vehicle premises to support the transition to net zero logistics and increased productivity.
- An immediate uplift in the number of public chargepoints that can be used by battery electric vans, and recognition of the future needs of battery electric trucks which is vital to give the logistics sector the confidence to invest in zero emission at the tailpipe vehicles.
- Electric charging and refuelling infrastructure roadmap designed with businesses to work for logistics vehicles, backed with clear guidance and incentives for local authorities. This includes chargepoints designed with sufficient space for logistics vehicles and fast charging points to enable operators to maximise the efficiency of fleets.
- A centralised and standardised public chargepoint system operating to high reliability standards, including a standardised booking system for public charging points, a standardised approach to payment systems, a standard Service Level Agreement for charge post operability/charge up time.
- Sudden changes to plug-in vehicle and chargepoint grant schemes to be avoided where possible to support better business planning and provide certainty for operators.

Rail

- Electrification is vital for decarbonising rail, and the sector has assessed that 800 miles of additional electrification is needed in the UK to enable 95% of rail freight to be electrically hauled. The initial 60 miles of infill electrification is estimated to cost circa £50 million per annum.
- We are calling for rail electrification to be expediated now, as a known technology and electrification of rail freight routes should be prioritised.

Water

- Ships account for 60% of emissions at ports and shore power – electrical connections for ships at berth – could play a major role in reducing these emissions.
- To make progress, the sector is calling for support with the high costs of delivering shore power at ports, which the DfT has acknowledged “has a role to play in immediately reducing emissions from vessels visiting ports” and is likely to be “low/no regrets”.[9] This will help UK ports remain competitive for use by deep-sea shipping lines, cargo owners/exporters, and cruise lines alike versus EU rivals where shore power connectivity is mandatory from 2030. Funding should be combined with focussed stakeholder discussions examining immediate ways to boost energy capacity and distribution in and around UK ports.

[9] Transport Decarbonisation Plan, UK Government, July 2021

Aviation

- Capacity at airports to support electrification of ground handling equipment & vehicle movements around airports (airside & landside).

The need for fair approach to charges on logistics to ensure they support decarbonisation

We are calling for reforms and the introduction of a national framework to rationalise the patchwork of charging mechanisms, including Clean Air Zones (CAZs) 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 – and investment in decarbonisation.

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. A quarter of road hauliers have invested in alternative fuels or electrification as a direct result of the introduction of CAZ regulations (Logistics UK, 2023).

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 is made as simple as possible.

Road and rail charging

Given the transition towards EVs, 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.

Any move towards road pricing should also consider how it relates to other transport modes. In such a change, it is vital to ensure that rail pricing reflects the positive safety and environmental benefits of rail freight and incentivises best use of the national logistics network.

To support modal shift to rail and water, including the government's rail freight growth target, we reiterate our calls to continue the Mode Shift Revenue Support (MSRS) and Water Freight Grant (WFG) schemes as well as the reintroduction of Freight Facilities Grants (FFGs) in England.

Reducing waste by removing VAT on charitable donations

Logistics UK is calling for a change in VAT rules to support product donations from retailers and manufacturers directly to individuals and families in need.

Current VAT rules include a limited exemption to enable product donations made by businesses to charities only for onward sale. The restricted scope of this arrangement means that direct donations, whereby products are given away to people in need for free, trigger a VAT charge each time which must be paid by the business. This creates waste in the economy as well as an administrative burden on businesses.

This is not a request for new public funding. Extending the existing UK VAT relief for donations to include all goods donated to charitable organisations where the goods are used for the direct support of people in need can be done at negligible cost to the taxpayer – the products would otherwise be donated under the current relief, stored indefinitely or, in some instances, destroyed.

Innovative and integrated national 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 too. Bottlenecks in the UK's 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 the UK's productivity. For the longer term, the UK requires a national logistics transport and energy network, as well as a model for urban logistics, to guide the investment required to deliver goods in the optimum most, strategic and greenest way.

Key asks

Short term:

- Long-term and stable investment in maintenance of existing strategic and local infrastructure to improve reliability and safety.
- Investment and planning decisions focused on enabling efficient logistics and tackling the UK's top congestion hotspots, on road and rail, as well as at ports and airports – including to better align the UK's transport and trade policies and ambitions.
- Continuing to invest in logistics innovation programmes to drive logistics productivity and, therefore, economic growth.

Long term:

- Investment in a national logistics network, backed by reforms to infrastructure planning, local planning and innovation funding to deliver a joined-up 30-year strategy, with cross-party commitment and five-year delivery plans. This must cover the whole of logistics, including warehousing, facilities, ports, airports and the corridors that connect them to communities across the UK.

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

The logistics system relies on an integrated 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.

According to the 2023 ALARM (Annual Local Authority Road Maintenance) survey of local highways departments in England[10], the total number of potholes filled decreased by 16% on the previous two years, whilst the shortfall in the carriageway budget rose by almost 20% to £1.3 billion. The RAC estimates that there could be at least one million potholes across the roads of the UK.[11] While the government announced, in 2023, an additional £8.3 billion for local roads maintenance, this is to be spent over ten years and the 2023 ALARM survey found that there is a £14 billion pothole repair backlog now. [12]

This issue needs to be addressed as the damage potholes are causing to vehicles is acting as a tax on business. We are calling for the government to invest in improved road maintenance and pothole repair by ensuring both national agencies and local authorities are provided with sufficient long-term funding to effectively maintain a reliable, modern road network.

[10] Annual Local Authority Road Maintenance (ALARM) survey March 2023
[11] RAC Pothole Index – statistics and data for UK roads
[12] Annual Local Authority Road Maintenance (ALARM) survey March 2023

Investment focused on tackling the UK's top congestion hotspots, on road and rail, and at ports and airports

In addition to maintenance issues, UK 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. In 2022 alone, congestion cost the UK economy £9.5 billion.[13] As well as affecting strategic transport links, congestion affects local transport too. For example, London topped the Inrix Global Traffic Scorecard[14] as the most congested city in the world, with the average London driver losing 156 hours due to traffic in 2022. Within the UK, Bristol is the second most congested city, followed by Manchester and then Birmingham.

Night flights are also crucial to the UK's trade links and additional capacity is required at airports to support the UK's trade ambitions. The supply chain relies heavily on express air cargo, which enables UK enterprises to transmit and receive just-in-time supplies. To maintain economic development and UK firms' competitiveness in a world economy that operates around-the-clock, express air freight must be safeguarded. Due to customer requests for late afternoon pickups and early morning deliveries, our members can only move export and import freight by air at night. In 2021, it was estimated by York Aviation[15] that the direct, indirect, induced and wider impacts of night flying across the whole night has a total impact of £16.5 billion and 213,200 jobs across the UK.

According to international measures, from a position of comparative strength, the efficiency with which goods can be moved within and across the UK has experienced a relative decline since 2014. A variety of sources provide information relating to the relative quality and efficiency of different country's logistics services. One of the most prominent is the World Bank's latest Logistics Performance Index (LPI), which assesses the quality of logistics services and the context within which logistics businesses operate. In 2014, the UK's international ranking of 4th implied its status as a relative global leader. The latest edition of the LPI, however, saw the UK's ranking plummet to joint-19th, with by far the biggest decline registered during the period between 2018 and 2023.

The largest falls have related to timeliness, infrastructure quality and the quality and efficiency of customs operations. As a contributor to this, the UK has experienced a low intensity of transport infrastructure investment over the last decade. For example, UK investment in transport infrastructure grew by 0.7% annually between 2016 and 2019 compared to almost 9% per year in Germany over the same time period.[16]

Given the constrained fiscal environment, we welcome the commitment made by government in the previous Autumn Statement to maintain levels of major infrastructure and innovation funding, but we want to see a greater focus on long term planning to improve our transport infrastructure with an end to stop start decision making in order to create certainty and unlock potential private investment.

With regards to tackling hotspots and enhancing capacity, our priorities are set out in this table:

Routes and regions	**Logistics priorities**
Greater London	The routes around and into London are critical not only to support trade flows around and into the capital, but also to enable freight growth at surrounding airports. In addition, the sector wants to see land for logistics protected, to enable the establishment of warehouses, interchange locations and wharfs, to unlock new urban logistics opportunities and optimise the city for logistics.

[13] Logistics Report 2023, September 2023
[14] https://inrix.com/scorecard/
[15] https://airlinesuk.org/wp-content/uploads/2021/08/The-Economic-Impact-of-Night-Flying-in-the-UK.pdf
[16] Logistics: a solution to the UK's productivity puzzle, Oxford Economics, September 2023

South East	This is an area of national importance for the logistics sector due to connection to the channel ports and several key airports, which carry international freight to and from the entire UK. Resilience and reliability are crucial. The logistics sector is calling for: • The delivery of the Lower Thames Crossing and supporting infrastructure upgrades at pinch points on the A2, including Brenley Corner and dualling between Lydden Hill and Dover. • Rail upgrades from between the Channel Tunnel and Wembley, enabling rail freight connectivity to Europe from across the UK. • Delivery of the Ely Area Capacity Enhancement to unlock rail capacity for London Gateway. Capacity constraints at Ely result in increased use of rail routes in the South East by freight coming to and from Felixstowe. As a result, there is a lack of available rail capacity to serve London Gateway. • The delivery of the Angerstein Wharf chord. • Additional aviation hub capacity at Heathrow, and the Manston Airport project to be progressed. Additional night flight capacity is also required at airports without curfews to support the UK's trade ambitions. • A long-term plan to replace Operation Brock – to enable freight to flow freely through the UK's borders.
East of England	Transport links in this region supports important local and long-distance freight traffic through access to ports and connections to North-South routes. Reliability improvements are required to enable growth of key gateways. The logistics sector is calling for the delivery of the Ely Area Capacity Enhancement to enable more freight trains from the Port of Felixstowe to the Midlands and beyond, and to increase rail freight capacity to and from London Gateway.
Felixstowe to the Midlands	This is a critical route for supporting trade flows East-West. Investment in the A14 and improvements in intermodal operability is needed, as are measures to separate strategic and local traffic as much as possible. We are also calling for the delivery of the Felixstowe to Nuneaton railway upgrade.
London to the North of England	This route enables long-distance North-South freight movements and connectivity to South East ports. Focus is needed on improving access to freight across the north and midlands, and improving the resilience of the route, as well as traffic flows that cross the route. We are disappointed with the decision for HS2 to not go north of Birmingham. In addition, we want to see detailed work undertaken on the opportunities for freight from HS2, so the logistics sector can begin planning ahead – presenting an opportunity to unlock private investment. We also call for delivery of Eaglescliffe-Northallerton gauge enhancements.
Birmingham to Exeter	This is an important route connecting the West Midlands conurbation to South West ports and manufacturing facilities. The route is particularly vulnerable to disruption during peak holiday periods, so an emphasis on improving journey reliability and speed is essential.

Midlands	The area must be recognised for its importance as a key freight hub. After the South East, it has the largest concentration of logistics businesses and workforce. The logistics sector is calling for enhancements to the A5 to support this, together with the delivery of the Midlands Rail Hub, and Syston-Trent gauge enhancements. Improvements are also needed to gateways identified in National Highways route strategy for the A458, A483 and A40, for cross-border trade flows.
Cross Pennines (North and South)	Emphasis is needed on dramatically improving trans-Pennine connectivity and reliability across all routes and modes, as well as ensuring effective interchange with urban areas, North-South routes and between road and rail. Delivering the Transpennine Route Upgrade would better connect logistics hubs by rail and customers across the north and deliver improved east-west connectivity between northern ports, benefitting the whole country.
South West peninsula	Road investment is required to improve journey time reliability and capacity for freight connections to urban and remote areas, as well as management of issues during peak holiday periods.
England to Scotland and within Scotland	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.
England to Wales, and within Wales	The logistics sector is calling for M4 and A465 capacity improvements; improved access to Cardiff airport and Holyhead for freight; Dicot-Cardiff gauge enhancements; and for the Welsh government to be realistic about the size of Wales's rail network when considering the role of road and rail in Wales's logistics network.
Northern Ireland	The logistics sector wants to see the delivery of the delayed York Street Interchange and A5; delivery of the Newry Southern Relief Road and A1 upgrade; and the plans for rail freight in the All-Island (Ireland) Strategic Rail Review realised.

A national logistics network

The DfT's Future of Freight Plan (June 2022) commits the government to working with the freight sector to develop a National Freight Network (NFN), to deliver efficiencies in how freight is moved across, into and out of the country. Together with reforms to planning, this must be taken forward, expanded to cover all of logistics and succeed in focusing investment on connecting the UK's key road, rail, water and air connections with its logistics hubs. This will enable goods to be moved in the most productive, strategic and green way, reducing congestion and carbon emissions, boosting trade through better connections with ports and airports, and adding resilience to the overall logistics system and economy.

We want to see a national logistics network delivered by being backed by a 30-year infrastructure strategy, with five-year delivery plans to enable businesses to invest with confidence.

Delivering on this ambition means delivering reforms to plan transport investment on a multimodal basis, rather than on a modal basis. This should include:

- The National Infrastructure Commission (NIC) playing a key role in the identification of the national logistics network and the projects that would support it, as it does now, but with a greater focus on delivering integrated rather than modal outcomes, and with a greater understanding of the close relationship between transport and energy networks.
- Greater focus within DfT, National Highways and Network Rail on producing recommendations at a corridors and system-level, rather than by transport mode.
- Strengthened interfaces between the NIC, DfT, National Highways, Network Rail, National Grid, DNOs, devolved governments, sub-regional transport bodies and private infrastructure owners to scrutinise and shape proposals and feed them into their design and delivery plans.
- Clearer pipelines of public projects being progressed to unlock private sector investment in complementary projects – with potential opportunities to grow private investment/co-funding and or new financial models.
- ONS data and definitions better capturing logistics activity to inform the above.

Optimising the logistics system would deliver significant benefits. It would:

- Enable the UK to make more use of rail and water freight where it is efficient to do so – reducing carbon emissions and congestion. For example, each freight train removes up to 129 HGVs from our roads, with rail freight producing 76% less CO2 per tonne than road transport.
- Improve connectivity to and from the UK's ports and airports, creating opportunities to boost international trade.
- Add resilience to the overall logistics system, reducing congestion and increasing efficiency.
- Help to guide energy infrastructure plans for logistics – such as refuelling and charging infrastructure.

In addition to infrastructure planning, adopting a National Freight Network approach would also encourage a multi-modal view of where regulatory reform could enable the logistics system to flow more smoothly. For example, reforming night flight regulations in the South East would add crucial capacity for high value air freight.

Accelerating planning for logistics infrastructure projects

We want to see the effective prioritisation of strategic freight needs, including the national logistics network, recognising that all economics sectors and communities are dependent on logistics. This includes having a national planning policy that supports the swift approval and sustainable delivery of major projects, including transport and intermodal facilities, where a clear economic need is identified.

It is also important that government better-resources local planning departments, which have seen some of the most significant cuts in recent years. Experienced planners have been lost and departments are not able to work proactively with industry and utility providers 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.

Business rates

Many of our members have been impacted by the increased business rates that came into force in April 2023. Warehousing was disproportionately affected, when rateable values were calculated in the middle of the pandemic and not reflective of normal times/economic circumstances. This meant that they attracted a premium as they were still operational.

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.

The government must also review its approach to business rates affecting ports and airports to ensure these vital drivers of growth are not taxed unfairly.

Championing the role of innovation in driving logistics productivity and, therefore, economic growth

The logistics sector is delivering an increasingly integrated system, with innovation playing a key role in this. Businesses are implementing new processes to increase efficiency, adopting green technologies to reduce carbon emissions and training people in new data-based skills. In addition, there are some potentially game-changing innovations on the horizon for logistics, including in the area of connected and autonomous vehicles (CAV).

Looking to the future, the need for innovation is increasingly at the interface between the sector, public infrastructure and public services – with the purpose of optimising and decarbonising the national logistics system.

We are calling for the government to guarantee a successor to the Freight Innovation Fund; ensure long term funding for the development and trials of autonomous vehicles; and for reforms to enable major businesses to become accredited allocators of government innovation funds in funding competitions, thus reducing barriers between innovation and adoption.

Skills partnerships to support a thriving sector

The logistics sector is investing in recruitment and skills to respond to the rapidly changing needs of businesses, the ageing population and reduced migration from the EU – which are trends affecting all communities and parts of the economy.[17]

In the short-term, there is work to do to manage acute shortages.

For the longer term, the sector needs skills partnerships that reflect the breadth of high-quality logistics roles and how these roles support aspiration and resilience in communities across the country. Future skills development needs to go hand in hand with the roll out of new technologies.

Key asks

Short term

- Reform skills funding to ensure businesses can create opportunities and meet long-term needs, including ensuring appropriate funding for training providers; and broadening eligibility for roles in the logistics sector to receive support through the National Skills Fund.
- Improve access to, and the appeal of, careers in logistics by committing to fund the Generation Logistics campaign alongside the sector for a third year from October 2024; by investing in facilities to improve the welfare of logistics worker; and through the targeted use of migration to meet short-term, acute skills needs.

Long term

- Transform the Apprenticeship Levy into a more flexible Training Levy.
- Proactively identify and develop the transferable and cross-cutting skills needed by the current and future logistics industry.

There are 2.7 million people employed, directly and indirectly, in logistics roles. Like all sectors of the economy, logistics is 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' difficulties 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 – a collaboration between government, Logistics UK, CILT (UK) and over 50 businesses across the sector.

The campaign is focused on challenging perceptions and attracting new entrants to logistics, and it is working. Research for Generation Logistics undertaken in September 2022 showed that only 10% of 18-to-24-year-olds and career switchers would consider logistics careers, underlining the often-hidden nature of the industry. The sector is addressing this challenge through the Generation Logistics

[17] Logistics Skills Review 2023, Logistics UK, August 2023

campaign and, by October 2023, had already increased awareness of the sector by 11% and sentiment towards a career in logistics by 170% amongst the above group.

The sector welcomes the government's support for the current and second year of Generation Logistics, and we are calling on it to commit to fund the campaign via DfT alongside the sector for a third year, which will begin in October 2024.

Skills investment

In the short term, skills bootcamps, such as the HGV Skills Bootcamp, should continue to be funded as they play an important role in meeting shortages. The targeted use of migration also remains important for resolving acute shortages, such as vehicle technicians.

More broadly, 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. Since the Apprenticeship Levy was introduced in 2017, transport and logistics businesses have paid £825 million in levy funds. However, the total estimated amount of funding possible for the sector to have recovered in the same period was just £250 million.[18]

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.

We support the creation of a Training Levy, to replace the existing Apprenticeship Levy. Doing so would enable 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, warehouse operatives and forklift operators. 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 by upskilling and giving their employees the transferable skills required in the modern workplace.

We also want to see improvements to the government's lifetime skills guarantee, 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 specific 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 in highest demand. Furthermore, meeting demand for qualifications within the logistics sector would require greater funding for level 2 roles, since these jobs make up most of the shortage occupations in the industry at present.

The Freeport Skills Fund will be a good example of future proofing industry needs and simultaneously supporting local communities through regeneration, upskilling and jobs, raising aspirations and the levelling-up agenda.

Investment in facilities to improve the welfare of logistics workers

To support the welfare of logistics workers, and attract new and more diverse talent, we are calling for improvements to driver facilities to be integral to any road investment scheme. There also needs to be an increased awareness of security issues and best practice at lorry parking locations, with access to funding for industry to improve security and facilities at existing lorry parking sites.

Logistics UK welcomes the government's announcement[19] of the 39 roadside facilities that will receive £8 million in government funding and £11 million in industry funding to deliver significant upgrades to important features such as showers, restaurants, security and parking capacity.

[18] Logistics Skills Review 2023, Logistics UK, August 2023
[19] Better facilities for lorry drivers as winners of £8 million funding revealed, September 2023, Department for Transport

This is a positive step forward for the sector, for both its current workforce and its ability to attract new recruits. However, further progress is required. Transport Focus data published in August 2023[20] shows that most vehicle managers regard current rest stops of being of poor quality and lacking availability. The latest Lorry Parking Survey published in 2023[21] shows the utilisation of lorry parking facilities in the England at night is above critical level, at 87%. In 2018, the previous study[22] found there was an urgent need for 1,411 overnight lorry parking spaces in England, which the government committed to deliver.

[20] Logistics and Coach Survey: Strategic Roads, August 2023, Transport Focus
[21] National survey of lorry parking (2022): part 2, June 2023, Department for Transport
[22] National survey of lorry parking, May 2018, Department for Transport

Trade 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. However, barriers to trade, transport capacity constraints and declining international connections are impacting the UK's innovation and productivity, and there is a risk of these barriers growing in the coming months. In fact, the UK was ranked 19th on the World Bank's 2023 Logistics Performance Index (LPI) – a significant drop compared to ranking 4th in 2014. The main challenges result from border friction, which is contributing to a decline in on-time shipments, efficient customs processes and the tracking of shipments.

The logistics sector is calling for trade to be backed as a driver of progress and aligned with transport policy, ensuring international freight and parcel movements via road, rail, sea and air are as frictionless as possible and that the UK enjoys improved international connectivity and performance. This requires simple and well-implemented regulations and border procedures, and sufficient infrastructure capacity to, from, and at ports and airports.

In 2022, the UK exported £414 billion goods and imported £644 billion, made possible by the logistics sector[23]. Of this, £297 billions was via air cargo[17] which supports more than 151,000 jobs. At the heart of the government's trade strategy must be recognition of logistics as a driver of export growth and inward investment.

Key asks

Overall: Trade policy codesigned between government and the logistics sector.

- Government to urgently rebuild confidence and credibility among the logistics sector that it can provide workable solutions that deliver the certainty, stability, simplicity and affordability the sector needs to trade smoothly.
- The logistics sector is concerned that the current lack of detail on UK policy and lack of engagement with EU Member States is creating a high risk of misunderstanding among traders, which could result in delays at the border, reduced choice and higher costs for the UK.

Short term:

- Efficient delivery of the 2025 UK Border Strategy, including the Border Target Operating Model and Single Trade Window, in close coordination with the logistics sector and pragmatic partnership working with the EU on border policies.
- UK government to work in partnership with the French government and European Commission to secure an immediate extension to the autumn 2024 deadline for introduction of the new EU Entry/Exit Scheme to facilitate delivery of a unique solution at juxtaposed borders to ensure the smooth flow of freight and UK EU trade.
- Efficient implementation of the Windsor Framework, in close coordination with the logistics sector, to protect and grow GB-NI trade, and UK-ROI trade, and maximise trading and prosperity opportunities for Northern Ireland through its unique access to both the UK and EU single market.

Long term:

- Evolution and expansion of our trading relationship with EU and EFTA continually focussed on making trade as frictionless as possible.
- Free Trade Facilitation Agreements and Free Trade Agreements that unlock market access and enable efficient trade systems for UK logistics companies to grow UK-world trade.

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. The cumulative impact of changes to trade and

[23] UKtradeinfo, 2023. Summary of Import and Export Trade with EU and Non-EU Countries.

border policies is adding significant cost and inefficiency to the sector and dissuading some businesses from operating or servicing internationally.

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 customs and border 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 to implement the Border Target Operating Model and roll out of the Single Trade Window.

With so many ongoing and cumulative changes to customs, borders and trading processes, UK SMEs need support to upskill and increase capacity to meet these new requirements. The reformed Apprenticeship Levy Logistics UK is calling for should include flexibilities for logistics and fast-moving consumer goods businesses to draw down funding to support skill development in the complex area of customs.

The government should commit to carrying out periodic 'red tape reviews' in the trade arena and after critical junctures to measure and minimise the burden on businesses and work with trading partners to further reduce friction and delays at borders.

Border Target Operating Model – Delivering workable solutions that keep trade flowing

While there was some marked progress in the final Border Target Operating Model published on 29 August 2023, the logistics sector is still awaiting decisions and details on significant aspects of implementation and future procedures. Without this information and guidance, businesses will not be able to prepare and adapt to meet these new import controls even under the revised timeline, given that adaptation of business operations and models, including developing, testing, and operationalising new IT systems will take a minimum of six-12 months, once all the required details are published.

Logistics UK is calling on government to urgently publish:

- Its decision on what import charges it will apply at government run Border Control Posts (BCPs), alongside its modelling of the impact of the costs of these new import processes on businesses, particularly groupage operators moving lower value products, and on inflation.
- What actions will be taken to mitigate potential re-routing and increased mileage and CO2 emissions if a single national level charge is not to be applied at BCPs.
- Confirmation that there will be sufficient capability, capacity and funding made available for Port Health Authorities and BCPs to be able to process all Sanitary and Phytosanitary (SPS) goods, supporting increase throughput of consignments and preventing delays and additional costs to businesses particularly for just in time produce.
- Details of the additional support and solutions that will be applied to ensure the continued viability of groupage operators, particularly those picking up from multiple locations across the EU.
- Further detail on how Trusted Trader Schemes will be made more inclusive of, and accessible to, SMEs and not just larger operators with the capacity to invest and meet eligibility requirements.
- Its assessment of the state of readiness among EU-based and Rest-of-World suppliers and capacity among veterinary workforce including details of the government's communication

strategy, advice, guidance and support to improve readiness and confirmation of what Export Health Certificate (EHC) process will apply in each EU country given no uniform approach has been agreed.

- Further details on how unfettered access under the Windsor Framework will be protected, how abuse will be prevented and how trade in both directions will flow smoothly though ports, including Cairnryan, once the Border Control Post is in place, for non-qualifying NI goods.
- Assurances that there will be no delay to the development and roll out of the Single Trade Window, that it will interface with all relevant agencies including environmental agencies, Trading Standards, the National Crime Agency etc as well as HMRC and Border Force, that it will have interoperability with international trading systems, and the concerns of logistics companies about how the government will protect commercially sensitive data will be addressed.
- Details of the meaningful engagement mechanism it will establish with the logistics sector to enable the quick identification of operational difficulties and introduction of the solutions needed as the Border Target Operating Model is implemented – learning from the Windsor Framework stakeholder engagement experience.

Logistics UK notes the Annex to the Border Target Operating Model setting out when further guidance will be issued. However, this detail is needed now to enable the logistics sector to plan, prepare and adapt, and to help rebuild confidence among the sector that the government can, and is, providing workable solutions that deliver the certainty, stability, simplicity and affordability they need to trade smoothly. Without this detail the logistics sector remains seriously concerned that these new import control proposals will lead to reduced product availability on UK shelves, higher prices and higher inflation.

EU Entry/Exit System – bespoke solution needed at juxtaposed borders to keep freight flowing.

The EU's new Entry and Exit System (EES) is due to be implementation in autumn 2024. Logistics UK's central concern is that the legislative requirement that new physical biometric scanning must take place at the border will add significant pressure and cause knock on delays and disruption to freight moving via juxtaposed borders on UK soil across the Short Straits – impacting UK productivity and growth. If checks are required at these borders, this will add significant friction to the movement of people and goods as additional time will be required to process this authentication. While passengers will be predominantly processed via EES, the volume of passengers undergoing checks, particularly on coaches, will lead to additional delays for outbound freight with knock on effects for the pick-up and transportation of imported consignments via the Short Straits.

Logistics UK is also concerned about how the EES will interact with the BTOM and specifically the new requirement for freight carrying imported SPS goods to travel on to Sevington Border Control Post for physical checks. The combination of both these schemes, coming into effect in 2024, could cause significant delay and disruption to UK EU 'just in time' supply chains and the logistics sector given the potential combined impact on traffic congestion. The fragility of current infrastructure is highlighted through the ongoing need to deploy Operation Brock on the M20/A20 and this is before the introduction of these new border requirements and processes.

Logistics UK is concerned that EES in its current form, if implemented, will cause friction, disruption and delays for UK and EU freight utilising gateways with juxtaposed borders with significant negative consequences for logistics operators, supply chains and UK and EU economies.

To ensure the smooth flow of freight and trade:

- We are calling on the UK government to work in partnership with the French government and European Commission to secure an immediate extension to the autumn 2024 deadline to facilitate delivery of a bespoke solution at juxtaposed borders to reduce friction, congestion and delay along this critical UK EU trading route.
- Logistics UK believes the only viable solution for points of entry with unique juxtaposed borders is for biometric scanning to take place away from the border, through a web-based

system or app. This would ease friction and enhance the efficiency of freight and ultimately trade between the UK and the European continent.

Windsor Framework – Keeping GB and NI trading and exporting

Logistics and haulage businesses have a unique and complex role in the GB-NI supply chain. In recognition of this essential role, Logistics UK is calling on government to regularly produce timely and clear specific guidance on the Windsor Framework tailored to the logistics sector. Government must also meaningfully engage with the logistics industry to work though the practical application of requirements ahead of expansion of the Green Lane from 30 September 2024 to include freight and parcels, and all efforts must be made to reduce the burden, where possible, on groupage and pallet network operators in particular who play a key role in facilitating GB-NI trade. Logistics UK is also calling for regular review of the end-to-end customer journey to identify opportunities to streamline and improve processes under the Windsor Framework.

Logistics UK is calling for a clear decision and timeline from government on provision of the Trader Support Scheme (TSS) as a free service to give certainty to businesses and industry in their planning and preparations.

Divergence presents an ongoing challenge under the Windsor Framework with EU standards on animal and plant health continuing to apply in NI. Clear and robust mechanisms need to be put in place to assess impacts and manage regulatory divergence over time. At the same time, the operation of the Northern Ireland Retail Movement Scheme (NIRMS) aspect of the 'Green Lane' is linked to ever-evolving EU regulations on SPS controls, meaning requirements for traders will shift overtime. Government must also ensure that there is meaningful NI stakeholder engagement at a UK government and joint UK-EU level to address and mitigate emerging issues.

As well as protecting and growing GB-NI trade, government must also promote and maximise trading and prosperity opportunities for NI through its unique access to both the UK and EU single market.

Evolution and expansion of our trading relationship with Europe to remove friction and barriers to trade

Given the importance of the EU as a close trading partner with the UK, Logistics UK is calling on government to build on opportunities within the review of the UK EU Trade and Cooperation Agreement (TCA) due in 2026 to reach an evolved and expanded trade agreement which addresses logistical, regulatory, and administrative barriers to trade. Logistics UK supports a UK EU Safety and Security Agreement and Veterinary Agreement to significantly reduce barriers and frictions in the movement of goods.

Logistics UK called for, and welcomed, the decision by the European Commission to delay, for three years, changes to Rules of Origin which would have seen the introduction of significant export tariffs on UK and EU BEV. BEV truck tractors and their batteries are currently excluded from this delay as they were included in the original EU-UK Trade and Cooperation Agreement. Logistics UK is concerned that the exclusion of BEV truck tractors and their batteries could have a highly negative effect on the manufacture and sale of zero emission tailpipe HGVs in Europe, and therefore the decarbonisation of HGV operations. We are calling on the government to engage with the European Commission to address this barrier. Logistics UK backs the government in urging the European Commission to establish the Motor Vehicles and Parts Working Group, as set out the legal text of the UK EU TCA, to address technical barriers to trade in this market.

Logistics UK urges the government to constructively engage with the EU on its Customs Reform proposals, particularly the proposal to remove the de minimis threshold, currently applicable to goods valued at less than 150 Euros, and instead, charge duty on every single product sold online into the EU from 2028. There is a concern among online platforms that the proposed removal of the threshold will have a negative impact on trade to the EU by making it more expensive and onerous to sell to the EU market and that it could lead to the EU's trade partners considering taking retaliatory actions, which will negatively impact trade by EU businesses.

Best-in-class Free Trade Agreements

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.

Logistics UK wants to see Free Trade Agreements which unlock market access, 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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