Industrial Strategy Green Paper

22 November 2024

Summary

- The final Industrial Strategy should identify the foundational sectors that underpin the UK's eight highest potential growth-driving sectors.
- The public sector and other private sector businesses spent 15% of their total input-related spending on logistics services in 2019, indicating that logistics is one of the UK's most substantial foundational sectors.
- The Industrial Strategy should establish policies to support the efficiency, quality via innovation and skills, emissions reduction and trading capability of the foundational sectors identified, including logistics.
- The Industrial Strategy Council should be representative of both the highest potential growth-driving and foundational sectors, to ensure it can fully inform and monitor the development and delivery of the Industrial Strategy.
- Logistics UK, as the voice of the sector, should represented on both the Industrial Strategy Council and the Industrial Strategy Forum, as well as the interim Industrial Strategy Advisory Council, to ensure efficiency and productivity gains across the logistics sector are realised.

About Logistics UK

Logistics UK is one of the country's largest business groups and the only trade association which represents all logistics. Our mission is to support, shape and stand 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. We deliver services, representation and thought leadership, helping members and policymakers to seize new opportunities for the sector and the economy as a whole, right across the country.

The UK logistics sector contributes £185 billion GVA to the UK economy each year, which is 12% of UK non-financial GVA. 2.6 million people in the UK are employed by logistics businesses or perform logistics roles in other business – 8% of the UK workforce.

Overall response to consultation

The Industrial Strategy Green Paper rightly recognises that the UK's ***highest potential*** growth-driving sectors rely on a) foundational sectors to underpin their potential success, and b) a range of cross-cutting policy areas to create a pro-business environment, as do the UK's foundational sectors. This consultation response makes the case for the final Industrial Strategy identifying logistics as foundational sector for at least five of the eight identified highest potential growth-driving sectors, as well as calling for a series of policy developments, to create a pro-business environment for the logistics sector.

The logistics sector underpins the economy, with all other sectors being reliant on it. As a result, its efficiency and the productivity of the economy are intertwined. The sector's investment in its efficiency, automation and skills base cascades through the economy. Oxford Economics described this dynamic as efficient logistics operations a) facilitating market expansion for businesses, resulting in increased sales and driving economic productivity, and b) empowering a broader range of businesses to compete on a wider scale, stimulating market competition and fostering potential improvements

in product quality and reductions in prices. This increased competition then serves as a catalyst for heightened innovation, technological investment, and a dynamic reallocation of resources, capitalising on the opportunities arising from improved logistics[1]. This dynamic is becoming stronger, as the services delivered by logistics businesses are increasingly embedded within the supply chains of other sectors.

The state has a key role to play in enabling this dynamic, providing quality infrastructure and smooth-running borders, supporting the training of the workforce, and having a general pro-business policy environment, giving the sector the confidence to invest. However, in recent years, the declining state of the UK's infrastructure and increased border friction has harmed the efficiency of the logistics sector which, in turn, has harmed UK productivity. This can be seen in the UK's drop down the World Bank's Logistics Performance Index from 4th in 2014 to 19th in 2023. Logistics UK is concerned that the National Insurance employer contribution increase announced in the 2024 Autumn Budget will further harm the UK's logistics sector's efficiency, adding an estimated £1.7 billion its cost base, and therefore acting as further drag on UK productivity.

This situation can be turned around and the forthcoming Industrial Strategy has a key role to play in this, as does the forthcoming Infrastructure Strategy. According to Oxford Economics, by establishing the right partnerships, regulations and investment for logistics, government can deliver productivity gains that will boost the UK economy by up to £8 billion per year by 2030[2].

Logistics UK welcomes the establishment of an independent Industrial Strategy Council to inform and monitor development and delivery of the Strategy, alongside an Industrial Strategy Forum to test ideas, consider cross-cutting themes, and provide updates on the development of the Strategy. As outlined, the logistics sector touches every part of the economy and performs a critical role as a foundational sector, so we would strongly recommend that Logistics UK, as the voice of the sector, is represented on both the Council and the Forum, as well as the interim Industrial Strategy Advisory Council, to ensure efficiency and productivity gains across the logistics sector are realised.

In the Annex to this response, Logistics UK has shared some short case studies to demonstrate the role that logistics businesses play in underpinning growth-driving sectors.

Responses to specific questions

3. How should the UK government incorporate foundational sectors and value chains into this (subsector) analysis?

The Industrial Strategy should identify and recognise the foundational sectors that underpin the already identified eight highest potential growth-driving sectors. It should do this by identifying which sectors play a role in:

- The cost base of the eight highest potential growth-driving sectors. According to Oxford Economics, the public sector and other private sector businesses spent 15% of their total input-related spending on logistics services in 2019, indicating that logistics is one of the UK's most substantial foundational sectors.
- The quality and consistency of the output of the highest potential eight growth-driving sectors. The logistics sector's investment in its automation and skills base has a direct impact on the quality and consistency of what can be delivered by its customers, with this relationship getting stronger as logistics businesses become increasingly embedded within the supply chains of other sectors.
- Emissions-reduction potential in the eight highest potential growth-driving sectors. More than 25% of the UK's greenhouse gas emissions come from transport, and around 20% of that comes from Heavy Goods Vehicles[3], with logistics also making use of vans and other road transport, rail, aviation and maritime. As such, logistics comprise a significant proportion of the Scope 3 emissions of any sector that relies on the movement of goods and products.
- The opportunity for the highest potential growth-driving sectors to expand their markets and, thereby, increase their sales. The logistics sector plays a central role in connecting businesses to new domestic and international markets via all logistics transport modes – rail, water, air and road. Physically, the UK's £900 billion annual goods trade would be impossible without it, and the competitive nature of the sector means it is constantly striving to

[1] Oxford Economics Logistics Delivering a solution to the UK's productivity puzzle, September 2023
[2] Oxford Economics Logistics Delivering a solution to the UK's productivity puzzle, September 2023
3 https://assets.publishing.service.gov.uk/media/63e131dde90e07626846bdf9/greenhouse-gas-emissions-statistical-release-2021.pdf

increase efficiency and reduce costs, benefiting its customers. This is illustrated by sectors such as advanced manufacturing and life sciences already exporting from the UK, supported by the logistics industry. In recent years, logistics businesses have also invested in their capacity to, on behalf of customers, navigate post-EU Exit customs and trade arrangements.

Taking the above approach, the logistics sector is a vital foundational sector for these five highest potential growth-driving sectors:

- Advanced manufacturing, given the role that the logistics sector plays in acting as a supply chain partner across all types of manufacturing from automative and food to electronics and other technologies. These industries recognise that to effectively manage their supply chains they need the support of logistics partners to deliver speed, resilience, and cost-efficiency.
- Clean energy industries, given the role that the logistics sector plays in enabling the construction of new energy generation – such as ports enabling offshore wind – as well as the fact that the logistics sector is a major investor in technology solutions to support its own decarbonisation.
- Life Sciences, given the role logistics plays in the movement and transportation of temperature-controlled products, materials for clinical trials, hazardous materials, pharmaceuticals and medical devices.
- Defence, given the role that logistics plays in advanced manufacturing in the defence sector, as well as in the management and movement of equipment and supplies, at home and abroad.
- Creative industries, given the role that the logistics sector plays in enabling set construction and touring.

Logistics is also vital to housing construction which, while not identified as a highest potential growth-driving sector, is core to the government's growth mission. Logistics plays a key role in this. Analysis that we produced in 2020 found that delivering the materials to construct an average three-bedroom house takes 34 vehicle movements, including four concrete mixers and two HGVs to carry the sand. Many construction materials – given their weight and size – are also moved via rail. In 2023, rail freight transported nearly 5 billion net tonne kilometres of construction materials around the country. This is almost double the volume it was transporting 20 years ago[4].

Once the foundational sectors are established, the Industrial Strategy should embed transport and logistics into the strategy objectives, given it will be integral to supporting the growth of the highest potential growth-driving sectors. For example, through rail being integral to the development of green steel or aviation supporting the export of the highest value products.

The strategy should also establish policies to support the foundational sectors' efficiency, quality via innovation and skills, emissions reduction, and trading capability. Logistics UK therefore welcomes that the Industrial Strategy Green Paper identifies as crucial to a pro-business environment the policy areas of people and skills, infrastructure, energy, innovation, trade, regional devolution, and government-business partnership. These policy areas are all vital to the competitiveness and resilience of logistics businesses, supporting its own growth opportunity as well as the highest potential growth-driving sectors.

7. What are the most significant barriers to investment? Do they vary across the growth-driving sectors? What evidence can you share to illustrate this?

As a foundational sector to many growth-driving sectors, it is critical that the logistics sector is able to invest in its efficiency and innovation to support overall growth across the UK economy. There are many barriers to investment that need to be overcome but as a low-margin sector, overall business costs are a key factor. Significant changes, such as the recent increase to employer National Insurance contributions, limit logistics operators' ability to invest. Logistics UK is concerned this additional cost will further harm the UK's logistics sector's efficiency, with our analysis estimating it will add £1.7 billion to the sectors cost base, and therefore acting as further drag on UK productivity.

Businesses also require a supportive and stable policy environment in which to invest. Uncertainty and the reversal of policy decisions undermine business long-term confidence, which in turn hinders investment. For logistics, this uncertainty can be plainly demonstrated through the decisions taken by successive governments to cancel major

[4] https://rfg.org.uk/wp-content/uploads/2024/05/Delivered-by-Rail-Freight.pdf

infrastructure projects such as HS2 north of Birmingham, the A303 Stonehenge Tunnel or A1 dualling in Northumberland, or the continued delays to approving the Development Consent Order for the Lower Thames Crossing.

These decisions have far reaching consequences. The cancellation of projects means that critical congestion and capacity issues on the national logistics network are not addressed, adding friction and costs into supply chains. At a local and regional level, these decisions can also mean that new development sites are not unlocked, or that businesses choose to locate elsewhere with more reliable connections.

Logistics businesses also frequently cite frustrations with the planning system as a barrier to investment and growth. As identified in the *Future of Freight*[5] strategy, the system is "unable to understand the needs of a changing and innovative freight and logistics sector. This leads to increased complexity, cost and time for promoters bringing forward schemes that are in the national interest". Delay and a lack of transparency in the system reduces certainty for all parties and act as a disincentive for investors.

Air freight adds £87.3 billion GVA to the economy, supporting 151,000 jobs[6] and is dependent upon efficient systems including the ability to fly at night and is limited by capacity constraints. For example, certain fully fuelled, fully laden freighter aircraft are only able to take off and land on certain runways that are long enough. With capacity and night flight restrictions, air freight is therefore limited, particularly in the South East of England where express mail services are dominant. Express mail services are vital to the growth driving sectors outlined in the industrial strategy. A 2023 report by York Aviation, *UK Business Survey: Importance of Express Services*[7], found that 95% or businesses surveyed stated that express services are vital or important for their business operations. Unfortunately, given the ceiling for growth of air freight in the South East, trade will also be limited in growth.

9. What more could be done to achieve a step change in employer investment in training in the growth-driving sectors?

To significantly boost employer investment in training, the logistics sector must be recognised as foundational for supporting key growth areas. An effective skills system – one that drives the transition to clean energy, supports the building of 1.5 million homes, and boosts overall economic growth – must prioritise logistics. Developing robust local and national skills partnerships between employers, government, educators, and other stakeholders will break down barriers to opportunity in logistics, which in turn strengthens broader economic sectors.

By 2030, the logistics sector is expected to face a shortfall of between 409,000 and 618,000 workers, driven by retirements, the introduction of new technologies, and the net-zero transition[8]. Meeting net-zero demands alone will require an estimated 175,000 additional employees in transport by 2035[9]. Given that logistics ranks eighth among sectors with critical demand[10] and is integral to supporting industries like manufacturing and production with even greater shortages, addressing this shortfall is essential.

Despite the urgency, employer investment in training has declined by 19% in real terms[11], suggesting the current skills system is misaligned with business needs. 74% of business owners see workforce skill-building as vital to productivity[12], and two-fifths of employers would offer more training if resources allowed[13]. To drive employer engagement, sector-specific, streamlined skills planning is essential, ensuring clear, coordinated workforce strategies that directly support national priorities. A fragmented skills landscape dissuades employers – especially smaller businesses, which make up 99.7% of logistics businesses[14] – from investing due to the lack of clarity and coherence[15].

The newly established Skills England can play a pivotal role in enhancing employer investment by defining eligible training within the expanded Growth and Skills Levy, an expansion welcomed by the logistics sector. In Skills England's assessment of skills needs and future demands, engagement with logistics employers and bodies will be essential to

[5] https://assets.publishing.service.gov.uk/media/62b9a2ec8fa8f53572e3db68/future-of-freight-plan.pdf
[6] Assessment of the value of air freight services to the UK economy, Steer, 2018
[7] https://aices.org/wp-content/uploads/2023/11/2023-11-30-UK-Business-Survey-Importance-of-Express-Services.pdf
[8] https://assets.publishing.service.gov.uk/media/671b652f956d9b52e8c6d25c/dft-future-skills-assessment.pdf
[9] https://green-alliance.org.uk/wp-content/uploads/2022/01/Closing_the_UKs_green_skills_gap.pdf
[10] https://assets.publishing.service.gov.uk/media/66ffd4fce84ae1fd8592ee37/Skills_England_Report.pdf
[11] https://assets.publishing.service.gov.uk/media/66ffd4fce84ae1fd8592ee37/Skills_England_Report.pdf
[12] https://assets.publishing.service.gov.uk/media/66ffd4fce84ae1fd8592ee37/Skills_England_Report.pdf
[13] https://assets.publishing.service.gov.uk/media/66ffd4fce84ae1fd8592ee37/Skills_England_Report.pdf
[14] https://logistics.org.uk/CMSPages/GetFile.aspx?guid=a6fc6902-4a7a-4276-8c4c-bbe641af74b7&lang=en-GB
[15] https://www.nao.org.uk/wp-content/uploads/2022/07/Developing-workforce-skills-for-a-strong-economy-Summary.pdf

identify requisite courses that provide entry routes, upskilling and reskilling into this foundational sector. Eligible courses should prioritise the skills needs of the existing workforce to maximise productivity, whilst keeping a focus on Level 2 and 3 qualifications that support entry level talent and fill shortage roles. Flexible, modular training options – a longstanding request from the logistics sector – are essential to promote lifelong learning. These options should include varied locations, course lengths, and skill levels to adapt to industry demands and make training more accessible.

A unified industrial and skills strategy is needed to underscore the logistics sector's critical role in the foundational economy and in supporting economic growth. By clearly integrating logistics into national skills planning, employer engagement and investment will be enhanced. A well-defined, cohesive skills approach will position logistics as a key enabler of economic growth and enhance the sector's resilience and capacity to meet future demands.

14. Where you identified barriers in response to Question 7 which relate to planning, infrastructure, and transport, what UK government policy solutions could best address these in addition to existing reforms? How can this best support regional growth?

There is a widespread view among the logistics sector that the planning system is not universally effective at recognising the importance of logistics to local and national supply chains, allocating sites for further development and protecting existing sites and infrastructure.

At a national level, the National Planning Policy Framework (NPPF) has not previously been strong enough in affording these protections, which has led to this discontent, while there also exists a substantial degree of disconnect between the various strategic and operational levels of the national and local planning system. While the current NPPF both recognises the importance of sustainable transport, including freight, and encourages local authorities to identify sites for logistics, the implementation of these aims at a local level is often inconsistent and conditional on local authorities' support for, and understanding of, the freight and logistics sector.

There are also substantial gaps in the suite of national policies that should guide planning for logistics. The lack of a National Policy Statement for airports is one such example and has contributed to delays and indecision surrounding the expansion and re-opening of airports for freight use. Similarly, as Logistics UK highlighted in evidence to the Transport Committee in 2023, the government does not have a clear and defined set of strategic objectives for the UK transport network, which leads to short term and inefficient infrastructure planning[16].

To improve this situation, the government should progress the development of a National Freight Network as committed to in the previous government's Future of Freight Plan, 2022. This network must identify the key routes, hubs and nodes for freight movements, as well as setting out how transport and energy infrastructure needs to adapt to meet economic and decarbonisation ambitions. Alongside this, government must then establish a strong statement within national planning policy about the economic importance of the freight sector and set out a clearer requirement for local plans to provide sufficient land allocations for warehousing and logistics.

Logistics UK encourages and supports the desire set out by a number of local and regional transport strategies for transport infrastructure to play a more effective role in in enabling economic growth. We also recognise that our industry is, and will be, a critical enabler of that growth. Transport strategies must therefore acknowledge this and ensure that the needs of the sector are not seen in isolation from other transport challenges.

To achieve this, local and regional strategies must adopt and encourage creative solutions to their transport and logistics problems. We must acknowledge the structure and reality of the modern economy and the importance of logistics in providing essential goods and services to local businesses and communities. Transport policy must therefore be considered holistically, with achieving aims such as decarbonisation and active travel not seen as mutually exclusive with better, more reliable freight journeys.

There is a real need for freight and logistics to be considered from the outset of plan development and to be integrated throughout considerations of housing, commercial, industrial and infrastructure land allocation. This requires a full and thorough needs analysis of the sector in a given area, as well as the role it plays in wider regional and national economic geographies, including the allocation of space for warehousing and storage, road access to local markets and communities, connectivity to ports and airports and opportunities for greater intermodal operations such as rail freight heads and interchanges.

[16] https://committees.parliament.uk/writtenevidence/123281/html/

This holistic approach must also consider the impact of other forms of commercial and residential development on both the operation of, and space available for, logistics. As an example, in London and other cities, the desirability of waterside sites for property development has reduced wharf access and therefore limited the potential of water-borne freight. Local plans must naturally accommodate the needs of a variety of stakeholders, but there is an understandable view among the logistics sector that it is not given sufficient prominence.

15. How can investment into infrastructure support the industrial strategy? What can the government do to better support this and facilitate co-investment?

As recognised by the National Infrastructure Commission, UK infrastructure suffers from a lack of long-term investment.[17] Where investment has taken place, it has tended to be piecemeal and focused on individual projects rather than addressing network-wide issues over a long-term period. This approach is not conducive to business investment and planning and undermines the development of a skills pipeline to effectively deliver infrastructure projects.

There is a pressing need for enhancements and innovations that can bolster the efficiency, capacity and sustainability of the network. Despite the constraints on public finances, the modernisation of ageing infrastructure, the integration of cutting-edge technologies and the enhancement of intermodal connectivity are all needed to support a modern economy. Our road and rail networks require substantial upgrades to handle the increasing volume of freight being transported and to reduce congestion. The adoption of smart logistics solutions, such as real-time tracking and autonomous vehicles, stand to revolutionise the sector, enabling it to be even more responsive and resilient. Our infrastructure must follow suit.

There is no quick fix to addressing this, with too much emphasis placed on identifying individual projects risking storing up problems for the future. Instead, we need a conversation to collectively build a long-term vision for improving the infrastructure that the logistics sector relies upon. This must start with the identification of the UK Logistics Network. Where funding is available it should be directed towards well-identified interventions where there is a strong and clear benefit for logistics flows, such as addressing rail freight capacity in the North West following the decision to cancel HS2 in the region and better access to and from south and east coast ports.

The Department for Transport should identify the UK Logistics Network and to commit to a long-term set of strategic transport objectives, to be delivered via a 30-year investment strategy, with the aim of making that network more efficient and integrated. This must include working with the Department for Business and Trade to strengthen transport links with our international gateways. Further joint working with the Department for Energy Security and Net Zero is needed to develop a strategy to align energy infrastructure and low carbon/zero-emission fuels provision to support the decarbonisation of freight.

16. What are the barriers to competitive industrial activity and increased electrification beyond those set out in response to the UK government's recent call for evidence on industrial electrification?

The call for evidence focused on industrial sites that already use large quantities of energy. However, it is also important to recognise that moving to net zero will also mean that additional industrial sites, such as logistics hubs, will need to change how they manage and consume energy. Currently, most grid energy at logistics hubs is used for warehouse temperature control and lighting, with HGVs and other vehicles refuelled from diesel bunkers or refuelling sites elsewhere. In the transition to net zero, however, we can expect logistics sites – inland, ports and airports – to become major vehicle charging hubs. As such, they will require vastly more grid energy than they do today. The challenges the sector will face, like other industrial sites, include grid connection delays and high costs. Respondents to Logistics UK's EV Report 2023 survey estimated costs to upgrade their energy supply at their operating sites were between £100,000 and over £1 million. One respondent had been informed that every additional megawatt of electricity will cost around £5,000[18].

The uncertainty over energy supply uplifts is complex, as energy supply capacity is not standard across the UK. In some parts of the country, the work required to increase supply to an area requires significant investment in the local grid network. Until recently, this additional cost was borne by the consumer who required the uplift, but from 1 April 2023, local network reinforcement costs have been 'socialised' across the network. However, these costs formed only a small

[17] https://nic.org.uk/studies-reports/national-infrastructure-assessment/second-nia/#tab-challenges
[18] https://logistics.org.uk/research-hub/reports/ev-report

percentage of the total cost and operators requiring additional power at their premises to electrify their fleets will still face significant investment on top of the costs of acquiring new electric vehicles and chargepoint infrastructure.

The logistics sector also seeks urgent clarity on the role that electricity, hydrogen and low carbon fuels will play, which is why Logistics UK has long called for the government to work with it to develop a logistics decarbonisation roadmap. This emission reduction plan should include zero tailpipe emission technology and supporting infrastructure, rail electrification, shore power at ports, as well as the role of low carbon and sustainable fuels across all transport modes. This co-created roadmap would help provide the confidence for logistics businesses to invest in new technologies and low carbon fuels, as backed by government and with a plan for the development of the required energy infrastructure.

To decarbonise the railway, Logistics UK is in support of a rolling programme of electrification. Electrified rail transport is a fully mature, proven green technology which has been in use for more than 60 years. Currently, a handful of short unelectrified sections of track prevent freight trains being electrically hauled over very long distances. Electrifying these infill sections, which total less than 60 miles, would allow around two million train miles per year to be decarbonised. The 60 miles of infill electrification is estimated to cost c.£50 p.a. over two years, which is around 0.12% of Network Rail's budget for 2024 to 2029[19]. The infills are targeted at early electrification links between the major container ports of Felixstowe, London Gateway and Liverpool and key inland terminals in the Midlands, the North, Wales and Scotland. To enable 95% of rail freight to be electrically hauled, only 800 miles of additional electrification is needed in the UK.

17. What examples of international best practice to support businesses on energy would you recommend to increase investment and growth?

To enable logistics businesses to increase their investment in their decarbonisation, they need support on:

- Cost. The transition will add cost to logistics businesses, without a return in terms of efficiency, and adequate financial support in the UK is lacking. Norway, Germany, and The Netherlands stand out for offering some of the most generous and wide-reaching financial incentives, including tax exemptions, subsidies, and grants aimed at accelerating the adoption of electric vehicles, hydrogen technologies, and sustainable infrastructure.
- Technology viability and energy and fuel choices. Electric vans have proved themselves viable, subject to adequate charging facilities, financial incentives and where applicable, regulatory reform. However, decarbonising heavier, long-distance logistics vehicles is a more complex challenge, and across transport modes, low carbon fuels have a key role to play in enabling logistics operations with lower emissions, at least in the interim, while technology develops. While the UK has welcomed the support in place for Sustainable Aviation Fuel, support for the use of low carbon fuels, such as HVO, is lacking across all other modes. In contrast, Germany, Sweden and Finland have healthy incentives in place for producing and using HVO. Logistics UK is calling for greater incentivisation in the tax system to increase the adoption of low carbon fuels to ensure they are competitive with diesel. Incentivisation should include the development of an HVO differential, alongside the existing gas duty differential, decoupling the price of biomethane from wholesale natural gas prices and support from the government for the sustainable production of low carbon fuels.
- Energy infrastructure. The energy infrastructure for powering logistics vehicles, from HGV charging and rail electrification to shore power is lacking in the UK. In contrast, the Netherlands has one of the largest and most advanced networks of public charging stations for electric vehicles in Europe, including those for electric trucks. It has also made significant strides in implementing shore power in its major ports, such as Rotterdam. Germany is ramping up the deployment of charging stations for electric trucks along key transport corridors and ports including Hamburg have started to install shore power systems for container ships, ferries, and other vessels. The Netherlands and Germany are much further ahead than the UK on rail electrification.
- Regulatory reform. The UK faces challenges regarding the transition to electric vans and electric HGVs when compared to diesel vehicles, due to the regulations around vehicle weights and dimensions and the impact of the battery weight on the payload capacity. The EU and Norway have delivered regulatory reforms in this area, including to allow a higher weight limit for electric trucks to account for the additional weight of batteries. Regulations could also play a more significant role in influencing behaviours, to make best use of the UK transport infrastructure.

[19] CILT – Freight Electrification Map Commentary

20. Do you have suggestions on where regulation can be reformed or introduced to encourage growth and innovation, including addressing any barriers identified?

As an industry, logistics is heavily regulated. Much of this centres around maintaining the highest levels of safety, which Logistics UK supports. However, there are instances where regulation can inhibit growth and innovation across the sector. The following are two examples to illustrate this point:

- Regulatory changes to unlock investment in electric vans. Our sector is embracing the challenge of achieving net zero, including investing in electric vans. However, electric vans remain a long way from achieving parity with diesel from a cost perspective. To make adopting 4.25 tonne electric vans more commercially viable, the government should remove the additional regulatory burdens when compared to 3.5 tonne diesel vans. 4.25 tonne electric vans are equivalent in size to 3.5 tonne diesel vans but are heavier due to the battery, and their weight means higher regulatory burdens apply – relating to MOTs, drivers' hours rules, speed limits, classroom training, and a lack of certainty over driver licensing. Removing this regulatory barrier would support investment into battery electric vans more widely across the sector, supporting both innovation and government targets.
- Red tape and longer semi-trailers. In May 2023, 12 years after the trial of longer semi-trailers began on UK roads, the government approved their widespread use. The aim is to enable more goods to be carried in fewer vehicles, reducing congestion and emissions, and improving road safety. However, our members have reported that the paperwork required to gain permission to use a longer semi-trailer is more burdensome than that used during the trial, reducing uptake. Removing this barrier would enable this regulatory change to be adopted more widely, helping efficiency gains and reducing emissions.

24. How can international partnerships (government-to-government or government-to-business) support the industrial strategy?

To drive green growth, international partnerships have an important role and should be reflected in the industrial strategy. Examples from logistics include international co-operation on measures to reduce greenhouse gas emissions from aviation and shipping and green shipping corridors. Further partnership between the UK and the EU could support road freight decarbonisation as there needs to be alignment on technology solutions for those vehicles moving to and from the UK and the EU. Alignment on automotive industrial approaches could also support UK logistics given its reliance on vehicles bought from European manufacturers. Green corridors could be expanded beyond the direct shipping link and include inbound and outbound freight via other green methods such as zero emission rail and ultimately to include the zero-emission last mile.

On trade, it is crucial that there is reduced friction at the UK's border and that the Industrial Strategy aligns with the Trade Strategy due to be published for consultation in 2025. The UK's largest trading partner by volume and value is the European Union. Logistics UK welcomes the government's commitment to a reset in UK EU relations and the reduction of unnecessary barriers to trade including a new SPS/Veterinary Agreement. It is important that this work is accelerated, and we would urge government to maximise to mutual benefit, customs and trade facilitation under the forthcoming review of the EU UK Trade and Co-operation Agreement.

In the interim, we are calling on government to immediately act to address the well documented concerns of the logistics industry in respect of the implementation of the UK Border Target Operating Model for imports of animals, products of animal origin, and plant products from the EU. Further action is also needed to ease GB to NI trade under the Windsor Framework, underpinned by a 'trusted trader', proportionate approach to implementation. With development of the Single Trade Window paused for the 2025 – 2026 financial year, government must urgently prioritise deliverable measures to reduce the data and administrative burden on traders.

27. What public and private sector interventions are needed to make strategic industrial sites 'investment-ready'? How should they determine which sites across the UK are most critical for unlocking this investment?

Logistics UK has worked with transport economists MDS Transmodal to map the current state of the UK's logistics corridors, focussing on the flows on our key road and rail routes, what generates them and how they connect our ports, airports, urban and industrial centres. Aligning the UK Logistics Network[20] with the country's energy infrastructure will be

[20] https://logistics.org.uk/research-hub/reports/uk-logistics-network

critical to facilitating the widespread adoption of alternative fuels across the logistics sector. As this transition takes place, upgrading energy supplies at strategic industrial sites will be critical for them to be 'investment-ready'. As demonstrated through the UK Logistics Network, transport connectivity is essential to allow goods to easily move between logistics transport modes and to ensure maximum efficiency, so this needs to be considered when looking at strategic industrial sites.

28 and 29. How should the Industrial Strategy accelerate growth in the city regions through Local Growth Plans and other policy mechanisms? And how should the Industrial Strategy align with devolved government economic strategies and support the sectoral strengths of Scotland, Wales and NI?

It is right that a degree of economic decision-making is devolved closer to the business and communities it affects. However, all city region growth aspirations will rely on critical national and international supply chains. When agreeing these plans with devolved administrations, it is essential that the government pays sufficient attention to logistics – either through directly supporting the growth of the industry within their area, or by enabling collaboration across larger geographies.

On a practical level, this would involve:

- Ensuring targeted investment in multimodal transport infrastructure, including roads, rail, ports, and airports, to enhance connectivity within and between city regions, as well as prioritising upgrades of key freight routes.
- Investing in charging and refuelling infrastructure for alternative fuels across city regions to support logistics operators transitioning to sustainable practices.
- Encouraging the integration of logistics requirements in urban planning to address the last-mile delivery challenges and reduce emissions in urban areas.
- Developing local skills strategies tailored to the logistics sector, addressing skills shortages in key areas. Partnering with logistics businesses to create pathways for employment and upskilling, ensuring a pipeline of talent to support regional growth.
- Involving key stakeholders to ensure that the unique needs of the logistics industry are considered in Local Growth Plans.

30. How can the Industrial Strategy Council best support the UK government to deliver and monitor the Industrial Strategy?

The Council should be representative of both growth-driving and foundational sectors to ensure it can fully inform and monitor the development and delivery of the Industrial Strategy over the long term, as outlined in the proposed remit of the Council. As an independent body, it must be transparent in its evidence collation and recommendations to the UK government, alongside the KPIs it will use to assess the delivery and progress of the Industrial Strategy.

Logistics touches every part of the economy and performs a critical role as a foundational sector, so we would strongly recommend that Logistics UK, as the voice of the sector, is represented on both the Council and the Forum, as well as the interim Industrial Strategy Advisory Council, to ensure efficiency and productivity gains across the logistics sector are realised.

32. How can the UK government improve the interface between the Industrial Strategy Council and government, business, local leaders and trade unions?

The Council should look to gather evidence from a broad range of stakeholders to inform and challenge its thinking on a rolling basis. This will help ensure any recommendations are balanced and independent. There should be regular public updates on the work of the Council to allow all stakeholders to be aware of what work is being undertaken and to provide feedback, when deemed necessary. Any evidence and discussions that inform recommendations and decisions should be transparent to those that do not sit directly on the Council.

The Council should liaise closely with the Industrial Strategy Forum, which will bring together business representative organisations and trade unions, to ensure both bodies are as effective as possible. Both the Council and the Forum should give consideration to the importance and economic contribution of logistics as a critical foundational sector.

Contact:
Michelle Gardner
Deputy Director – Policy
Logistics UK
mgardner@logistics.org.uk

Annex: Case studies highlighting how logistics underpins the UK's growth-driving sectors

We are sharing some short case studies to demonstrate the role that logistics businesses play in the underpinning growth-driving sectors, including how they are investing in their efficiency and decarbonisation, to drive competitiveness and emissions reduction for themselves and the growth-driving sectors.

Supporting advanced manufacturing: The V-CAL (Connected and Autonomous Logistics) project, led by logistics business Vantec Europe Limited, is focused on developing and scaling autonomous HGV technology, with the first application being the delivery of parts to Nissan's Sunderland plant. Autonomy offers the potential for increased resilience for the movement of parts between the warehouse and the manufacturing plant in the context of fewer people wanting to be HGV drivers, and this particular operation – like many advanced manufacturing operations – needing an uninterrupted flow of vehicles carrying supplies. This is a live and successful trial, seeing autonomous 40-tonne trucks making deliveries. The trips are remotely monitored and able to be remotely controlled if the need arises.

Supporting growth driving sectors through air connectivity: Air cargo services contribute over £145 billion to the UK economy in exports and accounts for 40% of the total value of UK trade. The UK is an island trading nation disproportionately reliant on aviation for growth. The Government's high growth-driving sector sectors in the UK are particularly reliant on air connectivity – from financial to professional services, defence and life sciences. Their exposure to international markets confers benefits, in the form of increased competition, economies of scale and foreign direct investment, which support higher productivity and superior growth rates.

Heathrow is the UKs largest port by value and as the UK's only hub airport plays a unique role in connecting high value and growth British businesses to over 200 destinations worldwide. Heathrow facilitates 52% of UK exports of medical and pharmaceutical products, 48% of the nation's scientific-equipment exports and 38% of power-generating-machinery exports. As a key facilitator of trade, Heathrow have worked with our cargo partners and Government to improve efficiency, ensuring British exporters can access markets quickly and remain internationally competitive, but it is critical that Government continue to prioritise foundational sectors – such as logistics, transport and aviation. It is vital for connectivity that the UK remains a competitive place for exports and trade and is a country where exporting businesses can flourish and grow.

Supporting the automotive industry: The UK automotive industry is one of the most varied in the world with small niche manufacturers, large manufacturers, motorsport and component manufactures, spread across the UK. These businesses recognise that to effectively manage their supply chains they need the support of logistics partner to bring their expertise to bare. As the world's leading logistics company, DHL collaborates with a number of the UK's leading automotive manufacturers providing comprehensive end-to-end logistics support to brands such as Jaguar Land Rover (JLR), Aston Martin, Toyota and Ford, focusing on speed, resilience, and cost-efficiency.

DHL's inbound to manufacturing services support automotive manufacturers by enabling just-in-time and just-in-sequence deliveries, ensuring components arrive precisely when they are needed for production. These solutions are designed to adapt to fluctuating demand, helping manufacturers maintain flexibility and efficiency and allowing them to focus on what they do best.

Across the wider supply chain, DHL provides rapid replacement parts delivery, tailored packaging and kitting services, and integrated logistics for electric vehicle (EV) batteries, including reverse logistics loops. Delivery options, ranging from economic overnight solutions to same-day services, cater to diverse operational needs.

To enhance transparency and control, DHL integrates advanced digital tools that provide real-time visibility, empowering manufacturers to maintain agile, responsive supply chains. DHL's expertise also extends to finished vehicle management, battery logistics, and flexible network design, ensuring manufacturers can adapt quickly to shifting market dynamics. Through a combination of global infrastructure, industry expertise, and innovative solutions, DHL remains a trusted partner in helping the automotive sector meet its current and future challenges.

Supporting life sciences: In the highly regulated life sciences sector, efficient, compliant, and patient-centric supply chains are critical. DHL partners with pharmaceutical, biotechnology, and medical device manufacturers to address these

challenges through tailored logistics solutions. Companies in the UK such as Johnson & Johnson, GSK and even the NHS all utilise DHL's services. DHL's expertise spans multiple areas, including the distribution of biotechnology products, vaccines, patented and generic pharmaceuticals, and animal and consumer health products. DHL also supports the logistics needs of medical devices, ranging from implantable devices and surgical equipment to diagnostic agents and clinical trial supplies.

To ensure the efficacy and traceability of life sciences products, DHL provides real-time inventory visibility and control, enabling businesses to optimise operations proactively. Storage area design services improve material flows, while tailored hospital logistics solutions streamline in-hospital inventory management and direct deliveries to wards and theatres. Additionally, DHL handles durable medical equipment and consumables, ensuring availability and reliability across the supply chain.

DHL's capabilities include clinical trials management, supported by advanced network design and consultancy services that optimise supply chains for resilience and cost efficiency. The company also focuses on regulatory compliance, providing robust traceability solutions to meet stringent industry standards. In hospitals, DHL enhances efficiency through effective inventory management and direct-to-theatre deliveries, reducing delays and waste.

By combining cutting-edge technology, operational expertise, and a global logistics network, DHL supports life sciences organisations in delivering high-quality care efficiently and sustainably. Its solutions are designed to meet the evolving needs of the sector, enabling manufacturers and healthcare providers to focus on improving patient outcomes.