Logistics UK representation to HM Treasury ahead of the 2024 Autumn Budget

10 September 2024

Logistics UK is one of the country's largest business groups and the only trade association which represents all of 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.

We recognise the constrained fiscal situation and want to partner with the government to help manage this while not undermining the mission to kickstart economic growth.

This document includes our priorities for the 2024 Autumn Budget. Should you like any further detail about these priorities, please email bgarratt@logistics.org.uk.

Consultation and data

This representation is based upon thorough and ongoing consultation with our members, including through our Policy Councils which meet three times per year in every region of the UK, as well as meeting nationally to discuss opportunities and challenges for road, rail, air and water logistics, and shippers. This is supplemented via engagement with a wide range of member working groups, covering topics including the environment, employment, infrastructure, innovation, customs and trade, together with dedicated, regular forums for the most senior executives in the UK logistics sector.

Our representation is also informed by our data gathering and analysis, including the annual Logistics Industry Survey, which represents the views of over 500 respondents from the sector, as well as our quarterly Logistics Performance Tracker survey and insights from industry experts.

Why the logistics sector matters

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.

Logistics businesses, working online and offline, deliver for households, businesses and public services, every day. Comprising road, rail, maritime and air transport, together with warehousing, ports and other logistics hubs, the sector can also be regarded as critical, national infrastructure.

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, raising enough in taxes to fund between 20,000 and 40,000 additional nurses or teachers [1].

Key statistics about the UK logistics sector [2] [3] [4]:

- Contributes £185 billion GVA to the UK economy each year, which is 12% of UK non-financial GVA. The total economic footprint of logistics is three times larger than its direct GVA

1 Logistics: a solution to the UK's productivity puzzle, Oxford Economics, 2023
2 Logistics Report, Logistics UK, 2024
3 Logistics: a solution to the UK's productivity puzzle, Oxford Economics, 2023
4 Analysis for Logistics UK by Savills, 2024

contribution – which is one of the largest multipliers amongst logistics sectors in comparable countries and other sectors in the UK.

- Over 200,000 logistics businesses in the UK, more than 99% of which are SMEs. There are large numbers of logistics businesses and employees in every UK nation and region.
- 2.6 million people in the UK are employed by logistics businesses or perform logistics roles in other business. This is 8% of the UK workforce.
- Paid £5.84 billion in Fuel Duty in 2021. The industrial sector, a large portion of which is the logistics sector, also paid over £7.5 billion in business rates in England and Wales in 2023.

The health of the logistics sector

The latest data from the Logistics UK Business Performance Index shows a mixed picture of trends in the UK logistics sector, however, the industry is positioning itself well to cope with future expansion and growth.

Measured with >50 representing an improvement and <50 representing a deterioration, overall business confidence dipped slightly to 53.4 in January 2024 (54.9 in January 2023), reflecting some uncertainty in the industry.

In the 12 months to December 2023, 500 UK haulage businesses collapsed, nearly double the number that became insolvent during 2021. While investment remains relatively stable at 64.0, indicating continued efforts towards growth and development, we are hearing from members that smaller logistics businesses are under particular pressure, impacting their ability to invest in vehicles.

Competitiveness has held steady at 61.0, while revenue has seen a decline to 53.4, suggesting some challenges in generating income. Despite this, there are positive signs in the adoption of new technology, with a score of 75.6, indicating a strong focus on innovation.

Recruitment of skilled staff and trading arrangements with the EU show moderate improvements, suggesting efforts to address workforce needs and navigate post-EU Exit trade dynamics are starting to work.

Warehouse capacity has also grown (by 4.3%), which underscores the continuing expansion of the sector and highlights its readiness for future growth. However, challenges persist in areas such as the impact of inflationary pressures and fuel prices, which continue to fluctuate, requiring careful management and strategic planning within the industry.

Our top fiscal priority

Our top priority for the Autumn Budget is the extension of the 5 pence per litre (ppl) cut in Fuel Duty beyond March 2025, to avoid inflationary cost pressures on the rest of the economy. See our other critical priorities for the Budget throughout this document, covering infrastructure, decarbonisation, innovation, skills and trade.

In the Logistics Industry Survey, conducted in early 2024, we asked businesses for their priorities, and over two-thirds of respondents said they wanted a cut in Fuel Duty.

Overall, logistics businesses paid £5.84 billion in Fuel Duty in 2021[5], which is more than 20% of all Fuel Duty paid to HMRC.

For the long-term, we want to collaborate with HM Treasury to help develop plans for the future of transport pricing, to ensure it works for the logistics sector and wider economy. Any new pricing system must take into account that logistics works as a system, across transport modes. As a result, logistics operators must be able to make rational decisions over transport modes, to move goods in the most productive, strategic and green way.

5 Logistics Report, Logistics UK, 2024

To unleash the power of logistics to drive growth, Logistics UK wants to work with the government to deliver the following fiscal goals and measures:

Strategic goals	Budget and other HM Treasury measures
A partnership between the government and logistics sector that directly drives growth and strengthens the critical enablers of growth.	Establish a cross-Whitehall Logistics Productivity Forum, appoint Logistics UK to the Industrial Strategy Council and ensure a logistics voice on the mission board for growth. Reform ONS data and definitions to better capture logistics activity, separating logistics from general transport data. Commit to fully consult the logistics sector over the replacement of the business rates system, to ensure reform does not increase logistics costs and therefore costs across the economy.
Innovative and integrated infrastructure, to move goods in the most productive, strategic and green way. This will get the country building again and deliver a more resilient economy.	Develop a long-term plan for road, rail, aviation, maritime and energy infrastructure, with infrastructure strategies guided by the identification of a National Freight Network and the National Infrastructure and Service Transformation Authority (Nista). To support this, we would welcome the government developing an infrastructure investor playbook to facilitate and leverage private investment. Introduce a long-term funding settlement for local authorities to adequately maintain roads. Provide continuity of funding for freight innovation programmes, including the Freight Innovation Fund.
A fair transition to becoming a clean energy superpower that rebuilds the UK's industrial strength, keeps the costs of decarbonisation down, and ensures resilient supply chains.	Extend the 5 pence per litre (ppl) cut in Fuel Duty beyond March 2025, to avoid inflationary cost pressures on the rest of the economy, while working with the logistics sector to develop plans for the future of transport pricing. Recognise the value of low carbon fuels to the decarbonisation of the logistics sector by ensuring that there are sufficient incentives to see the development and usage of low carbon fuels in the UK. For an example extend the Duty Differential used for Gas to HVO for road transport and establish a government-backed Sustainable Aviation Fuel industry (via the Revenue Support Mechanism). Maintain and expand mode shift grants beyond April 2025 and take other measures to address the cost challenges that inhibit the use of rail freight, inland waterways and coastal shipping. Extend 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, to support fleet decarbonisation. Extend the Plug-in Grant post 2024/2025, pause the introduction of VED for zero emission vans and provide financial support for SMEs to purchase used zero tailpipe emission vehicles. Increase investment in public chargepoints and ensure vans and HGV needs are factored into this investment. Provide continuity of funding for zero emission freight programmes, including the Zero Emission HGV and Infrastructure Demonstrator, alongside reforming regulations where they inhibit innovation.

Skills partnerships to support a thriving sector and break down barriers to opportunity.	Reform the Apprenticeship Levy into a Growth and Skills Levy and reform the lifetime skills guarantee. Ensure the adult skills budget enables the provision of adequate heavy vehicle technician apprenticeship course places and that the government continues to support skills boot camps. Co-fund the third year of the Generation Logistics campaign. Deliver match-funding for improvements to facilities for the welfare of logistics workers.
Trade growth, to support economic growth and resilience.	Deliver an assessment of the economic impact of border friction with the EU to inform an expansive review of the EU-UK Trade and Cooperation Agreement. Monitor the functioning and business impacts of the post-EU Exit border regimes, between GB, Northern Ireland (NI) and the EU. Transparency on the Common User Charge.
The remainder of this document provides detail on these priorities.	

The logistics sector seeks a partnership with the government to strengthen the critical enablers of growth, including our road, rail, maritime, aviation, warehousing, energy and digital networks.

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, raising enough in taxes to fund between 20,000 and 40,000 additional nurses or teachers .

The logistics sector's priorities for HM Treasury to support this are:

Establish a cross-Whitehall Logistics Productivity Forum, appoint Logistics UK to the Industrial Strategy Council and ensure a logistics voice is on the mission board for growth.

The UK has an efficient logistics sector but, with the right partnership with government, can do more to improve UK productivity.

The World Bank Logistics Performance Index shows that, between 2014 and 2023, the sector sustained its "pricing of international shipments score" despite the challenges posed by EU Exit and rising costs. However, the same index showed the UK dropped from 4th in 2014 to 19th in 2023, as a result in falls in timeliness, infrastructure quality and the efficiency of customs operations. These declines coincide with the UK's new trading relationship with the EU and a period of low transport infrastructure investment compared to our peers.

The ability of the logistics sector to drive productivity and growth would be strengthened by changes to how Whitehall interacts with it, and how departments work together. As such, we very much support the concept of mission-led government.

As an example, while the last government's Future of Freight Plan (2022) is a strong blueprint for taking the sector forward, the Department for Transport (DfT) struggled to deliver on its commitments, as many areas within it fall under the auspices of other departments, including Business and Trade, Energy Security and Net Zero, Housing, Communities and Local Government, Education, the Cabinet Office, and more.

Forming a cross-Whitehall Logistics Productivity Forum, appointing Logistics UK to the new Industrial Strategy Council and ensuring a logistics voice on the mission board for growth, as well as the boards for the Green Prosperity Plan and breaking down barriers to opportunity, would help to rectify this challenge.

This call for a cross-government partnership with the logistics sector is supported by the UK's largest trade associations in the freight sector: Logistics UK, the Association of International Courier & Express Services, Association of Pallet Networks, British Association of Removers, British International Freight Association, British Ports Association, Cold Chain Federation, Chemical Business Association, Rail Freight Group, Road Haulage Association, UK Major Ports Group and UK Warehousing Association.

Reform ONS data and definitions to better capture logistics activity, separating logistics from general transport data.

Official logistics and freight data (concerned with planning decisions and the movement of goods, inventory management, supply chain optimisation, and efficiency of freight transportation) is intertwined with general transport data (including public transport networks like buses, trains, and trams), which is unhelpful.

We would like to see ONS data and definitions be reformed to better capture logistics activity, separating logistics from general transport data. This distinction would allow for more specific, tailored

strategies that address the unique challenges and opportunities within the logistics industry, enhancing efficiency, and creating more value.

Commit to fully consult the logistics sector over the replacement of the business rates system, to ensure reform does not increase logistics costs and therefore costs across the economy.

The industrial sector, a large portion of which is the logistics sector, is a significant contributor of business rates. It paid more than £7.5 billion in business rates in England and Wales in 2023, having been impacted by rates increases in 2023.

Logistics – which operates on small margins – uses a mix of online and bricks and mortar premises to deliver for households, businesses and public services. It should also be considered that, as the retail sector uses 34.1% of the UK's warehousing [6], there is no clear division between businesses using warehouses and the high street.

It is important that any replacement of the business rates system is managed carefully, in consultation with businesses, to avoid unintended consequences, such as higher costs for everyone, negative impacts on the hight street, or cost pressures on businesses that inhibit their ability to invest, including in decarbonisation.

Finally, we urge the government to consider how the rates system can better support investment and incentivise decarbonisation.

6 Logistics Report, Logistics UK, 2024

The UK needs innovative and integrated infrastructure, to move goods in the most productive, strategic and green way. This will get the country building again and deliver a more resilient economy.

The UK's logistics sector is becoming ever smarter and more integrated, within businesses and between logistics sites and transport modes – and the infrastructure it relies on 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 inhibit private investment. In the short-term, we are calling for a focus on resolving congestion hotspots and, for the longer term, we want to work with the government to help deliver a robust UK logistics network.

The logistics sector's priorities for HM Treasury to support this are:

Develop a long-term plan for road, rail, aviation, maritime and energy infrastructure, with infrastructure strategies guided by the identification of a National Freight Network and the National Infrastructure and Service Transformation Authority (Nista). To support this, we would welcome the government developing an infrastructure investor playbook to facilitate and leverage private investment.

UK infrastructure has, for many years, been beset by short-termism, high costs, stop-start delivery and a lack of joined-up strategy. This has slowed delivery and inhibited the attraction of private finance. This has proven particularly problematic for the logistics sector as it is a) multimodal and therefore needs multi-modal transport infrastructure planning, b) private sector, and is therefore not financially protected from changes to infrastructure plans, and c) needs greater certainty over infrastructure plans to unlock private sector infrastructure investment.

To seek to address this, the last government's Future of Freight Plan (June 2022) committed to working with the logistics sector to identify a National Freight Network (NFN) and lay the groundwork for more comprehensive and joined-up infrastructure planning, focused on linking the UK's key road, rail, water and air connections and logistics hubs, reducing congestion and carbon emissions, boosting trade, and adding resilience to the overall logistics system and economy. This has not yet happened, and we are pressing for the DfT to proceed with identification of an NFN. We will also soon publish our own map to support progress in this area – and look forward to discussing it with HM Treasury officials.

We want to see the government focus on developing 30-year infrastructure strategies with five-year delivery plans for transport and energy, guided by a newly established Nista. This would be supported by greater focus within the DfT, National Highways and Network Rail on producing recommendations at a corridors and system-level, rather than by transport mode. Clearer and regularly updated pipelines of projects would also unlock private sector investment in complementary projects – with potential opportunities to grow private investment/co-funding and or new financial models. To support this, we welcome the proposal for an infrastructure investor playbook in the Rail and Urban Transport Review, commissioned by the Labour Party in 2023 and led by Juergen Maier CBE.

We would expect key projects and programmes identified through this process to include: improving the A2/M2 corridor, M62/M60, A1, and A303 at Stonehenge; progressing the Lower Thames Crossing by approving the DCO before 4 October; undertaking planned improvements to Smart Motorways; sanctioning funds to progress the next stage of the Ely Junction rail upgrade; starting the process to deliver 60 miles of infill rail electrification between ports and key mainline rail interchanges; identifying and committing to plans for increased capacity on the West Coast Main Line; and supporting the Manston Airport project.

We are concerned about the cuts announced on 29 July as they will limit the ability of the logistics sector to kickstart economic growth. Rather than cancelling projects we, instead, urge the government to set out a long-term pipeline of projects, updated annually, to support a constructive conversation on how they could be funded and delivered.

Optimising the logistics system would deliver significant benefits, enabling the UK to make more use of rail and water freight where it is efficient to do so. This would help tackle road congestion, which costs the UK £7.5 billion a year [7] and reduce carbon emissions and congestion, with each freight train able to remove up to 129 HGVs from our roads, with rail freight producing 76% less CO_2 per tonne than road transport [8]. It would also support the meeting of the rail freight growth target of 75% by 2050, which Logistics UK fully supports, including as it is important for attracting private investment in the infrastructure needed to achieve it.

Identifying the NFN would also inform where reformed night flight and slot regulations in the South East could add crucial capacity for high value air freight. In 2021, it was estimated by York Aviation that the direct, indirect, induced and wider impacts of night flying across the whole night contributes £16.5 billion in GVA and supports 213,200 jobs across the UK.

Introduce a long-term funding settlement for local authorities to adequately maintain roads.

We support Labour's manifesto commitment to fix an additional one million potholes across England in each year, and want to see this fully funded.

Poor road conditions are acting as a tax on business – making journey planning highly unpredictable and contributing to 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, 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. While the previous government announced, in 2023, an additional £8.3 billion for local roads maintenance, this was to be spent over ten years and the 2023 ALARM survey found that there is already a £14 billion pothole repair backlog [9].

Provide continuity of funding for freight innovation programmes, including the Freight Innovation Fund.

Innovation plays a key role in enabling logistics to work as an efficient system and therefore to support economic growth and resilience. With support from innovators and government, through the Future of Freight Fund and other programmes, logistics businesses are introducing robotics and AI, implementing new measures to support modal shift, adopting green technologies to reduce carbon emissions and are training people in new data-based skills.

We urge the government to continue supporting this collaboration with SME innovators and the logistics sector and therefore want to see the Freight Innovation Fund, delivered by the Connected Places Catapult, funded for the Parliament.

We also want to see the model it has developed, which sees logistics businesses act as test beds rather than match funders, adopted by other innovation programmes relevant to the logistics sector, such as programmes to support autonomous vehicle trials. This model is much more suitable for a sector that operates on low margins and where the more immediate financial benefits of innovation are felt by the technology suppliers, with logistics businesses experiencing the benefits over time, largely as efficiency gains.

7 Global Traffic Scorecard, INRIX, 2023
8 Freight Expectations, Rail Partners, 2023
9 Annual Local Authority Road Maintenance (ALARM) survey, March 2023

The UK needs a fair transition to becoming a clean energy superpower that rebuilds the UK's industrial strength, keeps the costs of decarbonisation down, and ensures resilient supply chains.

The logistics sector is embracing the decarbonisation agenda and is committed to playing its part to help the UK achieve net zero. However, it is seeking greater say on plans and policies, so it can deliver a fair transition to green economy that keeps costs down and supply chains resilient.

We want to see the decarbonisation of the logistics sector underpinned by an agreed roadmap to net zero and the phase-out of fossil fuels, based on the availability of technology, infrastructure investment, regulatory reform and tax incentives.

Businesses are also seeking support now with the higher costs associated with operating zero emission vehicles and using low carbon fuels.

The logistics sector's priorities for HM Treasury to support this are:

The extension of the 5 pence per litre (ppl) cut in Fuel Duty beyond March 2025, to avoid inflationary cost pressures on the rest of the economy. For the long-term, we also want to collaborate with HM Treasury to help develop plans for the future of transport pricing, to ensure it works for the logistics sector and wider economy.

The extension to the 5ppl cut in Fuel Duty is set to end in March 2025. Now is not the time to increase costs for industry, especially given other inflationary pressures and the need for the sector to continue investing in its decarbonisation – which is a transition that is expected to take many years, given the immaturity of zero tailpipe emission HGV technology and the charging network.

Fuel represents a third of the costs for logistics businesses, larger than any other single cost. We estimate that the weekly fuel bill for a 44-tonne diesel HGV is currently around £888, with £436 taken in Fuel Duty by HMRC. A 1p increase in Fuel Duty would cost a haulage business with seven trucks an extra £3,000 per year[10], making it significantly harder for logistics businesses to manage their costs.

With low margins the norm in our sector, typically 2.5%, operators will not be able to absorb these increased costs, raising the likelihood they will be passed on to customers and, ultimately, consumers. It could also put further logistics operators out of business. Road vehicle operating costs have risen steeply in recent years – 4.8% in the 12 months to July 2024. These cost rises have meant that, over the same time period, 525 UK haulage businesses collapsed, 14% higher than the previous year and double the number that became insolvent during 2021.

A return to Fuel Duty increases could also cause instability for logistics businesses, harming their ability to forecast costs and cash flow, plan ahead and invest. This would have a particular impact on their capacity to invest in decarbonisation, which represents a new, major cost in itself.

Overall, logistics businesses paid £5.84 billion in Fuel Duty in 2021, more than 20% of all Fuel Duty paid to HMRC [11]. It is also important to recognise that, given electric car technology is more mature that zero emission tailpipe technology for HGVs, we can expect the proportion of Fuel Duty paid by the logistics sector to increase over time, risking adding cost to the whole economy.

It is important to recognise that road logistics operators rarely purchase fuel at forecourt prices, instead using fuel cards and buying delivered-in fuel. The RAC has commented that scrapping the 5ppl cut in Fuel Duty would be unlikely to impact motorists and, instead, be absorbed by fuel retailers. However, given that most logistics businesses do not purchase their fuel on the forecourt, this argument does not apply to our sector.

[10] Based on seven 44 tonne HGVS. Source: Manager's Guide to Distribution Costs, July 2024 Update Report, Logistics UK.
11 Logistics Report, Logistics UK, 2024

In the medium term, we want HM Treasury to move to a dynamic mechanism for Fuel Duty that, in periods of inflation, enables the Treasury to keep Fuel Duty down by taking into account its tax receipts from VAT on fuel. We also want the government to better align road and rail charges, to enable rail freight to be cost competitive.

With the transition to electric vehicles, we also recognise that the current Fuel Duty regime is gradually coming to the end of its life. As such, we want to work with HM Treasury to help develop plans for the future of transport pricing, to ensure it works for the logistics sector and wider economy. Any new pricing system must take into account that logistics works as a system, across transport modes, and logistics operators must be able to make rational decisions over transport modes, in order to move goods in the most productive, strategic and green way. It should also be developed and communicated well ahead of its introduction, given any new regime will inform the logistics sector's long term investment plans.

Recognise the value of low carbon fuels to the decarbonisation of the logistics sector by ensuring that there are sufficient incentives to see the development and usage of low carbon fuels in the UK. For an example extend the Duty Differential used for Gas to HVO for road transport and establish a government-backed Sustainable Aviation Fuel industry (via the Revenue Support Mechanism).

Low carbon fuels (LCFs) will play a significant role in the logistics sector's decarbonisation, for road, rail, air and maritime vehicles, as they reduce emissions compared to traditional fuels by up to 80%[12] and many are drop in fuels which can be used in existing engines, without the need to replace capital assets. Even in cases where zero emission technologies offer a long-term solution, LCFs will play a positive role in the interim.

However, such fuels are often more expensive than fossil fuels and are in short supply. In addition, in the absence of a LCF strategy, the logistics sector has no certainty as to whether the government will back them for the long term – all of which is hampering their uptake. One of our larger members informed us that they are currently paying 40% more for HVO than diesel, before tax and duty are added, which means smaller businesses are likely paying more, due to their lower buying power. Some businesses that began the transition to greener fuels have since reverted to fossil fuels, due to their high costs and customers' unwillingness to pay extra for carbon reductions.

We see a strong case for LCFs, in terms of use and production, to be incentivised in the tax system to increase their adoption. As part of this, we would like to see the gas duty differential continue beyond 2032, a HVO differential introduced, the price of biomethane decoupled from wholesale natural gas prices, and support for the production of LCFs. For Sustainable Aviation Fuel (SAF) specifically, we welcome the commitment to introduce a Sustainable Aviation Fuel (Revenue Support Mechanism) Bill, to support SAF production in the UK and would like to see it government backed. For long haul flights, SAF is the only current viable solution to decarbonise air freight and, as set out in the King's Speech background briefing notes, SAF is estimated to add over £1.8 billion to the economy and support over 10,000 jobs across the country. We also welcome the SAF mandate to oblige suppliers to have at least 10 per cent SAF in their fuel mix supplied to airlines.

We would like to work in collaboration with the government to develop a long-term strategy 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.

12 High Blend Biofuels, Zemo Partnership, 2020

Maintain and expand mode shift grants beyond April 2025 and take other measures to address the cost challenges that inhibit the use of rail freight, inland waterways and coastal shipping.

Mode Shift Revenue Support (MSRS) and the Water Freight Grant (WFG) have played a vital part in moving freight from road to rail and water, helping these modes to be more cost competitive.

It is vital that these grants are safeguarded, to drive down carbon emissions, improve air quality, improve road safety and mitigate road congestion. In the former government's consultation earlier this year, we called upon DfT to maintain the grants beyond April 2025 and to improve and update the schemes and application process, highlighting that there is untapped potential to move more freight by rail and water and utilise 100% of funds if the grant application process is more responsive. Since then, we understand that the grants have become oversubscribed in the most recent quarter, highlighting the potential to deliver further modal shift.

We also want to see Freight Facilities Grants (FFGs) reintroduced to support private sector investment in new and updated infrastructure, including intermodal facilities. This will support moving more goods via our railways and waterways.

Another issue of concern, with regards to incentivising decarbonisation is that diesel locomotives are cheaper to run than electrically hauled locomotives, with Logistics UK members reporting a cost differential of approximately 20%. This is leading to diesel being the preferred fuel for rail freight, despite electric options being available. We would like to work with the government to develop solutions to address this, in order to better incentivise the use of electric rail.

As above, we are also calling for the DfT to start the process to deliver 60 miles of infill rail electrification between ports and key mainline rail interchanges, to decarbonise rail. This initial 60 miles of infill electrification is estimated to cost circa £50 million per annum. We also urge the government, Great British Rail Transition Team and Network Rail to work with the sector to determine the schedule for delivering this investment, given the role that dual fuel locomotive technologies can also play in managing gaps in the electrified network.

Extend 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, to support fleet decarbonisation.

Around 900,000 vans and 100,000 HGVs are leased or rented to UK businesses, representing one in five vans and HGVs on UK roads[13]. These vehicles are not covered by the criteria for the 100% tax deductible annual investment allowance for capital spending, adding to the cost of moving to zero tailpipe emission vehicles, and therefore inhibiting that transition. Logistics UK is calling for full expensing to cover hired and leased vehicles. According to analysis by the BVRLA business group, this would unlock additional investment of over £1.1 billion and would add £450 million in GVA to the UK economy.

For operators electrifying their fleet, the fees charged by energy network operators for the required asset extensions can be significant, with some operators reporting fees of over £1 million. These fees are in addition to the costs of acquiring new electric fleets and installing chargepoints. The fees are particularly challenging for operators leasing their premises as, if they relocate, the energy infrastructure they funded would not move with them. As such, Logistics UK wants full expensing to be able to be used to offset the costs of energy asset extensions at commercial vehicle premises.

These measures should be in addition to efforts to reduce connection times and standardise the process of securing connections, as well as to rates and capital incentives to support green initiatives on premises such as solar and wind.

Extend the Plug-in Grant post 2024/2025, pause the introduction of VED for zero emission vans and provide financial support for SMEs to purchase used zero tailpipe emission vehicles.

The logistics sector is embracing the decarbonisation agenda and is committed to playing its part to help the UK achieve net zero. However, with the shift to electric logistics road vehicles still at an early

13 Commercial Vehicle Insights, BVRLA, access August 2024

stage, we are urging financial measures to remain in place and to be strengthened, to support the transition. As the Climate Change Committee has warned, 'electric van sales are still lagging and remain significantly off track'. This is partly due to their high cost.

The average electric van costs 50% more than a diesel option[14]. In addition, these vans also often do not perform as well as their diesel options. From range and payload to charging cost and speed, logistics operators regularly have to pay more for less. To make electric vans more financially viable, incentives such as the Plug-in Van Grant and zero Vehicle Excise Duty are critical.

We urge the government to retain the Plug-in Van Grant, to avoid increasing the cost of purchasing electric vans ad HGVs, and slowing their adoption. In addition, a pause in the introduction of Vehicle Excise Duty for these vehicles would avoid further slowing the transition.

Finally, for every new van sale, there are more than two and a half pre-owned vans sold [15]. The majority of pre-owned vans are operated by sole traders and SMEs. We are therefore calling for fiscal support to be introduced in the second-hand market, to encourage sole traders and SMEs to move to zero tailpipe emission vehicles.

This, and the previous point are part of the Zero Emission Van Plan, that Logistics UK supports and which includes policy proposals on vehicle licensing, MOTs, drivers' hours rules and training to support the transition to zero emission vans.

Increase investment in public chargepoints and ensure vans and HGV needs are factored into this investment.

Logistics operators, even those that will mainly use depot charging, 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. We therefore urge the roll out of public chargepoints to be accelerated, especially given 84% of operators with public chargepoint experience cite availability as an issue [16].

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 [17] as they are not designed with medium- and large-sized vans in mind. 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, it is important that there is widespread coverage of rapid public chargepoints that can be used by commercial vehicles (HGV and van) 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.

Provide continuity of funding for zero emission freight programmes, including the Zero Emission HGV and Infrastructure Demonstrator, alongside reforming regulations where they inhibit innovation.

The Zero Emission HGV and Infrastructure Demonstrator (ZEHID), UK SHORE and initiatives through Jet Zero are crucial for supporting the decarbonisation of heavy logistics vehicles and operations.

The government backed ZEHID is testing zero tailpipe HGV propositions in the real world, focused on four projects, including 370 zero emission HGVs and 57 electric charging and hydrogen refuelling sites. We want to see funding for this to be continued as, alongside the other work of the Freight Energy Forum, it will help to determine how to decarbonise HGVs, unlocking private investment. Alongside this, we are urging the government to review vehicle weights and dimensions regulations.

14 Auto Trader, recommend retail pricing data, 2024
15 Light Commercial Vehicles: Delivering for the UK Economy, SMMT, 2019
16 Electric Vehicle Report, Logistics UK, 2023
17 Electric Vehicle Report, Logistics UK, 2023

Zero tailpipe emission HGV uptake and logistics efficiency should not continue to be compromised by the current 18%-plus payload penalty that comes with such electric HGVs, as their batteries take up a significant proportion of their overall permitted weights and dimensions.

Funding for decarbonisation programmes is important across transport modes. In the harder to decarbonise modes, aviation and shipping, we urge the government to focus, in particular, on innovation – including by renewing the Clean Maritime Plan to develop a long-term strategy to decarbonise shipping, continued funding for innovation across the UK Shipping Office for Reducing Emissions (UK SHORE), and funding for innovation and action through the Jet Zero Council.

Vessels account for 60% of emissions at ports and shore power – electrical connections for vessels at berth – could play a major role in reducing these emissions. To make progress, we would like to see the government align its decarbonisation strategy with the 2023 International Maritime Organization (IMO) Strategy. The sector is also seeking support with the high costs of delivering shore power at ports, which DfT has acknowledged "has a role to play in immediately reducing emissions from vessels visiting ports" and is likely to be "low/no regrets".[18] 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 strategies should also go hand in hand with stakeholder discussions to identify ways to boost energy capacity and distribution in and around UK ports.

18 Transport Decarbonisation Plan, UK Government, 2021

Skills partnerships to support a thriving sector and break down barriers to opportunity.

To keep supply chains resilient, careers in logistics must be backed by reform to skills funding and a sustained commitment to attracting people, ensuring businesses have a strong pipeline of talent to draw from and nurture.

With roles in logistics unlocking opportunities from driving to robotics, delivering strong potential for social mobility, and being essential for maintaining supply chains, it is vital that government and educators work in partnership with our sector.

The logistics sector's priorities for HM Treasury to support this are:

Reform the Apprenticeship Levy into a Growth and Skills Levy and reform the lifetime skills guarantee.

We welcome Labour's commitment to replace the Apprenticeship Levy with a Growth and Skills Levy, enabling 50% of the funds to be invested in non-apprenticeship training opportunities, and we urge the government to proceed with this as soon as possible.

The Apprenticeship Levy is inhibiting the training the UK needs. Between the introduction of the levy in 2017 and 2021/22, transport and logistics businesses paid in over £800 million. However, due to the constraints of the levy and structural issues in the skills system, the total estimated amount of funding possible for the sector to have recovered in the same period was just £250 million [19]. There are a lack of colleges offering the apprenticeships the sector needs, and more flexibility is required to support training for roles that do not necessitate a year-long apprenticeship.

We also want to see improvements to the lifetime skills guarantee, to allow more flexibility for both businesses and employees, to attract more older people back into the workforce. 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. In addition, meeting demand for qualifications within the logistics sector requires greater funding for level 2 roles, as these jobs make up most of the shortage occupations in the sector at present.

Ensure the adult skills budget enables the provision of adequate heavy vehicle technician apprenticeship course places and that the government continues to support skills boot camps.

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 was also significantly impacted by the end of freedom of movement. Between the third quarter of 2019 and the third quarter of 2022, 13,900 HGV mechanics, technicians, and electricians from the EU left the UK labour market.

There are significant challenges in filling vacancies for certain roles within the logistics sector, particularly for fitters, mechanics and technicians. According to the latest data, 56.1% of respondents to Logistics UK's quarterly logistics performance tracker survey reported moderate to very severe problems filling these vacancies[20].

A key cause of this shortage is the lack of heavy vehicle technician apprenticeship courses available. Since 2010, the number of colleges and other training providers overing the standard has dropped from 100 to 41, with the main cause for that being the inadequate funding band allocated to the apprenticeship.

19 Analysis for Logistics UK by Jim French MBE, Road to Logistics, Co-Chair Trailblazer Group Transport and Logistics, 2022
20 Logistics Performance Tracker, Q2 2024, Logistics UK, August 2024

Skills bootcamps, such as the HGV Skills Bootcamp, should also continue to be funded as they play an important role in meeting ongoing shortages.

Co-fund the third year of the Generation Logistics campaign.

Generation Logistics is an award-winning campaign that began in September 2022 and exists to challenge perceptions and attract new entrants to the logistics sector, to safeguard the resilience of the UK's supply chains and support economic growth. It is a collaboration between Logistics UK, CILT (UK), over 50 businesses and the government.

Across the first year of the campaign, positive sentiment towards a career in logistics was increased by 170% and awareness of the sector by 11% amongst 18–24-year-olds and career switchers. We expect similarly impressive results from the second-year research, which will be available in November 2024.

A third year of the campaign is vital to secure the next generation of logistics workers and raise awareness of much needed roles amongst under-represented groups. As such, we are requesting that the DfT provides the campaign with a maximum of £300,000 of funding to enable the logistics sector to deliver the Generation Logistics campaign for a third year, beginning this autumn. This would be joined by at least £500,000 of private-sector funding.

Deliver match-funding for improvements to facilities for the welfare of logistics workers.

To support the welfare of logistics workers, and attract new and more diverse talent, improvements are needed to driver facilities. We want to see them made integral to any road investment scheme. In addition, we welcomed the last government's match-funding for improvements to roadside facilities and would like to see that continue.

Transport Focus data published in August 2023[21] 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 [22] shows the utilisation of lorry parking facilities in the England at night is above critical level, at 87%. In 2018, the previous study [23] found there was an urgent need for 1,411 overnight lorry parking spaces in England, which the government committed to deliver.

New Deal for Working People

We are urging the government to consult fully with businesses on plans for the New Deal for Working People, to ensure the reforms achieve the government's aims to improve employment rights, while retaining flexibility and avoiding pushing up costs across the economy.

For example, it is important that employees retain flexibility in their working arrangements, given the large numbers of people in our sector – from young to semi-retired – who choose to work non-uniform hours. It is also important that the proposal for contracts based on a 12-week reference period is made compatible with sectors like logistics that have seasonal variations in workload.

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21 Logistics and Coach Survey: Strategic Roads, Transport Focus, 2023
22 National survey of lorry parking (2022): part 2, Department for Transport, 2023
23 National survey of lorry parking, Department for Transport, 2018

Trade growth, to support economic growth and resilience.

Logistics enables international trade, importing and exporting goods to the value of over £900 million a year. However, barriers to trade, transport capacity constraints and declining international connections are impacting the UK economy, and this must be addressed.

Trade growth must be backed as a driver of innovation and productivity, with reduced friction at our borders through an evolved and expanded relationship with Europe, and through Trade Facilitation Agreements and Free Trade Agreements to unlock new market access.

The logistics sector's priorities for HM Treasury to support this are:

To deliver an assessment of the economic impact of border friction with the EU, to inform an expansive review of the EU-UK Trade and Cooperation Agreement.

While the EU-UK Trade and Cooperation Agreement (TCA), which came into force on 1 January 2021, provides mainly tariff free and quota free trade between the UK and the EU, 'non-tariff measures' are a significant source of trade friction. Such measures include compliance with regulation, customs documentation, veterinary inspection for food and feed, and conformity assessment requirements for product regulation.

The TCA review, due to begin in May 2026, offers an important opportunity for both parties to reduce trade friction and thereby support economic growth. Through the review, the parties can re-examine their relationship, evaluate the TCA's effectiveness in meeting original expectations, and explore potential enhancements for the benefit of UK and EU businesses and consumers. It is therefore vital that the UK government presses for an expansive rather than a limited, technical review.

To support an expansive review and the case for it, Logistics UK is calling on HM Treasury to carry out and publish a full assessment of the economic impact of border friction with the EU. This should build on existing research by the Centre for Economic Performance, which found that between December 2019 to March 2023, there was an approximately 25 percentage point increase in food prices and that, had EU Exit not transpired, this increase would have been 8 percentage points lower.

An assessment of the economic impact of border friction with the EU should also build on research by MDS Transmodal which has found that the UK's importance as an EU trading partner declined between 2017 and 2022, with the UK exporting less to Europe, compared to other countries that export to the EU. In 2017, the UK's non-energy exports to the EU represented 4% of total imports to EU countries. However, in 2022, this was just 3.1%, which equates to a decline of over 20%.

It should also consider that, in the World Bank's 2023 Logistics Performance Index (LPI), the UK was ranked 19th, a significant drop compared to 4th in 2014. This partly resulted from border friction, contributing to a decline in on-time shipments, efficient customs processes and the tracking of shipments.

Monitor the functioning and business impacts of the post-EU Exit border regimes, between GB, NI and the EU.

In addition to the above assessment, we are urging the government to enhance its monitoring of the functioning of post-EU Exit border regimes, in order to track the impact on businesses and consumers and to work with the logistics sector to develop solutions to challenges.

These regimes include the Border Target Operating Model and Windsor Framework, where challenges persist, risking supply chain disruption, delays, traffic congestion, higher prices, reduced choice for consumers and shortages.

Transparency on the Common User Charge

Under the Border Target Operating Model, goods entering GB through the Port of Dover and Eurotunnel in Kent are now subject to the government's Common User Charge (CUC). We are seeking greater transparency on the costs of operating the Sevington Border Control Post, that the CUC is intended to cover. This will help provide the logistics sector with confidence that Sevington is being run as efficiently as possible.

We are seeking this transparency in the context of 81% of businesses that responded to the government consultation on the CUC saying it would have "a fairly or extremely negative impact on their business". In addition, insurer Allianz Trade has forecast a £2 billion cost to business and that 10% would be added to import costs over the first year of the regime, and analysis for ITV suggests the cost would be £2.9 billion, and £8.57 for the average monthly food shop. Logistics UK continues to call on government to publish its modelling which asserts that the impact on food and drink inflation will only be 0.2% over 3 years.

Should you like any further detail about these priorities, please get in touch.

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