

Written evidence submitted by the Chartered Institute of Logistics and Transport (CILT) (RDF0010)

Introduction

The Chartered Institute of Logistics and Transport (CILT) is the professional body for those involved in the movement of goods and people and their associated supply chains. It is independent of commercial organisations in the sector, does not undertake lobbying of any kind and uses its broad membership to form balanced viewpoints and policy recommendations.

Members of the Institute are involved in the management and design of infrastructure, systems, processes and information flows, and in the creation, management and development of effective organisations. The scope of our involvement in transport covers all segments: active travel, cycling and walking; aviation; bus and coach; freight forwarding; logistics and supply chain; operations management; ports, maritime and waterways; rail (passenger and freight); and transport and land use planning.

This submission is based on the work of our Freight and Logistics Policy Group, which is informed by 'hands on' operational experience from a range of businesses that deliver goods and provide essential services. Over the last two years we have examined the topics raised by the Transport Select Committee and have interacted with the Department for Transport and the National Infrastructure Commission on relevant issues.

This paper summarises our main conclusions in each area and points to fuller documents where relevant.

1. Long-term and short-term challenges to the effective functioning of the road freight supply chain

The two main short-term challenges in road freight sector are:

- **Driver Shortages.** The longstanding endemic shortages are common to many countries. The underlying shortage was estimated at 10% but has been exacerbated by the impact of Brexit, COVID and IR35. Brexit has reduced the availability of EU drivers by approximately 10% due to reducing exchange rates driving loss of earnings and removing the freedom of movement. Covid has further affected the situation with drivers transferring to more attractive jobs including last-mile deliveries, and fewer replacement drivers due to delays in training, testing and issuing licences. IR35 has further increased costs on self-employed drivers; with wage rates increasing and prolific starting bonuses many

different sectors are being impacted, including domestic waste collection.

- **Capacity and delay.** The lack of congestion due to the reduction in private car use during COVID increased goods vehicle productivity. As economic activity has recovered and congestion has returned and increased in some instances due to the walking and cycling priority, the capacity to deliver has been eroded, reducing the productivity of both vehicles and drivers. This adds cost to the economy and the resulting congestion increases fuel use, adding to emissions with increased idling in slow traffic.

European transport operators, who formerly provided much of the UK export and many domestic trips, have reduced capacity since Brexit as the UK is less financially and operationally attractive. This could deteriorate further with any change to import controls, if it is seen to be more productive to run empty on return journeys to the continent rather than risk delay at customs.

Long-term risks are:

- **Continued driver shortage.** To sustain current levels of business activity without productivity gain, additional drivers need to be recruited. Coordinated action by national and local government, industry and business is needed to provide long-term improvements in training, facilities and reward, and to reduce operating constraints (e.g. overnight delivery restrictions).
- **Investment in New Technology.** With the announcement of the phase out of non zero-emission HGVs by 2040, manufacturers and operators need to understand details of government fiscal policy and incentives to transition to new ZEV equipment. Clear support is also required to safeguard residual values, and to support investment in infrastructure to allow efficient operations of vehicles with new technology where range and charging impact networks.

2. The potential effects of the Government's policies and regulations on the efficient operation of the supply chain, including cabotage rules and drivers' hours

The government has introduced various short-term measures to alleviate the driver crisis:

- **Extending drivers hours is a retrograde step.** A driver's driving hours are normally 45 hours per week but the working hours will be significantly

longer. From a safety perspective extending drivers hours places more pressure on an already stretched workforce. Congestion and delays mean that a higher proportion of their time is spent inefficiently; long hours, stress and road conditions are among the factors pushing experienced drivers out of the industry.

- **The visa scheme has had a very low take up.** EU drivers and warehouse staff started to leave the UK following the Brexit vote and that was accelerated by the pandemic. It is unlikely that an EU driver would give up a job in the EU now, when there are better conditions and facilities and drivers can see more of their family.
- **Cabotage:** EU hauliers have been reducing their exposure to the UK market since the Brexit vote for similar reasons to individual drivers. The government's own figures suggest the extension of cabotage will have a minimal effect (0.8%) and operators undertaking this work risk cost and delays to the return leg if there are any paperwork errors.
- **Freezing Excise Duty** provides short-term support for the industry, but potentially discourages the long-term investment in new, more sustainable vehicles necessary to achieve the government's net zero strategy.

In addition, measures such as **vehicle road pricing** are urgently required to alleviate congestion and enable more efficient movement of freight vehicles.

3. The effectiveness of Government policy in supporting recruitment, retention and a diverse workforce in the road haulage industry

The Government has begun to engage with the profession to understand labour availability and diversity in the transport, logistics and supply chain sector. Current DfT work on the future of freight recognises 'the importance of the freight sector to economic wellbeing and [its] role in realising core Government strategic objectives', but the CILT has raised a number of **challenges with the DfT approach:**

- The term 'freight' is used by officials to cover everything that is not passenger transport. This suggests a lack of understanding of the differences between 'freight' as the commodity transported, 'freight' as the vehicles, 'logistics' (the timely positioning of resources), and supply chains.

- Government departmental structure means that no one Minister or department has overall responsibility for this critical sector.
- The creation of Apprenticeships through the IFA has yet to fulfil its potential.
 - IFA focus has been on employing organisations rather than the mechanism of delivery, with limited engagement with the relevant professional bodies and Awarding Organisations.
 - The Apprenticeship Levy needs be restructured to allow the creation of more flexible schemes, deliver greater benefit to the sector and ensure the majority of revenue is returned to the sector.
 - Creating a meaningful campaign to attract people into the profession needs collaboration with DfT, DWP, DoE, and DLUHC (responsible for planning for logistics premises, overnight parking, truck stops etc).
- There are substantial difficulties in increasing diversity in certain activities, such as warehousing where shift patterns are currently utilised.

Attempts to address the driver shortage have had little benefit (section 2), but additional driver testing capacity and proposed changes to health checks should deliver progressive benefit. However, Government policy appears tactical and responsive to crises, rather than taking the holistic approach that's needed to address the long term challenges in recruiting, retaining and developing a diverse workforce.

To achieve a step change, there needs to be clear career pathways and a recognition of the breadth of roles and opportunities available across a profession that employs over 2.7m people. The CILT see a clear requirement for a concerted, joint effort by Government and operational businesses across the sector to raise the profile of the transport, logistics and supply chain profession.

4. The potential effects of the Government's policies and regulations on road safety

Heavier vehicles have a disproportionate impact on road safety. To address this systemically, full investigations need to be carried out through a road safety investigation branch, regardless of the vehicle(s) involved.

- **Driver hours:** as mentioned under 2) extending drivers hours will put more pressure on existing operations and may have road safety consequences.
 - **Operator licencing and driver CPC:** These two regulations provide some control over industry and driver standards of behaviour, reducing the likelihood of incidents on the road network. However, operator licencing doesn't apply for vehicles under 3.5 tonnes and the driver CPC doesn't apply to van drivers or those delivering by bike. This means that most 'last-mile' deliveries are being made with no requirement on the operator to be professionally competent or to ensure delivery personal are properly trained, minimise health and safety risks to themselves and others, or obey the highway code.
 - **Work to improve road safety around construction sites in London** was begun by TFL in 2013 and continues through [clocs.org.uk](https://www.clocs.org.uk) . Emerging evidence suggests a reduction in goods vehicles involved in collisions, even in the context of a substantial increase in cycling. This suggests that embedding road safety into government procurement standards could substantially reduce vulnerable road user casualties.
5. **Infrastructure, including roads, ports and airports, with a particular focus on capacity, resilience and interoperability**

The CILT contributed to the National Infrastructure Commission's report, [Better Delivery: the challenge for freight](#). The report's findings have been reinforced by the experiences of the pandemic, which have clearly demonstrated the importance of freight capacity and resilience to maintain essential supplies.

Two recommendations are worth reiterating, the electrification of freight vehicles and the completion of electrification of the rail network (essential for decarbonisation) and the need for better land use planning for logistic operations. The latter is essential to accommodate network changes to reflect increased domestic capacity, and new vehicle attributes and the increasing regulation of city streets which impacts logistics.

CILT are pleased that many of the proposals are now established in government policy, albeit that the results have yet to show. We are concerned at the lack of financial commitment to complete rail electrification and the absence of guidance or support for local authorities who lack staff with an understanding of logistics activity. We are also concerned that rural freight will be marginalised by the current city and town centred approach.

Recent measures to make our streets friendly for walking and cycling have led to a significant deterioration in goods vehicle productivity. This clearly demonstrates that government cannot rely on the freight industry to innovate in this new market, without providing clear regulatory signals and addressing the logistics deficit in land use planning. Historically, freight operators invested privately in a highly competitive market but, if government now wants particular societal outcomes, it must be clear what it wants and enable the conditions for investment. The CILT does not see any understanding or dialogue occurring on this issue at present.

6. The effect of border procedures on road freight;

The Select Committee's report (HC68 July 2016) was researched before Brexit and the pandemic. Both have impacted road freight's essential role in the supply chain and complicated the industry's response to government's recommendations as a result of the TSC.

Throughout the extensive UK/EU negotiations, driver shortages increased and recruitment in the road haulage industry continued to deteriorate, with any shortfall filled by EU labour as CILT predicted to the TSC enquiry.

The delayed Trade and Cooperation Agreement of December 2020 resulted in an asymmetric imposition of border procedures, affecting UK exports (especially SMEs) whereas UK import procedures particularly in the SPS arena were pushed further and further back. However, there was still limited recognition of the severity of the shortages as a result of stock build-up to cover Brexit uncertainties and higher levels of cross-channel road freight, 90% of which employed EU drivers.

The impact of the failure to adopt the TSC's recommendations of 2016 was not really felt until the driver and traction shortfall was manifested in the autumn of 2021 as a result of three cumulative factors: the return of EU drivers and logistics staff to EU, itself triggered by the pandemic; the knock-on effect of IR35; and the high wage boundary condition for obtaining work permits and UK residency status; all as a result of political decisions.

Throughout this process CILT has contributed to the Border Protocol Delivery Group, now administered by the Cabinet Office, to help mitigate the effects of border procedures on road freight. The Group published the Border Operations Model and, through their BIFCOM programme of bilateral meetings, have identified where it is possible to resolve cross border bottlenecks.

Government's reluctance as a result of the Northern Ireland Protocol to further engage in the Partnership Committee process set out in the TCA is

hindering the process of resolving border friction. This is particularly noticeable for road freight resulting in deceleration within the supply chain to the detriment of the UK economy (OBR 04.11.21).

7. Workforce skills, training and development

Transport, logistics and supply chain operations are predominantly delivered by commercial businesses with over 150,000 entities providing services. These range from individuals and SMEs, through to large national and multinational businesses. For many businesses, the organisational culture and the skills and abilities of people they employ are key differentiators when bidding for contracts.

The larger businesses place significant emphasis on training and development often branding these as proprietary programmes. For the very small businesses, funding training and development (beyond keeping up to date with legislation) in a sector with very low profit margins (typically <3%), is not often seen as a priority.

There are recognised standards in some specific areas, driven primarily through legislation and compliance (e.g. Driver CPC and Transport Manager CPC) but in many areas standards are set by employing organisations and are not transferrable.

Through engagement with corporate members and subject matter experts CILT has developed a **Competency Framework**, identifying and highlighting competencies required across all professional sectors/communities. In addition, CILT is launching professional designation as means of aligning competencies against required operational outputs. CILT's aim is to provide a recognised, accessible and portable standard across the profession.

Although at an early stage, businesses are engaging with CILT in mapping staff to the competency framework, identifying professional development pathways that will lead to increased competence across their workforce.

CILT believe that this type of approach is fundamental to “professionalising the profession”, which will be a key element in attracting, developing and retaining talent.

8. Decarbonising road freight

The CILT recognises the key contribution that the sector must make to the decarbonization of transport and welcomes the White Paper outlining measures to decarbonise transport of all modes, many of which we recognise from our own policy work and submissions. We have prepared a

detailed paper across all modes that represents **CILT thought leadership on the Route to Zero**, and it can be accessed here:

www.ciltuk.org.uk/routetozero

With respect to Road Freight we support:

- Deadlines for stopping sale of carbon powered vans and trucks
- Measures to decarbonise, support, protect and promote modal shift to rail
- The development of a Local Authority Toolkit to support the delivery of more sustainable transport measures
- Measures to improve data sharing and integration in the supply chain as well as to support better planning and design
- An emphasis on transforming the last mile
- An acknowledgement of the issues in rural areas which will require special innovation and particular policy focus
- A recognition that the embedded carbon in changes in infrastructure to support future de-carbonisation must be factored into planning (albeit that the embedded carbon in the goods and services customers are consuming is missing)

However, there is much to resolve to get to net zero and zero emission vehicles, not least an adequate electrical charging infrastructure and energy supply. There is also an expectation, we would say over-reliance, that technological development will fill the gaps. There are also some areas of the policy that are simply aspirational.

The urgency of carbon reduction requires a parallel development approach, as was deployed in the covid vaccine development. Government needs to understand and promote a new approach to operating models, making better use of available options such as modal switch, alongside the exploration of new technologies which may or may not make the transition to practical operation.

It also requires that Government is much more closely engaged with freight rather than relying on market forces. There is a continued failure to appreciate that road freight is part of global supply chains and that new models will depend on land use planning, regulation and taxation. The following points of detail are crucial for the Select Committee to understand.

- Freight and logistics are not homogeneous. It is a common misconception that it is just about huge articulated trucks and internet parcel couriers. Different commodities (e.g. bread, beer and blood) have separate supply chains and specific assets, many of which will have different issues in their route to decarbonisation.
- Many new operating models can only be enabled by changes in land use planning policy. The National Infrastructure Commission identified land use as a key component of decarbonizing freight. This is essential to provide investment certainty.
- The introduction of Clean Air Zones to different standards implemented at different times means operators are mitigating costs by 'gaming' the system. There needs to be clear guidelines and timescales for the introduction of such zones to increase certainty.
- The need to resolve conflict between freight and passenger movements in the decarbonisation process is critical. Especially in urban areas, people have choices which are not available to freight.
- Expectation of the opportunities to reduce freight movements in cities are over-optimistic given rising levels of consumption, and planning for freight alongside walking and cycling must be a priority.
- Compulsory Consolidation mentioned in recent government publications will require legislation and will increase costs for consumers.
- The government has argued that it wants to avoid a car led recovery, emphasising behaviour change and alternative travel modes, and also stressed the low cost of electric car ownership. Such signals are clearly conflicting, and risk increasing congestion and consumer confusion.
- CILT regard Road User Charging as fiscally and behaviourally essential.

9. The extent to which the Transport Select Committee's previous recommendations on haulage, including those set out in Skills and Planning in the Road Haulage Sector, July 2016, HC68, were (a) pertinent and (b) unheeded.

CILT has provided a short commentary for each recommendation:

(1) coordinate activity across Government affecting LGV drivers

The CILT regards cross government co-ordination for road freight as essential; the sector touches not just transport but also business, the treasury and the Home Office and the DWP. The recent shortages of

drivers and the scattergun commentary on the root causes points to the Committee's recommendation going unheeded.

(2) work with the logistics sector, insurers and those involved in the delivery of driver training to improve apprenticeships, promote the industry, improve the delivery of careers advice, and raise awareness of the road freight sector in colleges and schools and among jobseekers

The CILT concur with this recommendation and has worked to make a contribution on various fronts, especially driver welfare. Our recommendations on this and driver apprenticeships (section 3) points to the Committee's recommendation going unheeded.

(3) continue to improve the Driver Certificate of Professional Competence

CILT is in favour of certification and training but would suggest that this should not be a barrier to capacity, as appears to be the case at present.

(4) provide clear, accessible guidance on skills, funding and support, employer standards, regulation and insurance for young drivers

We refer to our answers in section 3 and 7.

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