

Written evidence submitted by the Federation of Small Businesses (RDF0026)

The Federation of Small Businesses (FSB) is a non-profit making, grassroots and non-party political business organisation that represents 160,000 members in every community across the UK. Set up in 1974, we are the authoritative voice on policy issues affecting the UK's 5.5 million small businesses, micro businesses and the self-employed.

Road freight remains vitally important to enabling small and medium sized businesses to conduct their business; however, delays in the supply chain are causing disruptions and delays.

Before the pandemic, of the 196 billion tonne kilometres moved domestically, 79 per cent of freight was moved by road¹. However, several challenges continue to stymie an effective and frictionless road freight operation. These challenges, heightened dramatically over the summer, include the shortage of HGV drivers, poor working conditions, fuel shortages and the lack of interoperability between transport modes.

While freight levels are slowly recovering to pre-pandemic levels, the urgency of decarbonisation of freight constitutes an additional major challenge that also needs to be addressed.

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

The road freight supply chain is experiencing a number of short-term and long-term challenges causing disruptions.

Short-term challenges

Driver shortage: A shortage of HGV drivers has led to difficulties on all operations, including importing and exporting, in 2021. This includes for the UK's small businesses. ONS data confirmed a general decline in the number of heavy goods vehicle (HGV) drivers working in the UK for the past four years. It is estimated that 268,000 people were employed as HGV drivers between July 2020 and June 2021. That corresponds to 39,000 fewer drivers than the year ending June 2019 and 53,000 fewer than the year ending June 2017.² Although numbers are slowly recovering, for many months, FSB has been proposing a four-step plan to address the situation:

- 1. Temporary immigration measures:** These should include the inclusion of HGV drivers on the skills shortage occupation list and short-term visas.
- 2. Financial support for training or apprenticeships for drivers:** Training is a significant expense for future drivers and financial support would remove an entry barrier to the profession.
- 3. A 'We Need You' campaign:** A campaign that effectively promotes driver opportunities in Job Centres. A 'Return to Driver' campaign that brings drivers of supplies on par with other professions that are providing vital support during the COVID-pandemic. This would also encourage former drivers to refresh and return at this time of national need.
- 4. Maintaining and improving the prioritisation of lorry drivers within DVSA training:** This approach has already worked well, and it should be improved to increase the volume of drivers.

While the Government has now implemented some steps, we believe that this should have been done faster.

Long-term challenges:

The UK's Road Network: Most small businesses rely on an efficient and well-maintained road network. However, the lack of connectivity and maintenance and congestion remain major concerns to small businesses.

In addition to investments into the UK's strategic road network, the UK Government should also demonstrate that it recognises the importance of its smaller and more intricate secondary and local road network with sufficient funding made available. This is because the last mile logistics for small businesses are primarily on the local road network.

It will also be vital to provide good connectivity between the strategic and the secondary road network, for instance, by improving junction capacity and access to motorways.

Poor maintenance of roads continues to constitute another major concern for small businesses. Nearly a third of small business owners have cited potholes as their main issue.³ FSB research shows that 700,000 potholes were reported in England in 2018/19. In 2020, we called on the Government to deliver on its manifesto pledge to provide £2 billion in funding to fill the thousands of potholes. Funding has repeatedly been made available, but small businesses have not yet seen improvements.

Road site facilities and traffic officers: In addition to improved welfare facilities throughout the Strategic Road network, it is essential to invest in comprehensive roadside facilities on the secondary network. In addition, traffic officers should be deployed on the secondary A-roads and trunk roads.

Interoperability between different modes of travel: We believe that expanding intermodal connectivity will play a key role in improving the road freight supply chain. It will also play a vital role in decarbonising road freight. For example, the transition of road haulage to more rail freight will help alleviate noise pollution and congestion, curb emissions and help the government reach its net-zero emissions target across the UK. We will go into more detail in our response to question five.

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 UK-EU Trade and Cooperation Agreement (TCA) changed the cabotage rules for EU-based haulage companies working in the UK, reducing the number of permitted drop-offs from three to two. FSB has called for a balanced mix of solutions to the challenges faced by small firms related to supply chain disruption, including investing in domestic training for HGV drivers.

FSB welcomed the Government consultation on the temporary relaxation of cabotage rules as a measure to alleviate supply chain disruption as a complement to previously announced enhanced driver training and changes to regulations concerning driver working time.

3. The effectiveness of Government policy in supporting recruitment, retention and a diverse workforce in the road haulage industry and 4. Workforce skills, training and development

We recognise the Government's effort to address the shortage of drivers in the road haulage industry. We welcomed the C+E apprenticeships in England and Wales, the HGV bootcamps, and the increase of the Government Apprenticeship support for C+E qualifications to £7,000. Nevertheless, we urge the Government to put more plans in place that will help prevent a similar crisis in the future.

Our four-step plan, explained in more detail in response to the first question, provides practical steps and solutions to support the recruitment and retention of drivers.

We recommend an SME focussed HGV Driver Training Scheme, a shorter and tighter scheme compared to the main apprenticeship scheme, to deliver skilled and qualified drivers more quickly for the sector. We furthermore propose a scheme that allows operators to obtain payment for training lessons, Driver CPC and tests funded by a loan that is repaid from salary over time. We also recommend an HGV Driver Independent Training Loan Scheme that allows prospective drivers to obtain payment directly for training, lessons, Driver CPC and test.

Finally, new and adapted zero emission HGVs will require training and which constitutes a barrier to attracting truck drivers to the sector. Overall, the sector needs to reinvent itself, with better opportunities to gain skills and to progress in the career.

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

We welcome the UK Government's efforts to increase road safety for drivers. However, information about new policies and regulation and how it will affect drivers needs to be better disseminated among road users.

In particular, we have a specific concern regarding the roll out of the Smart Motorway project. A comprehensive information and training exercise is necessary before it can be safely implemented.

6. Infrastructure, including roads, ports and airports, with a particular focus on capacity, resilience and interoperability

Capacity and resilience

As previously highlighted, delays caused by congestion and inadequate road infrastructure can cause severe disruption for businesses who rely on roads to access goods and offer customer services.

Investment in better road connectivity across the whole network is essential in helping businesses do business. This primarily involves improvement of several important secondary routes. As the number of small businesses per head

population is higher in rural areas, FSB would like to reiterate the importance of investments in lower-flow local road projects – not least to alleviate the burden from overused roads such as the M4, M6 and M74. Finally, there continues to be a lack of integrated thinking about linking the local road networks with the major road network. The last mile logistics for small businesses are primarily on a local road.

HS2: The confirmation that a significant section of HS2 is not going ahead in the North-East has come as a big disappointment to small firms. The plans put forward in the Integrated Rail Plan in November must deliver the same benefits as the original plans where passenger and freight capacity are concerned.

Rail freight and interoperability: Freight should be considered as part of the wider strategic transport system, linking rail freight lines and services with ports and airports and interfacing with the road network.

Rail is one alternative to road freight with untapped potential for sustainable growth and connectivity. In addition to reducing the volume of road haulage, rail also reduces congestion and pollution on the road network. In 2020, only 19% (12 million tonnes) of the 1.27 billion tonnes of goods lifted by GB-registered HGVs in the UK began or ended at a rail siding/terminal.

In addition to increasing rail freight overall, we believe that more investment in measures that provide greater access to rail freight services for small operators such as local freight hubs is needed.

Finally, linking different transport modes, such as maritime, rail and road, logistic and freight hubs can increase the efficiency of the haulage industry. They can also become the backbone to recirculate waste materials for reuse in a circular economy.

7. The effect of border procedures on road freight

Minimising friction in cross-border trade is vital to the UK economy. The delays caused by the introduction of border procedures following the UK's departure from the EU and the COVID-pandemic have demonstrated the impact of delays for businesses and customers.

In light of new border procedures following the UK's departure from the EU, FSB's latest Small Business Index shows that one in five exporters have either

permanently or temporary halted sales to the EU⁴. Our research also demonstrated that 70 per cent of importers and/or exporters have suffered shipment delays when moving goods around the EU in recent weeks; meanwhile, 34 per cent have had goods held indefinitely at EU border crossings⁵.

Further changes to customs procedures for imports from the EU, which will be introduced on 1 January 2022 – except for Ireland which the Government has given an extended period without controls for - re also likely to impact supply chains. FSB research shows that only one in four small business owners who know they will be impacted by those new requirements are prepared for them⁶.

8. Decarbonising road freight

Small businesses want to play their part in transitioning to a net-zero economy. Although electric vehicles are becoming more common domestically, a recent FSB survey revealed that only 9 per cent of small businesses say they have or will have switched all or some of their fleet to zero emission vehicles (ZEVs) by 2030. Two reasons in particular stand out: affordability and availability of charge points.

The zero emission vehicles available today continue to be financially out of reach for most small businesses. To become affordable, we urge the Government to make grants and a comprehensive scrappage scheme available through the phasing out of non-zero emission vehicles. In addition to a scrappage scheme, a fully developed second-hand market will be critical to enable more businesses to make the transition in a timely and orderly manner.

To ensure that we remain on track for this, the Government could ask the CMA to report every few years on the development of the market for zero-carbon vehicles.

Range anxiety continues to persist among small business owners. Over a third (35%) of small firms highlight the lack of charge points as a reason. That percentage increases to 43 per cent in rural parts of the country. The Government needs to reassure businesses that a charging infrastructure for all types of zero emission vehicles, including hydrogen-powered vehicles, will be rolled out across the entire UK.

Finally, and as highlighted under question five, rail and maritime are two alternatives to road freight with currently untapped potential for sustainable growth for the freight supply chain.

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.

We agree that there is no single cause for the driver shortage but a combination of factors. More investment in recruitment, training and driver welfare, as well as improved roadside facilities, are needed to ensure a flourishing sector.

The shortage of HGV drivers in 2021 once more demonstrated the shortcomings in implementing the recommendations put forward in the Transport Select Committee's previous recommendations on haulage – including recruitment of more women and increased training. Swift implementation of new measures – including of the recommendations put forward by FSB under questions one, three and four – is urgently needed.

Annex

FSB research: "Accelerating Progress: Empowering small businesses on the journey to net zero"

On 2nd November, FSB published its latest research, "Accelerating Progress: Empowering small businesses on the journey to net zero"⁷.

FSB's major new report on small businesses' views on net zero draws together recommendations to help support millions of smaller firms to become more sustainable. Small businesses are keen to reduce carbon emissions, become more sustainable and achieve net zero status, but will require support and smart policies to help them along the way.

A clear majority (56%) believe that the planet is facing a climate crisis – but only a third (36%) have a formal plan in place to combat climate change within their business.

With regards to the move to zero emissions vehicles (ZEVs), close to half (46%) of those surveyed cite the extra expense of ZEVs as a barrier to change, and a third (35%) say poor provision of charging points is holding them back.

In light of the findings around ZEVs, FSB is urging the Government to:

- **Governments across the UK must publish a coherent set of target-based infrastructure strategies to deliver the necessary charging and rapid charging infrastructure by 2030.** The number of ZEVs being purchased is outstripping the number of charging and rapid charging points on motorways and highways across the UK. Encouraging more businesses to switch to ZEVs by 2030 will require a redoubling of infrastructure efforts to ensure that businesses do not suffer from 'charge anxiety'. In addition, the UK Government should liaise with the executives in Wales, Scotland, and Northern Ireland to ensure the system is coherent for motorists who travel across borders.
- **The Plug-in Car Grant should be extended and funded beyond March 2023, to give small businesses confidence in planning their transition to zero emission vehicles until 2030.** The adequacy of the grants for small vans (currently £3,000) and large vans (currently £6,000) should be kept under review.
- **Introduce a scrappage scheme where diesel commercial vehicles can be recycled in exchange for grants towards cleaner hybrids and zero emission vehicles.** This would pay businesses £2,000 which could then only be used to purchase a zero emission vehicle for the business.

December 2021

Endnotes

1

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/945829/tsgb-2020.pdf

2

<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/articles/fallinhgvdriverslargestamongmiddleagedworkers/2021-10-19>

³ <https://www.fsb.org.uk/docs/default-source/fsb-org-uk/fsb-rural-transport.pdf?sfvrsn=0>

⁴ <https://www.fsb.org.uk/resources-page/small-business-confidence-holds-steady-with-consumers-called-on-to-respect-house-rules-as-england-unlocks.html>

⁵ <https://www.fsb.org.uk/resources-page/one-in-four-small-exporters-halt-eu-sales-three-months->

[on-from-transition-end-new-study-finds.html](#)

⁶ <https://www.fsb.org.uk/resources-page/small-firms-sound-alarm-as-60bn-eu-import-checks-close-in.html>

⁷ <https://www.fsb.org.uk/resource-report/accelerating-progress.html>