Culture, Tourism, Europe and External Affairs Committee

26th Meeting 2020 (Session 5), Thursday 5 November 2020

Negotiation of the Future Relationship between the European Union and the
UK Government

Written Submission from the Road Haulage Association (RHA)

Summary of the consultation

The Committee requests views on the impact of the potential outcomes of the Brexit negotiations.

Background about the RHA

The Road Haulage Association is the trade body dedicated to commercial operators with responsibility for the movement of goods by road. Members range from owner operators to those with fleets in excess of 1,000 vehicles. The Association has over 7,000 operators in membership who between them account for 250,000 UK registered heavy goods vehicles.

1. The UK road haulage and logistics industry employs 2.54 million people making it the fifth largest sector; 85% of UK operators are SMEs. The industry employs 600,000 HGV drivers, 60,000 of whom come from other EU member states.
2. There are 524,500 registered commercial vehicles over 3.5 tonnes registered in the UK.
3. Most businesses in our sector work to profit margins of around 2 – 3%.
4. Over 90% of all goods consumed have spent at least part of their journey on the back of a truck.
5. The UK Logistics industry is worth £124 billion and road haulage is the vital to both ends of the supply chain, exports (e.g. Whisky exports worth £4.5 billion) and imports (e.g. Fresh fruit and Veg worth £6.2 billion*).

*RHA’s Response

The Port of Dover’s 2018 report states that £122 billion worth of trade goes through the Port per year of transported by 2.4 million freight vehicle journeys. This has been done relatively seamlessly for many years but as we approach the end of the Brexit transition period a number of questions are still not answered and could have wide ranging effects on freight movements to and from Europe.

https://www.arup.com/perspectives/publications/research/section/understanding-uk-grocery-supply-chain-resilience
Challenges we face

These freight journeys outlined in the Port of Dover’s 2018 report were able to go ahead because there was freedom of movement throughout the EU and haulage moved under the auspices of a “Community Licence”. From the 1st January 2021, if there is no FTA (or no FTA that covers licences) then road freight movements are likely to require an international road haulage permit from the European Conference of Ministers for Transport (ECMT). These permits were the currency before the UK entered the EU and each country has a finite number of permits. As freight movements have grown to the levels mentioned above, the demand for ECMT permits vastly outweighs the supply. By way of illustration, there is a maximum of 2088 lorry movements into Europe that can be permitted under annual permits at any given time (+ a maximum of 10% that can be split into monthly permits), and 1992 for NI.

In the UK there are 8348 hauliers licenced for international carriage with 83,522 trucks. In NI those numbers are 1830 hauliers licensed for international carriage covering 10,688 trucks. Taking into account that not all of these trucks will be looking to transit to Europe at the same time, even if we use a 50% ratio that would mean the potential for 47,105 truck movements to Europe with only 4080 permits to allow that access (each movement needs one permit). Although information on permits and licences is a moving feast, this is the default position for the UK in the event of no-deal at the time of writing.

The UK logistics sector is heavily reliant on migrant labour, particularly from Eastern Europe and we are already seeing this labour dropping off pre-Brexit. It is estimated that at any point the logistics sector is short of around 50,000 drivers (10-12,000 in Scotland) and this numbers increases when we look at warehousing and other subsidiary roles. The industry has an aging workforce (average driver age is 54 years old) and the Covid restrictions surrounding vocational licence testing has exacerbated the problem of bringing in new entrants. The Mac report highlighted the problems we as an industry face but despite this the UK Govt has not added any logistics related roles to the Shortage Occupation List and the agreed salary thresholds have not helped. Logistics and road haulage will definitely suffer from skills shortages post Brexit, the only question is to what extent?

Common Ground and Joined Up Thinking

In September, the RHA along with ten other signatories from freight related bodies wrote to the Rt Hon Michael Gove requesting clarity around the following points:

1) Grant Funding for Intermediaries
   a) Current UK and EU Readiness
   b) Current recruitment status and blockages
   c) How the industry and Government can build capacity quickly?

2) IT and Systems Readiness
   a. Single “Entry Process Unit” (EPU)
   b. GVMS vs French SI Brexit
   c. Smart Freight
   d. Trader Support Service
e. Trader / Haulier readiness and timeline for delivery

3) Physical Border Infrastructure – Pace of Government Delivery
a. Location – What is needed and where?
b. Border Inspection Posts
c. Digital infrastructure and timing

Although the recent publication of the Border Operating Model has given a bit more of a steer as to requirements at the border, there are many issues still outstanding. There is little confidence that the Govt has the physical infrastructure and manpower to cope with the new customs formalities. Estimates are that an additional 50,000 customs intermediaries will be required to handle the “paperwork” be that physical or electronic forms.

Although the Border Operating Model (BOM) has given more clarity about requirements for moving goods through the short straits, there is still not much clarity about goods moving too, from and through NI. The RHA has concerns over the proposed Trader Support Service (TSS) which was originally promised by the UK Govt to cover import declarations to NI and also exit summary declarations coming the other way. It now seems that TSS will only be a “signposting” service to the existing customs intermediaries which highlights the concerns raised in point 1 above.

**Final Comments**

For the past coupe of years the RHA has campaigned for clarity around the processes that will be required to move freight from January 2021 and although the Government have begun to understand the complexities and challenges around moving freight to and from Europe they have undoubtedly left it too late to capture all scenarios in what is a complex process. For us, the biggest concerns are around the need for clarity so hauliers and logistics companies can be as ready as possible for the changeover in January.

The RHA welcomes the chance to feedback to the Committee and offers to help the Committee in any way moving forward. Our Managing Director, Rod McKenzie will happy provide evidence to the Committee on the 5th November as invited.