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Transport & Logistics

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Paul Wormald Partner



Introduction

Welcome to our second transport and logistics newsletter of 2021. Since our last edition in the spring Covid-19 restrictions have now been lifted as life returns to some sort of normality.

Since the spring the transport sector has been hit by a haulage driver shortage which is affecting most other sectors in the UK as they are unable to get the supplies they need for their business. In this newsletter we investigate why there is a driver shortage in the haulage sector and we also discuss the governments plan to restructure Network Rail.

We hope you enjoy the articles in this newsletter and as ever if you have any questions please do not hesitate to ask.



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Why is there an HGV driver shortage?

What has caused a driver shortage?

There are many factors that have contributed to the shortage of HGV drivers. The global pandemic has certainly been a major issue as many European drivers decided to return home, with haulage companies reporting that only a fraction of these has chosen to return.

In addition, Brexit also caused European drivers to return to their home countries. When the UK was part of the EU, European drivers were able to come and go whenever they wanted, but additional border bureaucracy has caused too much hassle for them to do this.

Moreover, the pandemic created a huge backlog of HGV driver tests making it almost impossible to get new drivers up and running.

In summary, the driver shortage has been caused by a high number of European drivers leaving the country either to do with Brexit or Covid and the backlog of HGV driver tests delaying new drivers from being able to work.

What issues are driver shortages causing?

HGV driver shortages threaten to leave gaps on supermarket shelves as industry experts warn that the UK is looking at a summer of food shortages with the country being short of around 100,000 HGV drivers.

Retail representatives have expressed concerns that the reporting of potential driver shortages would lead to customers' panic buying/stockpiling similar to what we saw at the beginning of the first COVID-19 lockdown in the spring of 2020. Furthermore, some fear that the problem will only get worse when hospitality businesses are able to reopen without restrictions on 19th July as they will be looking to increase their supplies.

How is the problem being tackled?

The government has recently announced that they will relax working hours until 8 August in order to ease pressure on the current driver shortage. This means that drivers will be legally allowed to work slightly more hours. However, this news has come with a lot of backlash from the industry, as many believe asking drivers that are already overworked to work more hours will lead to more accidents due to exhaustion. Kate Lester Chief Executive of Diamond Logistics believes that the government needs to do more to remove the bottleneck of HGV tests and offer grants for future drivers for their HGV training. She believes that recruiting and retaining new drivers is a more sustainable solution than asking current drivers to work more hours.



Why is there an HGV driver shortage? (Continued)

Transport minister Baroness Vere responded to the criticism by saying the government is doing all it can to ease the driver recruitment problem and needed the industry to work in partnership with them. She went to say that the suspension of the HGV levy on 1 August 2020 would save a haulage firm with 3,000 trucks £2.5m. This would be enough money to train 800 new drivers and she urges the industry to do so.

The RHA claim that her comments were too 'simplistic' and the industry needed the money that they saved to upgrade their fleets to comply with new policies like the Direct Vision Standard and clean air zones.

Transport and logistics partner at Hawsons, Paul Wormald, commented:

The Nation's lorry drivers are an often-neglected element of the UK's workforce, often having to work long, unsociable hours in less-than-ideal working conditions. However, the simple fact is that they are indispensable to the UK economy and a prolonged shortage of drivers will impact virtually everyone in some way, shape, or form.

Pure economics dictate that if there is a scarcity of properly trained drivers, then hauliers are likely to face increasing wage costs to attract the drivers they

need. This in turn will filter its way to end-users in increased prices.

The latest temporary relaxation of driver's hours smacks somewhat of a sticking plaster to cover a gaping wound, and further investment in measures to attract, train, and retain new drivers is required to keep goods moving around the UK. Asking already overworked drivers to put in more hours, with the attendant impact on road safety is far from a long-term solution.



Department for Transport issue open letter to the UK Logistics Sector

The Department for Transport has issued an open letter to the UK Logistics Sector regarding the current HGV driver shortage. The letter outlines the government's plans on how they will help tackle the problem.

The first measure referenced in the letter is regarding the backlog of HGV driver tests that is preventing new HGV drivers from coming into the job. The Department for Transport recognises that increasing testing capacity is key to providing additional drivers. They say that the DVLA is developing solutions to increase testing capacity and are now passing 1,500 tests per week compared to 1,150 pre COVID. This has been achieved by increasing staff numbers and using overtime.

Further measures include increasing testing capacity which will involve consulting about the delegation of off-road manoeuvres in the Heavy Goods Vehicle driving test. It is also being considered whether or not to issue provisional license entitlements for articulated lorries at the same time as rigid lorries. This would allow those wanting to take the articulated lorry test to be able to skip the rigid lorry practical test which would free up more capacity for the rigid lorry practical test.

The second measure discussed in this open letter is the cost of training to become a Heavy Goods Vehicle driver. The Department for Transport is currently reviewing proposals for financial support created by industry sources to help improve driver recruitment. There will also be a revised Large Goods Vehicle Driver apprenticeship which will be available from 2nd August 2021. The revised apprenticeship will include an increased funding band of £7,000.

Finally, the Department for Transport has confirmed that they will continue working with the industry to create advertising content that will promote and encourage more people into the haulage industry.

[If you would like to find out more you can find the full letter from the Department for Transport here](#)



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with our latest news and updates





Apprenticeship cash boost

The government has confirmed that employers of all sizes in England can now apply for £3,000 in extra funding to help them take on new apprentices.

The boost to the apprenticeship incentive scheme was confirmed by Chancellor Rishi Sunak in the Budget in March.

The claims portal opened on 1 June and businesses can apply for £3,000 for each new apprentice hired as a new employee from 1 April until 30 September.

The cash incentive is designed to help more employers invest in the skilled workforce they need for the future as part of the government's Plan for Jobs.

The government says the scheme builds on action already underway to protect, support and create more jobs while bringing the UK's skills and education system closer to the employer market.

The Chancellor commented: 'Young people have been hit especially hard by the crisis – which is why our Plan for Jobs, launched last year, is focused on helping them get the skills they need to get the jobs they want.'

'By boosting the cash incentives for our apprenticeship scheme we're improving opportunities for young people to stay in and find work – this could not be more important in our economy's recovery.'

Find out more and apply at www.gov.uk/guidance/incentive-payments-for-hiring-a-new-apprentice.



NIC reliefs set for freeports

Freeport operators will be able to take advantage of a zero rate of secondary national insurance contributions (NICs) for employees, the government has announced.

The National Insurance Contributions Bill 2021, which legislates reliefs for those operating in Freeports, has now been published.

The Bill confirms that from April 2022, organisations with employees spending 60% or more of their time in a Freeport site will be eligible for relief on secondary Class 1 NICs for 36 months. The relief will be available to new employees earning up to £25,000 per annum.

In 2020 the government consulted on proposals to create up to ten Freeports across the UK. A UK Freeport will be a geographical area with a diameter up to 45km which is closely linked to a seaport, airport or rail port. East Midlands Airport, Felixstowe and Harwich, Humber, Liverpool City Region, Plymouth and South Devon, Solent, Teesside and Thames have been successful in the Freeports bidding process for England.

The government is now proposing a range of measures covering customs, tax reliefs, planning, regeneration funding and innovation to create Freeports as national hubs for global trade and investment across the UK.



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The government announce plans to restructure network rail

The government has recently announced plans that a new state-owned body called Great British Railways is proposed to replace Network Rail in what is being called the biggest shakeup in the rail sector for almost 25 years.

Under the Williams-Shapps Plan for Rail, from 2023, Great British Railways would oversee all train operations in England including ticket prices, infrastructure spending, and timetables.

The reform means that private companies would still be allowed to run services, but they would be working under a more prescriptive management contract. Great British Railways would pay train operators to run regional or intercity operations to a timetable and structure created by the new body. This system would free operators from looking to achieve financial targets under the current franchise system.

The ultimate aim of this reform is to reduce the number of barriers that new bidders face in the current franchise system where 66% of contracts are being awarded to operators without any competition. Therefore, train operators are struggling to meet their financial targets resulting in government intervention.

The government has said that this reform will make the rail system more unified and will increase the quality and consistency of our rail services.

What changes can we expect to see?

- More pay as you go journeys
- Greater investment in online and mobile tickets
- New simplified fares system
- Flexible season tickets
- Increased space for bicycles
- Simplified compensation scheme

The government announce plans to restructure network rail (continued)

Paul Wormald, Transport and Logistics Partner comments:

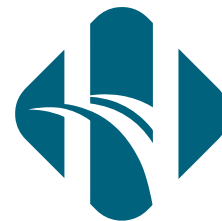
Even before the recent and ongoing Covid-19 pandemic, the current structure of the country's railways was being questioned, with major franchises covering the East Coast Main Line and service across the North of England ending up back in the government's hands. The need for reform has only been amplified since with passenger numbers falling sharply in 2020.

Whether the Williams-Shapps Plan for Rail is the ultimate answer remains to be seen and no doubt there will be more twists and turns to come in the next two years.

Businesses in the rail supply chain need to keep an eye on developments and how this may affect their strategies for the coming years.

If you would like to find out further details about the new reform please read the governments white paper here: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/987752/gbr-williams-shapps-plan-for-rail.pdf

Get in touch



Our specialist transport and logistics accountants

Hawsons has a dedicated team of specialist transport and logistics accountants in Sheffield, Doncaster, and Northampton.

We act for a large number of clients in this sector across our three offices, ranging from hauliers to international couriers, and understand the challenges this dynamic sector faces.

Nearly every other commercial sector is reliant on the services transport and logistic businesses provide and, in many ways, this specialist sector is the linchpin for our country's economy.



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