

Transport & Logistics Insight

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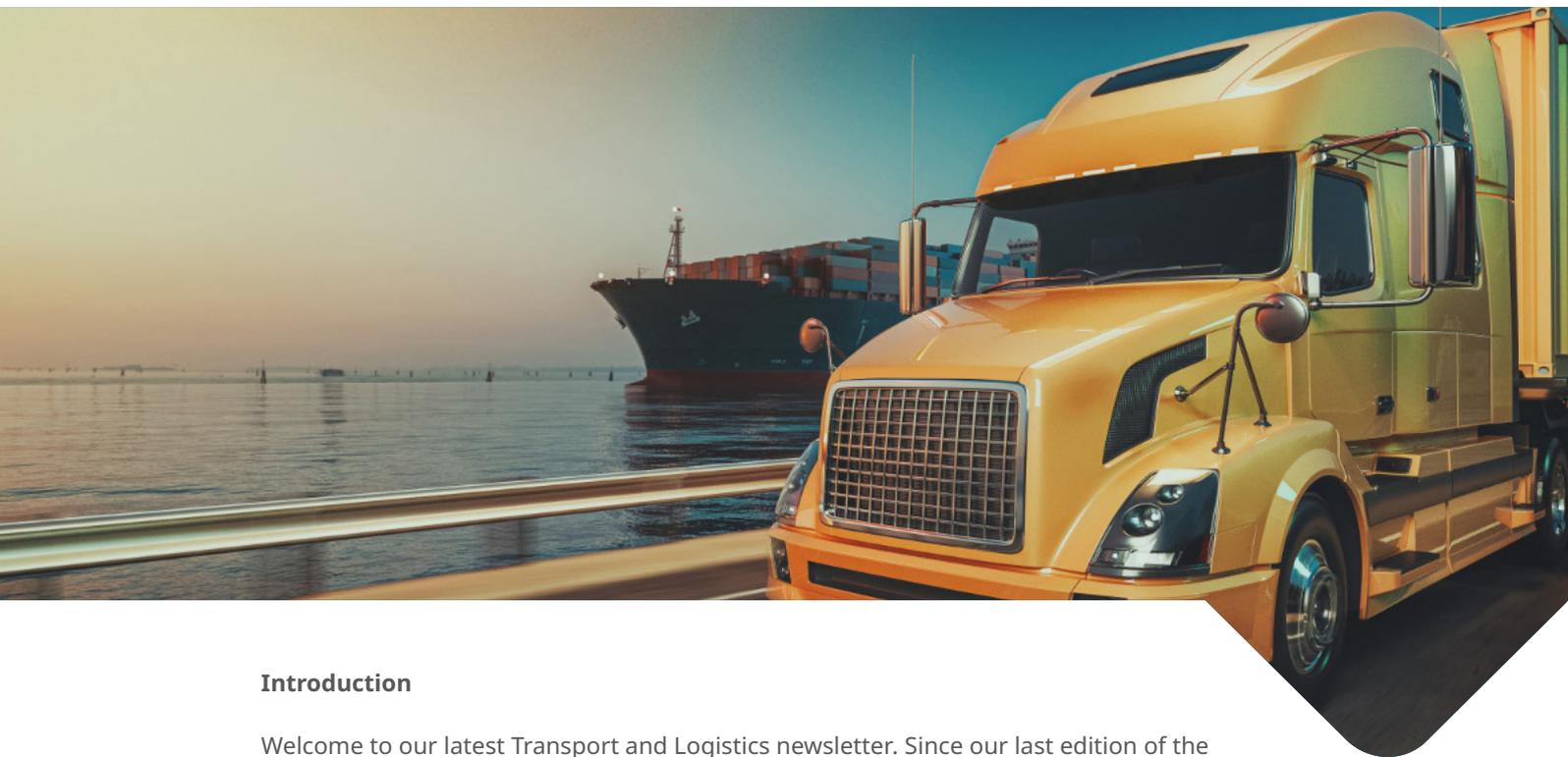


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Paul Wormald Partner



Introduction

Welcome to our latest Transport and Logistics newsletter. Since our last edition of the newsletter HGV driver shortages have eased which has reduced the pressure on the sector. However, due to high inflation, energy and fuel prices are high which is a challenge for the sector.

In this edition of the newsletter we discuss the following:

- Logistics UK ask the government to extend fuel duty cut
- Time & money saving tips for transport businesses
- UK truck stops receive funding to improve services
- HGV driver shortage eased towards the end of 2022

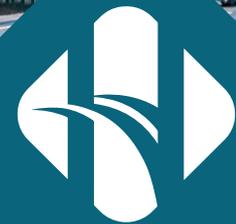
As always we hope you enjoy the contents of this newsletter and as ever please do not hesitate to contact our experts if you have any questions about these articles.

Paul Wormald
Partner



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Logistics UK ask government to extend fuel duty

Ahead of the 2023 Spring Budget, Logistics UK has submitted its industry recommendations and concerns to the government. In this document, the main concern was the reported disproportionate rise in fuel duty compared to inflation. Logistics UK has proposed retaining the 5ppl fuel duty cut that was introduced in March 2022 in the 2023 Spring Budget.

Fuel duty rates

It was being reported that the government are considering a 23% increase in fuel duty in the upcoming Spring Budget. However, it has been reported in the Office of Budgetary Responsibility Report on Fiscal Responsibility that this rise would result in an annual cost increase of £4,850 to run a 44 tonne truck. With 99% of UK logistics companies being SMEs, this is a massive cost increase per truck to run. For example, a small haulage firm with 10 trucks 44 tonne trucks would see an average total cost increase of £48,500 just in fuel duty increase was to go ahead. To put this into perspective the average salary of an HGV driver is £32,500. This is more than enough money for this example haulage firm to recruit an additional driver. Therefore, this would have a huge impact logistics companies who may be forced to cut costs in other areas to afford the fuel duty increase if it goes ahead.

How would the possible fuel duty increase affect the logistics sector?

Over the last year or so, logistics companies have seen rising prices in vehicle operating costs. Between 1 October 2021 and 2022 operating costs increased on average by 12.6%. The logistics sector is currently one of the most affected by inflation due to huge cost increase in fuel and energy. Increasing fuel duty rates would only enhance this issue during a time where the sector is trying to achieve net-zero by 2035.

How would the increase in fuel duty rates affect the wider economy?

The logistics sector is the backbone of the UK economy. All other sectors rely on the logistics sector to deliver their goods to enable them to contribute towards the economy's growth. Increasing fuel rates and making life harder for the logistics sector will have an effect on the rest of the economy as a whole. It is being reported that the logistics sector is currently operating on very tight profit margins with less than 1% being reported in some cases. The logistics sector cannot continue to operate on tight profit margins and increasing fuel rates will only result in the logistics sector pushing up the prices to their customers which will affect the margin for the remainder of the economy that relies on the logistics sector to deliver their goods.



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UK truck stops receive funding to improve services

Government announces £100m funding to improve truck stop facilities

On 24th November the UK government announced a £100m package to improve HGV/truck facilities.

Service station grant scheme

Part of this funding will be used to open a grant scheme worth £32.5m to improve HGV/truck driver facilities (this is on top of the £20m match-funding launched earlier this year). Service stations and truck stops can now apply for funds. These funds will be used to improve existing truck stop and service station facilities such as toilets and showers.

The Road Haulage Association (RHA) has said that they are extremely happy that service stations can apply for grants to improve their truck stop services as the standard of facilities at many truck stops is poor. This funding will hopefully lead to an improvement in facilities at existing truck stops leading to a better experience for HGV drivers.

Road Haulage Association wants more truck stops to be built

Whilst the RHA has welcomed this funding. They believe that government ministers need to do more to ensure that more new truck stop services are built across the UK. The Managing Director of the RHA has said that the UK needs an additional 11,000 secure lorry spaces. The RHA says that thousands of overnight HGV drivers are unable to find safe and secure parking.

What will the remaining funding be used for?

The remainder of the funding will be used to help the government implement its 33 actions to address the shortage of HGV drivers. These 33 actions are categorised into key areas which include:

- Improving supply chain efficiency
- Improving support and training for new HGV drivers
- Increasing HGV driver testing capacity and licensing processes
- Encouraging existing HGV drivers to return to the sector
- Ensuring the stability of the HGV fuel supply chain

If you would like to find out more about the 33 actions please visit the government website.



Time & money saving tips for transport businesses

Introduction

The sharp increase in inflation is causing most businesses to review their current costs and look at ways they can save time and money. Costs for energy and fuel have risen significantly in recent times which is increasing the running costs of businesses operating in the transport and logistics sector. When met with such increases in operating costs it can be tempting for businesses to start cutting costs significantly to start saving money. However, in some business situations, this may not be the best move in the long run as it can have serious repercussions on how your business operates in future years.

In this article, we have put together some time & money-saving tips for transport & logistics businesses.

Communication

Most businesses aim to improve communication on a continuous basis and there is good reason for this. Good communication is vital for any business. In businesses where communication is poor, work can be missed and mistakes are made. This will inevitably cost your business more time and money.

To improve your communication across your business you will need to consider how to streamline your processes to ensure that staff understand who needs to be involved in certain projects. We would

recommend only involving essential employees in all projects to make communications easier. After this, you need to consider whether your employees are having enough communication (i.e regular meetings, phone calls, emails, etc). It is important to note that setting aside more time for communication is not necessarily a bad idea. More regular communication can help boost staff morale and engagement which could result in new ideas being suggested that will save money and time.

Review the previous year's performance

Does looking back help you move forward? Yes, reviewing your practices and processes across the entire business is a fantastic way of gaining an understanding of where your business could be losing time and money. A lot can change in a year, especially in the transport & logistics sector. Even a subtle change to a system or process could save money and time over a 12-month period so it is important that transport and logistics review processes.

Continued overleaf



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Time & money saving tips for transport businesses (continued)

Become more energy efficient

Increasing energy prices and fuel prices is one of the largest price increases that is affecting transport & logistics companies as a result of supply chain issues. It is recommended that transport and logistics companies invest to become more energy and fuel efficient. Not only will this reduce carbon emissions but also reduce energy costs in the long run. Furthermore, transport & logistics businesses should consider switching to recycled materials to save money on packaging.

Spend more time finding the best prices

Businesses often spend more money than they need to because they will often rush into new contracts without conducting their due diligence. For example, when your insurance is up for renewal don't just renew with your current provider. Instead, use comparison sites when to ensure you get the best quotes. However, you need to be careful and make sure that the insurance provider covers all of your insurance needs.

We hope that you find these tips useful!



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HGV driver shortage eased towards the end of 2022

HGV skills bootcamps

Recent figures have revealed that job vacancies in the haulage sector decreased by 15.3% in the final quarter (October to December) of 2022. It is thought that the HGV driver shortage in the UK is still almost 50,000 but it is believed that these numbers are shrinking.

Transport Minister Richard Holden has said that “We are taking forward initiatives to ensure the sector has the skills it needs, including the introduction of HGV skills bootcamps.”

HGVC a training specialist has said that these bootcamps are making a big difference when it comes to attracting people into the industry.

HGV driver shortage eased

It is good to see that staffing pressure on the transport and logistics sector is starting to reduce as more HGV driver vacancies are filled. Not only will this help the transport and logistics sector but the wider UK economy as a whole with the shortage of HGV drivers causing supply chain issues too many businesses who needed their goods moving. However, it must be said that vacancies may have fallen because the usual Christmas rush did not materialise in 2022. This is because the cost of living crisis reduced the amount consumers spent during the Christmas period.

We hope that these driver shortages continue to shrink and ease the pressure on transport and logistics businesses which will benefit the UK economy as a whole.

Get in touch



Our experts

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.

With our experience in the transport and logistics sector we are able to develop a close understanding of your business and, through active year round involvement, we can help you anticipate and deal with challenges quickly and effectively.



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