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Transport & Logistics Insight

In this issue:

Automation in Logistics

Generation Logistics Receives Another year of Government Funding

Tax Incentives for Capital Investments

Rail Emissions less than Previously Thought

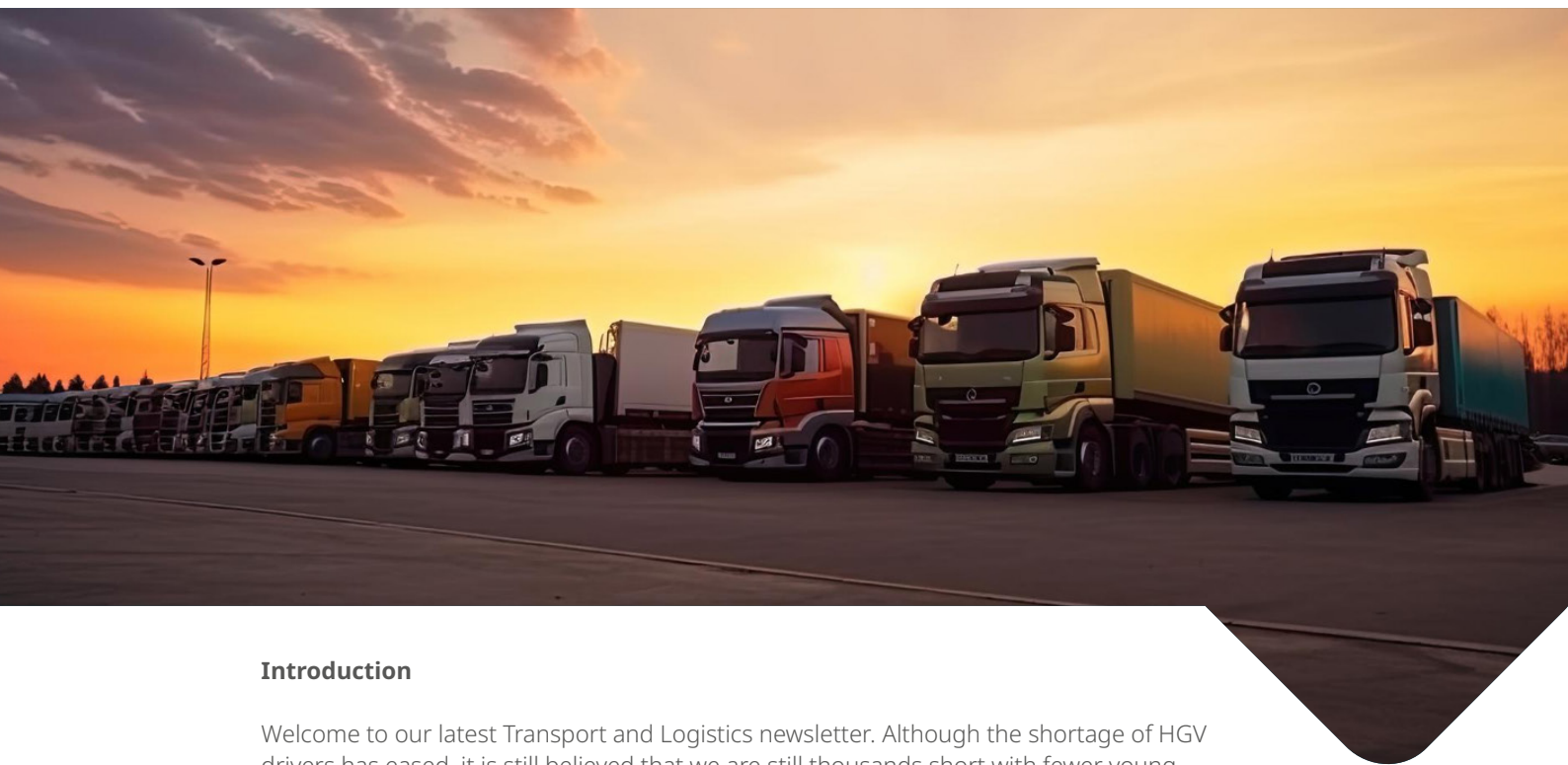


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Paul Wormald Partner



Introduction

Welcome to our latest Transport and Logistics newsletter. Although the shortage of HGV drivers has eased, it is still believed that we are still thousands short with fewer young people coming into the industry. The government have announced that Generation Logistics will receive another year of funding in an attempt to encourage more young people into the industry.

In this edition of the newsletter we discuss the following:

- Automation in Logistics
- Generation Logistics Receives Another year of Government Funding
- Tax Incentives for Capital Investments
- Rail Emissions less than Previously Thought

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

Paul Wormald
Partner



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Automation in Logistics

In the modern logistics sector speed, precision and cost-effective solutions are vitally important to remaining competitive as the sector constantly seeks to streamline its operations. One of the most effective ways of achieving this is via implementing automation. Automation could potentially revolutionise the logistics sector as it has the ability to improve efficiency, reduce errors, and optimise resource allocation.

In this article, we explore the benefits of implementing automation methods that can be employed to improve efficiency in logistics operations.

The benefits of automation in logistics

Automating logistical processes provides the opportunity to reduce human error and improve efficiency. Furthermore, automating manual and repetitive tasks can free up more human resource time which can be used to focus on more complex and strategic activities. This provides employees with the opportunity to improve their skills, knowledge and expertise resulting in increased productivity and better decision-making. In addition, removing staff from manual and repetitive tasks into more complex and strategic activities will provide them with more fulfilment in their role as they will be able to have more of an impact on your business.

Not only does automation improve efficiency and reduce human error, it also gives logistics

companies more ability to scale and deal with a sudden surge in orders. This ability allows logistics companies to act quickly to changing market dynamics enabling them to remain competitive.

Automation to consider

Autonomous vehicles: Autonomous vehicles are a new technology that could potentially transform the logistics sector. These vehicles can navigate autonomously reducing the need for human drivers, offering potential benefits in the future such as, improved safety, better fuel consumption and increased productivity.

Vehicle-specific equipment: Vehicles can be fitted with specialist equipment that can be used to automate tasks. This equipment includes conveyor systems which can be used to sort, load and unload goods from the vehicle quicker and more efficiently.

Fleet management and shift assignment technologies: Fleet management systems optimise resources by optimising vehicles routes, performance and real-time tracking. Shift management technologies reduces administrative overheads whilst ensuring that there are optimal staffing levels.

Continued overleaf



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Automation in Logistics (Continued)

Autonomous Mobile Robot Systems: Autonomous Mobile Robot Systems are commonly used in warehouses for tasks like material handling, order picking, and inventory management. They can navigate through the warehouse environment, pick up items from designated locations and transport them to packing or shipping areas. This improves efficiency, reduces labour costs, and minimises errors.

Automated Guided Vehicles: Automated Guided Vehicles are specialised robotic vehicles designed to autonomously move and transport goods around warehouses, factories and distribution centres. They can pick up items from one location and deliver them to another, helping to optimise the flow of materials and reduce the need for manual handling.

Pick-to-light systems: Pick-to-light systems utilise lights and visual cues to guide workers through the picking process, making it faster and minimising errors.
Route optimisation and planning software: Route optimisation and planning software are tools used to determine the most efficient and cost-effective routes for vehicles or resources to travel between multiple locations or points.

Conclusion

In conclusion, the integration of automation methods into logistics operations holds immense potential for enhancing efficiency, reducing costs, and improving

customer satisfaction. Whilst these technologies can lead to huge advancements, it is important to note that a strategic approach is essential. In this article, we have listed many automation methods that can be implemented into logistics companies. But they will not all be appropriate for all logistics companies so it is important to assess operations, identify pain points, and select the most suitable automation methods to implement. By doing so, they can pave the way for a more efficient, resilient, and technologically-driven logistics industry.



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Generations Logistics Receives Another Year of Government Funding

Last year the government launched the Generation Logistics campaign, which aims to improve recruitment and retention in the logistics sector. This year the government has made the decision to provide the campaign with another year of funding. This time the government has decided to award £300,000 of funding which is slightly less than the £345,000 awarded last year.

Much like last year the funding will be used to raise the profile of a career of logistics in schools and colleges across the UK by providing educators with resources and materials. It is also worth noting that this campaign will be sponsored by businesses and organisations within the sector who are actively looking to support the campaign. In the first year of the campaign the focus was to build a stable and diverse workforce by improving the public perception of the sector and raising awareness. Last year the campaign was very successful and received over 500,000 visits to their website.

This campaign is just one part of the government's Future of Freight plan to deliver work-class freight across the country which will provide a great backbone to the UK's overall economy.



Tax Incentives for Capital Allowances

Super deduction and Annual Investment Allowance

The introduction of the super deduction from April 1, 2021 was beneficial to capital-intensive industries such as logistics in that it provided companies with a deduction from taxable profits equal to 130% of the cost of qualifying brand new plant and machinery (excluding cars). This gave an effective rate of tax relief of 24.7% based on the 19% rate of corporation tax that was in force.

However, the super deduction was a temporary measure and expired on March 31, 2023. In addition, the annual investment allowance (AIA) limit which provides 100% relief for qualifying expenditure was set to reduce from its temporary £1m limit to £200,000 on April 1, 2023.

Corporation tax

Given the increase in the rate of corporation tax to 25% from April 1, 2023 many logistics businesses were rightly concerned about the impact of this increased rate on capital investment against the background of rising costs.

If the government was not going to take any action, this would have left logistics business with a capital allowances regime which was not providing adequate

incentivisation.

Full Expensing

However, the Spring Budget brought welcome news on this front as the government announced Full Expensing, a 100% First Year Allowance (FYA), which allows companies to deduct the cost of qualifying plant and machinery from their profits straight away with no expenditure limit. Qualifying expenditure will include most plant and machinery, as long as it is unused and not second-hand, but will not include cars. Full expensing will be effective for acquisitions on or after April 1, 2023 but before April 1, 2026. The impact of full expensing is that companies will get tax relief at an effective rate of 25% in the year of purchase.

A 50% FYA for other plant and machinery including long-life assets and integral features (known as special rate assets) will operate along similar lines. Full expensing and the 50% FYA are only available for companies and not for unincorporated businesses.

In addition to this, the government have announced that the annual investment limit will remain at £1m and that this limit will be made permanent.

Given rising costs and pressure to invest in more efficient and environmentally friendly vehicles the introduction of full expensing and permanent introduction of the £1m AIA limit will hugely benefit the logistics sector.



Rail Emissions less than Previously than Thought

In the fight against climate change, reducing carbon emissions has become a top priority. Transportation is a significant contributor to greenhouse gas emissions and reducing carbon emissions in this area will be key to achieving net zero. There has recently been some good news in that area as a recent study has found that carbon emissions from rail travel in the UK are lower than previously estimated.

Rail emissions lower than expected

The Rail Delivery Group (RDG) has recently developed and commissioned a tool that can measure the carbon footprint of a train properly. This new tool can measure seven sets of data during a train journey including engine, fuel, occupancy, journey distance, and carriage layout. Previously carbon emissions on trains was measured by the total energy consumed by the national rail network by the reported number of passenger kilometres travelled.

The new tool (which is more accurate) has found that an electrified rail route from London King's Cross to Edinburgh Waverley station used 12.5kg/CO₂e per passenger compared to the previously estimated figure of 24kg/CO₂e per passenger. To put this into perspective compared to other modes of transport, this electrified rail journey produces 10 times less carbon emissions than a car and 13 times less carbon emissions than a plane to do the equivalent journey.

This demonstrates that the actual carbon emissions used on this particular journey is almost half of what it was previously estimated. This more accurate tool will enable travellers to make more informed decisions when choosing what mode of transport to use when travelling.

Why are trains so energy efficient?

Advancements in technology mean that modern electrified trains are very energy efficient. This is because trains are able to carry a large number of passengers which makes them one of the most energy-efficient modes of transport per passenger currently available. Furthermore, the electrification process currently taking place across the railway network is shifting the energy source of trains from fossil fuels to cleaner electric sources of energy.



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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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