

## **Inquiry into the HGV Driver Shortage and Supply Chain Issues**

### **Written evidence from the Chartered Institute of Logistics and Transport Cymru Wales**

The Chartered Institute of Logistics and Transport (CILT) is a professional institution embracing all the management of logistics and the supply chain, transport planning, government and administration. This response has been prepared by the Cymru Wales nation within CILT.

#### ***Outline the current issues facing your sector/business/organisation***

Our members are currently dealing with significant challenges associated with the lack of HGV drivers in the UK. It should be acknowledged that the logistics industry has for a long time faced a shortage of drivers but, until recently, it has not caused major challenges as European drivers were able to take advantage of the freedom of movement and this helped to fill the gap. The same was true elsewhere in Europe – driver shortages have existed but mitigated through the freedom of movement.

However, over the past 18 months, the problem has become significantly worse. Impacts from the pandemic have played a big role, both directly through illness and the need to isolate as well as indirectly through driver learning and testing capacity being significantly reduced as a result of COVID-safe working practices. Brexit has also contributed, reducing the number of European hauliers operating within the UK while also seeing European employees of UK hauliers move elsewhere. A further factor is changes to the IR35 tax rules governing off payroll working, which have increased the costs on self-employed workers. Beyond these, there will be other factors that make smaller contributions to the shortage – for example, increases in online shopping has resulted in more driving jobs which, in the case of vans, are easier to recruit to and may also be perceived as more attractive than HGV driving.

While much of the media attention has been focused upon consumer facing supply chains, there are other areas where the driver shortage is being felt. Waste collections are being affected, as drivers seek higher paid jobs in the private sector. Equally, the bus industry is facing similar shortages, both due to the factors listed above and through drivers moving from bus to HGV driving.

***To outline the effectiveness of measures that have been put in place by the UK and Welsh Governments to alleviate the shortage of hauliers and its associated impacts***

One of the major challenges in dealing with the issue in Wales is that many of the steps that can be taken are not devolved responsibilities and therefore the main measures taken to alleviate the shortage have been introduced by the UK Government. Any steps to provide short term increases in the number of HGV drivers are to be welcomed, although it is also important that a longer term strategy to alleviate the problem is developed and supported.

The changes to driving tests, plus increased testing capacity, will help to address backlogs in bringing new drivers into the industry. However, this also needs to be supported by other agencies such as the DVLA, to ensure that licence applications can be processed and returned in a timely manner. Any impact from these changes is unlikely to be seen until early 2022, when many of the new drivers will start out on the road. However, as new drivers, there will be a need for these drivers to be supported in the short term, so the increase in supply of drivers will take longer to take effect. The changes to the driving tests are also leading to perceptions of poorer driving standards for HGV drivers and it will be essential to monitor if there is any evidence of this actually occurring.

As a short term measure, the easing of visa and cabotage restrictions for European vehicles will help to ease supply chain pressures, particularly during the peak period in the run up to Christmas. It is hard to determine the exact amount of capacity which will be created, but it would not be significant and is estimated 0.8% of current UK market capacity. There is evidence that take up of the visa scheme has been very low. However, it is likely that the effect may be less in Wales, being more peripheral from major UK to mainland Europe traffic flows. Further, it is essential that the extension does not undermine the urgently needed longer term initiatives to improve the UK transport sector by putting pressure on cost, the development of facilities and productivity of the domestic fleet.

The extending of driver's hours to allow for longer working days is a retrograde step. It puts greater pressure on the workforce through longer working hours and potentially has safety implications as a result. A key factor behind drivers leaving the industry is long working hours and permitting firms to extend these within the driver's hours regulations is only likely to make this worse.

***What additional measures should the UK and Welsh Governments introduce in order to support the sector***

Looking to the future, there is a need to both recruit and retain drivers within the industry. Driver training costs can be a barrier for attracting new drivers, and support from the Welsh Government through apprenticeships would be a welcome development. More generally, the Welsh Government should work with the industry to raise awareness of the potential career opportunities that exist with driving jobs. In looking to attract new talent to the

industry, it is important to also encourage diversity in applicants, such as gender and ethnicity.

Encouraging retention within the industry is more challenging as often this is dependent upon the industry to provide suitable working conditions. Here, the UK and Welsh Governments should work with the sector to identify options to achieve this.

Increasing pay is perhaps the most obvious lever to ensure retention. At the moment, there is an active market for existing drivers and those who pay the least are most at risk of experiencing shortages. However, the active market will also lead to wages increasing and this overall is likely to be beneficial, albeit with consequences for consumers through higher prices. Many driving roles are in the private sector and, in these instances, it is up to the employers to ensure they have appropriate pay structures. However, it may be that additional funding could be provided to local councils to raise the wages for those drivers involved in waste collection to ensure that pay levels remain competitive and services are not compromised.

Another area where Welsh Government could intervene is in facilitating and providing, where there is market failure, better service areas for HGV drivers. This may be through enhancing existing locations or providing new facilities. Improvements could include enhanced security provision, healthier and cheaper food options, opportunities for drivers to relax away from their cab and clean toilet and shower facilities. Such enhancements are essential in improving working conditions and encouraging recruitment and retention, especially in looking to increase diversity in the workforce.

A crucial first step would be for Welsh Government to undertake a national lorry parking survey of lorry parks, and layby facilities on and in proximity to the Welsh Trunk Road Network including key industrial estates similar to the survey of the Strategic Road Network that the Department for Transport undertook in 2011 and 2017. A similar type of survey was also an accepted recommendation by Transport Scotland in their Strategic Transport Projects Review 2 (February 2020). Such a survey would help to identify the current locations, usage, driver and vehicle facilities and gaps in provision across Wales. The undertaking of this baseline survey of driver rest and lorry parking facilities would also support initial consideration of the provision of alternative fuelling facilities (Hydrogen / Electricity) in Wales for HGV's on the move.

The government may also wish to consider short term steps to address the congestion which trucks can get caught up in. This reduces the useful time drivers can spend on the road, as well as adding to stress levels. Such interventions need not require substantial changes and, for example, reviewing the phasing of traffic lights or the timing of road works may be sufficient.

Overall, however, it is important for government to be working with the industry to improve the image of HGV drivers, making it more attractive for people to apply for roles and developing clear career progression paths within the sector.

All of the above measures will help in maintaining the supply of HGV drivers to the industry. We would also encourage the Welsh Government to investigate proactively how to reduce the demand for HGV drivers. In other parts of the UK, there has been an increase in rail freight activity, particularly intermodal traffic flows both for domestic and import flows. With each freight train potentially removing up to 76 loads from the roads, there is the potential to free significant driver resources for use where rail genuinely is not an option. Currently, there is limited evidence of increased rail freight in Wales and no change in the number of intermodal trains being run.

***What impact will the shortage of HGV drivers have on consumers and businesses in Wales?***

As has been evident across a range of sectors over the past six months, the consequence of the shortage has been the failure to deliver products, leading to shortages of inventory with consequential impacts on production schedules, service provision, hospitality availability and retail sales. It is not possible to fully evaluate the impact of HGV shortages in isolation, as the effects of COVID-19 are still being felt within supply chains and, for many goods, the challenges currently present within international shipping are also affecting product availability.

There are consequential impacts on other organisations too. With a finite pool of HGV drivers, and increasing pay rates within the industry, there is movement within the workforce as drivers seek better paid employment elsewhere. This is having consequential impacts on public sector services such as waste collections, with drivers moving to better paid roles in the private sector. This has led to reductions in waste collections, especially for those that are non-statutory (such as recycling). Another sector being impacted by these workforce changes is the bus industry, with services across Wales being affected by shortages. In this latter case, the impact may often be more significant than for retail sales, as for some (particularly those on lower incomes and the elderly) the bus may be their only means of transport. Given these consequential impacts, we would encourage any solutions introduced by the Welsh Government to also cover other driving roles such as waste collection and buses.