

Economy Trade and Rural Affairs Committee: The HGV Driver Shortage and Supply Chain Issues.

22nd November 2021.

To respond to this consultation, the Chamber surveyed our members with specific questions relating to the HGV driver shortage. At the back of this document is an appendix with a breakdown of each question.

To outline the current issues facing your sector/business/organisation

Staff shortages are a reoccurring issue facing businesses across Wales. In our recent Quarterly Economic Survey, 85% of businesses experienced difficulty in recruiting the right staff. There are concerns throughout the supply chain in the lead up to the busier Christmas period; from the shortages of HGV drivers causing delays and increased costs to delivery to the shortage of workers in customer facing roles in retail and hospitality. These shortages are affecting all areas of the Welsh economy including public transport, for example one bus company that we have spoken to is currently 34% short staff, with usually anything above 10% being seen as unworkable.

The chief cause of such extensive staff shortages is the skills deficit in Wales. In our latest QES 67% of businesses were looking specifically to recruit skilled or technical workers. This is again, cognisant of the haulage sector and the shortage of trained and skilled HGV drivers.

Apprenticeships play a significant role in driving forward skills development and recruiting younger workers to sectors such as the haulage industry. There are concerns that uptake of apprenticeships is low in Wales. For example, a poll taken at one of our partners events post budgets found that only 15% of respondents were planning on using apprenticeships. Additionally, another business found it 'impossible' to get apprenticeships as a smaller business; according to the Institute for Apprenticeships and Technical Education found that 40% of apprenticeships are with SMEs but the rest are with larger multinational companies. With the vast majority of Wales's economic landscape occupied by SMEs it is important to improve access to apprenticeships in order to minimise the current skills deficit.

Businesses are still grappling with the socioeconomic impacts of the Covid-19 pandemic. The HGV driver shortage was exacerbated by delays and backlogs in getting drivers licensed as a result of the pandemic and associated lockdowns. In other sectors of the economy such as hospitality, we are still seeing businesses running at below capacity and below pre-pandemic levels. For example, venues that traditionally would be extremely busy in the lead up to Christmas with corporate Christmas parties throughout every weekend of November and December have taken two bookings for the entire year. Consumer and business confidence in safety has not returned to 'normal'. Similarly in the transport sector, one large bus operator we have worked with noted they are operating at between 65-75% carrying when compared with 2019 figures.

Businesses are experiencing what appears to be a perfect storm; staff shortages, skills deficits and the pandemic are all market forces significantly impacting businesses all in parallel with the impact of fractured and slow supply chains. Over half of the businesses, we surveyed had been impacted by supply chain issues caused by a lack of HGV drivers, the most common issue businesses are facing as a result are delays in receiving or sending goods, with 86% of businesses stating they were impacted by delays in receiving or sending goods. As a result, businesses are also experiencing increased costs in receiving or sending goods, 73% of businesses had found their costs were increasing. One business we have spoken to had suppliers proposing over a 10% increase in the cost of delivering components. Another business

noted that reduced capacity had been the cause of such volatility in lead times and components shortages and component cost rising. 38% of businesses were also concerned that reduced capacity could increase pressure on existing staff within a company.

Finally, fuel costs associated with fractured supply chains are also a concern for business in Wales, fuel costs continue to soar considerably and businesses operating in the transport sector for example have shown little optimism that these costs will drop or even stagnate.

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.

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

There needs to be a balance of short-term support measures that offer quick solutions to alleviate the immediate challenges Wales face as well as introducing longer term measures to address the labour shortage in the haulage sector.

Efforts to recruit more drivers to the sector are welcomed, but training drivers will take time and therefore, there is a need for tangible short-term actions that help to deal with the shortage of drivers in the next year. This shortage is estimated to be as large as 100,000 drivers according to the Road Haulage Association. Short term actions include embracing international recruitment to fill existing gaps and finding ways to allow qualified drivers to rapidly re-join the industry. While the [UK Government have](#) taken steps to make the current visa scheme more flexible in a bid to temporarily attract HGV drivers to the UK, they have added 4,7000 drivers to the existing visa schemes specifically to help food industries with the driver shortage during the next year. If we are to compare this number to the predicted 100,000 shortage, there is still a significant number of temporary visas needed to fill the shortage in the short term. In our survey to members in the last two weeks, over 40% of businesses still believed there was a need for Government to introduce more flexible immigration system that identifies HGV drivers as skilled workers.

The [UK Government have](#) also introduced relaxed drivers' hours rules until the 9th January 2022 to allow for the short-term extra flexibility to the industry. It would perhaps be worth considering extending this measure beyond January 2022, while supply chains in certain sectors such as food and drink may be under significant pressure in the lead up to Christmas 2021, it is assumed that many of the pressures causing a slow and depleted supply chain will not have been solved by January 2022 and so it may be worth remaining flexible beyond this date.

Obtaining a license to drive a lorry and the associated costs of driver CPCs and medical can be seen as a significant impediment to joining and, in some cases re-joining the HGV profession. For businesses access to training and access to finance for training were identified as the most important measures needed to support the sector; 64% believed it was important to introduce funding for training of HGV drivers and 64% also believed it was important to improve access to HGV driver training, licensing and apprenticeships. A drive by Government to improve apprenticeships in the sector is particularly important in the context of an ageing workforce with the average age of an HGV driver being 56.

The UK Government have introduced encouraging measures to support the sector. For example, the [UK Government have](#) invested up to £17million to create new HGV skills bootcamps to train up to 5,000 more people to become HGV drivers in England. It would be worth UK Government extending this scheme to also recruit more HGV drivers in Wales or worth Welsh Government introducing similar schemes to cover Wales. Moreover [UK Government have](#) provided extra funding for medical and HGV licenses for any adult who completes a vocational qualification in HGV driving accessed through the adult education budget in the 2021 and 2022 academic year. Again, it would be encouraging to see plans in place to replicate this in Wales. With the aim to attract young people to the profession to combat the ageing workforce, UK Government have provided funding to Think Logistics, with Career Ready. This funding should be sustained throughout Wales to ensure a steady stream of young people entering the sector.

In the longer term it will be important to improve working conditions for HGV drivers, over half of businesses noted that this was vital to support the sector. Business identifies that respect for drivers and the vital skilled contribution they make needs to be better recognised. Drivers experience congestion, poor conditioned roads, hostility, poor treatment at collection sites, long hours and tight delivery slots. In the UK there is not a significant infrastructure in place for drivers to park up and stay over night. If we want to drive forward recruitment in the sector then we need to fundamentally shift the perception and treatment towards driver. It is therefore welcome that the [UK Government have](#) identified sites for short-term improvements to lorry parking, invested £32.5million in roadside facilities for HGV drivers such as showers, toilets and eating areas. Additionally, UK Government have launched a review of HGV parking and facilities. It is important that these investments in improving conditions for drivers are invested equally across the UK including throughout Wales. Welsh Government may look to provide additional support to fund facilities aimed at improving working conditions for HGV drivers.

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

Over half of the businesses, we surveyed were impacted by the supply chain issues driven by a lack of HGV drivers. The most significant impact businesses face are delays in receiving or sending goods, 86% of businesses were suffering from delays. Moreover, 73% of businesses were experiencing increases in the cost of receiving or sending goods and a further 38% were having to increase the price of the product or service they offered to consumers as a result.

While some businesses are struggling to obtain raw materials due to the HGV driver shortage, 60% of businesses were not experiencing difficulty in obtaining raw materials. However, over half of businesses said that they were stocking more materials because of a delayed supply chain. One business explained that they were having to pre-plan, order in advance and buy in larger quantities that they stored on site to ensure they could access raw materials to continue with deliveries. Of the businesses who were struggling to obtain raw materials nearly 60% note that that customer deliveries had been impacted as a result. Moreover, 85% register increased lead times, 77% register increased costs and 73% register a delayed arrival of goods.

There is a concern that the impact of the HGV driver shortage on consumers as well as businesses will become further exacerbated in the run up to Christmas, particularly in the delivery of food to retail and hospitality sectors.

The delay in receiving raw materials will also have a knock-on effect on businesses in the construction sector which in turn transfers impact to consumers who are faced with delays in building times. One business noted there were delays in receiving key construction materials such as cement and timber and this was causing delays in build times.

The drive to recruit more HGV drivers to alleviate current issues in the supply chain is welcomed but one transport company that we have spoken to, that were experiencing staff shortages internally, noted that they had lost a significant number of staff to become HGV drivers. Training and encouraging younger people to enter the HGV profession will therefore be important to ensure that staff shortages can be addressed across the entire workforce.

Appendix

Question 1: Has your business been impacted by supply chain issues caused by a lack of HGV drivers?

68 people answered this question.

Answer	Response
Yes	35 (51.47%)
No	33 (48.53%)

Question 2: If yes, how has your business been impacted?

37 people answered this question. Respondents could choose more than one option.

Answer	Response
Increased cost of receiving or sending goods	27 (72.97%)
Increased price of the product or service you offer	14 (37.84%)
Delays in receiving or sending goods	32 (86.49%)
Increased pressure on existing staff	14 (37.84%)
Having to turn away customers due to lack of drivers to deliver raw materials or goods	2 (5.41%)
Other (please specify)	3 (8.11%)

Other: increased supplier prices on goods, delays to completion of new homes, storing extra materials.

Question 3: Are you struggling to obtain raw materials due to a shortage of HGV drivers?

68 people answered this question.

Answer	Response
Yes	24 (35.29%)
No	41 (60.29%)
Other (please specify)	3 (4.41%)

Other: N/A answers.

Question 4: If yes, has this...

26 people answered this question. Respondents could choose more than one option.

Answer	Response
Increased lead times	22 (84.62%)
Increased costs	20 (76.92%)
Delayed arrivals of goods	19 (73.08%)
Other (please specify)	1 (3.85%)

Other: Having to buy in larger quantities and store more on site to ensure continuity of delivery.

Question 5: If raw materials are delayed, have your customer deliveries been impacted?

47 people answered this question.

Answer	Response
Yes	27 (57.45%)
No	16 (34.04%)
Other (please specify)	4 (8.51%)

Other: N/A answers.

Question 6: If you are experiencing delays, are you stocking more materials as a result?

49 people answered this question.

Answer	Response
Yes	27 (55.10%)
No	19 (38.78%)
Other (please specify)	3 (6.12%)

Other: N/A answers.

Question 7: What additional measures should Government introduce to support sectors adversely affected by supply chain issues?

59 people answered this question. Respondents could choose more than one option.

Answer	Response
Introduce a more flexible immigration system that classifies HGV drivers as skilled workers	24 (40.68%)
Provide funding for training of HGV drivers	38 (64.41%)
Increase wages of HGV drivers	12 (20.34%)
Improve access to HGV driver training, licensing, and apprenticeships	38 (64.41%)
Improve working conditions for HGV drivers	33 (55.93%)
Other (please specify)	5 (8.47%)

Other: Remove IR35 legislation, is this the Government's job?, N/A answers.