The Logistics Report 2014

In association with

The voice of the industry for 125 years

FTA is one of the UK's largest trade associations and represents over 14,000 companies relying on or providing transport integration both domestically and internationally, to or from the UK. Our members include hauliers, freight forwarders, rail, sea and air freight operators, through to customers – producers, manufacturers, wholesalers and retailers. They cover all modes of transport – road, rail, air and sea. FTA members operate over 200,000 commercial goods vehicles on the roads in the UK; approximately half of the UK fleet. FTA members also consign around 90 per cent of goods moved by rail and around 70 per cent of goods moved by air and sea.

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The transport and logistics sector is taking centre stage, increasingly recognised as key to stimulating trade, helping business efficiency and supporting economic growth. It is also vital to the nation's competitiveness and connectivity with the rest of the world.

The Government is increasing its focus on transport infrastructure. Developing rail network capacity via HS2 and Crossrail, investing in the road network and planning the next wave of airport capacity expansion evidence this.

In an era of accelerated globalisation, with both business and consumers demanding better transport options, an integrated transport strategy is more important than ever. Getting this right will be key to driving the best return on investment.

Coolin Desai

Coolin Desai
Transport & Logistics Leader
PwC UK

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Introduction

Welcome to the Logistics Report 2014 – FTA's analysis of the ideas, news and views that shaped the last year.

We are delighted that, once again, PwC has supported this publication, now in its fifth year, allowing us to combine the resources and knowledge of both our organisations and draw on a rich supply of independent and in-house research.

This year we review the main developments that will inform politicians' and other stakeholders' actions in respect of logistics in the years to come. We also explore the influences that we believe businesses should take into account as they deliberate, plan and invest for the future. With the next General Election a year away, we have focused on the influence of politics on logistics and assessed what debates in Westminster and in local government will mean for us. We have also focused on the final miles of the supply chain, the continuing pressure on scarce road space in our towns and cities and the consequences of e-commerce.

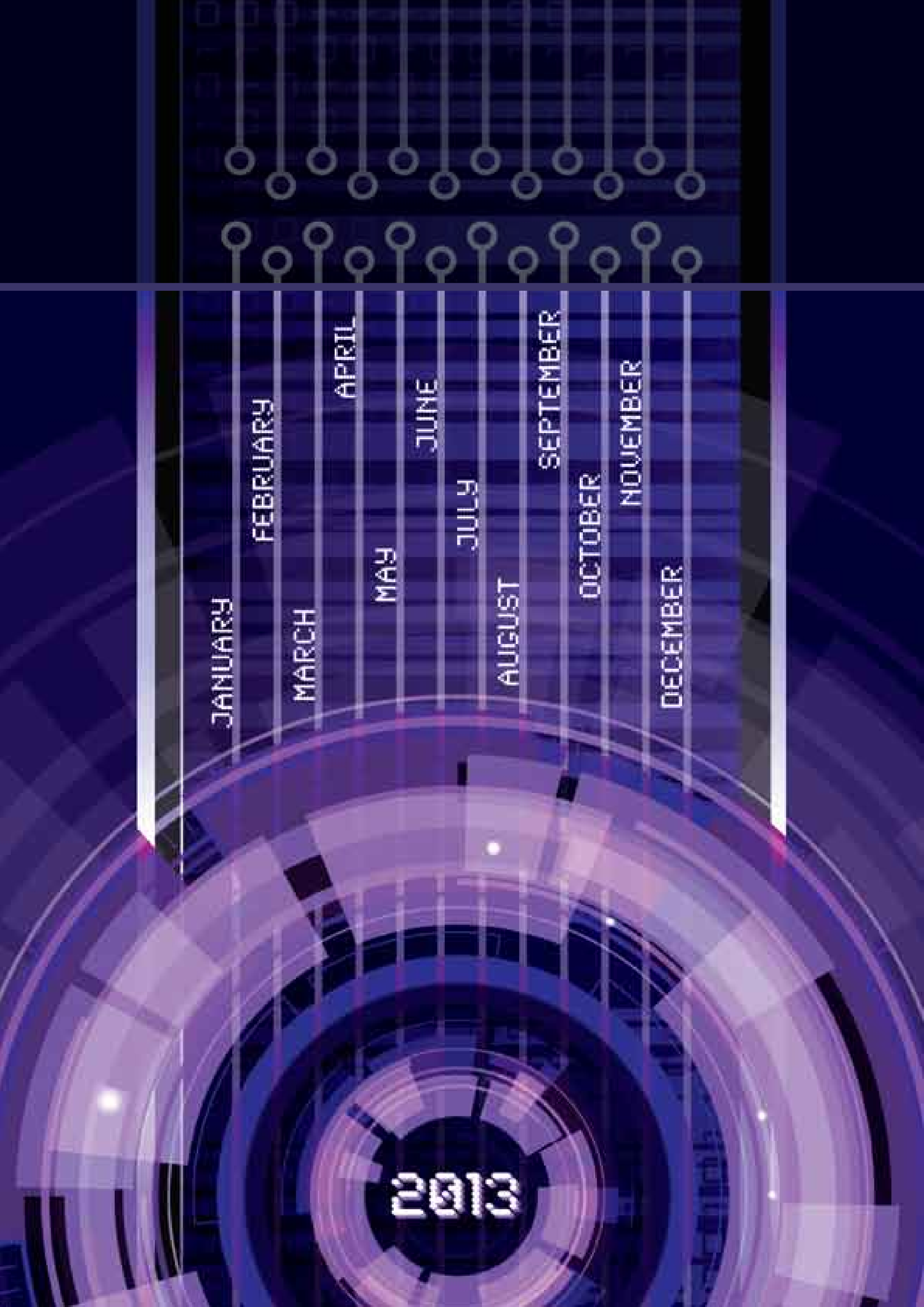
Our report would not be complete without an analysis of the logistics market and the sentiment of those engaged in it. This is made possible through the direct contribution our members make to our policies and research through Freight Councils, as well as our regular and ad hoc surveys. Their insights and experience add invaluable depth and breadth to every aspect of our work. This year FTA members report increased optimism about business growth and key indicators suggest that companies are planning to invest in their people, technology and systems.

We hope you find this report a thought-provoking and refreshing assessment of UK logistics.

Theo de Pencier
Chief Executive
Freight Transport Association

Contents

The year in logistics


JANUARY
FEBRUARY
MARCH
APRIL
MAY
JUNE
JULY
AUGUST
SEPTEMBER
OCTOBER
NOVEMBER
DECEMBER
2013

ECONOMY AND BUSINESS PERFORMANCE

- Economic indicators for UK logistics improved in 2013: demand for movement of goods showed the first year-on-year improvement since 2010
- But the number of goods vehicle operator licences continued to fall
- 58 per cent of FTA members expect increased business activity during 2014
- FTA members said that UK economic competitiveness recovered in 2013 when compared with the rest of the EU and global competitors
- Higher and unpredictable world oil prices and lack of economic growth are the main risk areas for logistics

UK exports to rest of world begin to increase by just over 1 per cent, in line with increasing hgv movements to mainland Europe

Reported profit margins for the top 100 hauliers rose to 3 per cent in 2013 from 1 per cent in 2012

Inflation as measured by the retail price index (RPI) reduced to 2.7 per cent in December 2013 from 3.1 per cent a year earlier. Basic pay for transport staff only rose by 2.2 per cent in the same period

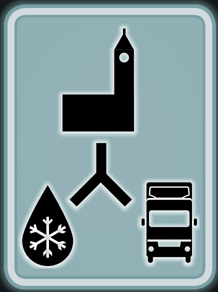
Fuel prices have remained relatively stable for the past 3 years due to fuel duty freeze

CONNECTIVITY AND CONSUMERS

- First scheduled vessel calls at London Gateway
- Airports Commission confirms there is a need for new airport capacity in the south east of England
- Government consults on a new night flights regime
- The Office of Rail Regulation continues its Periodic Review and customers are worried about future access charges for freight
- Government publishes *Investing in Britain's Future*, outlining a major programme of roads investment and transformation of the Highways Agency into a publicly owned corporation
- Government decides not to toll improvements to the A14
- Mayor of London's Roads Task Force report signals a dramatic change in the way road space is allocated in the Capital

"The biggest programme of investment in our roads in 40 years."

Rt Hon Danny Alexander MP
Chief Secretary to the Treasury



POLITICS OF LOGISTICS

- HGV Road User Levy Act is passed allowing foreign operators to be charged for using UK roads for the first time from 2014
- The FairFuelUK campaign, of which FTA is a key supporter, continues to make the case for cuts in fuel duties
- In the Autumn Statement the Chancellor confirms a freeze in fuel duty until the end of the Parliament
- Growing uncertainty over implications of High Speed 2 and concern over the impact on market confidence of changes to track access charges for rail freight
- Debate over paying for infrastructure escalates with Government proposing tolls for the improved section of the A14

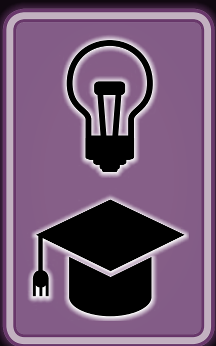
"And I can tell you today that provided we can find the savings to pay for it, I want to freeze fuel duty for the rest of this Parliament."

Rt Hon George Osborne MP
Chancellor of the Exchequer
Conservative Party Conference 2013

SAFETY AND ENVIRONMENT

- Safety standards for hgvs continue to improve and the number of accidents involving hgvs continues to fall nationally
- But six cycling deaths involving hgvs occur in a few weeks toward the end of 2013 sparking calls for lorries to be banned from central London at certain times of day
- Hgvs and cyclist safety is a key topic at FTA's annual Transport Manager conferences
- National Construction Logistics Standard is launched, aimed at improving safety for vulnerable road users
- The EU proposes changes to the design of trucks to make them more aerodynamic, greener and to improve safety
- The Supreme Court rules that the UK Government has failed in its legal duty to protect people from air pollution
- Mayor of London announces that Transport for London will investigate an Ultra-Low Emissions Zone to be introduced by 2020
- Chancellor announces extension of duty differential on natural gas to 10 years

Number of reportable (RIDDOR) workplace accidents for transport falls by 29 per cent



SKILLS AND TRAINING

- FTA members expect the number of redundancies to reduce and the number of staff to increase in the next year
- With the hgv Driver CPC deadline a year away concern mounts that some drivers may choose to stop driving trucks rather than acquire the qualification
- Levels of youth unemployment were of significant concern to policy makers in 2013
- Almost 1 million driver training days were delivered for the Driver CPC

49 per cent of transport and distribution managers and 38 per cent of hgv drivers are over the age of 45

The logistics dashboard


ROAD TRANSPORT
SAFETY
EFFICIENCY
TRAFFIC FLOWS
1 2 3 4 5
5 4 3 2 1
ECONOMIC INDICATORS
£ € ¥ $

The logistics dashboard

Logistics is the backbone of the economy, providing the efficient, cost effective flow of goods on which other commercial sectors depend. The logistics dashboard brings together a range of over 50 indicators (LDIs) that give different perspectives on logistics and the performance of the wider economy. The moderately improving UK economy is reflected in the 2014 edition of the logistics dashboard, which captures the impact of the green shoots of recovery in the UK, and the early signs of an end to the Euro Zone recession.

Goods vehicle operator licences were down 15 per cent in 2012, compared to the onset of the recession in 2008. The number of van licences was marginally up, by nearly 1 per cent year-on-year. New hgv registrations are just 2 per cent below their 2008 level, having decreased up until 2012. Since then they have increased for 2 years running by 6 per cent and 23 per cent respectively. Road transport operator profit margins recovered to around 3 per cent in 2013, compared to 1 per cent for the previous year. The price of oil has hovered around $110 per barrel (bbl) for the past three years, resulting in little change to the high pump price for a litre of fuel. Improvements in the Euro Zone saw unaccompanied trailer movements rise in 2013 by 5 per cent compared to 2012.

However, the after effects of the European economic crisis saw a reduction in port traffic and stagnation in air freight traffic in 2013 compared to 2012. Domestic intermodal rail has decreased slightly by 2.5 per cent, down to 6.2 billion tonne kilometres in 2013, and goods moved by rail grew by 4 per cent over the same period.

In terms of compliance, there was a decrease in detection of incidences of overloading and drivers' hours infringements but a small increase in roadworthiness prohibitions in 2012. Hgv and van failure rates both decreased marginally. Safety shows a mixed picture with workplace accidents reported down by 29 per cent but road casualties linked to hgvs up by 1 per cent year-on-year.

	LDI	2008	2009	2010	2011	2012	2013	Most recent year-on-year change	Page ref
ROAD TRANSPORT INDUSTRY									
1	Reported profit margin of top 100 road hauliers	2%	1%	4%	4%	1%	3%	↑	30
2	Number of goods vehicle operator licences	95,436	91,200	87,747	84,072	80,894		↓	21
3	Population of hgvs licensed	416,328	397,160	389,761	383,941	378,775		↓	21
4	Population of vans licensed	3,253,416	3,241,047	3,258,445	3,293,451	3,320,431		↑	22
5	Population of hgv trailers (based on number tested)	240,094	230,966	227,057	224,714	220,283		↓	22
6	Hgv registrations	57,410	34,746	34,458	42,944	45,702	56,218	↑	
7	Van registrations	289,463	186,386	222,915	260,153	239,641	271,073	↑	
8	Number of hgv drivers in employment (thousands)	306	299	274	288	280	255	↓	
9	Claimant count (hgv drivers for December)	8,880	10,665	6,550	5,870	5,050	2,875	↓	28
10	Hgvs laid up (SORN)	63,390	64,109	60,709	61,979	60,735		↓	22
SAFETY									
11	Hgv motor vehicle test pass rate initial (>3.5tonnes gvw)	67.6%	72.6%	74.5%	75.3%	77.6%		↑	
12	Van test pass rate initial (Class 7)	50.7%	50.0%	49.5%	49.8%	49.7%		↓	
13	Hgv roadside encounter prohibition rate percentage – mechanical checks (UK drivers only)	31.8%	31.1%	26.2%	28.4%	29.5%		↑	
14	Hgv roadside encounter failure rate percentage – drivers' hours checks (UK drivers only)	16.7%	14.3%	16.1%	19.7%	19.4%		↓	
15	Hgv roadside encounter failure rate percentage – weight checks (UK drivers only)	30.6%	37.5%	58.0%	60.6%	59.7%		↓	
16	RIDDOR reportable workplace accidents for transport	21,258	19,222	17,255	16,313	11,532		↓	
17	Road casualties linked to hgvs (number killed or seriously injured)	1,712	1,439	1,379	1,334	1,348		↑	
EFFICIENCY									
18	Percentage of hgvs empty running	28.9%	28.3%	28.7%	not available	not available		↑	
19	Percentage of inland freight moved by rail (billion net tonne kilometres)	9.0%	9.0%	9.0%	not available	not available		→	

1 FTA estimate

	LDI	2008	2009	2010	2011	2012	2013	Most recent year-on-year change	Page ref
EFFICIENCY *(continued)*									
20	Lading factor percentage for hgvs (>3.5 tonnes gvw)	58.0%	57.0%	59.0%	not available	not available		↑	
21	Hgv fuel consumption (mpg) (articulated vehicles)	7.7	7.7	7.6	not available	not available		↓	
22	Use of alternative fuels in hgvs	0.8 mt of oil equivalent	1.0 mt of oil equivalent	1.2 mt of oil equivalent	1.1 mt of oil equivalent	1.0 mt of oil equivalent		↓	
23	Average hgv payload capacity (tonnes)	7.2	6.9	7.4	not available	not available		↑	
TRAFFIC FLOWS									
24	Containers handled by major UK ports (thousand TEUs)	8,714	7,373	8,222	8,141	7,980		↓	
25	Freight handled by air (tonnes)	2,282,153	2,047,861	2,324,822	2,297,601	2,302,329		↑	
26	Goods moved by hgvs (>3.5 tonnes gvw) (billion tonne kilometres)	146	125	139	not available	not available		↑	
27	Van kilometres (billion vehicle kilometres)	66.9	65.5	66.1	66.6	66.4		↓	
28	Cabotage within the UK (million tonne kilometres)	1,712	1,231	1,272	1,054	not available		↓	
29	Goods moved by rail (billion tonne kilometres)	21.08	19.17	18.58	20.97	21.47	22.40	↑	
30	Goods moved by domestic intermodal rail (billion tonne kilometres)	5.29	5.30	5.58	6.17	6.36	6.20	↓	
31	Channel Tunnel rail freight volumes (tonnes)	1,239,445	1,181,089	1,128,079	1,324,673	1,227,139	1,363,834	↑	
32	Number of rail freight train movements	316,684	278,472	265,559	273,897	275,827		↑	
33	Rail freight performance measure (percentage of freight trains arriving on time at their final destination)	70.2%	74.5%	74.0%	74.8%	75.3%	73.6%	↓	
34	Percentage penetration of cross-Channel market by UK hgvs	18.6%	19.7%	21.1%	19.9%	18.7%	16.0%	↓	
35	Hgv movements to mainland Europe (unaccompanied trailers only)	708,648	610,915	673,236	660,397	619,699	652,060	↑	23
36	Hgv movements to mainland Europe (all powered vehicles)	2,059,694	1,764,087	1,794,376	1,811,521	1,810,652	2,037,229	↑	22
ECONOMIC INDICATORS									
UK economic activity									
37	GDP (Q4 annual percentage change)	-4.3%	-2.5%	1.8%	1.1%	0.2%	2.7%	↑	
38	Average weekly online retail sales (£ million)	£264.58	£340.76	£407.31	£480.89	£554.46	£637.60	↑	
UK exports									
39	Volume of goods exported to the EU (annual percentage change)	-3.6%	-13.6%	+7.9%	+4.1%	-3.7%	-0.2%	↓	23
40	Volume of goods exported to the rest of the world (annual percentage change)	+7.3%	-10.4%	+15.5%	+9.7%	+7.2%	+1.1%	↑	23
UK imports									
41	Volume of goods imported from the EU (annual percentage change)	-3.3%	-13.6%	+11.2%	+2.7%	+3.8%	+4.8%	↑	
42	Volume of goods imported from the rest of the world (annual percentage change)	+0.9%	-11.4%	+14.5%	-1.7%	+1.4%	-1.1%	↓	
UK inflation and currency									
43	Retail Prices Index (annual inflation in December)	0.9%	2.4%	4.8%	4.8%	3.1%	2.7%	↓	27
44	Consumer Prices Index (annual inflation in December)	3.1%	2.9%	3.7%	4.2%	2.7%	2.0%	↓	
45	£/$ exchange rate (average for December)	$1.4854	$1.6242	$1.5588	$1.5614	$1.6148	$1.6384	↑	
46	£/€ exchange rate (average for December)	€1.1070	€1.1115	€1.1791	€1.1849	€1.2304	€1.1956	↓	
Costs									
47	Wage settlements (annual change in basic pay)	+2.7%	+0.1%	+2.1%	+2.6%	+3.0%	+2.2%	↓	27
48	Total hgv operating costs (annual change for 44t gvw artic)	-1.4%	+5.4%	+7.0%	+4.0%	+0.7%	+0.9%	↑	30
Fuel									
49	Bulk diesel (average pence per litre in December ex VAT)	82.35	89.99	103.30	112.05	110.61	109.62	↓	25
50	Gas oil (average pence per litre in December ex VAT)	39.01	44.05	55.11	64.92	63.47	63.36	↓	25
51	Rotterdam French Diesel (average per tonne in December)	$479.78	$624.50	$797.65	$948.10	$955.63	$962.92	↑	
52	Brent blend (dated) (average per barrel in December)	$40.26	$74.52	$91.78	$108.19	$109.56	$110.67	↑	
53	Jet fuel (Rotterdam kerosene) (average per tonne in December)	$482.64	$663.11	$831.09	$987.35	$1,007.91	$1,009.06	↑	
54	Rotterdam gas oil (average per tonne in December)	$457.73	$610.95	$761.87	$926.87	$932.58	$943.20	↑	

Note: The publication date for Road Freight Statistics 2011 and 2012 is provisionally September 2014 therefore efficiency indicators (shaded in purple) could not updated at time of going to press.

CHAPTER 1

On the road to recovery?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Labour
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Economy
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Politics
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Business

On the road to recovery?

In the years since the global downturn, politicians and businesses have developed a necessary obsession with the bottom line. Their objectives: reducing the deficit and continuing to trade. Working towards these goals became the defining principle behind logistics' dialogue with Government, and boardroom decisions were characterised by a precautionary approach. As UK economic indicators, and those of some of our major trading partners, become more positive it seems probable that political emphasis will shift and that expectations of positive action and commitment from the private sector will increase. Will logistics be ready to take the next step?

Global economy

US tapering starts to affect emerging economies while core Euro Zone economies begin to look stronger

As 2013 drew to a close there were signs of growth in advanced economies;[1] for the first time since 2010 they are expected to contribute about 40 per cent to growth in global GDP in 2014.[2] PwC's 17th Annual Global CEO Survey underlines the improving outlook although it is tempered by caution as to whether the recovery will live up to expectations. The US is showing the most positive indicators, with lower household debt, increased consumer spending and an expectation of greater fiscal stability over the coming year. In Q4 2013, US economic output was 6 per cent higher than Q4 2007, the second best performing economy of the G7; outstripped only by Canada with growth of about 7 per cent.[3]

China continued to lead emerging market growth and meet its government target for annual growth but, as 2013 drew to a close, analysts considered that Brazil,

1 The International Monetary Fund (IMF) classifies 35 economies with a high level of gross domestic product per capita and significant level of industrialisation as 'advanced economies'

2 *The Only Way is Up? Predictions for 2014 from our economics and policy practice*, January 2014, PwC

3 *Global Economy Watch*, February and April 2014, PwC

India, Indonesia and Turkey are likely to be affected by a cyclical economic slowdown, persistent current account deficits and a squeeze on foreign currency; the US Federal Reserve's move in 2013 to taper its quantitative easing policy having wider impacts on the global economy.[4]

In Europe, economic growth turned more positive overall but especially in Germany, which grew by 0.5 per cent in 2013 and is expected to continue to grow faster than those on the periphery which are more reliant on external demand to drive domestic growth. As 2013 ended, concerns remained over levels of household debt, public sector weakness and commitment to economic reform in the outlying economies. The institutional reforms agreed with the Euro Zone and European Central Bank, which are necessary for stability, were not completed in the year and are in fact not likely to be in place and effective during 2014 either.[5]

The global outlook for 2014 overall therefore appears more positive; figure 1.1 provides a snapshot of prospects for global growth at the start of 2014.

4 *The Only Way is Up? Predictions for 2014 from our economics and policy practice*, January 2014, PwC

5 Ibid

The breadth of FTA's membership and our level of engagement with the companies we represent, especially through our Freight Councils and quarterly surveys, give us a valuable insight into trading conditions. We detect that business confidence is higher than 12 months ago and this is starting to manifest itself in investment confidence and improvements in company performance.

Theo de Pencier
Chief Executive, FTA

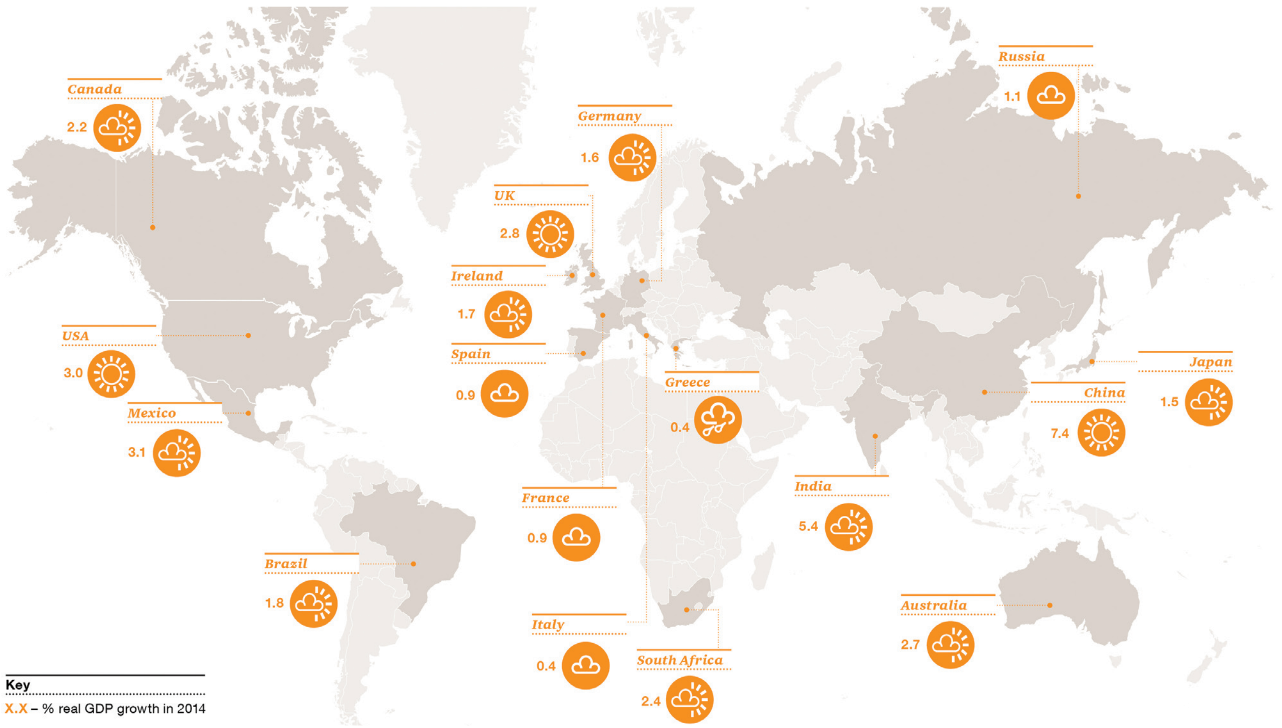
UK economy

Signs of broader based improvements in the UK economy

The UK economy experienced accelerated growth in 2013 when compared with the previous year, indicating that the widely anticipated recovery was finally taking root. October to December GDP growth of 0.7 per cent built on the previous quarter's figure of 0.8 per cent and translates into

FIGURE 1.1 • Global economic outlook for 2014

Mixed but improving



Source: PwC main scenario projections May 2014, pwc.co.uk/projections the fastest annual rate of growth since 2007. Unlike the more modest growth of 2012, which was primarily due to improvement in the services sector, there were signs of a broader based improvement with both construction and manufacturing also seeing growth.

Recent months have seen reports of higher house prices and the highest level of vehicle registrations since 2007. These reports indicate that public confidence in the economy may finally be turning a corner.

However, this optimism is tempered by several factors which are likely to arrest the recovery in the near-term. Whilst unemployment levels have experienced faster than anticipated falls, it is clear from mixed retail figures over December that consumption is still somewhat subdued, due mainly to modest wage growth and substantial increases in domestic energy and food bills. Interestingly, whilst some high end retailers reported improvements in sales over the festive period, mid-range supermarkets reported reductions in business while their cut-price counterparts flourished; clearly many of us did Christmas on a budget.

All of these factors indicate that whilst 2013 saw an improvement for the average person on the street compared with 2012, budgets are still squeezed by a combination of low wage growth and higher monthly bills.

Prospects for growth

The UK recovery therefore looks much stronger than at the time of the 2013 Logistics Report but there remains the risk of Euro Zone flare up, some emerging markets look vulnerable, lending is still constrained and there is still a risk of inflation. Consumers remain susceptible to rising household and utility costs and constraints on discretionary spending. However, as the wider economy recovers so too should services such as transport, leading to increased demand for movement of freight.

Figure 1.2 describes the upside and downside risks for the economy in 2014.

Transport and logistics growth is traditionally correlated with overall GDP growth hence an improving economic climate is welcome news for the sector, as shown by the year-on-year growth in demand for movement of goods.

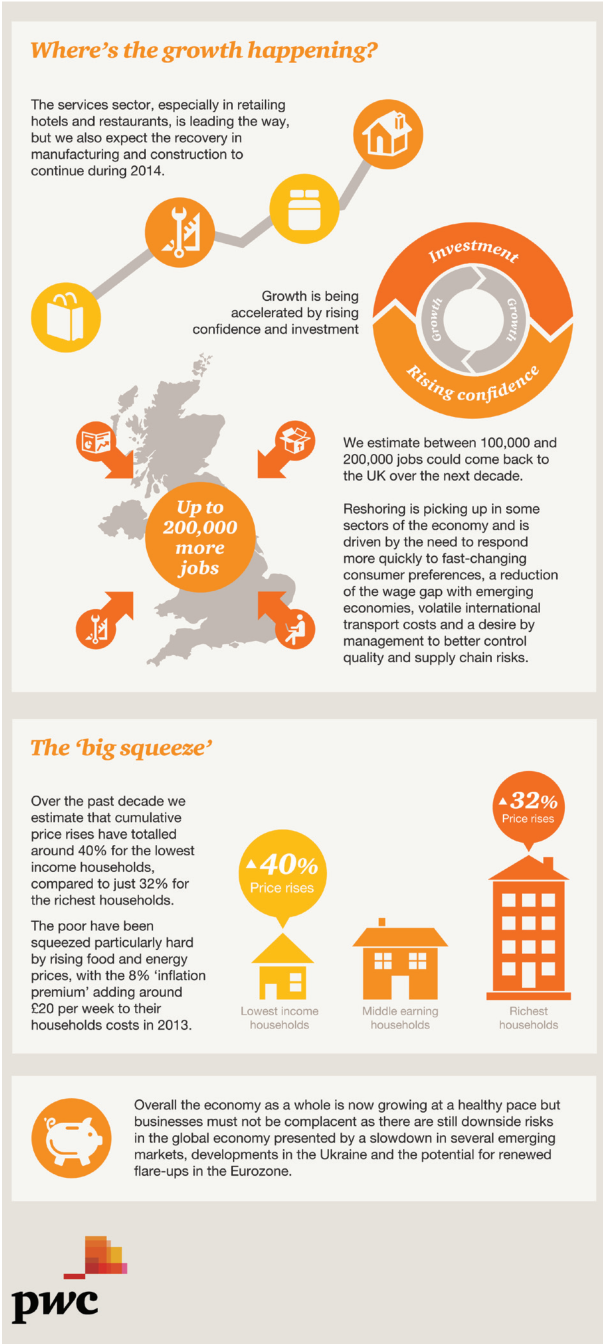
Coolin Desai
Transport & Logistics Leader, PwC UK

Global logistics sentiment

CEOs in transportation and logistics (T & L CEOs) participating in PwC's 17th Annual Global CEO Survey remain less optimistic than their peers across industry. However, their overall perception is that the global

FIGURE 1.2 • UK economy

Opportunities and risks



Source: PwC UK Economic Outlook March 2014

Insights • Economy

Andrew Sentance CBE
Senior Economic Adviser, PwC UK

The UK economy is picking up in 2014 and the recovery is set to continue into 2015, with this year and next set to see the strongest growth in the recovery so far. However, growth is still not likely to return to the rate we saw before the crisis when it averaged over 3 per cent. Our forecasts suggest growth of around 2.8 per cent in 2014 and 2.5 per cent in 2015. The pick-up in growth appears broad-based. A wide range of service industries and manufacturing industry are all expected to contribute to growth. At the same time, the improvement in the housing market and a recovery in investment are likely to benefit the construction industry. The broad-based improvement in the economy should benefit transport industries – road, rail, air and maritime. If there is a risk to the transport industries in this environment, it is that costs will start to rise.

The general improvement in the global economy could see a further surge in oil prices and fuel costs. There could also be upward pressure on wages arising from a tightening labour market as the improvement in growth continues to bring down unemployment. It is also likely that interest rates will start to rise either later this year or next, which will create upward pressure on financing costs.

economy is getting back on track: 45 per cent of T & L CEOs believe that the economy will improve (compared to 17 per cent in 2013). However, like their peers they are concerned about continued slow growth in developed economies and the increasing tax burden on industry. Figure 1.3 describes the main issues of concern to CEOs across the globe.

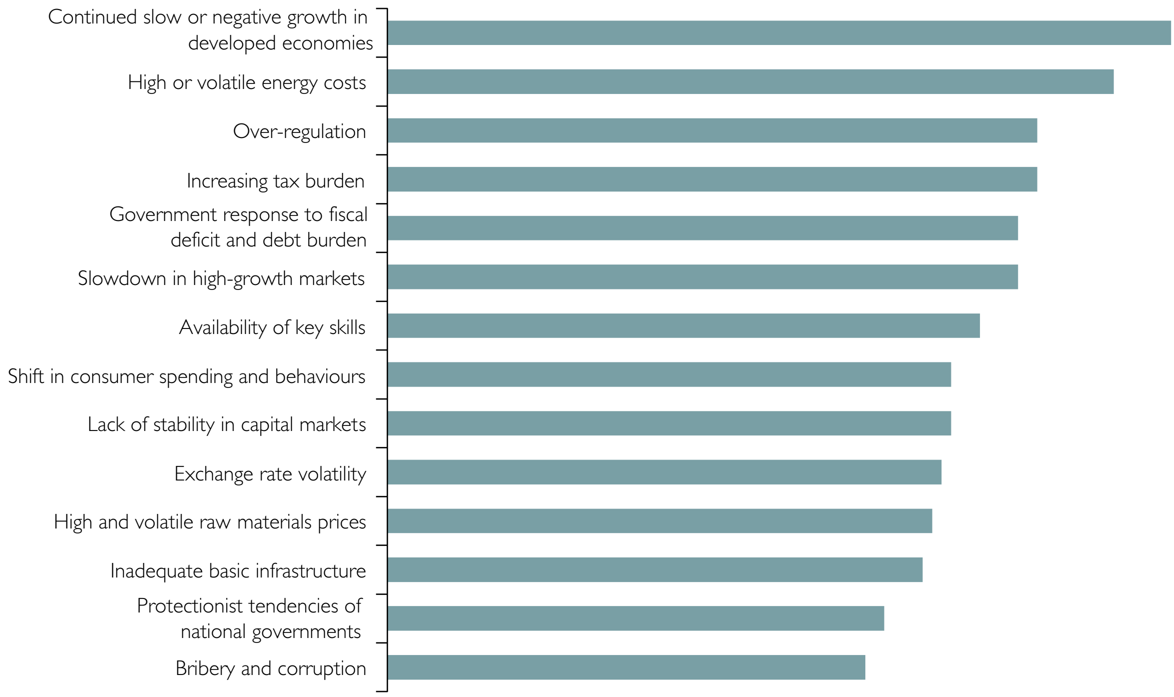
Significantly, they are also concerned about energy costs and infrastructure, with a substantial 76 per cent citing high and volatile energy prices (including crude oil) in 2014 compared to 61 per cent in 2013. Fifty-six per cent are worried that the basic infrastructure is adequate. Global logistics CEOs are also focused on the need to change their talent strategies to cope with future needs; but only 19 per cent are already doing this and only 30 per cent believe that their human resource departments are well-prepared.

CEOs are also concerned about over-regulation; although 88 per cent of T & L CEOs agree over the importance of reducing their environmental impact; carbon emissions regulation is one area they perceive as a burden from governments. Many are also concerned about road tolls and restrictions on use of toll-free roads.

T & L CEOs were asked where they thought that growth was going to come from; they were asked to exclude the BRIC countries and South Africa and identify what they thought were likely to be high growth markets over the next 3 to 5 years. The UK featured in the top 4 (see figure 1.4).

FIGURE 1.3 • More than half of T&L CEOs are still concerned about a wide range of issues

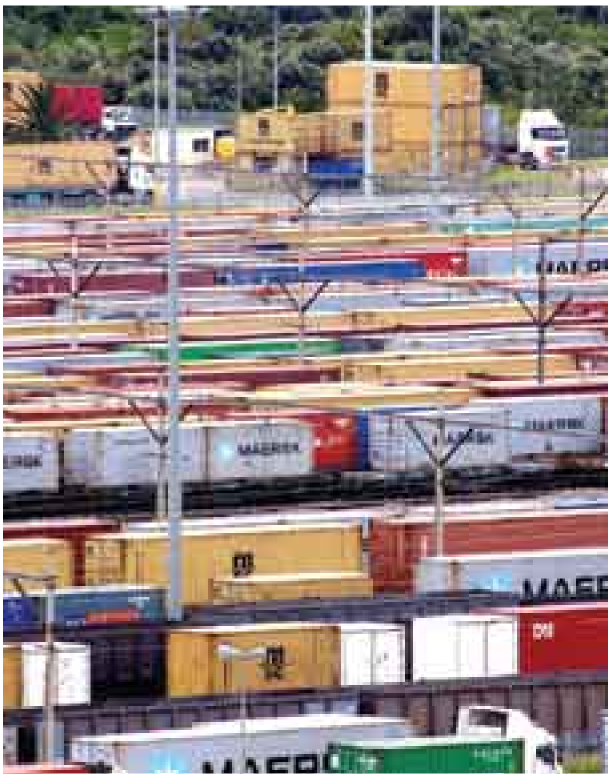
How concerned are you, if at all, about each of the following threats to your growth prospects? Top choices listed



Base: All respondents (Total sample, 1, 344; T&L, 101)

Note: Respondents who stated 'extremely' or 'somewhat' concerned

Source: PwC 17th Annual Global CEO Survey 2014



Mergers and acquisitions activity in the US and Euro Zone had not yet recovered to pre-economic downturn levels, which affected both the volume and value of deals in 2013.

In 2014, PwC expects US and Euro Zone announcements to remain well-below pre-economic crisis levels; the focus of deal-making activity will be emerging economies, such as China. The overall trend is expected to be fewer and smaller deals. It is possible that shipping deals may increase, although PwC believes that in the container sector, alliances and vessel sharing arrangements are more likely than mergers. Their report, *Intersections* notes that: "Trucking and logistics seem ripe for consolidation, as this more fragmented part of the sector tends to underperform other modes. In addition, the relatively low regulatory barriers to new mergers should let competitors build scale more easily."[6]

6 *Intersections: Fourth Quarter 2013 transportation and logistics industry mergers and aquisitions analysis*, PwC, 2014

UK logistics market

Demand for the movement of goods shows the first improvement since 2010

In common with the wider market, economic activity indicators for the logistics industry improved in 2013, marking a turnaround from 2012. Demand for the movement of goods (both domestic and international) showed the first year-on-year improvement since 2010 due to a more established, broad-based growth in the industrial economy and improvements in economic conditions globally.

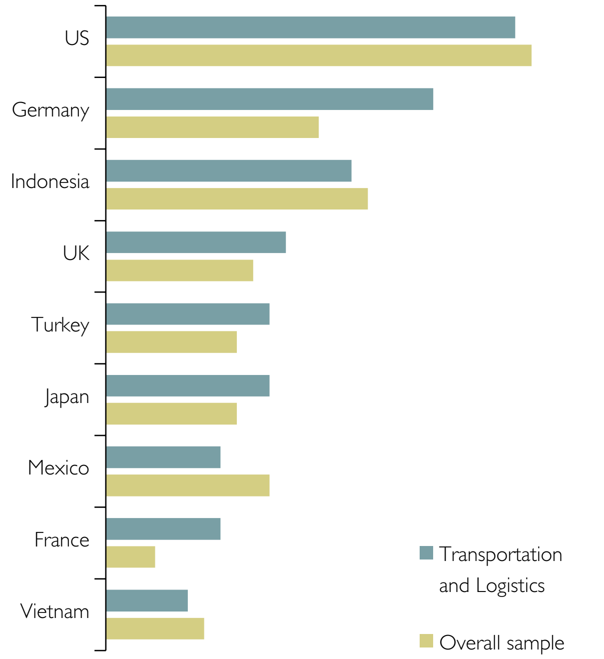
The number of goods vehicle operator licences continued to fall by nearly 4 per cent in 2012 (see LDI 2, page 12 and figure 1.5), reflecting the continued sluggishness in the economy during that time.

The number of hgvs[7] in use also fell in 2012 compared to 2011 (see LDI 3, page 12 and figure 1.6) in line with

7 Heavy goods vehicles (hgvs), goods vehicles with a gross vehicle weight in excess of 3.5 tonnes

FIGURE 1.4 • Excluding BRICs and South Africa, which 3 markets do you consider most important for your growth prospects over the next 3 to 5 years?

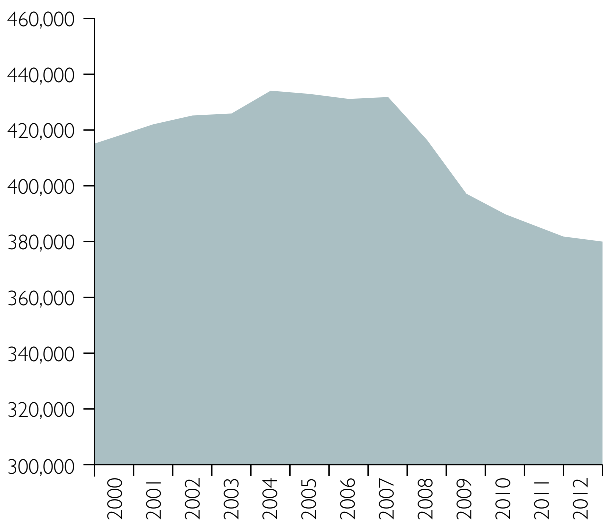
UK in top 4 for growth



Source: PwC 17th Annual Global CEO Survey 2014

FIGURE 1.6 • Number of heavy goods vehicles in use 2000–2012

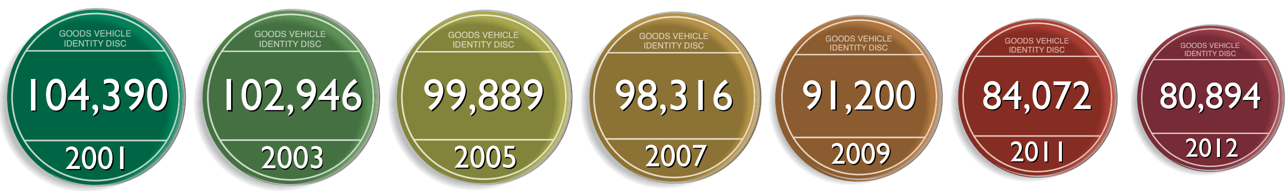
Hgv numbers fall in line with operator licences



Source: Table VEH103 Transport Statistics Great Britain 2013 Licensed Vehicles by tax class Great Britain (goods vehicles only)

FIGURE 1.5 • Number of goods vehicle operator licences in Great Britain 2001–2012

Number of transport businesses continued to decrease, tracking the economic cycle



Note: figures are for tax years, eg 2012/13, 80,894

Source: Traffic Commissioners' Annual Reports the reduction in operator licences. The number of trailers tested fell by 2 per cent (see LDI 5, page 12) although hgvs laid up (SORN) fell by 2 per cent (see LDI 10, page 12) and the number of registered vans increased by just under 1 per cent (see LDI 4, page 12).

Business volumes

The UK freight transport sector saw a turnaround in business volumes during 2013 with activity exceeding expectations as measured at the end of 2012 (figure 1.7). This is in line with the improved economic conditions reported for 2013, particularly in the manufacturing and building sectors.

In the fourth quarter of 2013, FTA conducted its annual Logistics Industry Survey. Respondents reported that activity within the domestic road freight sector had exceeded expectations for 2013. There was also strong optimism for 2014, with 58 per cent of the members surveyed expecting increased activity during this period.

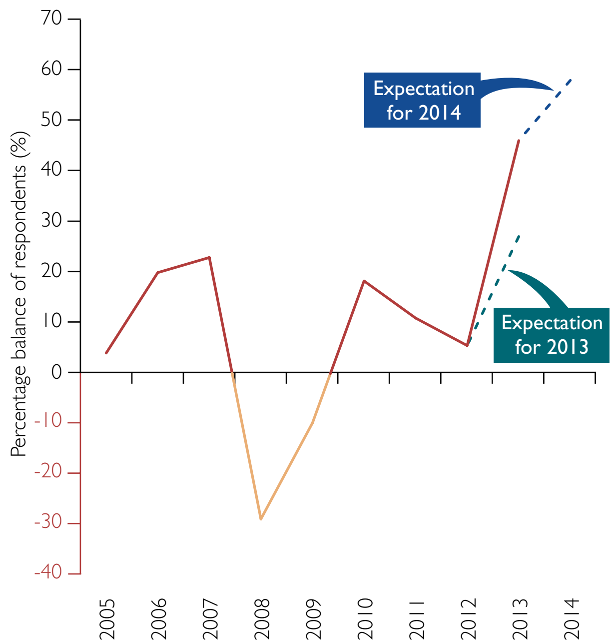
Across the top 5 sectors there was an increase in the business expectation for 2014 compared to 2013 (figure 1.8). Most notable is the turnaround in expectations for the construction sector, fuelled by the upsurge in the housing market and building activity during 2013. However, there is a cautionary note about the sustainability of the construction sector recovery, with mixed opinions regarding future house price bubbles and the change announced in November by the Government to its 'Funding for Lending' scheme which saw an end to support for household mortgages and other loans.

A similarly more positive picture is evident in the international road freight market, with sentiment swinging from negative to positive for the first time since 2010 (figure 1.9). An increase in manufacturing activity and continuing improvement in the global economic picture have led to the expected improvement in 2013. But it should be noted that the actual improvement in 2013 fell a little short of expectations. This is in contrast to the domestic UK picture where the reality exceeded expectation last year, and is perhaps an indication of the stronger recovery witnessed domestically compared with the UK's major export destinations.

The outlook for international road freight in 2014 appears strong with the measured expectation continuing along the trajectory of actual activity for 2013. As the global recovery is expected to gather strength beyond these shores, so there is cause to be optimistic that the UK international road freight sector will benefit accordingly. Accompanied hgv activity to mainland Europe grew by 12.5 per cent in 2013 (see LDI 36, page 13). Unaccompanied trailer

FIGURE 1.7 • UK domestic road freight activity sentiment

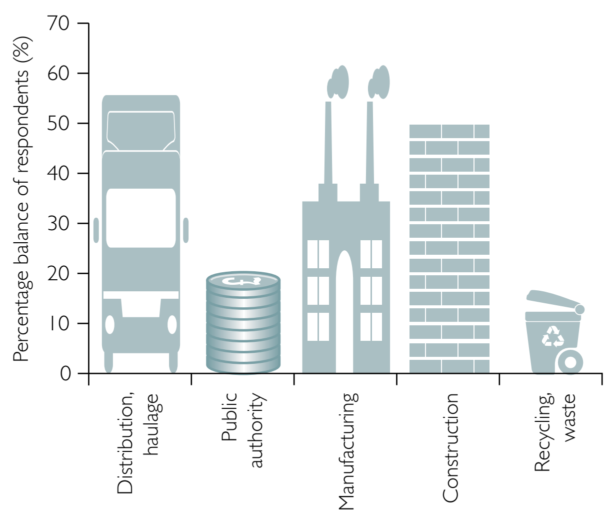
Expectation that there will be an increase in domestic activity in 2014



Sources: FTA Logistics Industry Surveys 2012/2013–2013/2014
FTA Quarterly Transport Activity Survey

FIGURE 1.8 • Business expectation for top 5 sectors for 2014 compared to 2013

Activity growth in top 5 sectors is positive

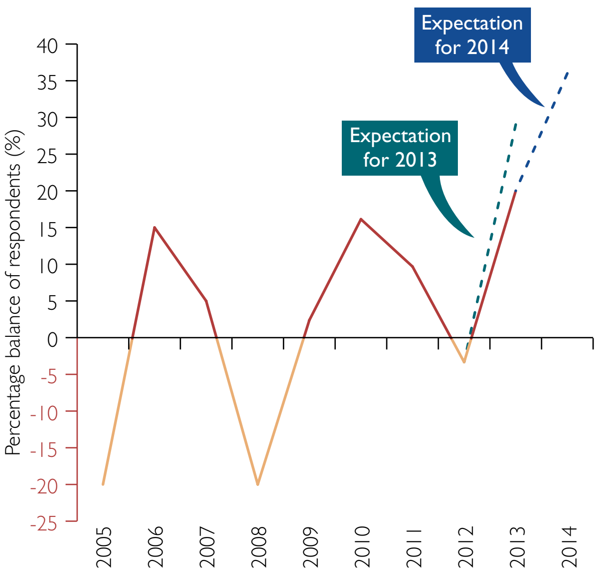


Note: Top sectors are defined by the number of respondents

Source: FTA Logistics Industry Survey 2013/2014

FIGURE 1.9 • UK international road freight activity sentiment

Expectation that the international market will recover in 2014



Sources: FTA Logistics Industry Surveys 2011/2012–2013/2014
FTA Quarterly Transport Activity Survey

FIGURE 1.10 • Economic expectations for 2014

Improved optimism for 2014

About the same as 2013
Better than 2013
Worse than 2013

Source: FTA Logistics Industry Survey 2013/2014

movements increased by 5 per cent over the same period (see LDI 35, page 13).

Overall, respondents expressed slightly improved optimism for economic growth in 2014 compared with the previous year (figure 1.10), with just over one half expecting the coming year to be better than 2013. This is an improvement on the expectations a year ago, where just under one half of the respondents expected the outlook to be better. This is also reflected elsewhere, for example in the latest CBI survey[8] for 2013 which expects continued modest growth throughout 2014, gathering pace in 2015. It also predicts that exports will grow by 3.6 per cent and imports by 2.2 per cent during the coming year. Indeed, export volumes outside the EU also grew by 1.1 per cent (see LDI 40, page 13), whilst exports within the EU shrank by a marginal 0.2 per cent last year compared with a 3.7 per cent contraction in 2012 (see LDI 39, page 13).

Capacity has shown significant improvement in both air and sea freight modes. Air freight continues the trend of underperformance compared to sea, with higher fuel prices winning out over customer sensitivity to speed of delivery.

Respondents to the FTA Logistics Industry Survey 2013/2014 who are involved in international shipping reported the strongest trade lane growth in North and South America (figure 1.11). South America in particular swung from negative growth for the previous year to strongly positive for 2013. Strength in the Far and Middle East lanes continued, reflecting the ongoing resilience to the global recession of economies in these regions. Overall there were improvements in all lanes with the exception of the Mediterranean, where growth continues to be stalled by the after effects of the Euro Zone crisis.

Air freight volumes broadly improved during 2013 (figure 1.12) with the exception of South America, which experienced modest falls, and Australia which saw a more significant drop. This may be in part due to the continuing strength of the Australian Dollar reducing the competiveness of the country's exporters.

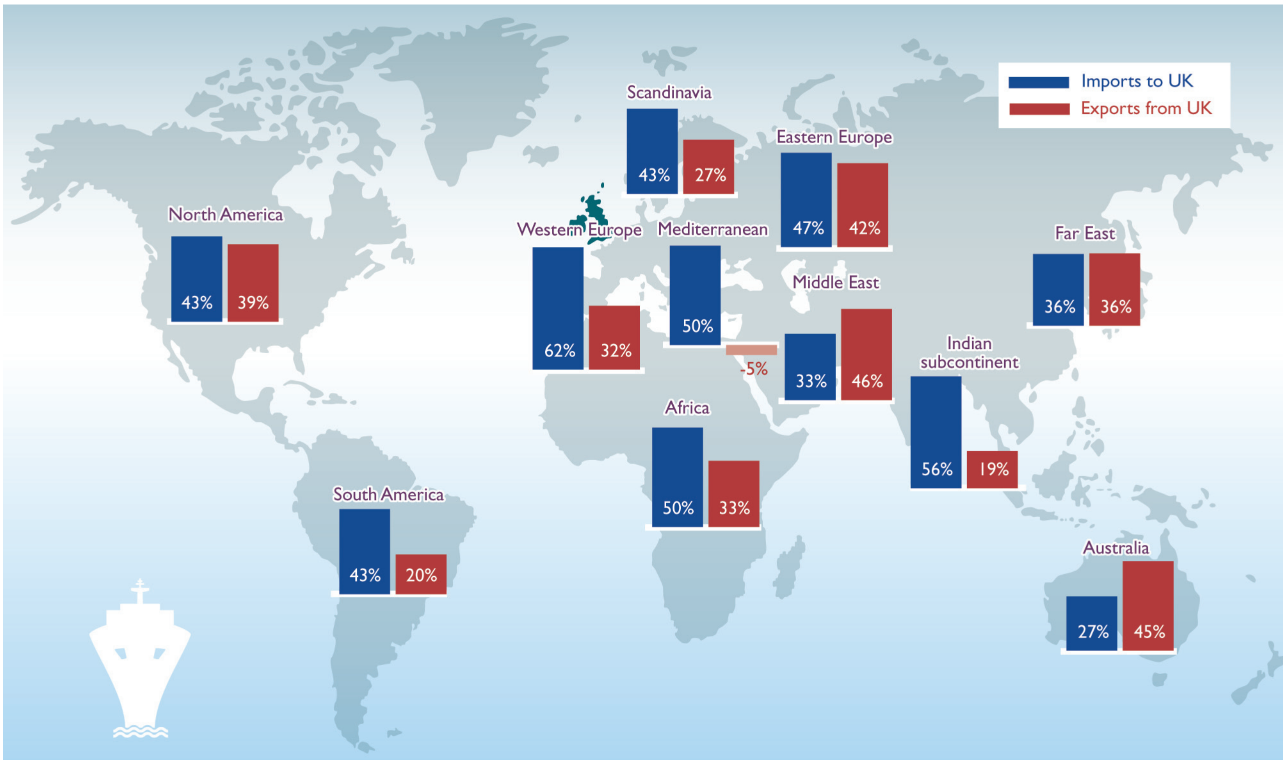
Levels of UK competitiveness with the EU and globally were also measured in the FTA Logistics Industry Survey 2013/2014. Respondents reported that competiveness had recovered both within the EU and globally when compared to 2012 (figure 1.13). This reflects the stronger improvement in the UK economy compared to its trading partners helped perhaps by stagnation in UK wages; a trend which is forecast to continue for at least the coming year.[9]

8 CBI Economic Forecast, November 2013

9 ECA International press release, 6 November 2013

FIGURE 1.11 • Deep sea shipping market sentiment in 2013

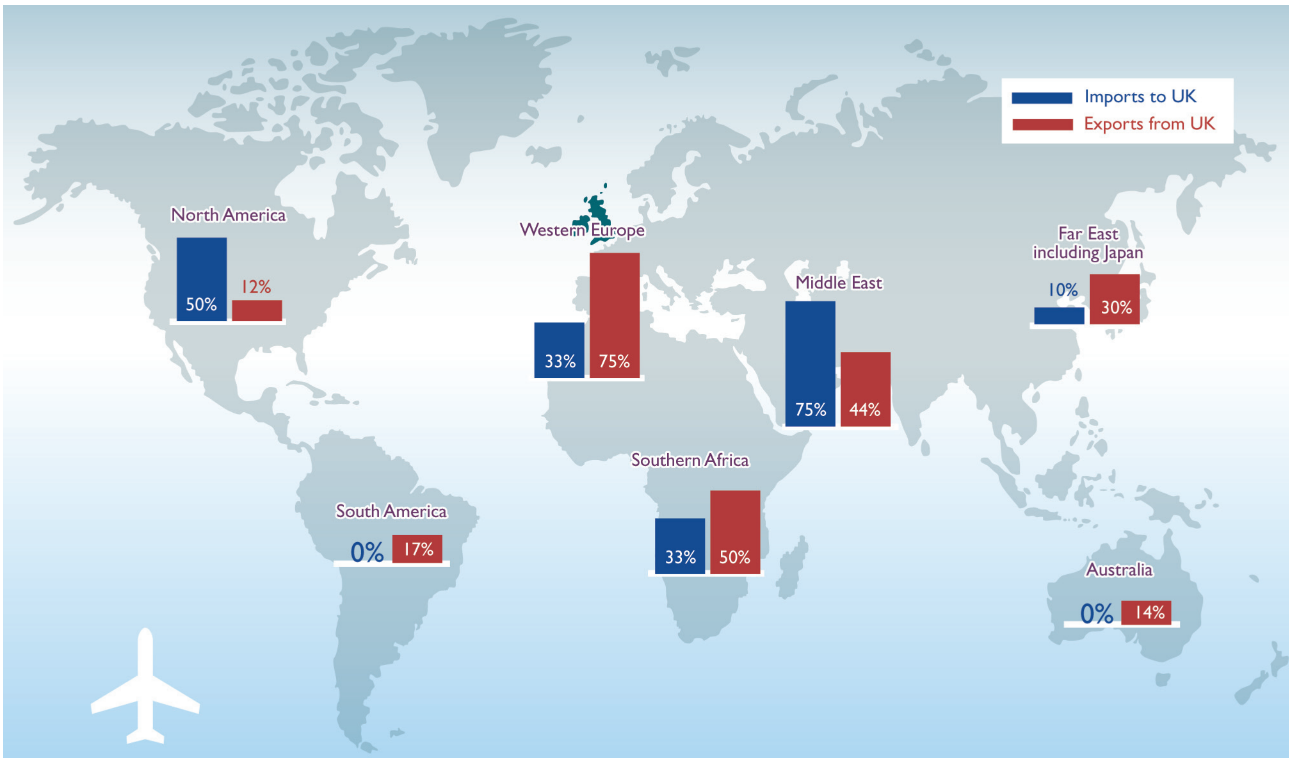
Strong growth in nearly all shipping lanes



Source: FTA Logistics Industry Survey 2013/2014

FIGURE 1.12 • Air freight market sentiment in 2013

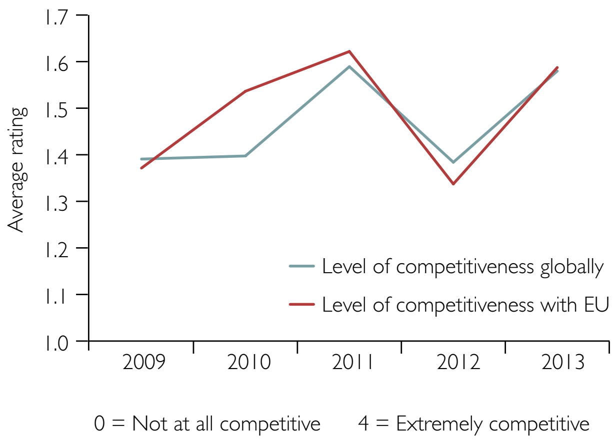
Air freight volumes generally robust in 2013



Source: FTA Logistics Industry Survey 2013/2014

FIGURE 1.13 • Level of competitiveness with EU and globally

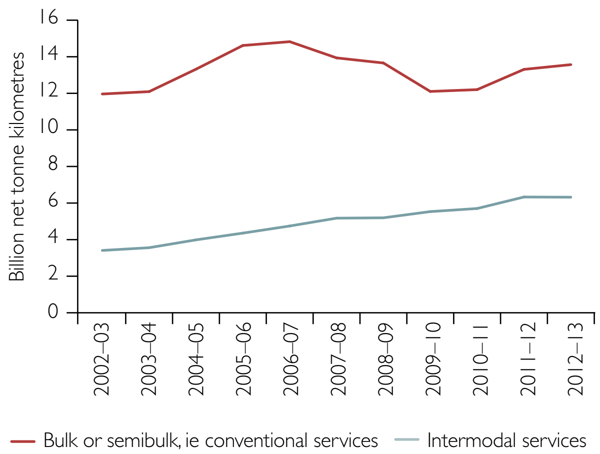
Improvement in perceived competitiveness of UK compared to other countries



Source: FTA Logistics Industry Survey 2013/2014

FIGURE 1.14 • Rail freight moved by market segment 2002–03 to 2012–13

Intermodal rail freight sees growth continue while key conventional, bulk markets begin modest recovery



Source: Office for Rail Regulation (ORR)

For 2013 the top country for UK exports was the United States and the top trading partner for imports was Germany. In terms of imports, China moved from eighth place in 2003 to third place 10 years later, with Norway appearing for the first time and Japan no longer in the top 10. In terms of exports China was not in the top 10 in 2003 but now claims seventh place, with UAE also appearing for the first time (tables 1.1 and 1.2 on page 26).

The continued strength of freight flows to international markets outside the EU is once again evidenced by modest improvement in intermodal services which is strongly linked to deep sea container shipping outside of the EU. These services showed a 1.92 per cent increase compared to 2012. Bulk services showed flat growth for the year but if the upturn in construction activity continues, then growth in these services should be expected over the coming year. Demand for intermodal container services fell by 2.5 per cent in 2013 compared to 2012, reflecting the Euro Zone problems (figure1.14).

Fuel prices

Fuel prices at the end of 2013 were broadly unchanged from a year earlier (table 1.3 on page 27) due to little change in the price of crude oil or the Sterling exchange rate year-on-year. The average price of a barrel of crude oil in December 2013 was around \$108 which is only marginally lower than the \$111 seen at the end of 2012. At the same time GBP/USD averaged around \$1.64 in December 2013, which compares to \$1.61 a year earlier. At an average of 109.6 pence per litre (ppl) for the month, bulk diesel prices in December 2013 were 0.9 per cent lower than a year previously (see LDI 49, page 13), and bulk gas oil prices were 0.1 per cent lower (see LDI 50, page 13).

The outlook for 2014 is somewhat uncertain with many observers citing an increase in production as a reason

TABLE 1.1 • UK top 10 trading partners – imports

Rank	2003	2013	Movement
1	Germany £33,142 million	Germany £55,320 million	←
2	USA £23,691 million	Netherlands £33,957 million	↑
3	France £19,783 million	China £31,576 million	↑
4	Netherlands £15,672 million	USA £30,983 million	↓
5	Belgium £12,189 million	France £24,759 million	↓
6	Italy £11,720 million	Belgium £19,926 million	↓
7	Irish Republic £10,031 million	Norway £16,774 million	NEW ENTRY
8	China £8,554 million	Italy £15,135 million	↓
9	Spain £8,445 million	Spain £11,936 million	←
10	Japan £8,247 million	Irish Republic £11,907 million	↓

Source: HM Revenue and Customs, Overseas Trade Statistics (December 2013)

TABLE 1.2 • UK top 10 trading partners – exports

Rank	2003	2013	Movement
1	USA £29,074 million	USA £39,740 million	←
2	Germany £20,392 million	Germany £30,744 million	←
3	France £18,508 million	Netherlands £23,896 million	↑
4	Netherlands £13,279 million	France £22,486 million	↓
5	Irish Republic £12,786 million	Irish Republic £18,113 million	←
6	Belgium £10,783 million	Belgium £13,622 million	←
7	Spain £8,767 million	China £11,584 million	NEW ENTRY
8	Italy £8,477 million	Spain £8,441 million	↓
9	Sweden £3,802 million	Italy £8,385 million	↓
10	Japan £3,738 million	UAE £5,834 million	NEW ENTRY

Source: HM Revenue and Customs, Overseas Trade Statistics (December 2013)

TABLE 1.3 • Change in principal transport fuel costs in 2013

All fuel product prices broadly unchanged

Product	Application	December 2012 price	December 2013 price	% change
Diesel	Hgvs, vans	110.61ppl	109.62ppl	-0.90
Gas oil	Rail freight	63.47ppl	63.36ppl	-0.17
Marine bunker fuel*	Deep sea shipping	1,439 (index)	1,415 (index)	-1.63
Jet kerosene	Air freight	$1,007.91/tonne	$1,009.06/tonne	0.11

* *Bunkerworld Index*

to expect the price of crude oil to fall during 2014.[10] However, the International Energy Agency has recently lifted its forecast for the crude oil price, citing increased demand in the US.[11]

For bulk domestic diesel, the expectation is for the price to remain broadly unchanged throughout 2014 (figure 1.15). This continues the trend of actual prices seen for 2013 which were flat across most of the year, driven by the abandonment of plans to increase fuel duty and a continuing absence of upward pressure on crude oil prices.

10 www.fool.com/investing/general/2013/12/20/oil-prices-2014-what-to-expect.aspx

11 www.ft.com/cms/s/0/c4983fb0-6248-11e3-bba5-00144feabdc0.html#axzz2pzSB3Y7p

In the case of road freight, fuel now represents around 40 per cent of total hgv operating costs for a 44 tonne articulated truck, up from 34 per cent in 2009. According to FTA's *Manager's Guide to Distribution Costs*, in 2013 the fuel costs of operating a fleet of 10 x 44 tonne articulated trucks in the UK was just over £520,000.

Labour costs

In 2013, basic pay for transport staff rose by 2.2 per cent (see LDI 47, page 13), which is half of 1 per cent below the inflation rate of 2.7 per cent for the same period (see LDI 43, page 13). This is well ahead of average earnings growth of 0.8 per cent (excluding bonuses).

In the Logistics Industry Survey 2012/2013 respondents indicated that they expected to increase salaries in 2013,

FIGURE 1.15 • Bulk diesel prices and price expectations for 2014

Diesel prices not expected to change

Source: EnergyQuote JHA

having decreased salaries for the previous two years. The trend of increased salaries is expected to continue in 2014 according to the Logistics Industry Survey 2013/2014 (figure 1.16), with a moderate acceleration of both basic and gross pay increases year-on-year.

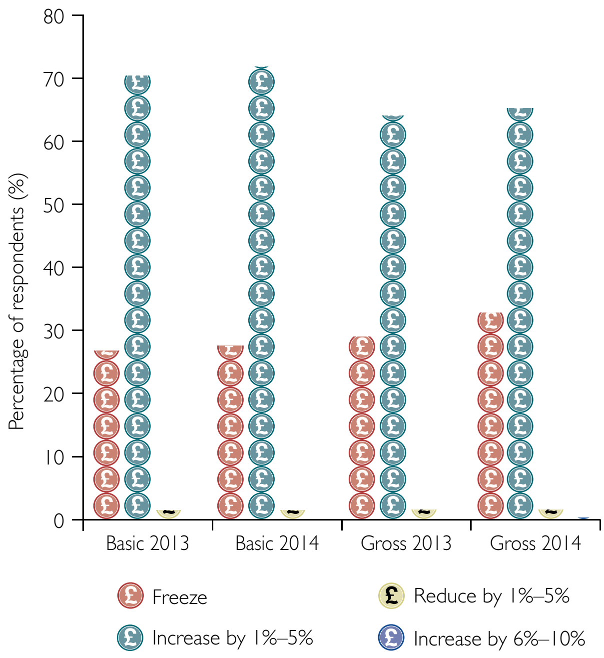
The increase in pay levels is also expected to be accompanied by an increase in the number of transport related staff (figure 1.17). At the same time, the use of temporary staff and the standing down of staff are both expected to decrease, indicating that business is anticipated to pick up next year. This is also reflected in the number of hgv drivers claiming unemployment related benefits (see LDI 9, page 12) which dropped steeply from 5,050 to 2,875.

In the FTA Logistics Industry Survey 2012/2013 respondents reported that they expected to decrease their use of third party services. The actual levels showed an increase for 2013 according to the Logistics Industry Survey 2013/2014. This may be because the recovery was slow to manifest itself so businesses continued to 'buy in' rather than invest themselves. However, respondents expect that the use of contract hire and contract distribution will decrease in 2014 (figure 1.18).

Hgv operating costs experienced a marginal increase of just under 1 per cent, according to FTA's *Manager's Guide to Distribution Costs*. This compares favourably with the moderate 2.7 per cent RPI increase and reflects the

FIGURE 1.16 • Percentage of respondents changing staff pay

Majority of respondents increased pay in 2013

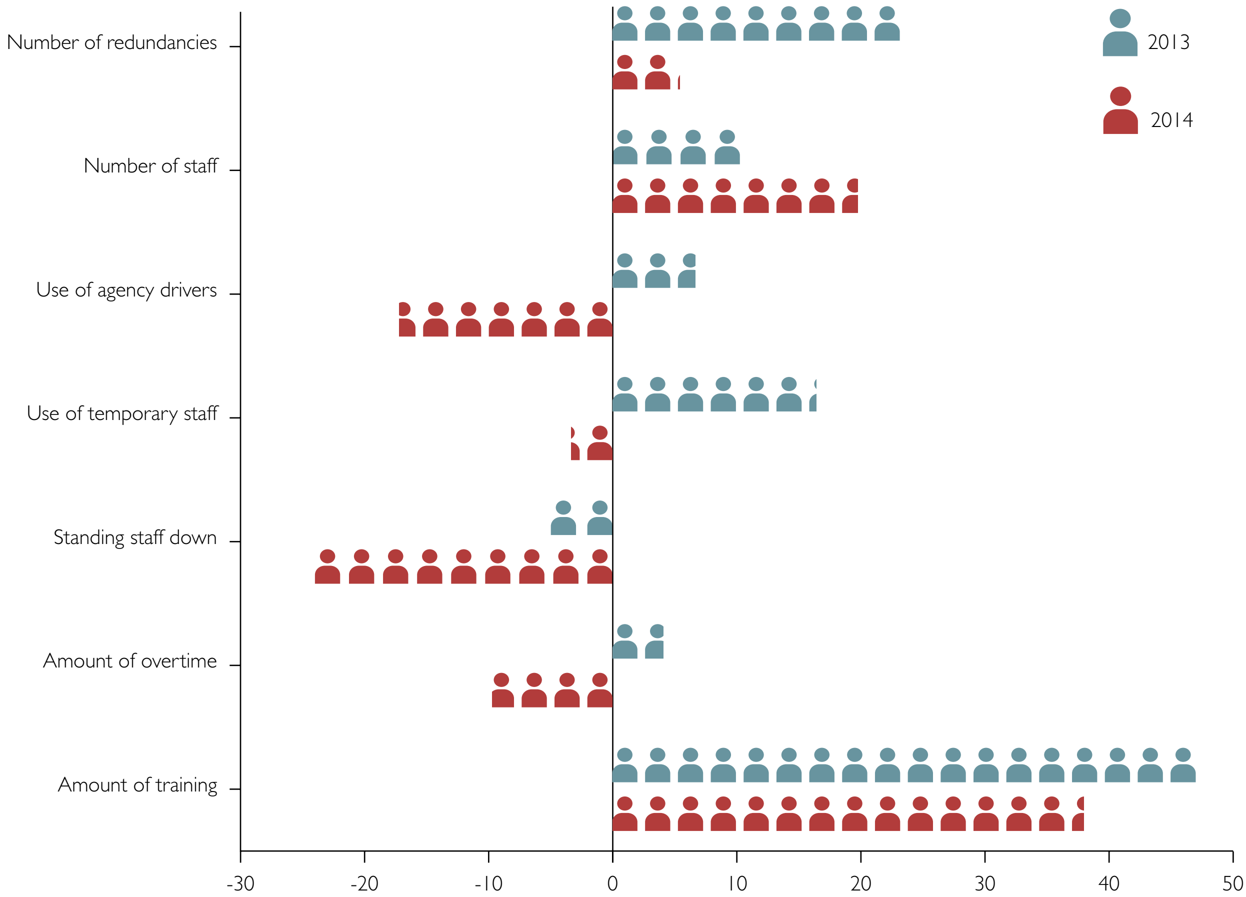


Note: gross pay is the total of basic pay, overtime, productivity payments and other pay

Source: *FTA Logistics Industry Survey 2013/2014*

FIGURE 1.17 • HR priorities for transport related staff 2013–2014

Companies expect to reduce redundancies and employ more staff in 2014



Source: FTA Logistics Industry Survey 2013/2014

FIGURE 1.18 • Demand for third party services

Increased demand for hauliers but little change to contract hire and distribution

Sources: FTA Logistics Industry Surveys 2010/2011–2013/2014
FTA Quarterly Transport Activity Survey

As a result of major investments in Euro V chassis at the end of 2013, the market for Euro VI will be depressed for the early part of 2014. This distortion should normalise in the second half of this year.

Ray Ashworth
Managing Director, DAF Trucks Ltd

relatively stable price of fuel and lack of fuel duty increases throughout the year.

Changes in transport costs in 2013 saw moderate increases when compared to the previous year, according to the FTA Logistics Industry Survey 2013/2014. The fuel duty freeze helped to reduce fuel price volatility, in tandem with moderate fluctuations in the price of a barrel of oil throughout most of 2013. Other costs such as repair and maintenance and insurance also saw only modest increases, perhaps due to subdued wage increases across all industrial sectors (see figure 1.20).

Investment intentions

For the last few years the recession has had a profound impact on investment intentions with stagnant business volumes and ever increasing running costs feeding into a reduction in investment plans. 2013 may have marked a turning point with economic output returning to more broad-based growth and unemployment falling towards the end of the year at a far greater rate than previously predicted.

FTA's *Manager's Guide to Distribution Costs* reported that during 2013 operating costs rose by 0.9 per cent (see LDI 48, page 13) which is a marginal increase on the 0.7 per cent recorded for the previous year. At the same time, typical haulage rates increased by 1.5 per cent (figure 1.19), reflecting the moderate upturn in the economy.

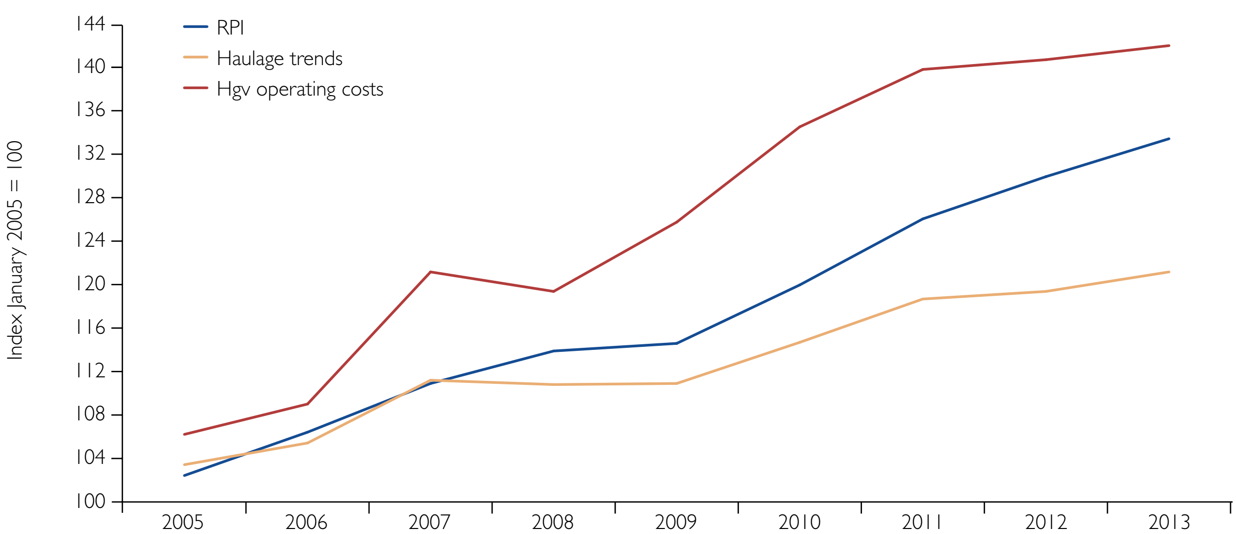
The erosion of operating margins in recent years has finally turned a corner which is welcome news, with margins recovering to 3 per cent from around 1 per cent a year earlier (see LDI 1, page 13), although this is still lower than the 4 per cent reported for both 2010 and 2011.

The more positive UK economic picture is reflected in the levels of commercial vehicle registration, which showed significant increases on the previous year for both hgv and van categories (figure 1.21). However, it should be noted that the registration levels still fall slightly short of pre-recession levels.

Fleet investment intentions also saw substantial improvement according to the FTA Logistics Industry Survey 2013/2014 (figure 1.22). The actual balance of responses for hgv, van and trailer fleets all showed that, for 2013, respondents invested more than they had expected to. A possible explanation is that the Euro VI exhaust emissions standard for new registrations came into effect on 1 January 2014 with an associated prohibitive

FIGURE 1.19 • Trends in operating costs and haulage rates 2005–2013

Long-term hgv operating cost rises continue to outstrip increases in haulage rates

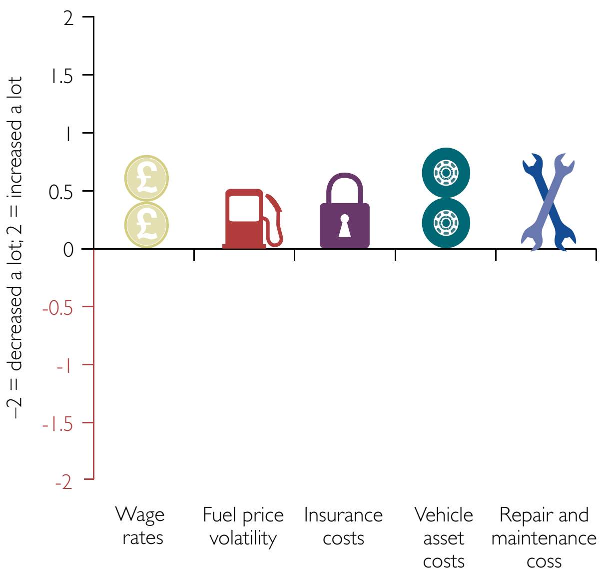


Source: FTA's Manager's Guide to Distribution Costs on-cost to operators who had probably stockpiled Euro V vehicles as a consequence. With the exception of van fleets, expected levels of investment for 2014 are lower, indicating that there is generally sufficient capacity available for the anticipated business volume for the coming year.

Respondents to FTA Logistics Industry Survey 2013/2014 indicated that across the board, large scale investment plans for 2014 are downscaled from 2013 (figure 1.23). This indicates that while the short-term outlook is better than it has been for some time, there is still uncertainty around the mid to long-term.

FIGURE 1.20 • Changes in transport costs in 2013 compared to 2012

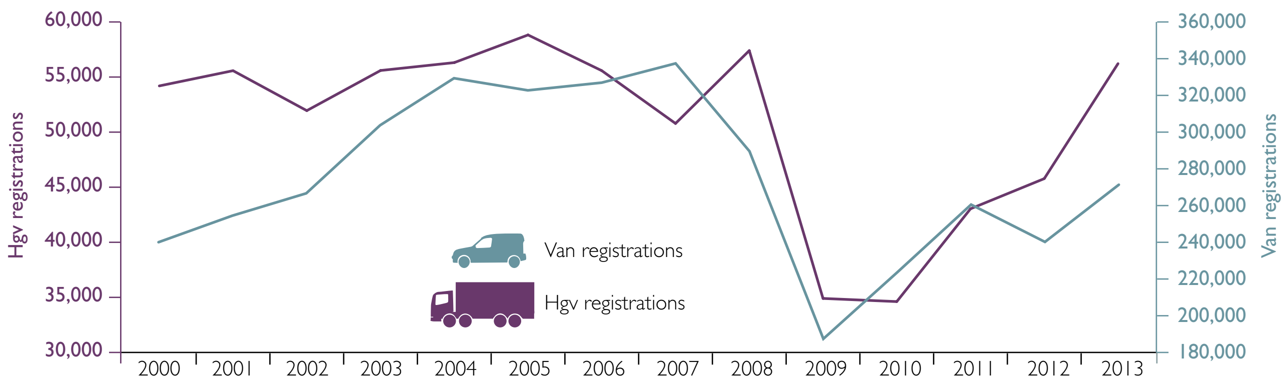
Little change in fuel price due to fuel duty freeze



Source: FTA Logistics Industry Survey 2013/2014

FIGURE 1.21 • Commercial vehicle registrations 2000–2013

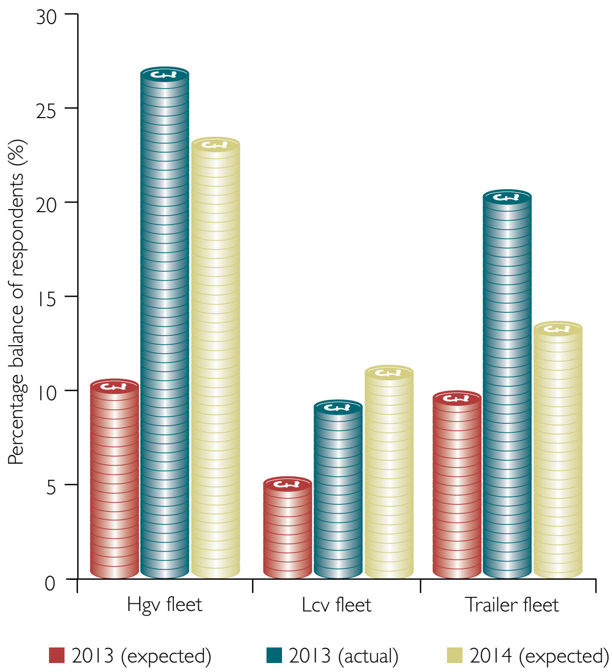
Hgv registrations grew in 2013 but remain below pre-recession levels



Source: SMMT

FIGURE 1.22 • Fleet investment intentions

Operators expect to purchase more vans in 2014 than in 2013



Source: FTA Logistics Industry Survey 2013/2014

The politics of logistics

Fuel and infrastructure dominate a packed logistics agenda for politicians

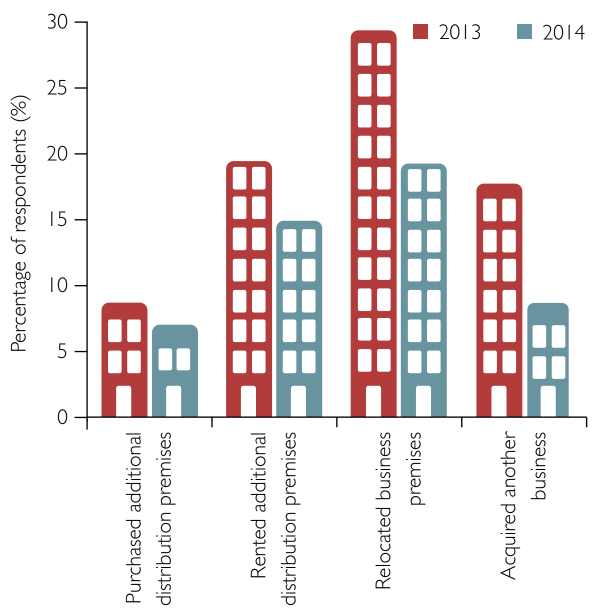
It is generally accepted that the performance of the economy, and the ability of the main political parties to convince voters that it is safest in their hands, will be a decisive factor in next year's General Election. As the parties develop their manifestos in the run-up to the Election it seems likely that the ambivalent attitude of politicians to logistics will manifest itself with renewed vigour. Transport and logistics is a vital component of economic health. Issues such as fuel duty, the future of aviation and infrastructure provision are likely to be hot topics. But while logistics performs an essential role, elections are also a time when politicians may be tempted to reach for populist messages, in spite of the implications should they be elected (or re-elected).

The 2010 Coalition agreement[12] set out a programme for each area of Government policy. 2013 saw a major element of this approaching reality; early in the year enactment of the HGV Road User Levy Act took place. The Coalition had promised to "work towards the introduction of a new system of hgv road user charging to ensure a fairer arrangement for UK hauliers." The HGV Road User Levy will allow foreign operators to be charged for use of UK roads with domestic operators paying the levy and, in the majority of cases, being compensated through vehicle excise duty renewals from April 2014. In the course of 2013, Government also announced that it had brought forward the point at which foreign operators would be included within the scheme to align with the date for UK operators. Draft legislative clauses were published in December, including vital detail on the vehicle excise duty and HGV Road User Levy rates that will apply.

Fuel duty remained the top issue in the last year, as it has throughout this Parliament. The FairFuelUK (FFUK) campaign continued to make the case for a change in the approach to taxation of fuel. At the Conservative Party Conference in September the Chancellor indicated his hope of freezing fuel duty for the remainder of the Parliament. In his Autumn Statement, delivered in December, he confirmed that the fuel duty increase that was due to take effect on 1 September 2014, and which had already been deferred, was cancelled. This was expected to be worth 1.61 pence per litre (ppl), saving industry around £186 million. Figure 1.24 shows the significant savings that have been secured through campaigning in this area.

FIGURE 1.23 • Large-scale business investment plans in 2013 and 2014

Economic stagnation reflected in fewer businesses committing to longer term investment

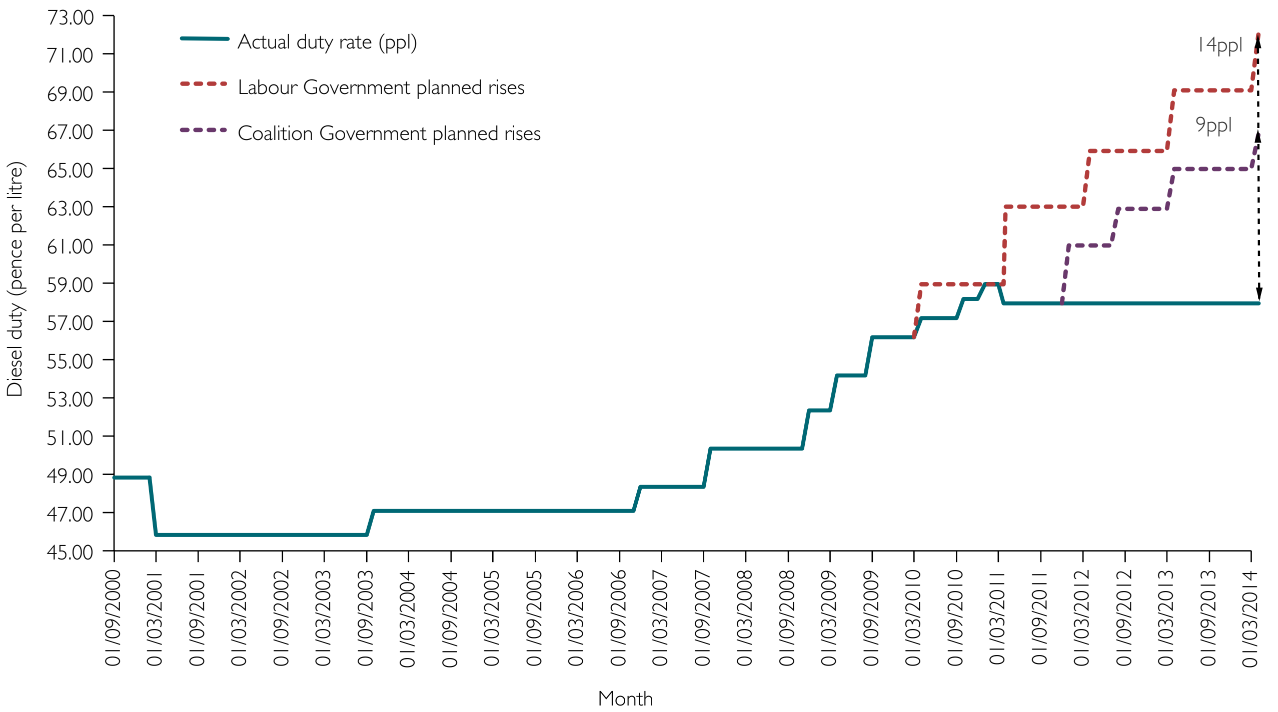


Source: FTA Logistics Industry Survey 2013/2014

12 *The Coalition: our programme for Government*, HM Government, May 2010

FIGURE 1.24 • Fuel duty 2000–2014

Sustained campaigning has kept fuel duty below successive governments' planned increases



Source: FTA, Office for National Statistics

However, there is still no long-term strategy for fuel duty that will enable companies to feel secure in planning in the event of sudden spikes in the price of oil or the competitive disadvantage felt in comparison to Europe. Neither is there any sense of security that in the future the current policy of not pushing ahead with fuel duty increases will continue. But there is a perception that as politicians seek measures that will be popular with the general public, a fuel duty cut could look more attractive. FFUK has already commissioned two independent studies[13] that show the economic benefits that could be produced by making such a cut and continued to press for this over the course of the year.

In 2013, the future of HS2 seemed a little less clear, with Labour Party support appearing to waver. At the party conferences in September, supporters of the project underlined the importance of industry support to its success. However, it is clear that the support of logistics is contingent upon guarantees being received in terms of freight access to released capacity elsewhere on the rail network and upon vital pots of money for road and rail maintenance and the Strategic Freight Network not being diverted to help meet HS2 expenditure. Rail freight customers also expressed dissatisfaction at the way in which the process of establishing a new track access charging regime for freight impacted business confidence in the long-term future of the mode, and sought reassurances from the Office of Rail Regulation that future negotiations would better reflect wider Government policy on modal shift.

The debate over paying for infrastructure improvements entered a new phase, with the Government consulting on improvements to the A14 which would be funded by a toll. The response of consultees underlined the political risks of this approach and the Rt Hon Danny Alexander MP, Chief Secretary to the Treasury, announced on 4 December that tolls would not be put in place when the improved route was opened. It remains to be established how

The Government believes that a modern transport infrastructure is essential for a dynamic and entrepreneurial economy, as well as to improve well-being and quality of life. We need to make the transport sector greener and more sustainable, with tougher emissions standards and support for new transport technologies.

The Coalition: our programme for Government
HM Government, May 2010

13 *The impact on the UK economy of a reduction in fuel duty*; Centre for Economics and Business Research, March 2012 and *The Impact of Fuel Duty on the Macro-Economy* NIESR, September 2012

Government will find the £1.5 billion that was anticipated from tolling. Organisations such as FTA, while not opposed to tolling in principle, welcomed the decision because the plans failed to meet its *Tolling Charter* (a set of conditions under which tolling would be acceptable to industry).[14] FTA has emphasised the importance of delivery of the road improvements.

However, the discussions over road pricing and who should pay for new infrastructure (and how) seem likely to continue. Future charging for existing schemes, such as the Severn Crossing, also remains unclear with both the Welsh and UK governments staking a claim to the millions in annual revenue once the crossings pass back into public ownership. However, the issue will need to be resolved by politicians as it seems likely that the future level of the toll will be a matter for the next government.

Elsewhere the Coalition Government has made welcome commitments to investment, with successive Budgets promising capital spending. At Budget 2013, the Chancellor also announced changes to the way infrastructure is planned, promising longer term certainty over its funding to be enshrined in legislation and to provide business greater certainty that a change in Government need not result in the abandonment of necessary schemes.

Much of the heat has been taken out of the debate over future hub airport capacity for the UK by the establishment of the Airports Commission, which in December published its interim report stating that there was a need for 1 additional runway in the south east of England by 2030. The Commission is not set to issue its final report until after the next General Election. Night flights also remain a much-debated issue which was consulted on last year. It is worth noting that the principal airports, which are important employers in their own right, rely on night time express deliveries. For the most part, these are also based in marginal seats that any prospective government will want to win.

Media coverage of the tragic deaths of cyclists in London – a number of which involved lorries – meant that the issue of cyclist safety attracted a great deal of attention in 2013. Industry has been working with Government, Transport for London, local authorities and cycling groups to find the best ways of improving safety for all road users. However, the immediate populist response of proposing measures such as lorry bans has been in need of addressing – as it is easy for the media and politicians to lose sight of the link between the goods lorries carry, the services they provide and the vehicles themselves. Logistics is key to the urban economy.

The A14 is a crucial link to the Haven ports – which are predicting a 3-fold increase in throughput by 2030. We've listened to the consultation responses, and we've come to the decision that when this road goes ahead in 3 years' time there will be no toll. This will not lead to any delay in delivery and the cost will be covered by Government.

Rt Hon Danny Alexander MP
Chief Secretary to the Treasury

From the point of view of logistics, failure to plan for effective deliveries constitutes a serious barrier to economic recovery and poor transport planning is a recipe for worse safety records and deteriorating air quality.

October saw a Cabinet and Shadow Cabinet reshuffle. There was no change at the top of the Department for Transport, with Secretary of State the Rt Hon Patrick McLoughlin MP remaining in charge. The ministerial team also sustained its transport knowledge with Robert Goodwill MP, a farmer and former professional lorry driver, becoming responsible for freight, the road network, aviation, cycling and the motoring executive agencies. From the Liberal Democrats, Baroness Kramer became Transport Minister, bringing long-standing experience of infrastructure development.

14 Reproduced in the *FTA Logistics Report 2012*, April 2012

The year ahead

While many minds are focused on the vote in 2015, this year will also see significant democratic activity. In May, the local and European Parliament elections will take place. People will be able to vote for new councils in Northern Ireland and 32 London boroughs, all 36 metropolitan boroughs, 76 second-tier district authorities, 20 unitary authorities and various mayoral posts, all in England. The largely urban councils up for election in England control a substantial range of issues that directly affect industry. Loading/unloading provision and enforcement, local speed limits, pedestrianisation, cycle infrastructure, truck access and movement restrictions, local air quality policy and support for alternative fuel infrastructure are all largely controlled by these councils. As an example of how this matters, London Councils, the collective grouping of London boroughs, is committed to consider if it should restrict lorry movements during the day, as it currently does at night. The new political make-up of the boroughs after May will shape London Council's Transport Committee and thus what approach it takes on this issue. In Northern Ireland these will be the first elections to the 11 new 'super councils', following a reorganisation. The new 11 will shadow the existing 26 councils until April 2015. After this date they will take on all the old councils' responsibilities plus some issues from the central Northern Ireland government – such as off-street parking enforcement.

The new batch of UK Members of the European Parliament (MEPs) will have an influence over a wide range of issues such as weights and dimensions, emissions from heavy duty vehicles and ships, and the European Commission's upcoming work on logistics policy. The mix of MEPs elected will be critical to the decisions made in Europe, with voters traditionally using the elections to support parties such as UKIP and the Green Party with their widely differing attitudes to business and transport.

September will also see the Scottish Independence vote, which regardless of the outcome will have consequences for those engaged in logistics. In July 2013, the Department for

Business, Innovation and Skills published its *Scotland Analysis Paper* which considered the impact of independence on Scottish motorists.[15] It identified the bodies that Scotland would need to create to replace those provided by the UK and the additional costs that hgv operators would face to use UK roads with the introduction of the HGV Road User Levy.

In terms of logistics there is plenty to occupy the minds of politicians, including: the looming deadline for truck drivers to have completed their Driver Certificate of Professional Competence (Driver CPC) in September 2014; the ongoing debate over goods vehicles and cyclist safety; the delivery of the Government's promises on infrastructure; the conflicting arguments about HS2; longer semi-trailers trials; the weights and dimensions debate in Europe; and the need to address air quality and carbon emissions. There is no shortage of issues.

15 *Scotland Analysis Paper on Business and Microeconomic framework,* Department for Business, Innovation and Skills, July 2013

Future outlook – FTA analysis 1

The FTA Logistics Industry Survey 2013/2014 asked respondents to rate the risk and importance of a range of issues they were likely to encounter.

- Economic – world oil prices and economic growth were by far the most important perceived risks. The most important opportunity was recruitment and employee development, reflecting recent figures indicating a faster than expected reduction in unemployment levels
- Political and policy – fuel duty and other issues related to running costs were amongst the most important risks. Safety standards related to hgvs and cyclists were also seen as a significant risk, whilst infrastructure spending was seen as the most important opportunity

Economic indications are that growth is beginning to return, meaning that demand for movement of goods is likely to increase too, but business confidence is still fragile. It is tough making the case for investment in logistics, especially if the cost base remains vulnerable to sudden price increases as a result of changes in the world oil prices, or erosion of margins as a result of an unlevel playing field with competing EU operators.

Businesses also need to be aware that politics in a period of growth is likely to be different. The next General Election may be fought over handling of the economy, but whoever gains power will expect concrete actions from businesses to achieve key environmental and safety targets.

Securing competitive advantage will be vital for success in this anticipated era of slow, incremental growth; FTA believes that a range of policy tools will need to be deployed to ensure that every aspect of the infrastructure and networks required for trade can function effectively.

- Government should put in place a strategy for fuel duty to enable companies to feel secure in planning in the event of sudden spikes in the price of fuel or in the disadvantage felt in comparison to other EU countries
- Government should commit to the current policy of freezing fuel duty over a longer period and, to further promote growth, fuel duty should be cut by 3ppl

The following chapters explore in more detail the measures that need to be put in place by Government to promote competitive logistics.

FIGURE 1.25 • Economic risks and opportunities for 2014

Oil prices, economic growth and employees are seen as the most important issues

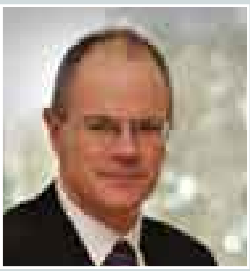
Source: FTA Logistics Industry Survey 2013/2014

FIGURE 1.26 • Political and policy risks and opportunities for 2014

Running costs, safety standards and infrastructure spending are the most important issues

Source: FTA Logistics Industry Survey 2013/2014

Insights • Logistics – a voting issue



James Hookham
Managing Director – Membership and Policy, FTA

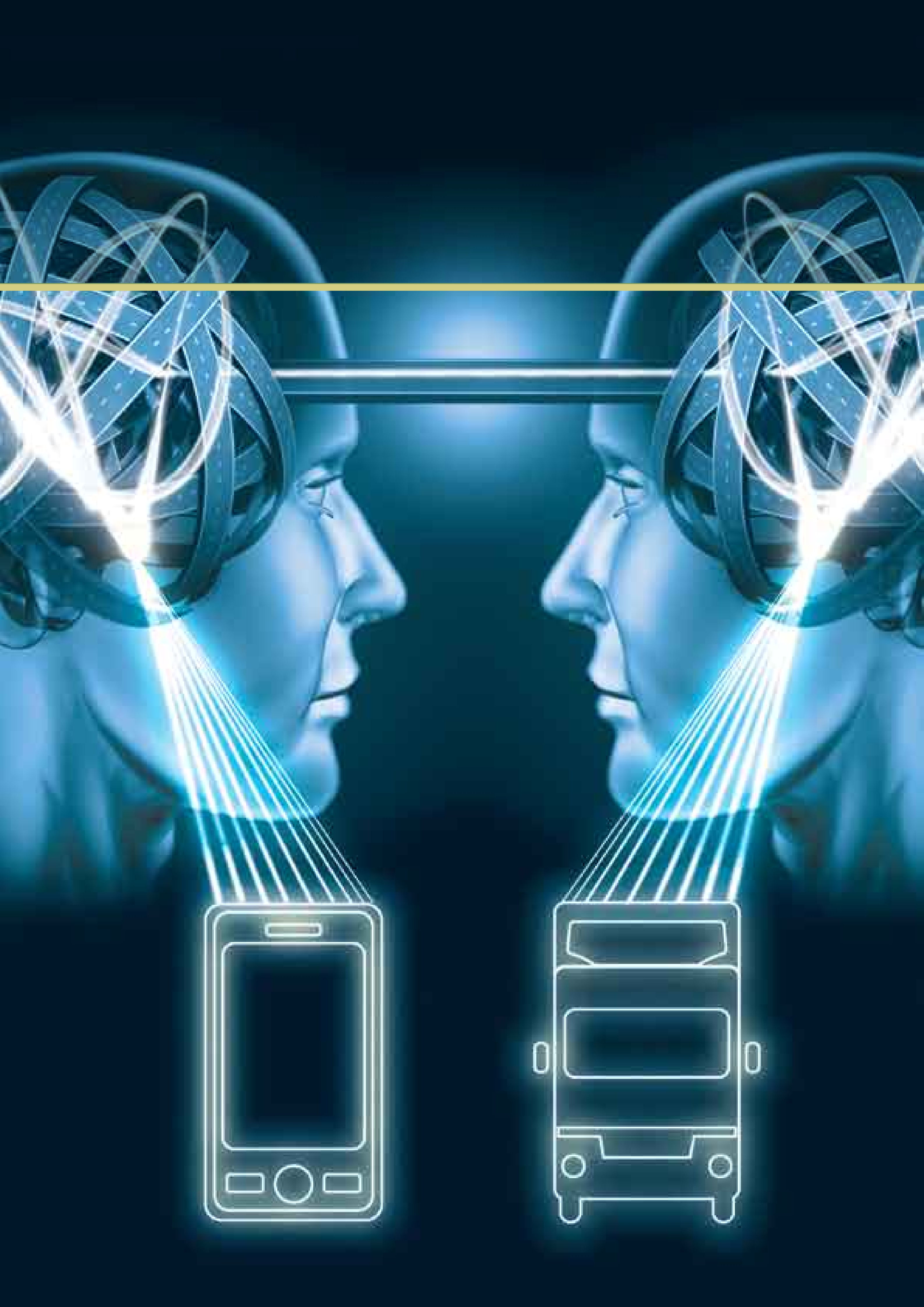
As we progress through 2014, the minds of both politicians and their strategists are turning to the General Election and the messages they need to put forward in order to gain the public vote. The focus in 2015, as in 2010, is likely to be the economy. While conditions in the UK have improved, there will undoubtedly be conflicting messages about the extent of the turnaround and whether now is the time 'for a new approach' or 'to build on the current successful strategy' (or words to that effect…).

Under these circumstances it can be a difficult task to make logistics a voting issue. However, our experiences with the FairFuelUK campaign show that it can be done, and that when it is, it has real impact. The challenge is to demonstrate just how important logistics is both in supporting the economy and 'delivering' modern day lifestyles. If members of the public understand that certain policies will mean they cannot receive their deliveries, or that they will cost them more, then they will start to take notice. And when that happens, we can be sure that politicians will also start to take notice – they cannot afford not to!

In order to promote this understanding, FTA is publishing a Logistics Manifesto *showing how any future Government can ensure the UK has an effective and efficient logistics sector. This will be used as the benchmark against which the political parties' manifesto commitments can be tested and publicised. Armed with the evidence and with the support of our members, we will strengthen the voice of logistics and ensure it is heard across the political spectrum.*

CHAPTER 2

Making connections



Making connections

From the import of raw materials to the delivery of finished products outside a store, the quality of the UK's transport networks is fundamental to its economic success. Effective logistics is a vital enabler of growth but are we smart enough in the way we promote key transport hubs and access to them, or in the way we plan for access to our towns and cities? Is the UK making the link between prosperity and connectivity?

The connectivity context

The role of world class infrastructure in securing sustained growth in the UK economy

The hoped for upturn in the UK economy will be manifested through trade and consumer confidence; the role of imports and exports of goods in achieving this growth underlines how essential ports, airports and the road and rail links to them are. In their third infrastructure survey[1] conducted between May and July 2013, the CBI and KPMG found that the UK investment environment was improving but that confidence in Government delivery remained flat. The quality and reliability of transport infrastructure was important to 85 per cent of respondents, but 49 per cent of respondents were dissatisfied with the quality of domestic transport networks. The survey also underlined the importance of links to our main trading partners and emerging markets, to help the UK keep pace with its desire to compete globally. There is increasing concern over the quality of links with emerging markets (figure 2.1). The World Economic Forum ranks the UK 28th for its overall infrastructure, behind Germany, France and the US[2], the weakest ratings being for our roads and airports (both also 28th in their respective international rankings).

The expansion of social media and online shopping is also driving change in logistics; surges in demand may mean sudden increases or reductions as a product receives widespread exposure through the internet – whether good or bad. As new consumers gain power in emerging

1 *Connect More: CBI/KPMG infrastructure survey 2013*, September 2013

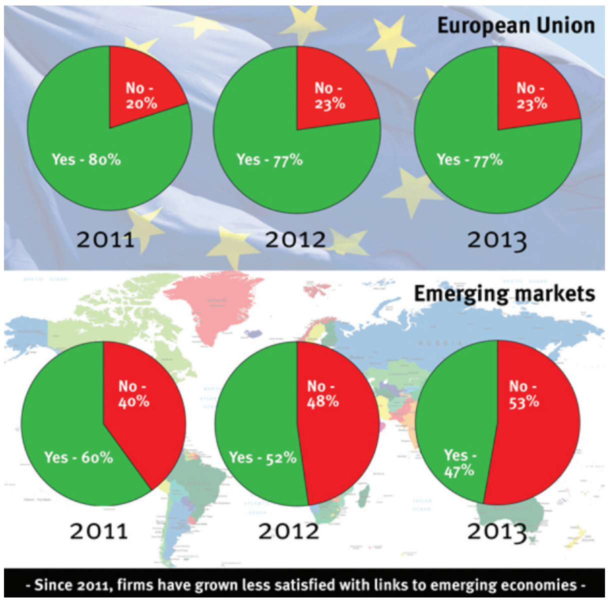
2 *Global Competitiveness Report 2013–14*, World Economic Forum, September 2013

Quality infrastructure is vital for boosting exports, unlocking business investment across the UK, and supporting our leading firms – an essential element of a meaningful industrial strategy. I know that ministers share my enthusiasm for progress, but Government has talked the talk on infrastructure for the last 2 years with too few signs of action.

John Cridland
Director General, CBI

FIGURE 2.1 • Links to the EU and emerging markets

Are businesses satisfied with links to overseas markets?



Source: Connect More: CBI/KPMG infrastructure survey 2013 economies, the desire for brands will become ever more global. For logistics this means increased unpredictability as supply chains adjust to become more flexible. Phenomena that may emerge from supply chain reconfiguration, such as near sourcing and reshoring,[3] present opportunities for national economies that can offer a competitive trading environment and for logistics to be part of the growth.

Reshoring of production has been identified as a possibility for several sectors, including textiles, computer manufacturing, electronics and machinery, business support services, telecommunications and research and development. The circumstances leading to this are a reduction of the wage gap with emerging markets (which is likely to continue); higher and/or volatile international transport costs; and an increasing understanding of the downsides of offshoring – problems related to factors such as quality assurance, supply chain security, responsiveness to changing UK consumer tastes and increased costs of managing remote overseas operations.[4]

The trend is at a very early stage which makes modelling its impact difficult, but it is clear that making certain that the UK's transport infrastructure is up to international standards will play a vital role in ensuring the UK is best placed to take advantage of it.

It is this background which needs to inform UK decisions on infrastructure improvement, creation and investment to promote our connectivity; developments in 2013 should be viewed in light of this scenario.

Sea freight and global trade

Sea freight is adapting to volatile global conditions

With 95 per cent of UK imports arriving by sea and 40 per cent by value arriving by air freight, the importance of these modes and the necessity of our country's global connectivity through their use should not be underestimated.

In November 2013, the first scheduled vessel called at DP World London Gateway carrying fruit and automotive parts from South Africa. After some 10 years of planning and construction, as well as uncertainty as a result of the global economic downturn, the terminal – dubbed a 'superport' – was open for business. On the one hand, the London Gateway is a central element of the regeneration of the gateway area – once the site of the Shell Haven oil refinery – and core to political aspirations to create jobs and prosperity; large-scale logistics is good for generating direct employment and supporting wider economic activity in the community. But it is also a symbol of the desire of supply chains to get closer to the end customer in a world that many observers think is set to be dominated in future by growth in the number and scale of 'mega-cities'.

There are no ordinary citizens to witness the workings of an industry that is one of the most fundamental to their daily existence. These ships and boxes belong to a business that feeds, clothes, warms and supplies us. They have fuelled if not created globalisation.

The Daily Telegraph
'Container Shipping: the secretive industry crucial to our existence', 6 September 2013

Security, immigration and anti-terrorism concerns mean that ports and airports today are highly controlled environments to which the general public does not have access. The mysteries of global logistics remain, and are perpetuated, in a sector whose scale is difficult to comprehend.

As travel and trade have changed over time, ships and their cargoes have developed in size, character and technology. Investment in a new generation of UK deep water ports, such as Southampton and Felixstowe, as well as London Gateway, must allow them to accommodate the new, much larger vessels ordered by the world's shipping lines.

The global shipping and aviation[5] sectors struggled with over-capacity during 2013 with the arrival of newly built larger capacity ships and more capacity in aircraft than

Disruption over the last decade has only re-enforced the need for reliable and responsive supply chains. Key UK industry sectors like automotive have called on air freight to counter supply problems; indecision on expanding UK airport capacity only serves to damage our industry.

In the effort to reduce costs, points of supply have shifted to more volatile areas, which again requires an extended supply chain reliant on air and ocean facilities and the infrastructure to support them. All of this makes it vital to increase investment whilst continuing to drive costs down – as we have one of the highest fuel duty rates in the world this would be a good place to start.

Ian Veitch
President, FTA

3 'Near sourcing', a term used to describe a business strategically placing some or all of its operations close(r) to where its end products are sold. 'Reshoring', bringing outsourced personnel and services back to the location from which they were originally outsourced

4 *UK Economic Outlook*, PwC, March 2014

5 International Air Transport Association, http://www.iata.org/whatwedo/Documents/economics/eChartbook-Q4-2013.pdf

freight to fill them, affecting rates – a phenomenon with mixed implications for those engaged in logistics. In terms of sea freight, PwC has observed that "albeit at a lower level than in previous years, the delivery of large numbers of ships will continue into a depressed freight market already marked by overcapacity."[6] The outlook for 2014 may be more positive, but the recent increases in order books could undermine this.[7]

2013 saw the announcement of fierce rivals in deep sea shipping – Maersk, CMA-CGM and MSC – coming together to form the P3 Global Alliance; a move which many shippers using the trades affected viewed with concern. In part, the formation of the P3 seems likely to be about reducing costs, although the industry has also been keen to achieve rate stability in a competitive trading environment. The P3 is to reduce the number of ships dramatically, by 26 per cent overall, and its creation sparks a number of questions. What will happen to their 91 ships in the 7,000–10,000 TEU (tonne equivalent unit) capacity range of container vessels? Will they be kept in reserve or deployed in trades elsewhere? The gap will be filled by the larger new generation of ships in the 16,000–18, 000 TEU range. The P3 has also indicated there will be a rationalisation of port calls and of terminals, although at this stage it is not known which ports and terminals will be affected. Such moves provoke questions from cargo owners about how the deployment of these larger vessels and port and terminal rationalisations will affect or improve vessel operations and the range and quality of services made available to shippers, and how they will share in any benefits. But it should arguably also heighten domestic policy focus on keeping the UK maritime sector, including its ports, competitive.

In November, MPs on the House of Commons Transport Select Committee urged the Government to invest in port access, saying that the Department for Transport (DfT) should become a keener advocate for UK ports.[8] The Committee said that Government should contribute to significant improvements to strategic networks that will accommodate increased traffic, as a result of port expansion, where they also deliver wider benefits, rather than expect port operators to pick up the entire bill. MPs also called for greater consistency in the way this policy is applied across the country. It also said that if the Government chooses to apply European Commission state aid rules in this area more strictly than other EU countries, it should explain why it does so. Government was also urged to devise a more effective successor to the Waterborne Freight Grant, to stimulate coastal shipping.

The efficiency with which ports operate and the ability to move goods in and out effectively are also crucial. Cargo owners see extended port and wharf opening hours and the ability to operate 24/7 as vital to promote growth and competitiveness. Local and national politicians can help this to happen by following policies that ensure residential developments are designed, and where possible located, to minimise noise nuisance from port and wharf activity so that essential logistics activity is allowed to flourish.

Government has a role to play in helping maintain the confidence of investors to continue to invest in world class

6 *Still Battling the Storm: Global Shipping Benchmarking Analysis 2013*, PwC

7 *Navigating your way to calmer waters?*, March 2014, PwC

8 *Access to ports* inquiry report, November 2013, House of Commons Transport Committee

port facilities in the emerging 'new normal' global economy[9] where the UK must battle for attention, resources and services from increasingly adept global competition. Other factors are of interest to cargo owners as well, such as encouraging the use of ports near sites of manufacture and processing other than the traditional deep-sea ports of Southampton and Felixstowe, an issue often cited by shippers in the north of England. The growth in near-sourcing, identified as an opportunity in the FTA Logistics Industry Survey 2013/2014 (figure 2.12 on page 56), will also require more short-sea services calling at a wider range of UK ports.

Why air freight matters

Safety, security and speed make air freight the top choice for urgent, high-value consignments

While over-capacity and under-performance affected air freight rates and load factors in 2013, the domestic agenda continued to be dominated by the debate surrounding increased UK airport capacity. Much of the discussion has centred on passenger air travel. However, air freight is also crucial to the UK economy. It supports high-value trade links and needs to continue to allow UK businesses to access developing international markets. It may be a small proportion of all freight by tonnage but it represents more than a third of the value of UK total imports and exports. The highest value goods, most essential shipments and most sensitive commercial documents are flown across the world, for reasons of safety, security and speed. Global shippers pay the UK air freight industry over £3 billion to carry 2 million tonnes of goods a year.

In December 2013, the Airports Commission, chaired by Sir Howard Davies, published its interim report.[10] This confirmed that there is a need for new airport capacity in the south east of England and set out 3 options.

- **Gatwick Airport** – a new runway to the south of the existing runway
- **Heathrow Airport** – one new 3,500m runway to the north west
- **Heathrow Airport** – extension of the existing northern runway to at least 6,000m, enabling it to operate as 2 independent runways

The Commission's work is also being informed by the DfT's consultation on the next regime of night flights which took place during 2013 and is yet to report; this review, and the Commission's interpretation of it, has important implications for air cargo shippers, especially courier companies and those with urgent (principally pharmaceutical and advanced manufacturing) products. In light of the ongoing investigation by the Commission, the latest consultation proposes setting a 3-year regime, until October 2017; this would retain the features of the current regime, particularly as respects the number of movements and permitted noise quotas. The impact of noise is a key consideration for the Airports Commission and may impact on its ultimate findings when it reports in 2015.

Promoting rail freight growth

The need to ensure that network capacity remains available for rail freight growth at the right price

The year in rail freight was dominated by questions over a shift in regulatory policy and its consequences. During 2013, the Office of Rail Regulation (ORR) continued its Periodic Review (PR13), a process by which it determines what Network Rail must achieve between 2014 and 2019, the money it requires to do this, and the incentives needed to encourage delivery and outperformance. This is important for logistics because it sets the price for accessing Network Rail's track, a significant proportion of the cost of using rail freight. Previous periodic reviews are generally accepted as having fostered a positive climate for rail freight growth. However, at the start of the process in 2012, ORR said that

9 "The key to managing in the current world economy is not to look back and try to recover the trends we had before, but to recognise that we are in a 'new normal' in which the UK, and other western economies, are likely to continue to see disappointing growth and heightened volatility." Andrew Sentance (PwC), *FTA Logistics Report 2013*, April 2013

10 *Airports Commission: Interim Report*, 17 December 2013

it wanted to increase charges to reduce taxpayer support for rail overall and make freight "pay more of its shared network costs", termed "freight avoidable costs".

In early 2013, concern focused on the fact that the variable track access charge (paid by all freight operating companies) could increase by up to 23 per cent on current levels as per the ORR's public consultation. The additional charges for coal for power generation and iron ore could have seen these sectors' costs rise by a further 15 per cent and 9 per cent respectively.

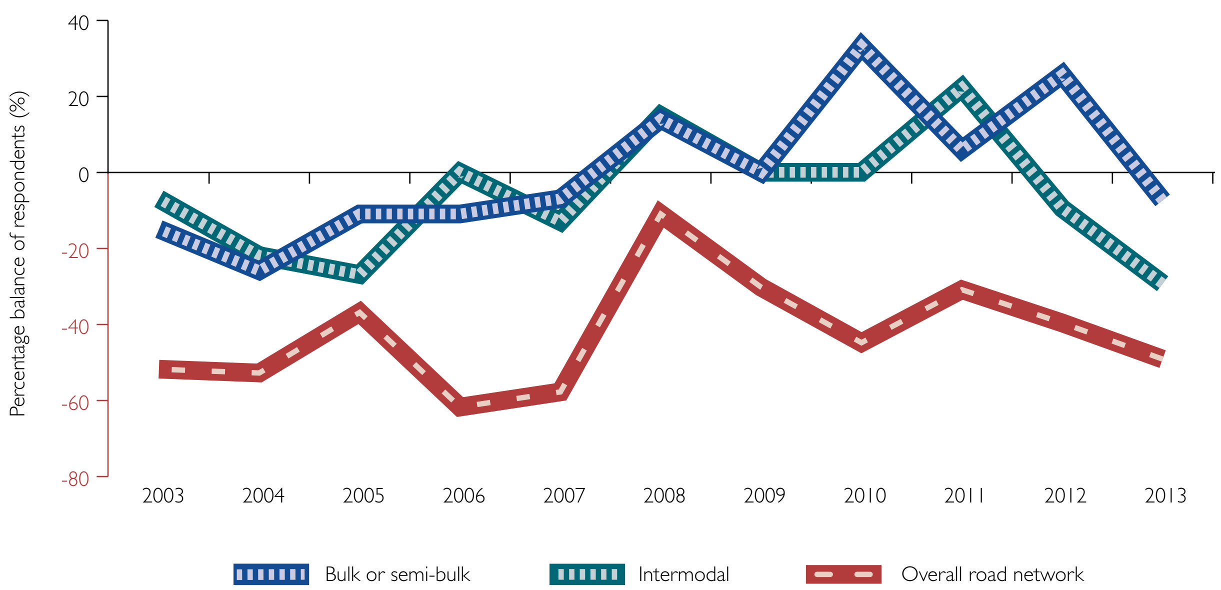
When ORR's *Draft Determination* was published in June it was in fact cautiously welcomed by customers as giving a degree of reassurance and certainty for this control period; a 'cautious' welcome because the proposed increases to be implemented through ORR's *Final Determination* were not as bad as they could have been. In spite of this, it remains the case that total freight charges will increase by 21 per cent over the control period, 4 per cent per year. However, charges for what is now the biggest sector on rail and the one with the largest growth profile, intermodal freight, are to be kept in line with earlier determinations. In spite of this, rail freight users have expressed concern whether, in time, intermodal movements may also be deemed 'captive'.

The Government has deposited a Hybrid Bill in Parliament for Phase One of High Speed 2 (HS2) between London and the West Midlands; in January 2013, proposals to extend Britain's new high speed rail network north from Birmingham to Manchester and Leeds were announced. With political opinion divided on the desirability and benefits of HS2, the subject was one of intense debate throughout 2013. While coverage of the issue has largely focused on the passenger rail aspects, there are also substantial issues for logistics in terms of: the actual number of paths released on the 'classic' (ie non-high speed) network that will be available for freight; the impact on existing freight paths of non-high speed passenger rail competition; and, access to HS2 for freight. As with HS1, fast moving freight (intermodal, overnight parcels, automotive, etc) could run on HS2 at less busy times, if it is catered for at the design and construction phases. DB Schenker is currently running trains on HS1 but this was only made possible following a legal challenge to the Hybrid Bill for its construction.

The intense focus on these issues, far from stemming from a decline in rail freight, arises because of logistics' aspirations to use it to move more goods and to ensure that the connectivity supply chains need for future resilience can be met by the mode. Those areas where the mode has advantages over road are better appreciated than in the past by shippers that can benefit from its combination of volume and reliability into distribution centres. Meanwhile, the rail network has retained a marginal edge on network reliability when compared to our roads (figure 2.2), although it too has seen a year-on-year decrease compared to an increase for the previous year.

FIGURE 2.2 • Road and rail network reliability

Rail retains network reliability attractiveness over road



Sources: FTA Logistics Industry Surveys 2010/2011–2013/2014, FTA Quarterly Transport Activity Survey

Reliability of road freight

Road freight reliability threatened by increasing traffic levels

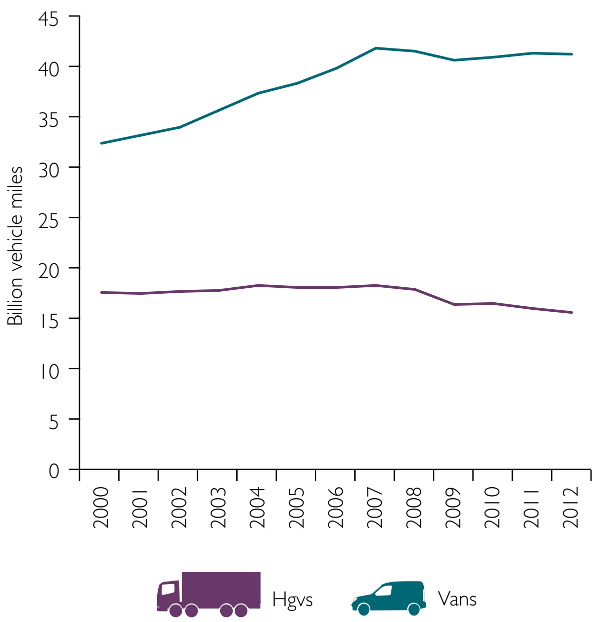
The effect of continuing subdued economic activity is evident in the reduction of commercial traffic since the last economic peak in 2007 (figure 2.3). According to the latest data, hgv traffic fell by 2.5 per cent in 2012 compared to 2011, while van traffic decreased by 0.25 per cent. Hgv traffic is now 15 per cent below its 2007 pre-recession level.

With the recent upturn in economic activity, the perception of business is that road network reliability continues to decrease (figure 2.4). The extreme weather conditions of winter 2013/14 may well contribute further to the decreased reliability as the aftermath of storm and flood damage becomes evident. If the UK is to establish and maintain world class infrastructure, its response to adverse weather conditions and restitution of the network in their aftermath, will be under close scrutiny.

Data from DfT on road reliability in England shows that the percentage of journeys made on 'A' roads which were on time showed marginal improvement compared to 2012 (figure 2.5). However, this followed a year which saw a substantial decrease compared to the previous one, due to the persistent adverse weather experienced in 2012.

FIGURE 2.3 • Road traffic (billion vehicle miles) 2000–2012

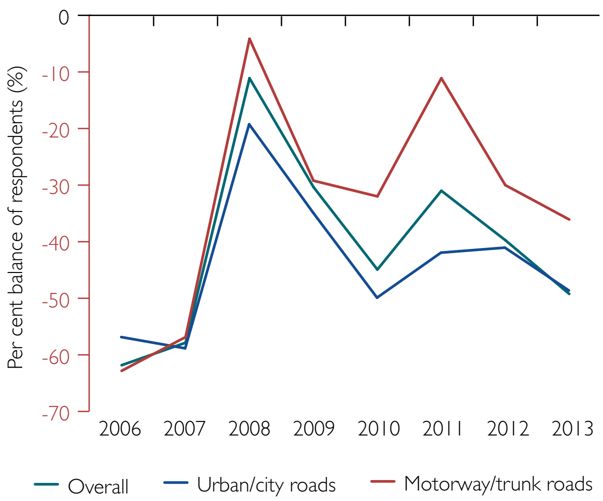
Hgv traffic continues to decline



Source: Transport Statistics Great Britain 2013 Table TRA0101 (TSGB0701)

FIGURE 2.4 • Reliability of road network

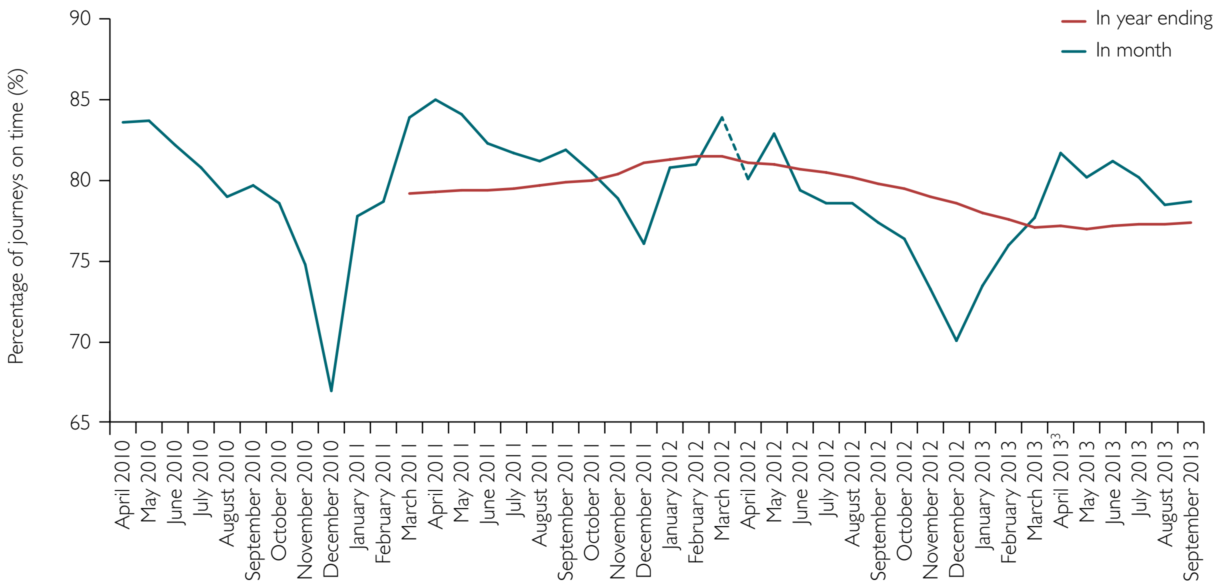
Perceived rate of deterioration in reliability most pronounced on the urban road network



Sources: FTA Logistics Industry Surveys 2010/11–2013/14, FTA Quarterly Transport Acitvity Survey

FIGURE 2.5 • Percentage of journeys on Highways Agency's motorways and 'A' roads deemed 'on time': monthly from April 2010 to September 2013

Slight improvement in 'on time' journeys compared to 2012

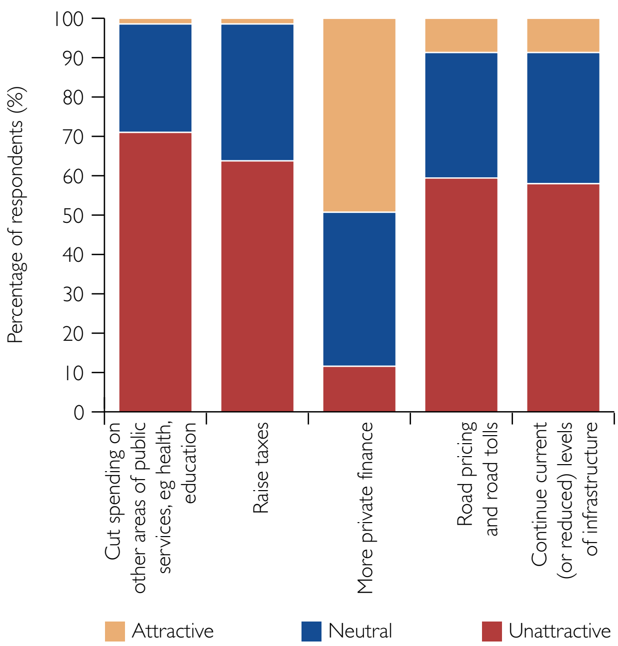


Notes:
1 'Journeys' are defined as travel between adjacent junctions on the network
2 An 'on time journey' is defined as one completed within a set reference time, drawn from historic data on that section of road
3 Reference times are updated for the April data each year

Source: DfT – Reliability of journeys on the Highways Agency's motorway and a road network: January 2014

FIGURE 2.6 • Government policies to fund infrastructure improvements

Private finance favoured as most attractive policy



Source: FTA Logistics Industry Survey 2013/14

Making the road network better

Government reveals its thinking on changes in the way the road network is managed

The latest roads reliability data (figures 2.4 and 2.5) show that even though there is less traffic than before the recession (15 per cent less), journeys are still unacceptably unreliable. If the current economic upturn proves to be entrenched, then this situation can only get worse; Government faces the choice of implementing measures to manage demand on the Strategic Road Network, through pricing or other constraints, or increasing the supply of capacity by securing investment in new or improved infrastructure. It also faces decisions about where the balance of investment should lie, between making traffic flow better on local roads or on motorways and dual carriageways.

In the FTA Logistics Industry Survey 2013/14, respondents were asked their opinion about how the Government should fund infrastructure improvements (figure 2.6). The results show that spending cuts, road tolls/levies or tax rises were not considered to be attractive options. Indeed, all of these options place a further burden on businesses and the still fragile economic recovery. By far the most popular approach was to use private finance to achieve much needed improvements to infrastructure.

Government revealed a great deal more of its thinking on infrastructure investment in 2013, although it still faced some criticism for a lack of clarity on details and delivery of specific schemes.

Following Spending Review 2013 in June, Government published *Investing in Britain's Future*. Chief Secretary to the Treasury, Rt Hon Danny Alexander MP, said that he was announcing the "biggest programme of investment in our roads in 40 years. This Government will invest over £28 billion over the 6 years from 2014 in enhancements and maintenance of national and local roads." As well as saying that all the major schemes in the Highways Agency pipeline would be delivered, he also announced the go-ahead for a number of other major schemes. These included improvements to the M4 London to Reading, the M6 junctions between Birmingham and Manchester, M5 junctions Bromsgrove to Worcester and M1 junctions near Long Eaton and south of Rugby.

Crucially, he announced that the Highways Agency was to be transformed into a publicly owned corporation. This would mean that the organisation would have the long-term funding certainty and flexibility to deliver the best possible road network for the UK's motorists. He also said that Government would legislate to ensure that the reforms and investment that had been announced were guaranteed to eliminate the stop-start approach to roads investment that came with changes of government in the past.

This was then followed in July by a paper describing the Government's policy on achieving this.[11] It described how the Highways Agency would benefit from greater independence and be provided with a clearer and more consistent picture of its future aims. It also promised that from 2015 onwards the Highways Agency would have long-term funding certainty on its capital and maintenance programme, initially to 2021, and the Government would guarantee through legislation the requirements of the funding settlement to ensure that future governments could not cancel its planned schemes with a stroke of a pen. The Agency would also become a 100 per cent Government-owned company, controlled by statute but free from central Government red tape. A further consultation on the practicalities of doing this, including provisions for a motorists' champion, was launched in October.[12] The result of these developments will be a fundamental change in the way UK roads are managed; it will also offer the potential for the introduction of meaningful service level requirements to be met by the provider of the road network. These are important things to get right if the UK is to have world class infrastructure.

A toll too far?

The year also saw decision makers brought face to face with the political difficulties associated with charging for strategic infrastructure. In France, the government's plans to introduce an environmental 'eco-tax' on trucks on major routes were met with mass protests, some of them violent. Amid statements that the technology was not yet ready to launch the charge, the implementation due in October 2013 was first delayed to January 2014 (and then delayed again).

The results of the public consultation on tolls to pay for the construction of improvements to the A14 corridor between Cambridge and Huntingdon were more peaceful but no less emphatic. The outcome of the consultation was announced in December, with DfT concluding that "tolling is almost universally unpopular".[13] FTA, while not opposed to tolls in principle, had set out the conditions via its *Road Tolling Charter* – that would need to be satisfied in order to secure its members' support; the proposed scheme fell short of approval, not least because of a lack of clarity on the level of charge and absence of a viable un-tolled alternative. While Government remains committed to the

11 *Action for Roads: a network for the 21st century*, July 2013, (Roads Command Paper), DfT

12 *Transforming the Highways Agency into a Government-owned company*', October 2013, DfT

13 *A14 Cambridge to Huntingdon: public consultation on route options 2013 – consultation report*', December 2013, DfT

scheme, issues with the route still need to be resolved and the method by which the un-tolled road will be paid for needs to be explained.

The impact on logistics of these announcements has been viewed as positive for the most part, although notes of caution have been sounded over the sometimes significant differences in the needs of passenger and freight users and how operators might be protected. It is also clear from the reaction to the plans that industry values the role of Government in providing investment in the national transport infrastructure and in creating the policy certainty needed to allow the private sector to invest where Government cannot. As for the longer-term implications of this thinking for investment in the road network for the future, that is more difficult to call. Is it a prelude to increased investment, road pricing, or a combination of both?

The final mile

The last link in the supply chain is most prone to disruption when freight needs to access urban areas

At the start of the chapter the focus was on the UK's links with the rest of the world, our main trading partners and emerging countries. The Government aims to boost exports and encourage manufacturing to promote a more balanced economy; but we also need to get goods to domestic consumers, whether these are delivered direct to homes or collected in store or at another point by the customer. The final miles of the supply chain, and how efficiently they operate, are crucial to competitive logistics; arguably, some supply chains are at their most fragile and exposed to disruption and delay when goods arrive in urban areas on the last leg of their journey to the consumer.

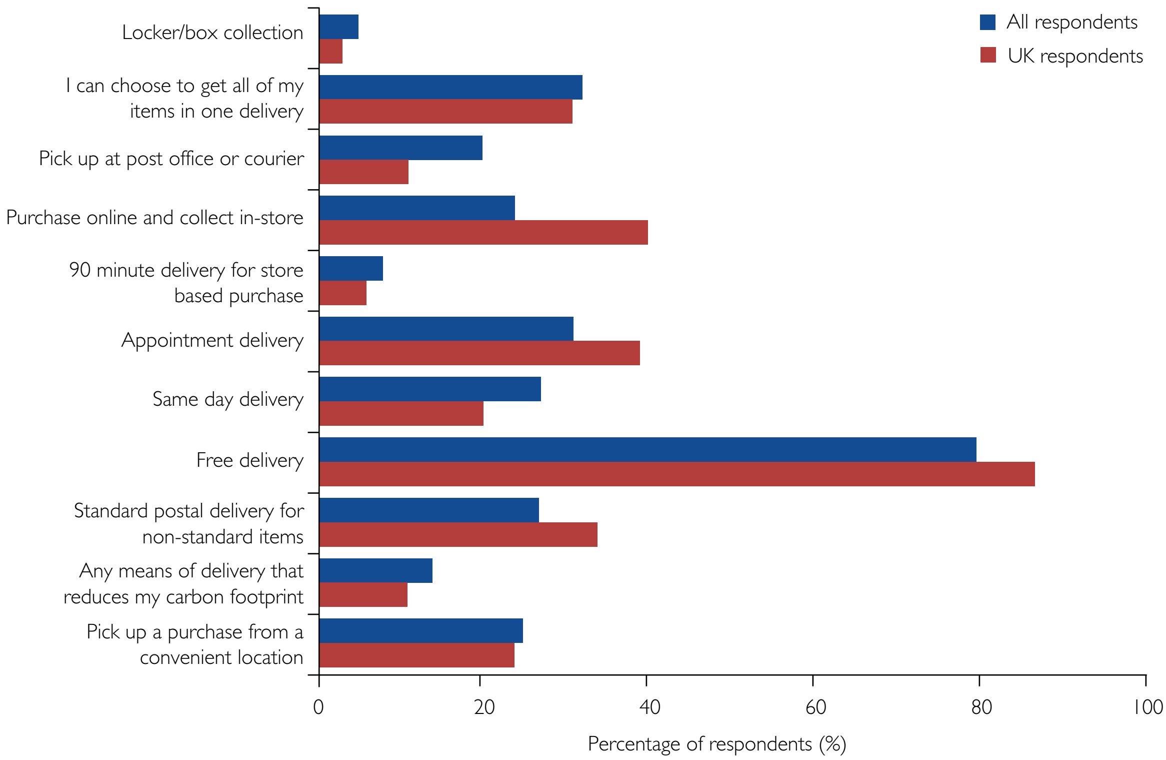
Different retailers have taken differing approaches to the means they offer to customers wishing to purchase their goods. At the extremes there are the online-only offerings, for example selling specialist leisure equipment and foods, and a diminishing number of single channel – store or catalogue – retailers. In the middle are retailers providing a range of ways of purchasing their goods whether from stores, catalogues or the web.

Logistics and e-commerce

The UK leads the world in e-commerce, with growth now coming from increased frequency of online purchasing by individuals rather than take-up of the technology from

FIGURE 2.7 • Online deliveries

Which are the most important delivery options for you when making a purchase online?



Source: Total Retail Survey (UK cut), PwC, February 2014 new users. Britain has the highest rate of online shopping in Europe. In 2013, 72 per cent of British adults shopped online, up from 53 per cent in 2008.[14] PwC predicts that online sales will be 25 per cent of non-food and 10 per cent of food by 2018 and identified that tablet and smart phones will account for 25 per cent of online retail sales by 2017. PwC's Total Retail Survey[15] found that regardless of experience, online shoppers tend to shop across 5 or fewer retailers (57 per cent of consumers). But footfall on the high street has fallen 8.1 per cent since 2010[16] although the number of store closures is slowing.

Regardless of the means they are purchased by the consumer, these goods need to be delivered. The Total Retail Survey offers some interesting insights into UK trends in online deliveries (figure 2.7). The dominance of postal delivery as a preference is clear, although the popularity of in-store collection and appointment deliveries in the mix underlines that retailers need to offer a range of options if they are to appeal to all consumers.

Parcels returns are growing faster than deliveries at around 10 per cent a year. The debate over the sustainability and cost of free returns continues as online purchasing gains ground; 80 per cent of consumers in the Total Retail Survey said free postage for returns was important to them compared to 53 per cent for global respondents (figure 2.8).

14 *Statistical Bulletin: Internet Access - Households and Individuals*, 2013, Office for National Statistics

15 *Total Retail Survey*, UK Findings, February 2014, PwC

16 Experian FootFall UK, Footfall National Index 2013

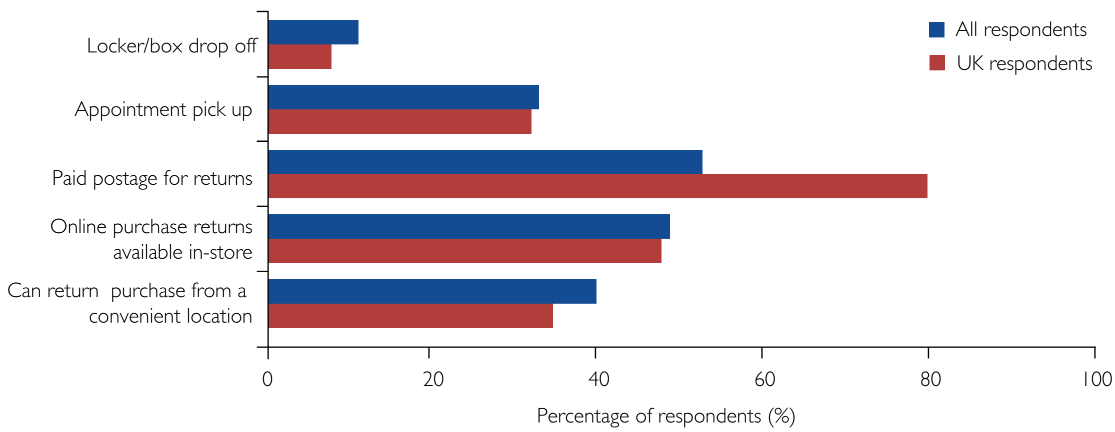
Many of these goods reach customers by means of parcels home delivery. The UK B2C parcel market, including all deliveries and returns, is due to grow by 4.8 per cent a year, mainly as a result of increasing use of online shopping by consumers. PwC predicts that home delivery volumes will increase by 3.7 per cent per year to 2018; over 1 billion parcels are expected to be home delivered in 2018. While overall online retail will grow more quickly, the lower rate of growth for parcels is due to digital substitution of products such as music and DVDs, and online substitution of non-store retail such as catalogues. Clothing and footwear is the largest and fastest growing category of parcel home deliveries and will grow by 8.8 per cent per year to 29 per cent of the total in 2018.

The increase in online shopping and consequent home deliveries goes some way to explaining the rise in van use in recent years. Around 1 in 10 vehicles on the UK's roads is now a van, with van traffic predicted to rise at twice the rate of cars and almost double by 2040.[17]

17 *Road Transport Forecasts*, 2013, Department for Transport

FIGURE 2.8 • Returning goods

Which are the most important return options for you when making a purchase online?



Source: Total Retail Survey (UK cut), PwC, February 2014

Insights • 'Total Retail'

Coolin Desai
Transport & Logistics Leader, PwC UK

Matthew Tod
Partner in Consulting Retail & Consumer, PwC UK

From multi-channel to total retail

The UK is the world's leading e-commerce country, with growth now coming from increased frequency of online purchasing. We predict online sales will be 25 per cent of non-food and 10 per cent of food in the UK by 2018 and that tablet and smart phones will account for 25 per cent of online retail sales by 2017.

The price, size and scope of items ordered through e-commerce is changing – our latest total retail survey shows UK consumers are getting more comfortable with ordering jewellery and large DIY products online.

Consumers are expecting one unified experience across all touch points with a brand. The retail business model therefore must marry a consistently superior customer experience to a back office with agile and innovative technology – this is what we at PwC mean by Total Retail (figure 2.10).

A total retailer knows that great product and customer experience are at its core and that this means delivering to consumers a connected experience regardless of how they engage with the retailer. They will organise themselves, not around channels, but around the consumer. They will bring together multiple internal groups into single groups to lower operating costs and they will make extensive use of data to enhance the experience, reduce marketing costs, improve buying and to deliver better merchandising.

So what does this mean for logistics?

The total retail model places huge challenges on the logistics operations of retailers and manufacturers to be able to transform their supply chains to offer the flexibility and agility consumers demand. The winners of this fast-paced revolution will be those businesses that can develop a simple, scalable and flexible supply chain to be able to react quickly to evolving trends.

The demand for a flexible delivery to a designated time and place is now accepted as a consumer requirement, and is being supported to some extent in the market. However, in many cases the operational cost to deliver the more flexible service offers are prohibitive, often unsustainable, and in all cases eroding margins. For retailers and logistics providers achieving the required level of flexibility, it is service at almost any cost, so finding the means to reduce the cost that flexibility currently demands will be critical for sustained success.

Demand exists, the technology to support the model is in place, and there is a desire amongst both retailers and manufacturers to deliver this to their consumers.

We believe that consumer demands are pushing 5 key frontiers that logistics operations must be able to respond to.

Accessibility – allowing consumers to access products through channels that are convenient to them, with the ability to control and tweak the final mile to suit them (figure 2.9). While home deliveries will remain the largest segment of the B2C parcels market, click and collect has higher forecast growth (11.7 per cent a year to 2018). Partnerships with other businesses that have pick up and drop off points are one of the ways the industry is addressing this.

Visibility – logistics providers must be at the forefront of systems and processes to allow retailers and manufacturers real time visibility of stock in the supply chain to deliver flexible fulfilment from store, fulfilment centre or manufacturer based on availability and geography.

Scalability – operations that adapt and flex to seasonal changes in volume, massive annual growth rates, and shifts in range shape and scale.

Returns – driving satisfaction through efficient handling of returns and refunds, and recovering value for retailers through the effective recovery of returned products through re-sale or disposal.

Brand in a box – innovative logistics operations will find new ways to represent a brand through innovations in packaging and fulfilment that will become an extension of the offer.

pwc

It's vital we harness the London 2012 Games legacy and maintain momentum while the details of the longer-term plans [out of hours deliveries etc] are developed. Although some of these issues will not be resolved overnight, by working together, we can build on recent successes and ensure that freight deliveries in London can be even safer, greener and more efficient in future.

Sir Peter Hendy CBE
Commissioner of Transport for London

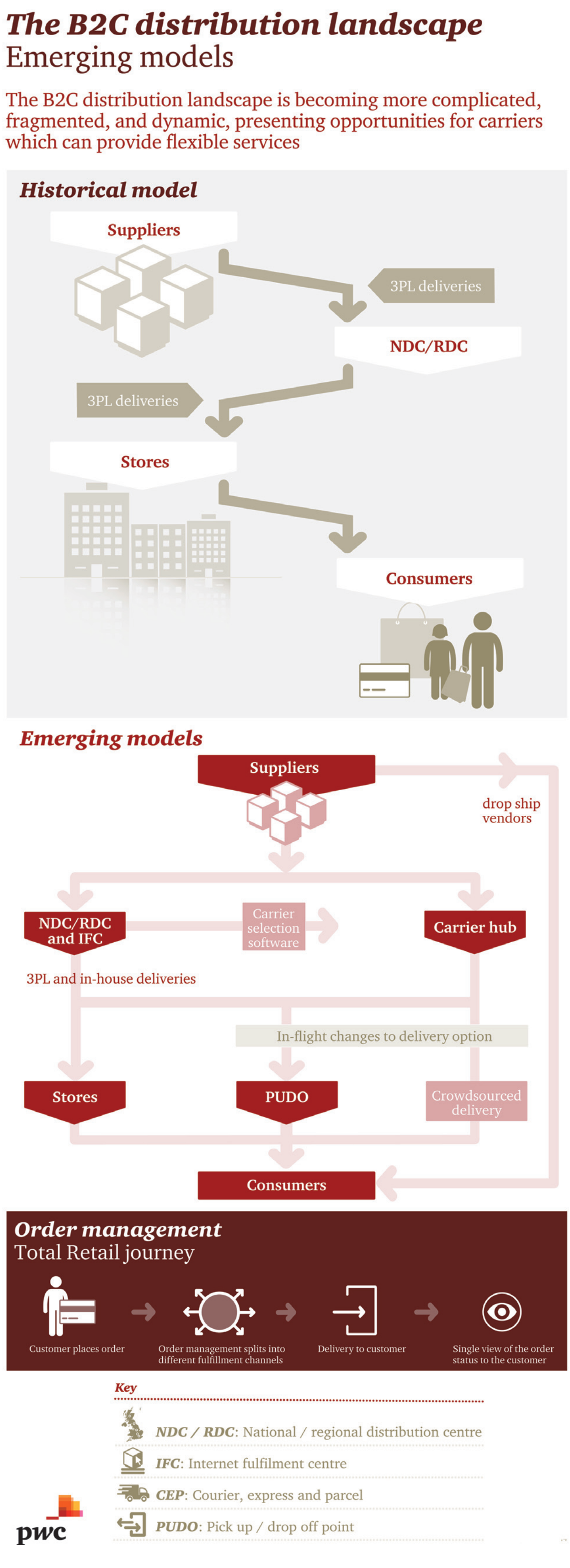
The number of light commercial vehicles (goods vehicles up to 3.5 tonnes gross vehicle weight) registered in the UK has increased by 29 per cent over the past 10 years to 3.28 million. Over the same 10-year period, the number of hgvs has decreased by 9 per cent to 386,000. Possible explanations of the increase in van activity include:

- increased popularity of just-in-time deliveries
- more deliveries of critical importance that cannot be stored
- greater difficulty of hiring hgv drivers and operating hgvs
- various restrictions on hgvs in urban areas (such as weight, emissions, height, width)
- more home deliveries – resulting from increased popularity of internet shopping and an increased number of households requiring more homewares and shopping deliveries[18]

According to the report *Van Travel Trends in Great Britain*, 47 per cent of vans are commercially owned; that is, registered in the name of a business. For these vehicles, most travelling time (35 per cent) is spent collecting or delivering goods. There is indirect evidence that light commercial vehicles have been used to substitute for hgvs due to the rise in home deliveries to which vans are better suited.[19] Home shopping is growing at twice the rate of retailing as a whole, and figures show that internet shopping increased by 11.8 per cent in December 2013 compared with December 2012 and by 1.8 per cent compared with November 2013. In terms of total retail sales (excluding automotive fuel) 11.8 per cent of all sales were made online.[20]

There is an implied relationship between the state of online food sales and home deliveries and it would not be

FIGURE 2.9 • The B2C distribution landscape – emerging models



Source: PwC analysis April 2014

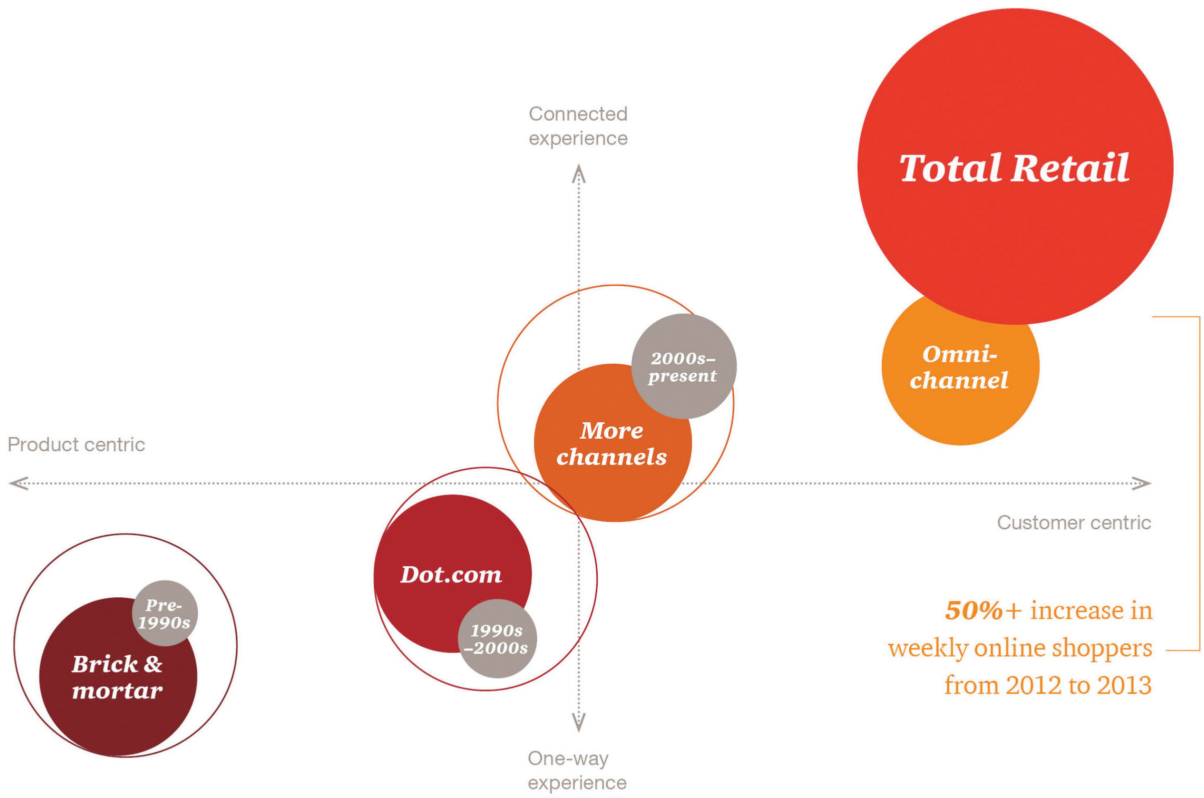
18 *Environmental Perspective of Location Based Services and Light Goods Vehicles in Urban Areas*, 2010, Poznan School of Logistics

19 *Van Travel Trends in Great Britain*, 2014, RAC Foundation/AECOM

20 *Statistical Bulleting: Retail Sales, December 2013*, Office for National Statistics

FIGURE 2.10 • Total Retail

A greater focus on the consumer and integrated, customer-focused technology transforms the 'channel' experience into a Total Retail experience



Source: PwC, Achieving Total Retail, Consumer expectations driving the next retail business model, Global Total Retail Survey February 2014

unreasonable to assume that a large percentage of these would be delivered by light commercial vehicles through the supermarkets' home delivery network. Non-food retailers are also undertaking e-commerce. Thus, a greater number of vans are required to cope with the increased demand.[21]

As already explored in this chapter, the rate of change and growth in online retail has been rapid and logistics has had to adapt and be flexible to answer new challenges. Technology can be used to consolidate transport flows into, out of and within urban areas, so companies engaged in e-commerce will continue to seek to rationalise their logistics and increased efficiencies should be anticipated – the regulatory framework needs to enable this. However, 1 articulated lorry can carry as much as up to 10 vans, so there are potential implications for kerbside delivery space and congestion arising from any shift towards smaller vehicles. They too will need to be accommodated – possibly in ever greater numbers.

But home delivery is not the only means for online customers to receive their goods. Other popular, new home shopping methods include 'click and collect' where the consumer picks up their online purchases in-store or at another convenient point and this clearly does not involve a van delivery to the home. However, deliveries to these collection points will be in a van; whereas click and collect deliveries may be made by vans or hgvs, depending on the retailers' logistics systems. According to PwC, while B2C home delivery is likely to remain the largest segment of the UK parcel market from 2013–18, click and collect and B2C returns will have the highest forecast growth over the period. PwC estimates that click and collect parcel volumes are currently around 7 per cent of B2C parcel deliveries and are set to grow at 11.7 per cent per year to 2018. 'Parcel shops' and other third party collection points are currently only a small part of the B2C parcel market (around 1 to 2 per cent) but are growing

21 *Van Travel Trends in Great Britain*, 2014, RAC/AECOM

rapidly. For this reason, it is even more difficult than one might initially suppose to pinpoint the exact relationship between e-commerce and van usage.

Agile and reliable logistics is central to the delivery of these products. Unreliable transport networks mean late deliveries and mitigating inefficiencies in the road network involves costly additional use of vehicle and human resources to ensure that goods reach their destination on time. Whether retail develops in a more fragmented, multi/omni-channel way, or an integrated 'Total Retail', way it will have an impact on the size of vehicle that is used and the extent to which goods are moved through existing delivery networks, or there is greater dispersion and use of a larger number of new, smaller delivery models. These will all need to use our roads and be accommodated at the delivery point.

Urban deliveries

In London, for example, lorries move over 360,000 tonnes of goods on average each day. In other words 15,000 tonnes picked up or dropped off each hour, or 250 tonnes every minute.[22] The road and kerbside networks have to accommodate these trucks and many more vans. Without an efficient logistics sector, shops would run out of products, hospitals out of medication, cash machines out of cash and workshops out of widgets. Anything which makes it more difficult to deliver or collect goods leads to an increased cost of doing business in London and other towns and cities across the country; increased delivery costs increase the price of goods in shops and ultimately raise the cost of living. Remuneration for London workers already reflects the higher costs of living, goods and services in the Capital. Ninety-five per cent of London employers either pay a specific London allowance or have higher basic rates of salary scales for employees.[23]

A number of restrictions on the movement of goods vehicles militate against efficient logistics. The legacy of the London Olympics could be the promotion of increased deliveries out-of-hours and at the shoulders of the day, and while discussions on this were ongoing in 2013 the issues are complex and progress has been mixed; as yet there has been no step change in companies delivering out-of-hours. It has become clear that further work is needed in this area. In October, FTA and the Mayor of London announced a plan for new Olympic-style trials of out-of-hours deliveries to businesses across London as part of a wider package of works to deliver a freight legacy for London, with the launch of the *Delivering a road freight legacy* document. The Mayor's Office and Transport for London (TfL) said it would work with London boroughs and the freight industry on the trials which will explore how more deliveries could be retimed to take place outside of the busiest times of the day. The trials form part of this wider package of works, which look to change the way goods and services are delivered, and were a key recommendation of the Mayor's Roads Task Force.

In practice, the political mood and pressure from the media often tended towards further restrictions on the movement of goods vehicles in 2013. A series of tragic cyclist fatalities involving lorries in London during the last months of 2013 prompted calls for heavy goods vehicles to be banned during rush hour, although there appeared to be little analysis of the practicalities of such a move (see also chapter 3, page 60).

The Mayor of London's Roads Task Force had already signalled a change in approach to the allocation of road space on London's busy streets. The Roads Task Force Report[24] notes the anticipated growth in London's population and says "Over the past 10 years, congestion on London's roads has increased by around 10 per cent,

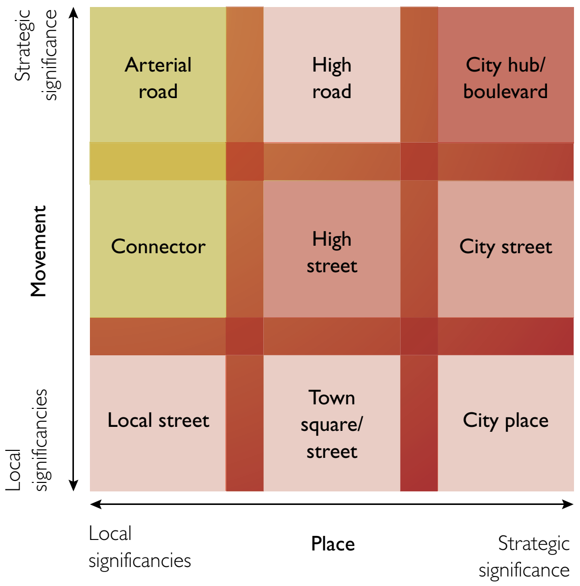
22 From FTA London Manifesto – TfL London Freight Data Report; 2012 update, University of Westminster

23 2012 survey of London employers by the Industrial Relations Service (IRS) quoted in UNISON London Factsheet (https://unison.org.uk/upload/sharepoint/Briefings%20and%20Circulars/London%20Allowances.pdf)

24 *The vision and direction for London's streets and roads: Roads Task Force – Executive Summary*, July 2013, Transport for London

FIGURE 2.11 • Potential network impact of realising 'place' function

Vision for London's streets and roads



Source: 'The vision and direction for London's streets and roads: Roads Task Force', Transport for London, July 2013

> **The issuing of a PCN is a sign of policy failure rather than enforcement success. However, due to the potentially large income local authorities can make from fines, the incentive is not there to reduce the numbers issued. Greater leadership by central Government is needed to ensure a consistent and fair application of the parking policy framework which respects the difference between illegal parking and vital business deliveries.**
>
> **James Hookham**
> Managing Director – Membership and Policy, FTA

despite traffic levels falling by the same figure. This is in part due to the reallocation of road space to improve the urban realm, walking and cycling, and suggests London is approaching the limit of what can be achieved through road space reallocation alone." The report – closely watched by other major UK cities – sets out plans to establish a high level vision for streets as living spaces, although the outcome of this approach for motorised traffic in the Capital is as yet unclear. The Task Force considered ways in which places such as city hubs and high streets could be changed to enhance life for the people using them, but noted that measures would have to be taken to prevent negative impacts on the economy. Figure 2.11 shows where changes to improve what TfL calls 'place' functions would potentially be most significant (shown in darker orange) and, in the absence of mitigating measures, affect the way transport networks perform.

However, the ambitious plans contained in the Mayor's Cycling Vision[25] and those of the Roads Task Force need to sit alongside each other, and there has been concern that the initial plans for infrastructure works to deliver the vision pay insufficient attention to the impact of reallocation of road space on kerbside deliveries in particular. For effective logistics, scarce road space needs to be allocated in a way that both protects vulnerable road users and causes minimum congestion and disruption to deliveries.

The adequacy of planning for logistics came under the spotlight in other cities during the year. For example, in November, Birmingham City Council published its *Birmingham Mobility Action Plan*, a 20-year vision of the future of transport in the city. The plan envisages the expansion of the urban core around this time period and an increase in the number of people and businesses, all of which will lead to an increase in demand for deliveries. But it has faced criticism for inadequate consideration of the implications for logistics, from congestion on the road network to provision for loading and unloading. Towns and cities throughout the UK are debating how they will promote economic activity, while protecting the standard of living and environment for their inhabitants. It is essential that policy makers in urban areas also consider the way in which goods and services are delivered and freight is provided for as it plays a key role in the local, as well as national, economy.

The way in which decriminalised parking operated in the UK and its impact on people and business came under close scrutiny in 2013. Criticism was levelled at local authorities in February when it was revealed that levels of penalty charge notices (PCNs) had increased by 50 per cent. In September came the news that motorists are paying more than £30 million a month in parking fines, with the most recent statistics[26] revealing that 890,000 parking tickets were being issued by councils across the UK each and every month, equivalent to 1,200 an hour; a London borough is at the top of the list. According to figures obtained via a Freedom of Information request, parking wardens in the City of Westminster were the busiest in the country, handing out an average of 1,269 parking fines a day.

25 *The Mayor's Vision for Cycling in London: an Olympic legacy for all Londoners*, March 2013, Greater London Authority

26 The figures were compiled by insurer LV= using Freedom of Information requests and published in September 2013

In October MPs agreed with those in logistics who had called for greater clarity over loading and unloading. In its report into local authority parking enforcement, the House of Commons Transport Select Committee urged greater clarity on the rules for loading and unloading. FTA, which had provided written evidence to the Committee as well as being called before MPs to brief them and answer questions, stressed that the Traffic Management Act, which governs local authority parking policy, was in need of fundamental review as it failed to distinguish between 'parking provision', which is mainly concerned with private cars, and deliveries to commercial and residential premises: an essential economic activity. The Committee recommended that Government holds a 'roundtable' discussion with road hauliers and local authorities to identify and disseminate innovate ways of dealing with conflicts between delivery needs and parking controls, as well as calling on local authorities to identify solutions.

As increased demand for road capacity and reallocation of road space for new uses continues as a result of expected economic growth and policy decisions, the need for more transparent understanding of the consequences of these policies for logistics will grow. Fundamentally, the connection needs to be made between the goods we use and consume, and the way that they reach us.

Future outlook – FTA analysis 2

The FTA Logistics Industry Survey 2013/2014 asked a sub-set of 50 respondents involved in global and national supply chains to rate the risk and importance of a number of issues. These responses were compared with the overall responses to the survey.

- Economic – uncertain economic growth and world oil prices were significant risks. However, commodity price inflation and Euro Zone recovery were highlighted as a more important risk and opportunity, respectively, than for all responses. Consumer spending was seen as important but not as an opportunity, while near-sourcing was seen as an opportunity though not particularly important
- Political and policy – fuel duty, road pricing and tolls were important risks and infrastructure spending was an important opportunity. Maritime emissions legislation and rail freight cost stability were more important risks than for the total responses. Airport capacity and Scottish independence while seen as risks were considered relatively unimportant

The general membership viewed differing safety standards as a result of cycling safety concerns and the cost of urban deliveries as a much higher risk and much more important. We need world class infrastructure to grow the UK economy, facilitate imports and exports and capitalise on strengths in e-commerce. The role of logistics in supporting economic growth should be reflected in improved provision for freight on the strategic road network and local roads. FTA proposes a series of policy actions to address these challenges.

- Capacity for freight on HS2 needs to be secured and a guarantee of future freight capacity on the 'classic' rail network needs to be given
- Government promises of significant road infrastructure investment need to be delivered and the future programme for investment locked-in. Government should focus investment where it alone can do so, as well as promoting private investment
- With its change in legal status, the Highways Agency needs to champion the needs of logistics as an essential user of the motorway and trunk road network; systems designed to cater for passenger traffic are unlikely to be fit for purpose
- Urban road space needs to be allocated in a way that ensures deliveries can be made to local businesses and the law clarified to distinguish between 'parking' and 'delivery and servicing activity'
- Lorry restrictions need to be reviewed to increase deliveries out-of-hours and at the 'shoulders' of the day and to ensure that deliveries can be made efficiently

FIGURE 2.12 • Economic risks and opportunities for 2014 for logistics buyers

Euro Zone recovery an important opportunity

Source: FTA Logistics Industry Survey 2013/2014

FIGURE 2.13 • Political and policy risks and opportunities 2014 for logistics buyers

Costs and legislation important risks for supply chain members

Source: FTA Logistics Industry Survey 2013/2014

Insights • Freight traffic must be recognised as a priority

Karen Dee
Director of Policy, FTA

There are around 35 million vehicles in the UK and only about 386,000 of these are lorries – it is perhaps unsurprising therefore that the needs of 'the motorist' seem to take precedence over those of freight traffic. But developing policies based solely on numbers ignores one crucial fact – not all journeys are equal.

Freight plays a crucial role in supporting the economy and delivering the kind of lifestyles people in the UK have come to expect. But this cannot be achieved unless the road network is effective, efficient and reliable. Rail can provide a very effective and attractive alternative to road for some freight journeys – particularly over longer distances – but even as this continues its welcome growth, road freight will continue to account for the vast majority of freight journeys.

It is essential therefore that the needs of freight are give full consideration as roads management strategies are developed. This is as important for local high streets as it is for the motorway and trunk road network – particularly as local authorities plan for increases in cycling and walking: if a weight limit is imposed on a key road, lorries will simply have to find another – often longer – route or the load will have to be carried in several smaller vehicles. Both options lead to increased emissions and possibly congestion. Similarly, if a delivery vehicle cannot load or unload close to its destination, it will be forced to stop further away and the delivery will take that much longer as a result. Ignoring the needs of freight will not affect the need for the journey – it will simply make the journey inefficient and more costly, neither of which is desirable when the economic recovery is still so fragile and improving the environment remains a priority.

CHAPTER 3

Better logistics

Better logistics

Efficient logistics is essential for economic growth but the way that it interacts with people and the environment and the impact it has are also important. In an ideal world policy solutions would secure competitiveness and ensure that safety and environmental concerns are met. In practice this is not always possible: proper, informed policy making processes are needed for sound decisions to be reached. What logistics needs is to be better understood and effective communication is vital to achieve this.

'Image' is the starting point for the consideration of how logistics functions alongside people. The road transport element of logistics is not only its most customer-facing aspect but also the most visible to the general public. As explored in the previous chapter, there are downsides to the lack of connection people typically make between the things they buy and use day to day and all the means of transport needed to get them there. In fact, the image of logistics is frequently negative; this means that making the case for improvements to help make it more competitive – or prevent the imposition of further burdens – is a difficult job. Those involved in logistics are acutely aware of this dichotomy: the essential nature of the work they do in enabling the modern lifestyle and the inherent risk of policy actions being implemented – simply because they are popular – unfettered by an understanding of the consequences.

As in previous years, the FTA Logistics Industry Survey 2013/2014 asked respondents about their perception of public understanding of logistics. It found that there was no change in the perception of either Government or public understanding of logistics; estimation of levels of public understanding remained lowest (figure 3.1).

Any organisation that is not leveraging these social media channels to influence, educate and inform their target audience is losing out, especially as one of the biggest benefits of social media is engagement with your target audience to gain immediate feedback, responses and comments, the importance of which can't be underestimated

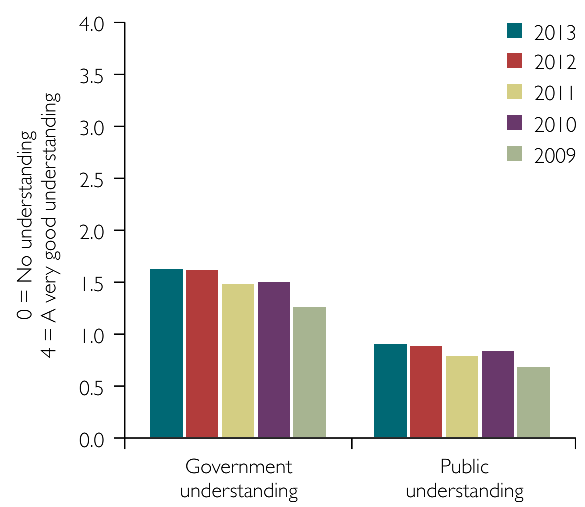
Rebecca Jenkins
Vice President, FTA and
Managing Director, Results with Marketing

But successive FTA Logistics Industry Surveys have demonstrated how important safety and environmental concerns are to logistics. The FTA Logistics Industry Survey 2013/2014 asked members to rank company board priorities for the coming year (figure 3.2). The results indicate that site and road safety are top of the list, followed closely by staff security. This is broadly unchanged from the responses for the previous year.

These findings underline the scale of the challenge of improving the image of logistics. While companies share the public's concerns over safety and environmental issues,

FIGURE 3.1 • Industry perception of public understanding of the role of logistics in the economy

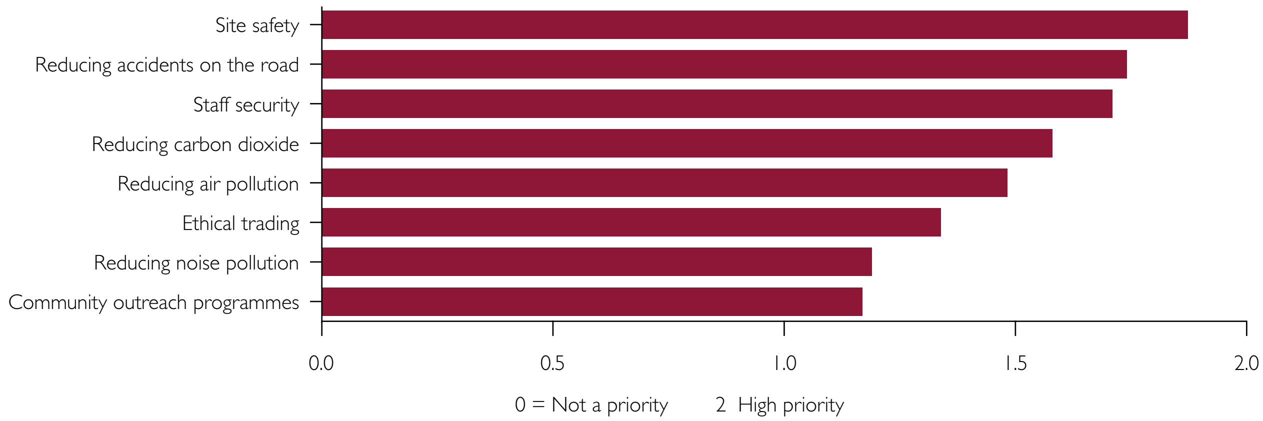
Public understanding of logistics is perceived to be poor



Sources: FTA Logistics Industry Surveys 2009/10–2013/14

FIGURE 3.2 • Board priorities linked to transport and logistics in 2013

Safety concerns are top priority for businesses



Source: FTA Logistics Industry Survey 2013/14

there is still a perception that logistics is misunderstood by politicians and voters; this gap in understanding matters because it can lead to the adoption of policies that harm logistics' efficiency and cause unintended economic consequences.

Logistics and social media

Social media represents both an opportunity and a risk for logistics

Increased use of social media means opportunities to communicate products, capabilities, opinions and achievements, as well as greater transparency over service delivery and social issues. Social media can also lead to sudden changes in demand for products – to which logistics must respond, as well as acting as a medium for adverse comment hitting sales. Social media can be a positive business tool, but it could also lead to a more volatile trading environment which logistics will need to be flexible to respond to.

In a study of business use of social media[1], the Office for National Statistics found that the vast majority of businesses had internet access (96 per cent) and over 4 out of 10 (44 per cent) used social media in 2012. Unsurprisingly, it found that large businesses were almost twice as likely to use social media as small businesses. Overall the survey found that 43 per cent of businesses used social networks (such as Facebook and LinkedIn); 24 per cent used a blog or a microblog (eg Twitter); and 15 per cent used multimedia content sharing websites (eg YouTube and Flickr). The survey also showed that the extent to which businesses use social media differed by business size and sector. In the survey year 2012, 81 per cent of the largest businesses (with 1,000 or more employees) used social media compared with 42 per cent of the smallest businesses (10 to 49 employees). This difference was reflected in the breakdown across the different types of social media: social networks; blogs and microblogs; and content sharing websites.

However, the survey also found that social media usage varied widely across different industries. Businesses in the information and communication sector were the most likely to use social media (77 per cent), while social media was used by only 20 per cent of businesses in the

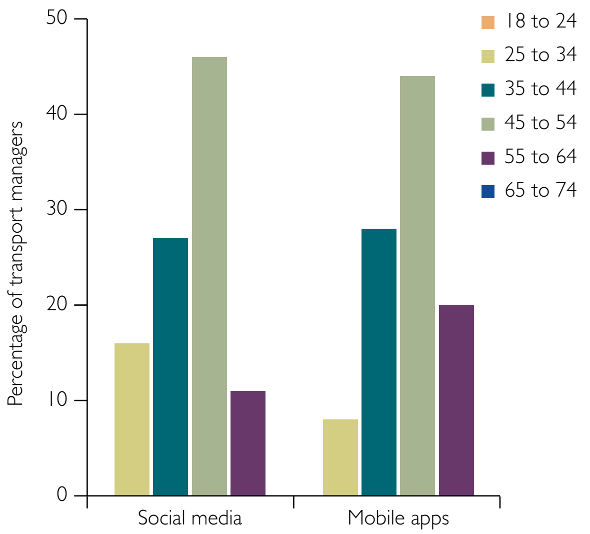
1 *E-commerce Survey of UK Businesses*, December 2013, Office for National Statistics

construction sector; businesses in the information and communication sector were most likely to use social networking, with construction the least likely, and they reported the highest rate of blog and microblog usage (53 per cent) and multimedia content sharing website usage (44 per cent). The transport and storage sector was the least likely to use blogs and content sharing sites (5 per cent and 4 per cent respectively).

In part, these differences reflect the varying needs of the customer bases and of the business activity. However, there are lessons for logistics here. Thirty-three per cent of those who responded said that they used social media to develop the business' image or to market products. Social media has also provided new ways for businesses to engage with customers: 23 per cent of businesses responded to customer opinions, reviews or questions on social media, while 12 per cent used it to involve customers in the development or innovation of goods or services. Nearly half of the largest businesses (44 per cent) used social media to recruit employees in 2012, although the figure was lower when all businesses were taken into account (12 per cent). Given the skills that logistics hopes to attract, especially those digital natives[2] for whom social media is an expected communications tool, it would seem unwise to ignore the opportunities.

FIGURE 3.3 • Use of social media and mobile apps (by age group)

Of those transport managers that use mobile apps those between 45 and 54 were the largest group



Source: FTA Transport Manager Survey 2013

2 'Digital natives', people born or brought up during the age of digital technology and so are familiar with computers and the internet from an early age

www.fairfueluk.com

Surveying transport managers in 2013[3], FTA found that a relatively small proportion used mobile apps (13 per cent) and social media (15 per cent) to monitor their fleet, with transport managers in the 45 to 54 age group constituting the highest proportion (figure 3.3). However, use of social media was not directly related to the use of mobile apps.

Of course, social media is not exclusively the tool of businesses. The internet enables people to identify and collaborate with others who have similar political interests, allowing the formation of potentially powerful interest groups. Online access means such groups can move easily and deploy resources for the purpose of exercising their group power. It also allows people to share footage of events without independent moderation or the consent of other parties involved, for example video uploaded to You Tube following road collisions and other incidents.

The success of the FairFuelUK (FFUK) campaign since its inception in 2011 has been largely realised thanks to the impact of social media; use of tools such as Twitter and blogs, authored by Quentin Willson and founder Howard Cox, have engaged individuals who see common ground with business on the issue of controlling fuel duty increases. Their collective will persuaded politicians on several occasions of the strength and breadth of backing behind the campaign and the need to act. Logistics needs to understand and embrace the power of these means of communication.

In the past it could be argued that in spite of concern over public misconceptions about logistics, businesses could expect a balanced policy response to be achieved through the insight and expertise of Government and its departments. But the debate over the issue of cyclist safety

3 FTA Transport Manager Survey 2013

in 2013 showed how potentially wrong these assumptions were. Logistics was vilified by those seeking a ban on hgvs in the rush hour or from the centre of London, in response to a series of fatal collisions involving hgvs and cyclists. The issues and solutions are explored later in this chapter but the social media response to such events brought logistics into the spotlight in the worst possible guise and emphasised the need for better explanation and communication of what it does.

The social media phenomenon is changing politics and political decision making. Above all it underlines the vital need for businesses to understand what is happening in social media, the rapid shifts of opinion and their influence on democratically elected bodies and the necessity of responding to be ahead of the curve. This means anticipating problems and areas where action needs to be taken and finding solutions that work, ahead of the threat of decisions that will reduce logistics' efficiency.

Safety first

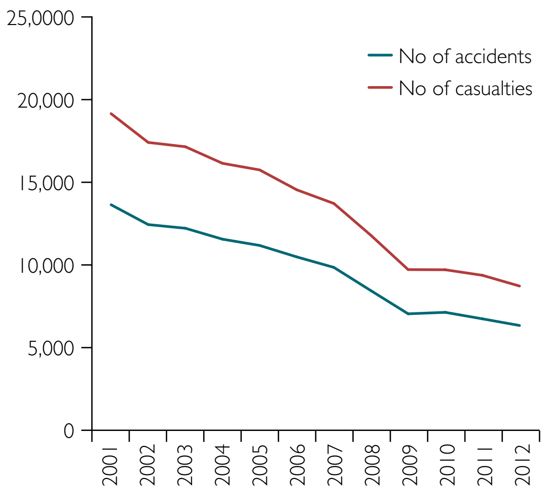
The total number of collisions and fatalities involving hgvs continues to fall

Board directors continue to view a reduction in the number of accidents involving their vehicles as a high priority (figure 3.2), and experts from across the logistics sphere are doing a great deal to find ways to continuously improve their safety record and address specific concerns about the interaction of goods vehicles with the most vulnerable road users.

Figure 3.4 shows that the number of accidents and casualties in which hgvs were involved continued to fall in 2012. This is in no small part due to the continuing effort and dedication shown by the industry to reducing accidents and fatalities through improved safety measures and constant dialogue with groups representing other types of road user.

FIGURE 3.4 • Number of accidents and casualties involving hgvs

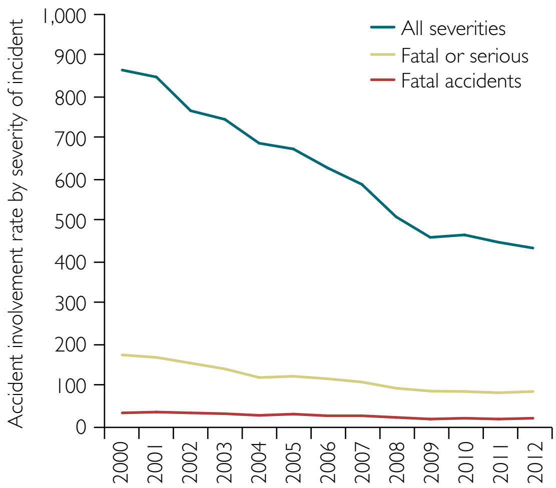
Casualties as a result of accidents involving hgvs continue to decline



Source: Tables RAS20001 and RAS40005 Reported Road Casualties Great Britain 2013

FIGURE 3.5 • Hgv accident rate per billion vehicle miles

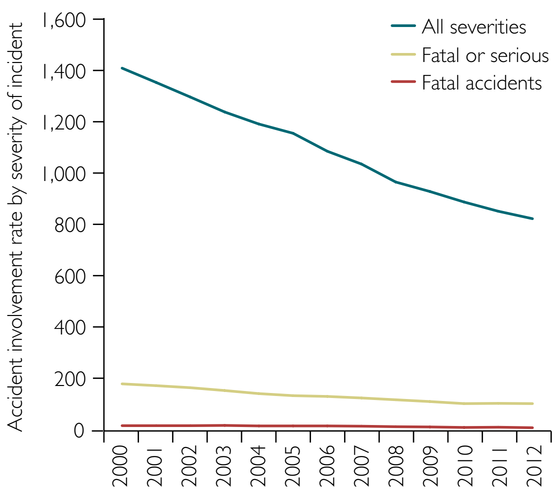
Accident rate involving hgvs has halved in a decade



Source: RAS20001 Reported Road Casualties Great Britain 2013

FIGURE 3.6 • Car accident rate per billion vehicle miles

Accident rate involving cars declining



Source: RAS20001 Reported Road Casualties Great Britain 2013

The accident rates for hgvs continue to compare favourably with cars (figures 3.5 and 3.6). In 2012 there were 433 accidents of all severities per billion vehicle miles for hgvs. This figure is approaching half of the 822 accidents per billion vehicle miles for cars, which means that a road user is nearly twice as likely to be involved in an accident with a car than with an hgv. Although there are more cars on the road, a direct comparison can be made with hgvs as the accident rate is normalised by the number of miles travelled.

Lorries and vulnerable road users

Levels of compliance are high in the UK road transport industry, businesses have invested in training drivers and making changes to the way they operate; the majority of hgv operators are already working to the highest safety standards. There has also been huge investment by the freight industry to ensure that vehicles are fitted with safety equipment, with many going above and beyond the legal requirements. But there remains a small number of operators, using vehicles of the type that figures tell us are more likely to be involved in incidents, that do not take these steps and encouraging take-up of safety measures and training among these companies is essential to further improve the industry's safety record. The road transport industry needs to focus on 3 key components to be a compliant and safe freight operation: properly trained drivers; a well-maintained and roadworthy fleet; and, knowledgeable and effective management.

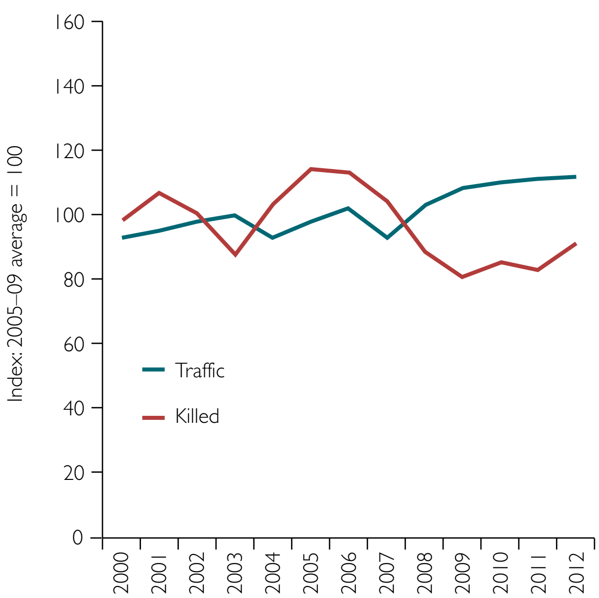
On 18 November, there was concern after 15 fixed penalty notices (FPNs) totalling £2,300 were issued to lorry drivers in London. The 15 FPNs (including some for driving more hours than drivers are legally permitted to without a break and having vehicles that are not fit for the roads) were issued by the Metropolitan Police Service Traffic Command as part of a road safety operation and ongoing efforts to help make all road users safer. Over 70 lorries were stopped and checked by officers on Vauxhall Bridge Road, Whitechapel Road and Albert Embankment. In addition, around 100 cyclists were stopped and given safety advice by officers from the Safer Transport Command, where there were concerns about their behaviour – for instance cutting corners and wearing headphones while riding. These numbers provide important insights into the steps that need to be taken to reduce the rate of serious and fatal accidents on streets in the Capital, for road transport operators and cyclists. Infrastructure providers also have a key role to play in ensuring that all road users can access our cities safely.

The debate over collisions between hgvs and cyclists, specifically in London, dominated the domestic transport safety debate, at times threatening to occlude consideration of the needs of other road users, including pedestrians.

The overall number of reported cyclist casualties (of all severities) decreased by 1 per cent to 19,091 from 2011 to 2012. One hundred and eighteen cyclists were killed in reported road accidents in 2012, which is 9 more than in 2011, though this is still 9 per cent lower than the 2005–09 average. The number of cyclists killed or seriously injured has been increasing since 2004, but cycle traffic has also been on a general increase (figure 3.7). In 2012, according to road traffic estimates the distance cycled in Great Britain was 3.1 billion vehicle miles, over 12 per cent higher than the 2005–09 average. The National Travel Survey indicates growth over this period is actually closer to 23 per cent.

FIGURE 3.7 • Cycle traffic and number of cyclists killed, Great Britain: 2000 to 2012

Cycle traffic steadily increasing



Source: Reported Road Casualties Great Britain 2013

The hard work and determination of the construction industry to raise standards across the board is both admirable and to be applauded. London is leading the UK in targeting unsafe freight vehicles and, working with the industry, we will continue to drive out poor and dangerous behaviour, and improve standards, to make our roads safer for all road users.

Sir Peter Hendy CBE
Commissioner of Transport for London

Total reported pedestrian casualties decreased by 4 per cent to 25,218 in 2012. Pedestrian fatalities fell by 7 per cent to 420 in 2012. This coincides with the drop in the number of miles walked per person per year which has decreased by almost 9 per cent since 2002. The overall number of pedestrians killed in 2012 was 31 per cent below the 2005–09 average.[4]

Hgvs and cycling in London timeline – 2013

FEBRUARY

The Transport Research Laboratory (TRL) issued its report for Transport for London (TfL) *Construction logistics and cyclist safety*.[5]

MARCH

Four cycling deaths in London in a few weeks, all in collisions with hgvs.

The Mayor's Vision for Cycling in London is published. It sets out plans for a 'tube network' for the bike, safer streets, junction improvements and an increase in cycling.

APRIL

London Mayor Boris Johnson states that he wants to ensure that no hgv can enter London unless it has been fitted with 'skirting' and sensors. Andrew Gilligan, the Mayor's Cycling Commissioner, also states that the Mayor will launch a study looking at restrictions on lorry movements in Paris and Dublin.

The Mayor also launches a review of the safety of construction logistics and cyclists.

An All Party Parliamentary Group of MPs publishes its report into cycling[6] and makes a number of suggestions about planning infrastructure correctly for cycling and Government support for training of all road users – drivers and cyclists.

SEPTEMBER

Mayor Johnson and the then Transport Minister, Stephen Hammond MP, announce several measures on hgvs and cyclist safety.

- A commitment by the Department for Transport (DfT) to examine ending exemptions from sideguards for vehicles on urban roads
- An enhanced regulatory effort on red OCRS[7] 'industrial hgv' operators in London – with resource from the

4 *Reported Road Casualties Great Britain*: 2012, DfT

5 *Construction logistics and cyclist safety*, 2013, TRL for TfL

6 *Get Britain Cycling*, 2013, All Party Parliamentary Cycling Group

7 OCRS (Operator Compliance Risk Score), a means of rating hgv operators according to their compliance record for use in targeting road enforcement by the Driver and Vehicle Standards Agency, with 'red' indicating the lowest rating

Insights • Cycling safety

Sgt Simon Castle

Metropolitan Police Service Cycle Task Force

As we all know, there has been a massive increase in the number of people cycling regularly in London. This is good for employers (fitter staff take less sick leave), the economy (fewer demands on the NHS) and – believe it or not – drivers. By riding, each cyclist is increasing the capacity of other transport networks, including the roads.

Of course it's not all sweetness and light, which is why we run the 'Exchanging Places' programme which gets cyclists into the driving seat of a lorry to see for themselves how to share the road with this kind of vehicle. As traffic officers, we use our own experience of investigating these crashes to talk about simple tactics which make their next ride safer.

This is not a one-sided issue; there are no winners in crashes involving lorries and cyclists. The effect on the driver and company can be devastating, too. Two of my own Driver CPC courses involved taking to the roads using pedal power and I thoroughly recommend this approach as part of a broader strategy of taking responsibility for work-related road safety.

Cycling is not a dangerous activity; one report says it's only slightly more dangerous than golf. But it can be made safer, and we're helping to assess lorry-mounted devices, safer road layout ideas and intrinsically safer lorries. I hope these long-term solutions will one day make 'Exchanging Places' redundant. In the meantime, everyone involved needs to demonstrate a little human understanding of each other's difficulties.

Metropolitan Police as well as the Driver and Vehicle Standards Agency (DVSA)

- Reviews of training requirements and the future design of lorries
- The intention to create a 'Safer Lorry Charge' in London – believed to be aimed initially at hgvs without sideguards but with the potential and intention to extend its remit

OCTOBER/ NOVEMBER

Six further cycling deaths occur in London – 3 of them involving hgvs. This results in criticism by the media of the London Mayor's cycling infrastructure and, in turn, a focus on cyclist behaviour by the Mayor. The fatalities then also create renewed calls for an hgv ban.

DECEMBER

New National Construction Logistics Standard is launched (see box 1 below).

1 NEW NATIONAL CONSTRUCTION LOGISTICS STANDARD

The new standard identifies the best practice for vehicle equipment, driver training and operations and sets out how this should be applied to construction traffic. It is anticipated that the standard will become widespread through the construction industry requiring operators accessing construction sites to comply with its requirements. Most large operators and many smaller ones already reach these standards but some operators will have to invest if they wish to work on such projects.

London Councils (the collective body for the London Boroughs) announces it is intending to consult on adding safety requirements to the night-time London Lorry Control Scheme.

At the end of the year, restricting daytime hgv movements was not a formal policy proposal but something that TfL and London Councils were beginning to consider due to political pressure from media and politicians. In total there had been 14 cyclist fatalities in 2013, 9 of them involving lorries, 4 involving buses and coaches and 1 involving a car.

It would be very easy to say, 'Let's ban lorries from London.' That is fine, but who is going to empty your bins? Who is going to bring the bottled water that we use here? Who is going to bring the papers that we have in Parliament? They come on trucks. It is tempting to go for some of those quick fixes without looking at the practicalities.

Robert Goodwill MP
Parliamentary Under-Secretary of State, Department for Transport
Giving evidence to the Transport Committee inquiry into Cycling Safety, 4 December 2013

We're not against it [a rush hour lorry ban], and we're studying it – but the case is finely balanced. Two of this year's 14 deaths in London could have been prevented by such a ban (the other 12 happened outside the rush hour, or did not involve lorries.) But a ban could have a big impact on the economy – particularly construction, which would lose a quarter of its winter daylight – and on Londoners' sleep and health, as lorries unable to move in the mornings start delivering at night.

Andrew Gilligan
Cycling Commissioner for London
The Guardian, 20 November 2013

The restrictions in place in other European towns and cities were often cited in the course of 2013 as an example of measures the UK should be following. Scrutiny of the measures in place in Dublin and Paris, the capitals most often referred to, shows that any limits fall far short of a total ban on hgvs during any time of the day, something that needs to be considered in any assessment of the economic impact of such proposals (see box 2). In Paris, the fact that the restrictions are not applied to so many categories of vehicle demonstrates how difficult a ban would actually be to put in place and undermines the safety case for it – given the relatively heavy involvement of some of these vehicle types in cycling killed and seriously injured figures. The restrictions, such as they are, affecting deliveries in Dublin stop vehicles from transiting (as opposed to delivering or collecting) in the central area of the city and cause little disruption to logistics.

2 EU COMPETITORS AND URBAN HGV RESTRICTIONS: DUBLIN AND PARIS

Paris

The capital of France has restrictions but not an hgv ban. Alternatively-fuelled or Euro V hgvs up to around 26 tonnes can operate at any time. All hgvs up to about 26 tonnes can operate all day (except the evening rush hour). Hgvs above about 26 tonnes are free to operate at night (10pm to 7am) but there is a long list of exceptions to which none of the restrictions apply, including: construction traffic; refuse collection; anyone supplying a market; deliveries of flour; tankers; car transporters; and, removals. (The vehicle weight figure is approximate as the restrictions are based on 'loading area' rather than gross weight.).

Dublin

There is no lorry ban in Dublin – any vehicle of any size can deliver or collect at any time. Lorries with 5 or more axles have to pay a €10 fee to make deliveries or collections in the central zone (vehicles up to 36 tonnes are outside the scheme and those above that weight have to pay the €10 and may then deliver where and when they wish).

The principal restriction is that goods vehicles cannot transit the area (as opposed to delivering or collecting) if they have 5 axles or more; this only applies to the central area of Dublin. There are also exemptions to the rule, which include vehicles carrying dangerous goods and vehicles above 4.65 metres in height which may receive a free permit to transit the zone at any time.

Schemes such as Exchanging Places (see box 3) have very successfully focused on educating cyclists and drivers about each other's needs on the road.

3 EXCHANGING PLACES

The Metropolitan Police Cycle Task Force is responsible for setting up 'Exchanging Places' events in order to raise awareness of cycle safety. People are invited to sit in the driver's seat of the lorry cab in order to help them better understand what an hgv driver can and can't see, especially with regards to cyclists on the nearside and directly in front of the vehicle.

An Exchanging Places event was held on 5 December outside Charing Cross Station, at which leading global insurer RSA partnered the Metropolitan Police and the programme, to produce a short video, supported by TfL. Published on YouTube, the film is available to be viewed at: https://www.youtube.com/watch?v=UN7mJR64tvs and follows a cyclist and an hgv driver who experience what it is like to be on the road from the other's perspective.

Better lorry design

Much of the debate in 2013 centred on retrofitting safety equipment to vehicles. While this is important for some types of lorries operating in some environments, ensuring that vehicles are designed to be safer from the outset is clearly a better approach and one likely to lead to improved safety outcomes.

The revision of the EU Weights and Dimensions Directive 96/53 was the subject of considerable interest in the UK as well as in Brussels in 2013. Among other things, the proposed directive, which constrains the maximum length of cabins, includes changes to allow slightly longer lorry

> **Lorry cabs have been shaped like an upturned shoebox for decades. It's a terrible shape. Bad for fuel consumption and lethal in accidents, because the driver has blind spots and the flat front can push pedestrians and cyclists underneath the wheels … The Commission wants to allow manufacturers to make more aerodynamic and curvaceous lorry cabs.**
>
> Richard Westcott
> Transport Correspondent,
> BBC News, 4 July 2013

cabs, so their safety and aerodynamic performance can be improved.

However, in spite of support from many vehicle manufacturers and those engaged in logistics, frustration was expressed at the slow progress of revisions to this directive. There was a danger that with policy hiatus expected in the EU as a result of changes to the European Commission and Parliament in 2014, the directive might not be prioritised or could be linked to other measures that would result in a delay in its implementation. Road operators spend hundreds of thousands of pounds retrofitting existing hgvs to try to improve visibility from the cab. The best way forward would be to eliminate blind spots by designing them out. The regulatory barriers to doing this need to be taken away which has to happen at EU level; this is why the directive is so important. The changes would also offer fuel savings and therefore reduced emissions. Intervention from representatives of logistics and environmental organisations was an important part of keeping this a matter of 'live' debate.

Emissions from goods vehicles

NOx and PM emissions from hgvs are falling and are set to continue doing so

It is clear that there are health impacts from atmospheric pollution. As the effect of this has become better understood, so have the targets for improving our air quality become more stringent.

In May, the Supreme Court ruled that the UK Government had failed in its legal duty to protect its people from the harmful effects of air pollution, paving the way for European Commission action against the UK for infringing the EU Air Quality Directive.[8] The action, brought by ClientEarth,

8 The European Union Air Quality Directive came into force in 2008 and sets limits for levels of air-borne contaminants including PM and NOx, gases that are produced from the burning of fossil fuels

concerned 16 towns and cities which will be affected by high levels of nitrogen dioxide pollution beyond the deadlines laid down in EU legislation; these cities include London, Manchester, Birmingham and Glasgow. Britain was supposed to meet EU limits by 2010 and was allowed a further 5 years' grace to put in place plans to deal with emissions but 16 zones in towns and cities will miss this target, with London not meeting this standard until 2025 according to the Government.

The debate about the impact of hgvs is not confined to road safety. Measures to reduce harmful emissions that impact air quality frequently focus on larger goods vehicles as well. One of the difficulties is that in targeting trucks to reduce particulate matter (PM) and oxides of nitrogen (NOx) in particular, action is not always being taken in the most intelligent and efficient way; there is also a risk that attempts to improve air quality will run counter to the drive to reduce carbon emissions. It is important to understand what has been achieved in terms of reductions in emissions from hgvs, and what will be achieved in future – regardless of unilateral action by towns and cities – and the role hgvs play in overall emissions of PM and NOx.

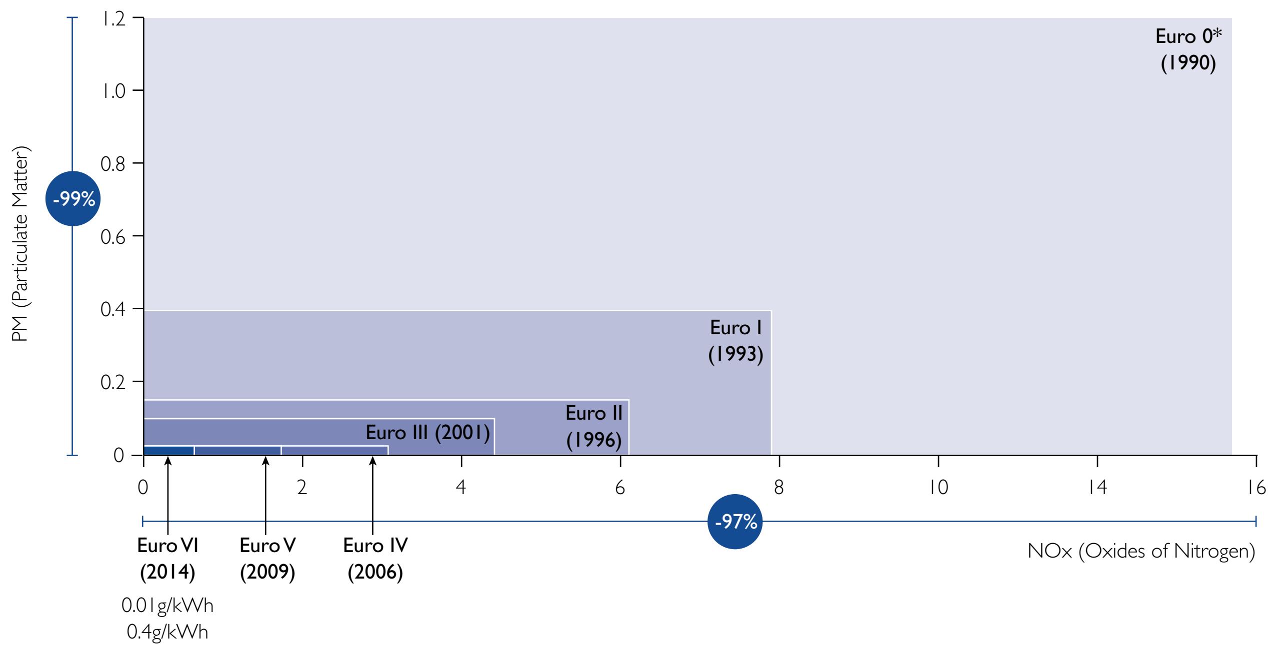
The road freight sector has already played an important part in improving air quality through the progressive adoption of vehicles with lower emissions; these standards, known as the 'Euro' standards, have already seen hgv emissions drop exponentially. New Euro VI trucks, which began to be supplied in 2013, have oxides of nitrogen (NOx) emissions that are 97 per cent lower than the pre-Euro average, and Particulate Matter (PM) levels that are 99 per cent lower. Even looking at the change over a more recent time period, the new standard is 92 per cent lower for NOx and 90 per cent lower for PM than the standard introduced in 2001 (Euro III). As Euro IV, V and VI vehicles come to populate the UK fleet (the normal replacement cycle for hgvs is around 6–8 years), the local air quality impacts of hgvs will be massively reduced by routine vehicle replacement. This is why seeking to address local air quality problems just through addressing trucks will not actually solve the remaining problem. Figure 3.8 shows the reductions in emissions achieved through the Euro standards.

The European Commission has estimated a 2–3 per cent fuel penalty for Euro VI, although some expert analysis suggests it could be as high as 8 per cent. However, manufacturers claim it can be overcome altogether – though only when new fuel efficient driving techniques are included, many of which road freight operators will already have in place.

The Climate Change Act 2008 set ambitious greenhouse gas reduction targets and logistics is under pressure to reduce carbon emissions. FTA's Logistics Carbon Reduction Scheme (LCRS) is a voluntary initiative for industry to

FIGURE 3.8 • Hgv Euro standards

NOx and PM emissions from new hgvs have reduced 90–92% in the last 12 years



Source: Mercedes-Benz

record, report and reduce carbon emissions from freight transport in order to prevent regulation in this area. Cutting carbon emissions by reducing fuel use is beneficial for air quality as it also reduces local pollutants. However, for the introduction of Euro VI, it is anticipated that the stricter standards seeking to address local pollution will result in increased fuel use leading to more carbon emissions. This places the logistics industry in the situation of trying to address 2 mandated public policy agendas that conflict with each other. There have been calls for any strategy to reduce local emissions to be framed as part of the wider environmental effort to reduce greenhouse gas emissions, not as a separate process from it. The Department for Transport (DfT's) *Low Carbon Transport Strategy* published in 2009 and Government's *Carbon Plan* published in 2011 (an overarching publication on meeting greenhouse gas reduction targets) both emphasise that reducing carbon emissions can also improve air quality.

With fuel representing 40 per cent of a road freight company's operating costs there is already a huge financial incentive to improve fuel efficiency, through measures such as driver training, accurate routeing and scheduling and utilisation of alternative fuels and low emissions technologies. With so much being achieved by industry already through the Euro standards and in-company measures, it is becoming increasingly difficult for the last remaining emissions to be substantially cut. This explains why there are potentially high cost implications attached to the wrong actions.

Low emissions zones

The most likely policy remedy to be investigated to reduce vehicle-related pollution in towns and other cities where air quality targets will be missed, is the creation of low, or indeed ultra-low, emissions zones. So far the only city to come forward with plans that would involve lorries is London, which already has a low emissions zone (LEZ). In February, the Mayor of London announced that he had asked TfL to put together plans for an ultra-low emissions zone (ULEZ) to cover all vehicles by 2020.

To date, other authorities have been persuaded not to follow London's example and introduce a low emissions zone affecting goods vehicles; in London itself although plans are in place for the ULEZ, it is clear that many emissions come from non-road transport sources, and even within road transport, buses, taxis and cars are often greater sources of pollution.

Hgvs account for only a small part of emissions from road transport and, in turn, road transport is only one source of air quality emissions. Nationally, Heavy Duty Vehicles (hgvs and buses combined) account for just 13 per cent of NOx emissions. Passenger cars alone make up 14.5 per cent. Electricity generation and other stationary combustion are responsible for almost 55 per cent.[9]

The picture is not necessarily dramatically different in urban environments. For example, in Greater London road transport makes up less than half the emissions of NOx, and hgvs specifically just 12 per cent[10] (figure 3.9). The picture in London is unlikely to have been influenced by the city's low emissions zone as the current standard allows the deployment of hgvs that are commonly used as part of the general fleet.

Road transport, of all types, also makes up a minority of PM emissions. Nationally, 27 per cent of $PM_{2.5}$ emissions come from road transport, with most coming from electricity generation and industrial processes.[11] This pattern is replicated in urban areas, with hgvs responsible for 6 per cent of Greater London's PM_{10} emissions[12] (figure 3.10).

In spite of these figures there is often a presumption that road freight operators will be targeted in plans to lower emissions in our towns and cities, rather than the private car or other non-mobile sources. However, logistics has been keen to emphasise the need to establish the facts about sources of harmful emissions and to caution local and national government against implementing policies that will cause economic damage.

In 2013, Sheffield, one of the UK cities where the limits set in the air quality directive are breached, conducted a Low

9 Emissions of Air Quality Pollutants 1970–2011, Department for Environment Food and Rural Affairs

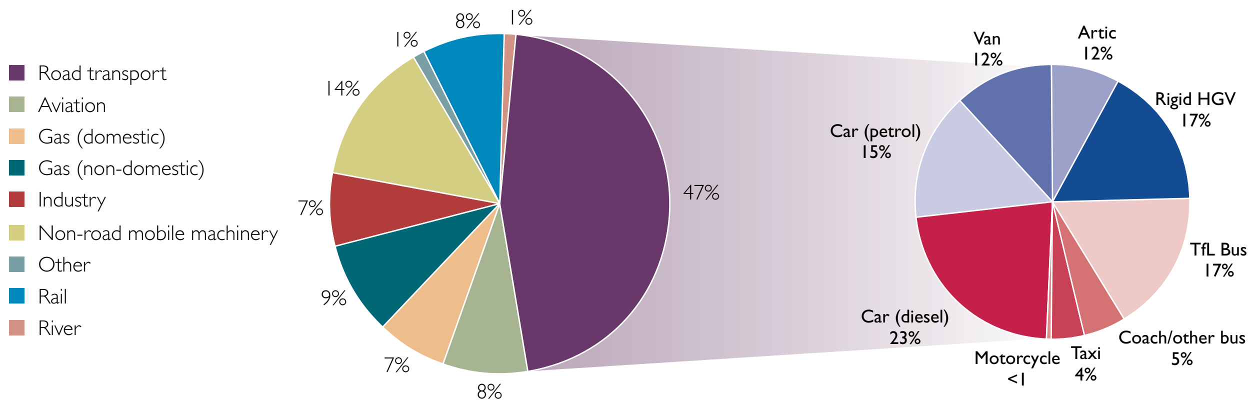
10 Transport for London presentation, 2013

11 Emissions of Air Quality Pollutants 1970–2011, Department for Environment Food and Rural Affairs

12 Transport for London presentation, 2013

FIGURE 3.9 • London's NOx emissions sources in 2010

Hgvs contribute 12 per cent to NOx emissions in London



Source: Transport for London

Emission Zone Feasibility Study. At the start of the process it seemed likely that, once more, hgvs would be targets. But the study – which included real-time monitoring of emissions linked to Automatic Number Plate Recognition technology – revealed that buses rather than hgvs were the main source of transport related pollutants in the city centre, whereas cars were responsible for much of the pollution on its arterial roads. The second stage of the study, which focused on apportioning a share of mitigation to different transport sources, concluded that rather than instituting a low emissions zone, which is an expensive solution to implement, action should focus on continued promotion of the fuel-efficient driving programme Ecostars, and measures requiring further investigation, such as consolidation centres.

Carbon emissions reduction

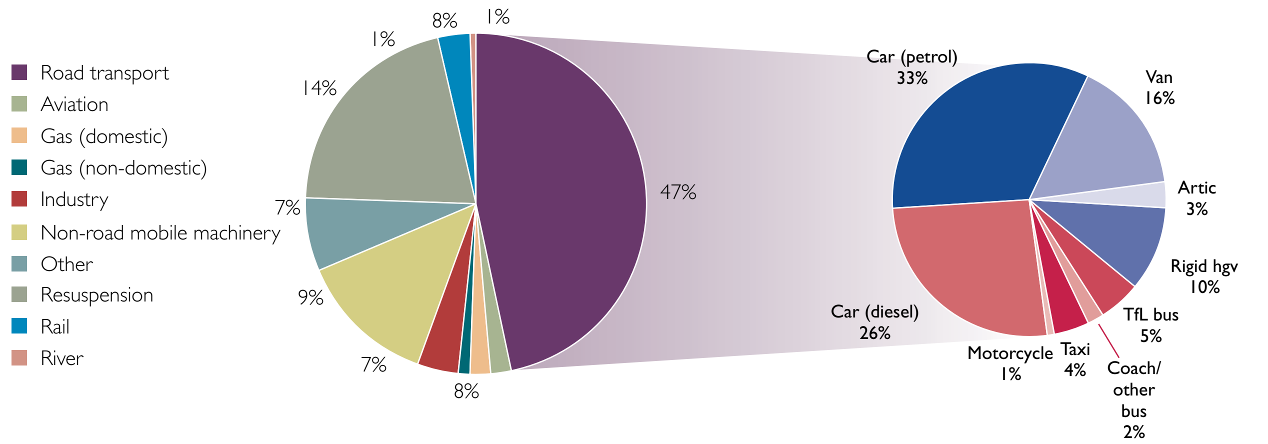
In May, Government published the outcome of the DfT Freight Carbon Review. The review was initiated following a decision by DfT not to make 'eco-driver training' a mandatory part of Driver CPC (see chapter 4, page 76). It was argued that introducing a blanket measure on freight companies would not necessarily tackle carbon emissions. Instead, training should be targeted at drivers who were under-performing. The FTA Logistics Carbon Reduction Scheme formed a large part of the evidence considered. The review concluded that "Whilst eco-driving training has clear carbon reduction benefits…the Department remains of the view that operators are best placed to know the particular development needs of their drivers and therefore has no plans to make eco-driving training a mandatory element of periodic training at present but will keep the issue under review." The review also concluded that Government should continue to support a voluntary approach to reducing carbon emissions.

In September, Government announced that it was to make a change to the allocation process for permits to operate longer semi-trailers under the current 10-year trial in the UK. The longer semi-trailer permits allow operators to run articulated lorries up to 2 metres longer than existing, standard articulated vehicles. This length gives an equivalent deck space to the current standard drawbar (rigid truck and trailer) combinations and allows more freight be carried on fewer vehicles, thereby reducing emissions and saving money. The changes opened up the allocation process to all operators ahead of the 'use it or lose it' deadline of 31 December 2013. By early 2014 all 1,800 allocations for longer semi-trailers had been granted to operators who could demonstrate that they could purchase and deploy the trailers within the 6-month timeframe.

There was concern in 2013 over the financial burden to be imposed on non-SMEs by new legislation requiring businesses, including own account operators and third party logistics companies, to undertake accredited Energy Saving Opportunities Scheme (ESOS) audits. According to the consultation's Impact Assessment, it will cost the average road haulier £23,000 to conduct an energy audit but, given the contribution of fuel to an operator's operating costs, there is already a huge incentive to reduce energy. It was questioned how much further progress Energy Audits would make towards making industry more efficient. The audits will also sit alongside other UK-specific schemes that are already in place or planned – for example the existing Carbon Reduction Commitment (CRC), covering large non-energy intensive companies and mandatory greenhouse gas reporting obligations for quoted companies, which came into force on 1 October 2013.

FIGURE 3.10 • London's PM_{10} emissions sources in 2010

Hgvs are responsible for just 6 per cent of Greater London's PM_{10} emissions



Source: Transport for London

Encouraging alternative fuels

The carbon saving case for gas-powered hgvs is now well-documented (a report in 2012 published by the DfT's Low Carbon Hgv Task Force concluded that a switch to gas could achieve the greatest potential for carbon reduction in hgvs) but more can be done to encourage companies to invest in this technology, especially at a time when growth in the economy has been so uncertain.

Operators of some of the largest hgv fleets in the country are considering investing in this form of propulsion with the ultimate ambition of utilising biomethane as a source of recycled carbon. At the start of 2013, the Chancellor was committed to maintaining duty rates on natural gas and biogas at levels that offer a competitively priced alternative to conventional duty. But the duration of this commitment, until 2015, was felt to be too short to provide confidence for operators making vehicle investment decisions in gas-powered commercial vehicles.

Uncertainty over future duty rates and other associated costs would, it was argued, inhibit commitment, given the expected payback period of the technology of 10 years. The Chancellor was called on to provide this confidence by announcing an extension of the existing policy of fixing duty rates for natural gas relative to diesel rates. In Autumn Statement 2013 he did this. On 5 December he announced that the fuel duty differential between the main rate of fuel duty and the rate for road fuel gases, such as compressed natural gas, liquid natural gas and biomethane, would be maintained at current levels until March 2024. The differential between the main rate and the liquefied petroleum gas rate would also continue to reduce by 1ppl each year to 2024; this would be reviewed in Budget 2018. The next step needed is action on the cost of refuelling infrastructure for gas which still acts as a brake on many companies, particularly small operators, from investing in gas.

In September, the Office for Low Emission Vehicles (OLEV) noted that "The take up of ultra low emissions technologies for heavy goods vehicles has been relatively low. Evidence suggests that high upfront costs, availability of refuelling infrastructure, uncertainty over long-term running costs and residual payback periods are the major barriers to uptake by freight operators."[13] However, to date OLEV has predominantly concentrated on cars and vans in its allocation of funding for projects. It is anticipated that the Low Carbon Truck and Infrastructure Trial, underway in 2013 and funded by OLEV, will be an important step towards providing definitive evidence of the carbon reduction advantages of using natural gas and biomethane. It is hoped that availability of this evidence will help to make the case for increased OLEV funding for freight.

Whilst tackling pollution from traffic must form part of the mix of policy solutions linked to improving air quality, the argument can be made that effort should be targeted at those sources which offer the lowest financial cost to society per unit of pollution reduction, including the economic impact. Operators already have an incentive to reduce fuel consumption because of the significant proportion of fuel in their costs. It may be less politically unpopular to target logistics in measures to address air quality rather than the private car or other sources, but the evidence shows that this will not necessarily lead to the most effective outcome and that it may adversely impact economic health.

13 *Driving the Future Today: A strategy for ultra low emission vehicles in the UK*, September 2013, OLEV

Future outlook – FTA analysis 3

Data on risks and opportunities shows that FTA members are concerned at the impact that poorly implemented restrictions, safety measures and low emissions zones could have on the cost and efficiency of logistics.

The FTA Logistics Industry Survey 2013/2014 also asked respondents to rate the risk and importance of a range of issues relating to technological and operational challenges.

- UK fuel prices were considered to be an important operational risk, which is not surprising considering fuel accounts for 40 per cent of the cost of running a 44 tonne articulated lorry
- Cyber security (but not supply chain security) was also considered a risk, along with the implications of Euro VI engine emissions standards and beyond
- Interestingly, important opportunities included carbon monitoring and reduction measures: carbon footprint measurement, alternative fuels and fuel efficiency via vehicle and driver performance data integration

The image of logistics remains an issue as a glance through 2013's media coverage will reveal. On safety, much has been achieved and while there is still more to do, it needs to be done in a targeted way to ensure that the desired outcomes are achieved efficiently, effectively and without an unduly adverse effect on the economy. As we have seen in this chapter, improved safety and environmental outcomes can best be achieved through 'designed-in' solutions. In addition to some of the initiatives mentioned, FTA is advocating the following policies.

- There are tight safety standards for hgv drivers and operators. FTA supports further targeted and intelligent enforcement efforts by the police and the Driver and Vehicle Standards Agency
- Some construction vehicles are found to be highly represented in cycling fatalities in London; FTA helped develop and supports the new national construction logistics standard and advocates adoption of this across the sector. FTA is working with members to develop a general distribution cycle safety standard. We also support the Department for Transport's initiative to review the status of the remaining exemptions from sideguard fitment
- All hgv drivers are trained to a high degree to be entitled to operate such vehicles. FTA members are advised that Driver CPC training for drivers who operate hgvs in urban areas should incorporate specific content on safe urban driving and vulnerable road users
- Where practical, hgv movements should be encouraged to take place outside peak periods when roads are most congested and when most cyclists are on the road. Rather than looking at lorry bans at certain busy periods,

FIGURE 3.11 • Operational and technological risks and opportunities for 2014

Fuel prices remain the most important risk to operators

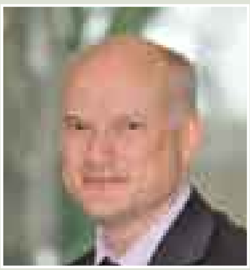
Source: *FTA Logistics Industry Survey 2013/2014* hgvs should first be enabled to operate efficiently outside these periods. Central and local government should support such efforts and relax regulations and enforce noise restrictions in an intelligent fashion

- Major gains are potentially available from redesigning cabs to increase visibility and 'rounding' of the profile of trucks. Government should promote the necessary reforms at EU level to allow these developments, and manufacturers should develop new models of hgv design without unduly impacting load capacity – as significantly reduced loads would only mean more vehicles on the road
- Local authorities, with the support of central Government, should redesign junctions and road layouts to make them safer for all users – bearing in mind the need to maintain effective traffic flow. All road surfaces should be of a high quality so that cyclists are not forced to make unexpected manoeuvres. Cycling infrastructure that separates cyclists from motor traffic should be developed wherever possible without unduly disrupting general traffic flow or physical access to the kerbside
- There should be increased enforcement, and if necessary penalties, against cycling infringements of the Highway Code; urban cyclists should be encouraged to take up the full range of possible safety equipment – including high visibility markings and helmets
- All cyclists who plan to ride in urban environments should undertake training – this should include helping them to be more aware of how to keep safe around hgvs. Local and central government should investigate what it can do to provide this training and encourage urban cyclists to make use of it. The logistics industry needs to continue and expand its efforts through the *Exchanging Places* scheme and school outreach programmes
- Local authorities should properly understand the sources of emissions in their local area before considering the implementation and scope of a low emissions zone
- The planned London Ultra-Low Emissions Zone should include discounts from the congestion charge for dual fuel gas vehicles and the provision of gas refuelling infrastructure. Any new measures should also consider the economic impact of compliance costs and take the needs of operators of smaller fleets into account. In light of additional safety equipment costs being placed on hgv operators, there should be a 2-year delay in the application of new limits to hgvs

Government is committed, by law and its own policies, to act to reduce harmful emissions to air – be they NOx, PM or greenhouse gases. Businesses should plan and prepare now for the investment response that is likely to be asked of them in terms of the vehicles they use and, if they have not already addressed this, how they train and monitor their drivers.

Issues that are being discussed in social media are also a good indicator of public concerns and how these may be picked up by politicians. In addition to exploring the commercial opportunities of social media, logistics needs to increase its understanding of what is being debated and improve the way it communicates what it does.

Insights • Safer and greener logistics



Christopher Snelling
Head of Urban Logistics Policy, FTA

The social consequences of logistics activity have become a hot topic of debate – especially in the urban environment. The reality is that whilst there is still any pollution emitted, and whilst even one person is hurt in connection with logistics activity, these will continue to be discussed. But whilst we focus on continuous improvement of the freight industry's performance on issues like these, there are 2 things we should not forget. The first is that our industry is already making progress. As this chapter shows, the number of people injured in incidents involving hgvs is declining. This is a sustained, long-term trend that results from the investment in newer vehicles, increased training and better practices by logistics companies. Emissions from logistics operations are also reducing and will continue to do so as the oldest, more polluting vehicles retire from the fleet and are replaced by newer vehicles complying with strict modern emissions standards.

The second is that these issues will never be for logistics alone to solve. Most sources of local air quality emissions are nothing to do with freight in any form. Most road casualties in any category – including vulnerable roads users such as cyclists – do not involve commercial vehicles. The logistics industry will have to respond as we always do to changing use of our roads, be that, for example, increased congestion or increased cycling. But others will have to play their part as well if we are to minimise these problems as far as possible.

CHAPTER 4

Quest for skills


COMMUNICATION
CUSTOMER RELATIONS
TECHNICAL
PROBLEM SOLVING
LEADERSHIP
MANAGEMENT
ORGANISING & PLANNING

Quest for skills

Economic growth looks set to be slow and steady, rather than meteoric, but active employers need to seek competitive edge in every aspect of their enterprises. Having the right people, with the right skills, is essential for business success. In a growth environment, albeit one that is likely to be more modest than that experienced before the downturn, employers will have to work hard to attract, retain and develop key talent.

The FTA Logistics Industry Survey asked companies what changes they thought would take place in relation to employment and training in 2014. Table 4.1 shows the results; the movement arrows are in comparison to findings for 2013. The general expectation appears to be that companies will take on more permanent staff and reduce selection of typically short-term measures, such as use of agency and temporary resource or standing staff down.

Fewer respondents expected to do more training in 2014 compared to 2013, although 38 per cent still expected the amount of training to increase (47 per cent in 2013).

This optimism is reflected in data on the UK labour market. A few months after the start of the recession in 2008, unemployment started to rise sharply. However, when the global financial crisis hit, the unemployment rate was a little over 5 per cent or 1.6 million; it rose to 2.5 million, or 8 per cent, towards the end of 2009 and peaked at almost 2.7 million at the end of 2011. In the 3 months to January 2014, unemployment fell by 63,000 to 2.33 million, according to the Office for National Statistics.[1] The unemployment rate of the economically active population stood at 7.2 per cent, and the number of people in work was just over 30 million. The Recruitment and Employment Confederation (REC) and KPMG Report on Jobs[2] reported further sharp rises in permanent placement and an increase in overall job vacancies by January 2014. It noted that "both permanent and temporary candidate numbers declined at marked rates."

1 *Statistical bulletin: Labour Market Statistics, March 2014*, Office for National Statistics

2 *Report on Jobs*, February 2014, Market for Recruitment and Employment Confederation and KPMG

TABLE 4.1 • HR priorities for transport-related staff

Number of redundancies	
Number of staff	
Use of agency drivers	
Use of temporary staff	
Standing staff down	
Amount of overtime	
Amount of training	

In a growth scenario, even a relatively weak one compared to the period before the downturn, there will be increased competition between employers for talent. Such an environment should provide renewed impetus to efforts to address the specific skills recruitment and training issues that UK logistics faces.

Logistics' skills requirements

Technological and commercial developments mean that new and more highly skilled workers are needed

In the previous chapter the impact of the media and image on policy decisions that affect logistics was considered. However, the perception of logistics also affects companies' ability to attract job applicants with the skills that they require. Talented individuals may reject a career in logistics in favour of other possibilities that require similar skills but have a higher, more positive, or more easily understood, profile. The consequence of this is that vacancies are sometimes difficult to fill or the employer must elect

to appoint a candidate that requires upskilling in the expectation that they will be able to fulfil the role in time.

In a key area of logistics skills, hgv driver recruitment, there is concern that the downturn in the economy may have masked structural skills shortages. As the economy begins to grow again it seems likely that these shortages will once more become evident. In fact, some employers are expecting the situation in 2014 to be further compounded by the loss of some drivers who have decided they will not acquire the Driver CPC; if this is the case, from September 2014 these individuals will not be available to employ.

The skills issue is not just about current recruitment, many companies also report skills deficiencies among existing staff, so the need to train is not just about getting new employees familiar with the requirements of their role, it is also about bringing existing workers up to the required standard.

Companies engaged in logistics report continuing issues with recruiting employees with the skills that they need. The UK Commission for Employment and Skills (UKCES) conducted a survey in 2013 that sheds some light on the issues being faced by logistics and how it compares to other business activities.[3] The survey report notes that transport and communications is catching up with the manufacturing and agriculture sectors, where skills deficiencies when recruiting are most concentrated and persistent.

Many of the skills that are required in logistics' roles are highly transferrable, with the following often being cited in employer surveys: communication skills, management and leadership skills, organising and planning skills, customer facing skills, teamwork/interpersonal skills, IT skills and problem solving skills.

In future, a number of factors will impact demand for and supply of skills. In logistics, and most obviously in road freight, technology is a major driver of skills requirements. The increasing use of e-commerce and technology in the cab have affected logistics profoundly in recent years, and there is every expectation that there will be substantial changes in the next few years. As companies strive for competitive advantage, technology offers the opportunity and possibility to increase efficiency and productivity.

Systems such as digital tachographs and GPS routeing mean that drivers' skills-sets need to be updated frequently. Changes to the design and equipment of vehicles, such as improved comfort and manoeuvrability, are acting to reduce the need for the levels of stamina and strength traditionally required of drivers. This may act to increase the pool of potential drivers in the labour force. Drivers also require training in fuel efficient driving so that as businesses the companies can reduce carbon emissions – as well as fuel bills.

For other roles in logistics, computerisation is helping businesses to control stocks, through scanning equipment, which allows for tighter planning and means that lower levels of stock can be held against prospective demand. Automation is also being used increasingly, for example in warehousing operations to accelerate and improve the reliability of order picking and assembly. E-commerce is leading to new expectations of adaptability, flexibility and responsiveness, with a wide range of means of delivery and collection – often of small consignments – and sometimes handling returns. It also requires employees to be trained in understanding cyber security risks. This means that the workforce will need to be adaptable to enable it to acquire the new skills required to use emerging and revised technologies; employers will need to make time to train workers to use them.

Working in logistics

Logistics is a major employer but often struggles to recruit, especially among younger workers

Logistics is a significant employer and as the economy grows so too will the demand for people to fill key roles. Already in 2013, as the country began to emerge from the downturn, the narrowly defined 'logistics sector' employed 2.2 million people, representing 8 per cent of the UK's workforce.[4] These figures do not include the many people engaged in logistics roles in other sectors, such as retail, construction and manufacturing. With all sectors of the economy relying on logistics there is common interest in creating a world class logistics workforce.

3 *UK Commission's Employer Skills Survey 2013: UK results*, January 2014, UKCES

4 *Annual Population Survey 2012*, 2013, Office for National Statistics

However, the logistics workforce is an ageing one with a history of problems in attracting younger employees. Table 4.2 shows key logistics occupations and the numbers of people employed in them according to age, under 25 and over 45. It clearly shows the difficulty logistics has in attracting younger employees, as well as the vulnerability of its pool of skilled staff as many more of them are closer to an age when they may consider retirement.

Skills for Logistics reported that in 2013 companies were experiencing recruitment difficulties in all occupational groups (table 4.3). The main problem was recruiting operational staff, a category that includes drivers and warehouse operatives; here, more than 1 in 4 companies (28 per cent) reported a problem. Road transport has a long-standing history of difficulties recruiting drivers which to some extent has been masked by the recession. Seventeen per cent had trouble recruiting administrative and secretarial staff, 15 per cent middle and junior managers and nearly 1 in 10 (9 per cent) had difficulties recruiting directors and senior management.

Skills for Logistics also reported on the reasons that companies were experiencing difficulties recruiting (figure 4.1). More than half of employers (51 per cent) said that recruitment difficulties were a consequence of a low number of applicants with the required skills. One in 5

TABLE 4.2 • Key logistics occupations

Definition	% under 25	% over 45
Transport and distribution managers	<1%	49%
Van drivers	10%	48%
Storage and warehouse managers	<1%	40%
Heavy goods vehicle drivers	9%	38%
Post worker, mail sorter, messenger or courier	15%	33%
Elementary storage occupations	12%	32%
Purchasing managers	<1%	31%
Transport and distribution clerks	19%	25%
Forklift truck drivers	10%	16%

Source: Annual Population Survey 2012, Office for National Statistics, 2013

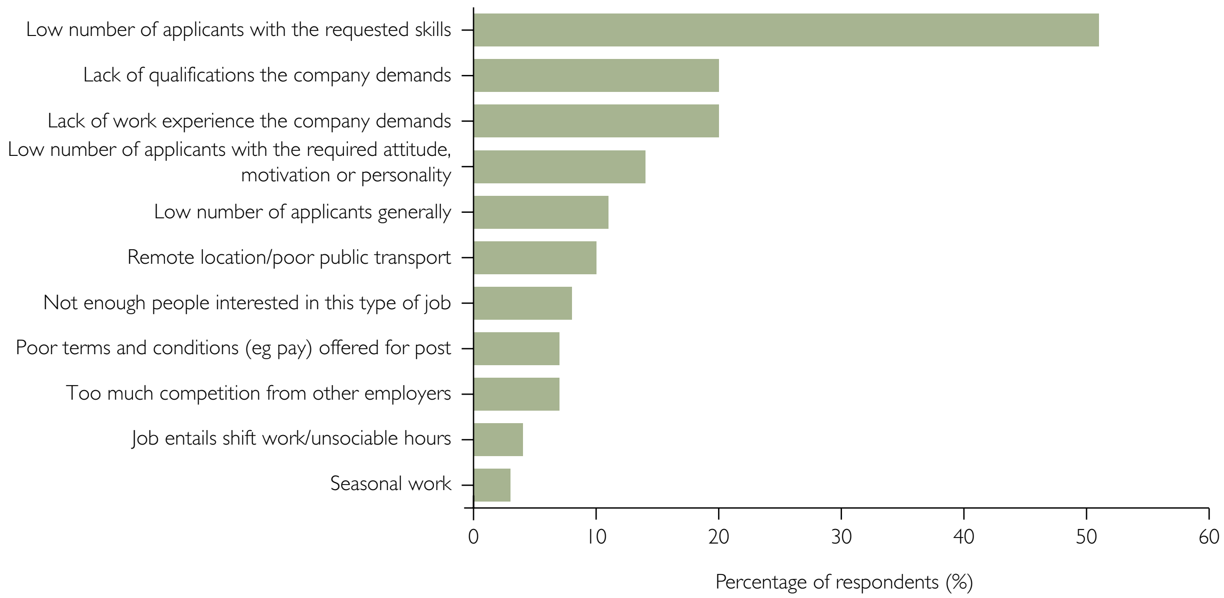
TABLE 4.3 • Organisations that had difficulties recruiting the following positions in last the 12 months

	Yes	No	Don't know	Base
Directors and senior management	9%	84%	7%	45*
Middle and junior management	15%	82%	3%	88
Admin and secretarial staff	17%	81%	2%	108
Operational staff	28%	71%	1%	180

Source: Skills for Logistics, Employer Skills Survey 2013
Base: Employers that recruited in those positions.
**Figure denotes low base size and should be treated with caution.*

FIGURE 4.1 • Reasons for difficulties in recruitment

Applicants lack the skills needed



Source: Skills for Logistics, Employer Skills Survey 2013 reported the lack of required work experience and the lack of required qualifications as factors.

Recruitment of young people

Levels of youth unemployment were of significant concern to policy makers in 2013. The CBI and LifeSkills programme released survey results which underlined the gap between the career guidance needed by young people and what they were actually receiving. In a survey of 2,000 14–25 year olds, conducted using the LifeSkills Youth Barometer created by Barclays, it was revealed that 93 per cent felt they were not provided with all the information they need to make informed choices on their future career.

- Around two-thirds of those surveyed in England had received guidance on more traditional routes, 'A' level choices (62 per cent) and university (65 per cent)
- Only a quarter (26 per cent) had information on starting an apprenticeship and even fewer (17 per cent) on what vocational qualifications might be available

Launching the report, CBI said "The quality of careers advice in England's schools remains in severe crisis. For 93 out of 100 young people to not feel in possession of the facts they need to make informed choices about their future is a damning indictment." The organisation urged Government to "press ahead with the delivery of a high quality, rigorous vocational alternative to 'A' levels, using the prestigious 'A' level brand." In a further report on skills in 2013, CBI reported that the majority of employers believe that the quality of careers advice for young people is not good enough (a balance of -67 per cent).[5] A third of young people choose vocational routes in the UK compared to over two-thirds in Germany and Austria, both countries have a higher skills base and much lower levels of youth unemployment.

5 *Changing the pace: CBI/Pearson education and skills survey 2013*, June 2013, CBI

The age profile of logistics employees, and of drivers in particular, underlines the importance of recruiting younger people into the workforce. Again, the perceived attractiveness of logistics is a significant factor. In 2013, the UK Commission for Employment and Skills found that "Among employers hiring new staff, the main obstacle to (more) young people getting new jobs is competition in the labour market. Half of recruiting employers who had not recruited young job applicants had opted instead for older candidates who were seen to be better placed; in such cases, young people who applied for these jobs may have been suitable but the recruiters opted for a candidate over the age of 25 to fill the role. Where young applicants were not considered to meet the requirements of the role, the main reasons cited were lack of skills and experience, and sometimes both. Of recruiting employers who had not recruited a young person, 3 in 5 (61 per cent) said they had not received any applications from young people."[6]

The South East Midlands Local Economic Partnership (SEMLEP) report, published in 2013, describes how employers in logistics recruit fewer school leavers than other sectors.[7] "Attracting young workers is a particular problem for the sector. Only 20 per cent of SEMLEP logistics employers have recruited at least 1 education leaver to their first job on leaving education in the last 12 months. This is much lower than the all sector figure of 25 per cent, and places logistics in the bottom third of all sectors for recruiting young people. The challenge is that individuals do not consider it as a career of first choice – they 'fall' into the sector, considering it to be only a job of last resort. Our research shows that the term 'logistics' is misunderstood by 64 per cent of 14–19 year olds. This makes it harder to attract quality entrants." A further barrier to entry may be the cost of becoming qualified to drive a large goods vehicle and of attaining the Driver Certificate of Professional Competence (Driver CPC), as

6 *UK Commission's Employer Skills Survey 2013: UK results*, January 2014, UKCES

7 *Logistics Report*, December 2013, prepared for South East Midlands Local Economic Partnership by Skills for Logistics

TABLE 4.4 • The proportion of staff considered to be fully proficient at their job

	A max 25% of staff are fully proficient	Between 26–50% of staff are fully proficient	Between 51–75% of staff are fully proficient	More than 75% of staff are fully proficient	Don't know	Base
Director and senior management	1%	2%	12%	80%	5%	263
Middle and junior management	1%	3%	27%	65%	5%	219
Admin and secretarial staff	*%	3%	23%	70%	4%	255
Operational staff	*%	3%	18%	74%	4%	260

Source: Annual Population Survey 2012, Office for National Statistics
*Base: All companies that employ that occupational level, *less than 1%*

well as restrictions on the age at which a larger vehicle can be driven. Changes to driver licensing in 2009 mean that the age at which large goods vehicle entitlement for professional drivers may be attained has been lowered from 21 to 18. However, in practice the cost of insuring drivers under the age of 25 may be prohibitive for some employers. The effect of this is to compound the problems with employment of school leavers in logistics.

Skills shortages

The need to upskill the logistics workforce

Skills for Logistics describes UK logistics as "poorly qualified"[8] with 44 per cent of employees not holding a Level 2 qualification. The same report describes how 63 per cent of all machine operatives (a category that includes drivers) are not qualified to minimal skills level, nor are 55 per cent of elementary occupations (warehouse operatives, postal workers, couriers), nor are 52 per cent of managers. This has important adverse effects on logistics' productivity.

The logistics sector skills council also found that 80 per cent of respondents felt that three-quarters or more of their directors and senior management were fully proficient, whereas only 65 per cent felt that a similar proportion of junior and middle management staff were (table 4.4). It identified that employers in logistics have some staff who are not fully proficient, with at least 15 per cent of companies with directors and senior managers with skills gaps, increasing to 31 per cent employing middle and junior management. Some of the skills gaps may have arisen as a result of recruitment difficulties discussed earlier in this chapter.

In terms of creating a more diverse workforce, the same report found that "1 in 10 employers in the driving industry are either fairly or very pessimistic about attracting a diverse workforce. This industry relies heavily on the use of word-of-mouth for recruitment (65 per cent of employers using this) and considering this is a very male dominated, ageing workforce this will impact the lack of diversity."[9] Use of a broader range of recruitment tools was advocated as a means of increasing diversity.

Implications of skills shortages

A lack of suitably skilled applicants has consequences for business operations. Skills for Logistics found that 9 out of 10 employers (90 per cent) reported that problems recruiting resulted in an increased workload for other staff (figure 4.2).[10] Significantly, over half (54 per cent) reported that they experienced an increase in operating costs and 46 per cent also reported having difficulties meeting customer service objectives.

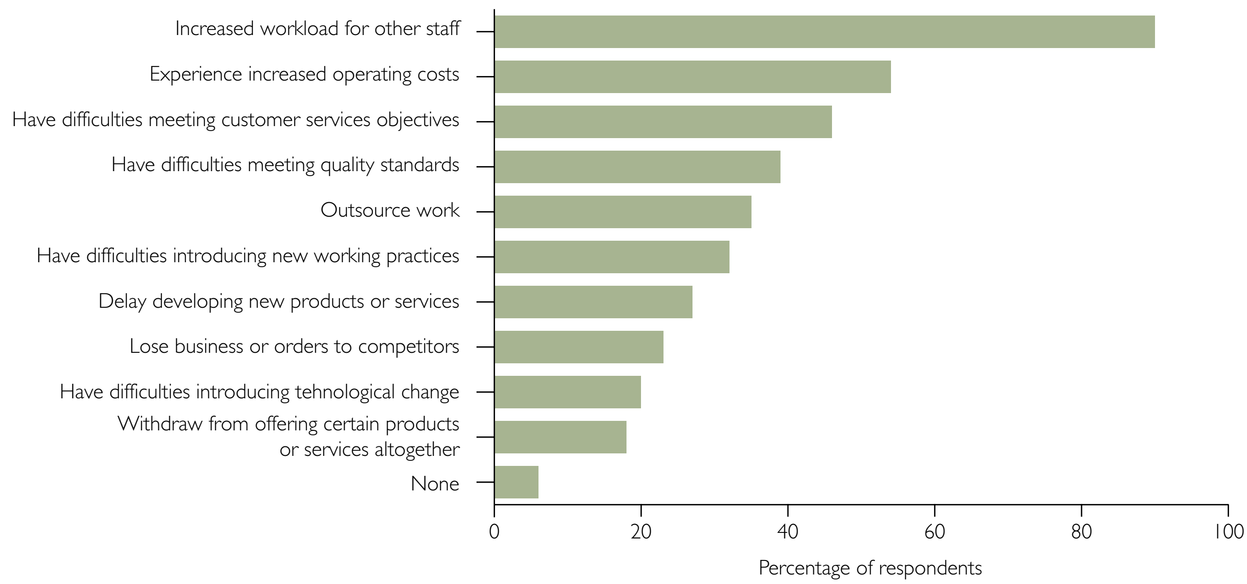
8 *Logistics Report*, December 2013, prepared for South East Midlands Local Economic Partnership by Skills for Logistics, December 2013

9 *Logistics Employer Skills Survey*, February 2014, Skills for Logistics

10 Ibid

FIGURE 4.2 • Impacts of recruitment difficulties

Extra work for existing staff and increased costs



Source: Skills for Logistics, Employer Skills Survey 2013
Base: 71 companies that report having difficulties in recruiting

Training for logistics

The Logistics Employer Skills Survey 2013 shows that nearly 4 in 5 companies (78 per cent) in the logistics sector have provided or arranged on-the-job training for employees, and nearly three-quarters (73 per cent) off-the-job training.[11] When the reasons for providing training were explored, 9 in 10 employers that had provided training in the past 12 months said that that it was either to comply with legislation requirements (91 per cent) or to ensure that their staff were equipped with the appropriate skills to do their jobs (93 per cent). The CBI/Pearson education skills survey found that firms such as those in retail, hospitality, transport and distribution were more likely to provide practical, on-the-job training, with only 31 per cent of training provided by outside contractors.[12]

FTA is developing a qualification to promote national recognition of the scope of duties and responsibilities involved in logistics and commercial fleet management. The Fleet Management Qualification (FMQ) framework is in the process of being written and put forward for approval by the FTA Skills Working Group and Skills for Logistics to check that it is fit for purpose. Ultimately it will be submitted to Ofqual (the Office of Qualifications and Examinations Regulation) to gain formal recognition. FTA is currently deciding on the appropriate Awarding Organisation to take the FMQ forward: once the Awarding Organisation is in place and Ofqual approves the framework then the FMQs will be published with the first courses planned to take place at the end of 2014.

The role of compliance with legal requirements is a significant one in directing training funding within logistics. Qualifications are required to drive certain equipment, such as forklift trucks, under health and safety legislation. However, the most recent legislative condition to apply to the industry is the Driver CPC which was introduced by a European directive. Passenger carrying vehicle drivers had

11 *Logistics Employer Skills Survey*, 2014, Skills for Logistics, February

12 *Changing the pace: CBI/Pearson education and skills survey 2013*, June 2013, CBI

Insights • Cyber security

Paul Midian
Director, Cyber Security,
PwC UK

Logistics companies are progressively relying more and more on information for the day-to-day running of their businesses. From tracking freight movements and remote telemetering of vehicles to tight integration into customers' processes, this information must be accurate and always available.

Earlier in this report we heard about Total Retail and the need for agility in meeting customer demands; information systems also need to be protected. Companies are increasingly deriving value by making previously private information available for public consumption; for example, online freight tracking portals. Every touch point into the public domain becomes a potential vulnerability. This is no longer the stuff of fiction; we have first-hand experience of dealing with the threat in the logistics sector and are more frequently seeing attacks by highly capable and well-funded adversaries.

Further, the regulations around the use of personal information are set to increase; while shareholders are no doubt making greater demands for efficiency. Demands that are often met through data analytics. Whether we like it or not, information systems have become a fundamental part of any organisation. They must become a trusted part of the organisation too. Trusted by the company, its staff and its suppliers; but most of all trusted by its customers.

Building trust means fresh thinking, tackling the challenge in a new way. At PwC we firmly believe that cyber security is not just about computers and technology. It involves people, information, systems, processes, culture and physical surroundings. Logistics companies need to shape their response to cyber risk by understanding their current capability and risk appetite in the context of their future strategy. Only then can a plan be put in place to target cyber security investment in the right areas.

to comply with requirements to attain a Driver Qualification Card and achieve a minimum 35 hours periodic training by September 2013, while large goods vehicle drivers have until September 2014 to do so.

The requirement for a nominated transport manager on an operator's licence to hold a Certificate of Professional Competence, if the company carries goods for hire and reward, is of considerably longer standing. Changes to European laws in 2011 meant that rather than taking the International Certificate of Professional Competence as a 'top-up' to the national qualification, all new entrants to the industry must pass a single examination in both national and international operations even though the majority of transport managers may not be involved in international operations during the course of their careers. Goods vehicle drivers and transport managers perform essential roles within logistics and during 2013 work has been ongoing to better understand their training requirements and professional needs.

Companies have also looked at other ways of ensuring they have access to the skills that they need. During 2013, FTA, at the behest of its members, developed a Driver Agency Accreditation Scheme. This is a voluntary initiative which has been developed alongside driver agencies and operators, and aims to recognise, encourage and promote good practice within the sector. This means that companies are better able to identify sources of good quality agency drivers and so reduce their corporate and operational risk.

Apprenticeships

As an activity where most companies are SMEs, initiatives to increase the appeal of apprenticeships are of particular interest to logistics. 2013 saw policy makers consolidating their approach to apprenticeships in the light of 3 key reports that appeared the year before. The Richard Report had undertaken a comprehensive review of the system and its future direction and emphasised putting employers back at the heart of apprenticeships.[13] It called for outcome based qualifications focused on industry standards, robust final assessments and the routeing of funding direct to employers to give them greater purchasing power. The Government expects to introduce the first apprenticeships under the new regime from 2014/15. Jason Holt (on behalf of the Department for Business, Innovation and Skills) and the House of Commons' Business, Innovation and Skills Committee also produced reports, focusing on the need to engage more SMEs in apprenticeships and make them more attractive to them.[14]

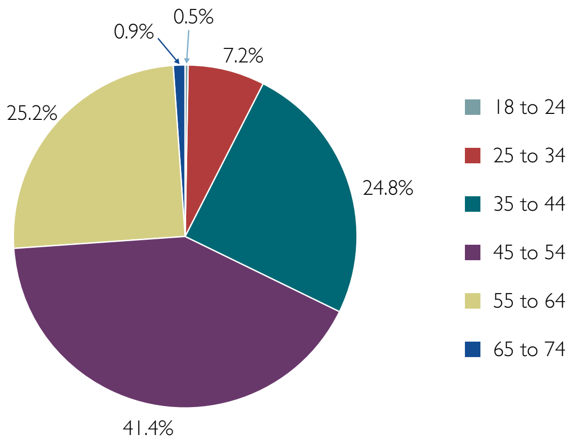
In 2013, the CBI/Pearson education skills survey found that more than two-thirds of respondents were involved in apprenticeships (69 per cent) and that over half (55 per cent) planned to extend their programmes further or start taking on apprentices in the next few years.[15] The feedback from companies was that 41 per cent wanted more relevant qualification programmes, 39 per cent wanted companies to have greater purchasing power by the routeing of funding direct to employers and 32 per cent wanted red tape reduced. The survey found that SMEs were still an under-represented market for apprenticeships, with only a quarter of SMEs responding (23 per cent) taking on apprentices compared to 9 in 10 (88 per cent) in firms with over 5,000 employees. SME respondents said that they had not yet seen improvements in the apprenticeships' offering for smaller firms coming through (94 per cent).

Driver Certificate of Professional Competence

The first cycle of periodic training for the large goods vehicle Driver CPC ends in September 2014. Ahead of that the European Commission launched a review of the Driver CPC and its implementation in July 2013. In due course this is expected to lead to legislative change. Issues under discussion included the extent to which content in the Driver CPC syllabus should be mandatory, whether there should be a pass/fail test and course length.

FIGURE 4.3 • Age profile for transport managers

Most respondents were over 45 years old



Source: FTA Transport Manager Survey 2013

13 *The Richard review of apprenticeships*, November 2012, Department for Business, Innovation and Skills (BIS)

14 *Making apprenticeships more accessible to small and medium sized companies*, May 2012, BIS and *Apprenticeships*, fifth report of session 2012–13, House of Commons Business, Innovation and Skills Committee, 2013

15 *Changing the pace: CBI/Pearson education and skills survey 2013*, June 2013, CBI

In November, the Department for Transport (DfT) published its own submission to the European Transport Commissioner. In his letter to the European Transport Commissioner, Siim Kallas, Transport Minister Robert Goodwill said:

"The culture of the road haulage and passenger transport industries is fundamental to good, safe working practices in a truly professional set of drivers. I want to encourage the industry to make the most of the DCPC requirements and having flexibility allows it choice and encourages ownership."

Transport Manager Survey 2013

Focus on one of the key roles in logistics

Transport managers play a key role within the road freight industry. To provide a clearer insight into the function they perform within logistics FTA conducted a survey in July 2013. There were 406 respondents, 316 of whom were operator's licence nominated transport managers. The majority (68 per cent) were over 45 years of age (figure 4.3). Fourteen per cent reported that they were planning to retire within the next 5 years, the majority (77 per cent) of these were over 55 years of age.

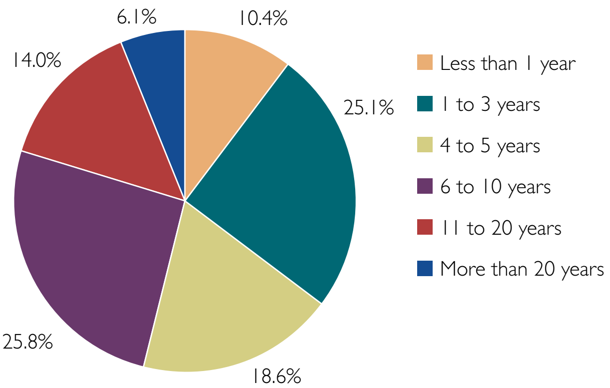
Roles and responsibilities

Almost two-thirds of the transport managers reported that they were nominated for 1 operator's licence with just 8 per cent of those surveyed holding 6 or more operator's licences. Just over half of respondents reported being responsible for micro or small fleets of between 1 and 25 operator licensed vehicles, with 45 per cent controlling medium to very large fleets (between 26 and over 500 vehicles). Nearly 18 per cent of transport managers were responsible for fleets of over 100 vans (vehicles under 3.5 tonnes). Just over half of respondents managed between 1 and 25 hgv drivers, with around 7 per cent being responsible for a large workforce of over 100 hgv drivers. Nearly a quarter did not have any van drivers in their employment. The sample covered a group that typically operate more hgvs than vans.

Over half of all respondents were nominated transport managers in their current role for less than 5 years, with around one-quarter nominated in the role for between 1 and 3 years (figure 4.4). This indicated that there had been quite a lot of churn in these nominated roles, possibly related to the onset of the recession. This was further evidenced by the relatively smaller proportion who had been in their current role for 4 to 5 years, which coincides with the 2009 lower levels of recruitment and increase in insolvencies in freight transport as the effects of the economic downturn took hold. This would lead to transport managers shifting employment around this time as businesses merged or closed. However, one-fifth of respondents indicated that they were more than 20 years into their career as a nominated transport manager, with one-fifth in the role for less than 3 years. The results indicate that many of the respondents spent some time working as a transport manager without being nominated on an operator's licence (figure 4.5). This was particularly apparent with people nominated in the last 1 to 5 years who had typically been working in the role of transport

FIGURE 4.4 • Length of time as transport manager in current role

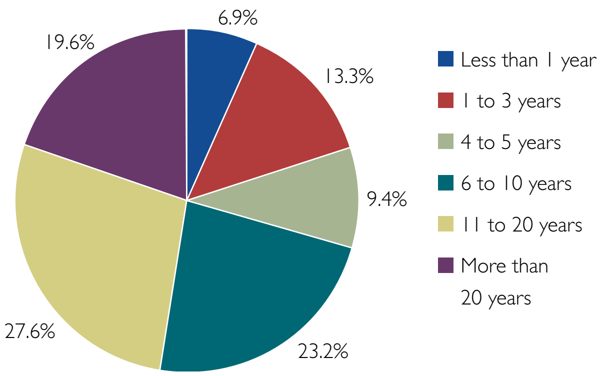
The recession has led to a churn in transport manager roles



Source: FTA Transport Manager Survey 2013

FIGURE 4.5 • Length of time as nominated transport manager in career

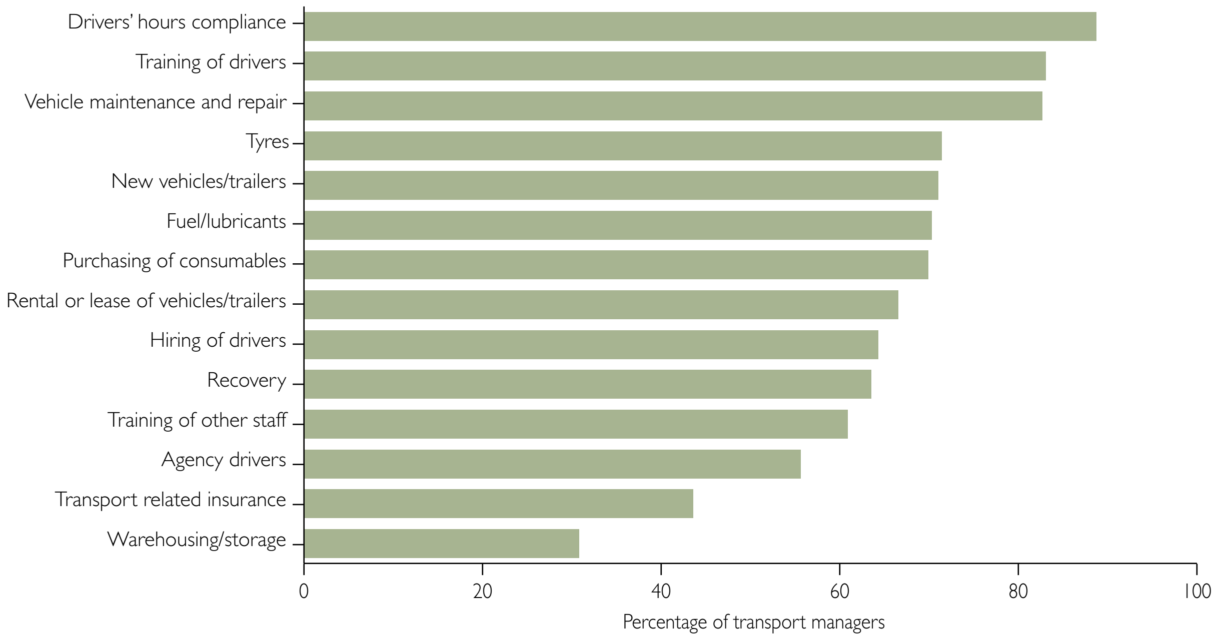
Transport managers appointed from within organisations during the recession



Source: FTA Transport Manager Survey 2013

FIGURE 4.6 • Core transport manager role responsibilities

Transport managers' main responsibility is drivers' hours compliance



Source: FTA Transport Manager Survey 2013

manager before being nominated on an operator's licence. This may be an indication that companies have concentrated on training and promotion within their organisations during the recession. Managers in the role for 11 or more years spent longer as a nominated transport manager in their careers and had therefore moved jobs at least once.

The top responsibility for transport managers in the survey was drivers' hours compliance, followed by driver training (figure 4.6). This was also top of the list of challenges facing transport managers (figure 4.10 on page 86).

Professional qualifications

Eighty-seven per cent of those surveyed reported that they had taken the Transport Manager Certificate of Professional Competence (CPC) exam; of the remaining 13 per cent who had not taken the exam, nearly one-third had been nominated transport manager for more than 20 years. It would appear that the further a transport manager was into their career the less likely they were to have taken the exam – although this was only one-third of 13 per cent.

Eleven per cent of those in the 34 to 54 age group and 18 per cent of respondents in the 55 to 64 age group had not taken the CPC exam, whereas all respondents in the 18 to 34 range had taken their CPC exam. There was an almost perfect correlation between the number of years a person had been nominated as a transport manager and the length of time since the transport manager took the CPC exam. However, for those who had been nominated transport manager for more than 20 years, just over half took the exam more than 20 years ago with the other half sitting the exam between 11 and 20 years ago. Respondents also listed their academic qualifications (figure 4.7). Nearly all respondents had taken formal qualifications at school. One-fifth had continued their education to degree level and one-third had passed vocational qualifications. The opportunity to study for a nationally recognised qualification received resounding support, with 80 per cent of transport managers indicating that they would be interested. Of those who said no, it was transport managers longest in their career and over 55 years of age who were less likely to be interested in such a qualification.

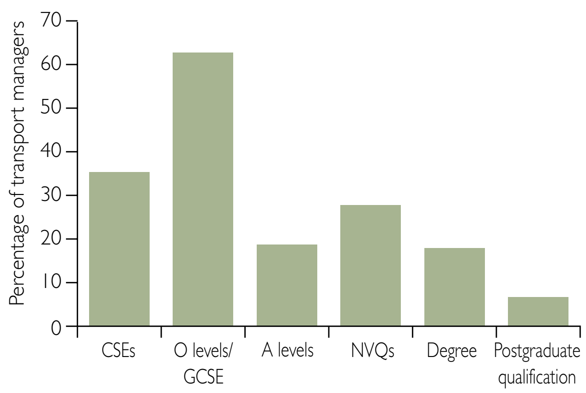
Recognition and status

Respondents rated the extent to which they felt the role of transport manager was respected by others on a 4 point scale where 0 = 'not at all respected' and 3 = 'very respected', in particular by line managers, with 55 per cent of the sample indicating that the role was 'very well respected' by this group (figure 4.8).

Respondents also rated the extent to which work colleagues and line managers understood the legal

FIGURE 4.7 • Percentage of transport managers with academic qualifications

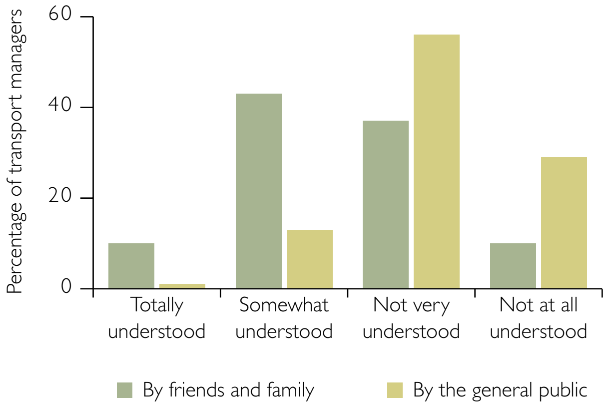
Nearly all respondents took formal qualifications at school



Source: FTA Transport Manager Survey 2013

FIGURE 4.9 • Extent to which role of transport manager is understood outside work

Role of transport manager is not properly understood by the public, friends and family



Source: FTA Transport Manager Survey 2013

FIGURE 4.8 • Extent to which the role of transport manager is respected (average rating)

In general the role of transport manager is well respected

Source: FTA Transport Manager Survey 2013

responsibilities of the transport manager and the extent to which the role of transport managers was understood by friends and family and the general public. These were rated on a 4 point scale where 0 = 'not at all understood' and 3 = 'totally understood' (figure 4.9).

On balance, most respondents believed their line manager and work colleagues respected the role of transport manager but there was no pronounced verdict on the rest of the transport industry. A majority of respondents thought the legal responsibilities carried by a transport manager were understood, but there was thought to be a poor understanding amongst colleagues, friends and family and especially amongst the general public (figure 4.9).

Challenges and opportunities

Transport managers were asked about challenges they currently face (figure 4.10). The responses were categorised and the top 3 concerns were compliance, budget and driver recruitment. Respondents were also asked what the most helpful thing their company could do to support them in their role. The responses were categorised in 6 categories, with nearly 40 per cent wanting help with additional staff and resources (figure 4.11). Transport managers also indicated the one thing they would change about their role; the responses were placed into 5 categories (figure 4.12). Reducing the amount of 'admin' they had to perform, in order to allow them to focus on core transport manager activities, was by far the most popular response.

The employer brand

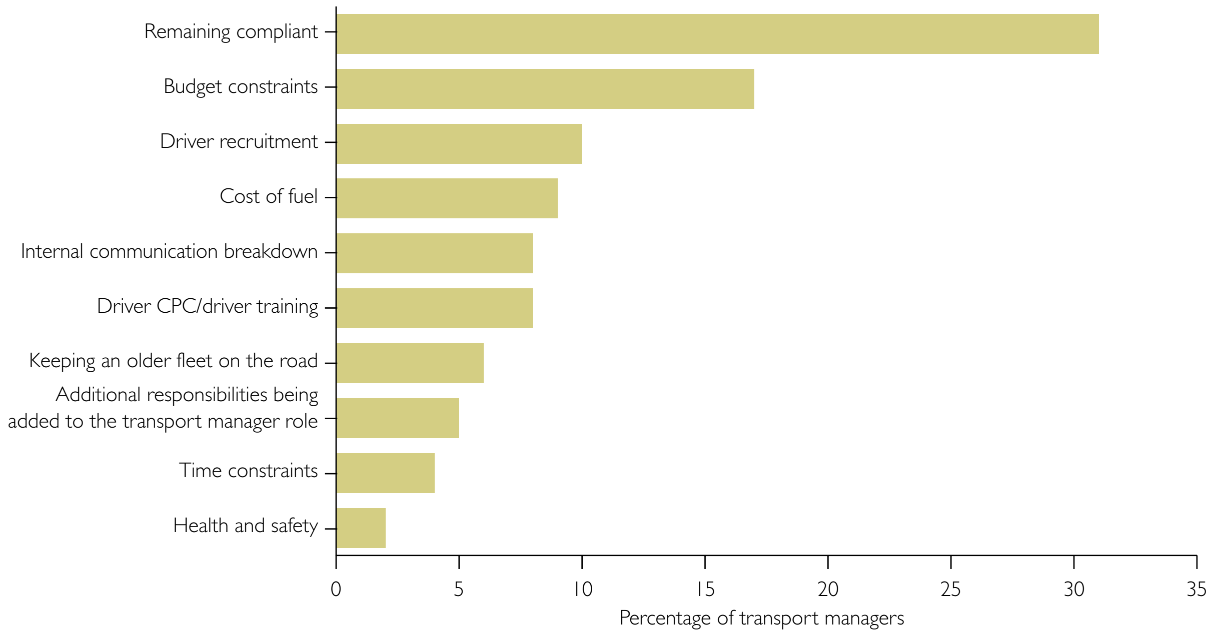
Making logistics a rewarding career choice

It is useful to understand how people feel about a career in logistics once they are employed within it. Of the logistics employers surveyed by Skills for Logistics,[16] over half reported that staff turnover was low or non-existent. Good terms and conditions and job satisfaction were felt to

16 *Employer Skills Survey 2013*, Skills for Logistics

FIGURE 4.10 • Top 10 challenges facing transport managers

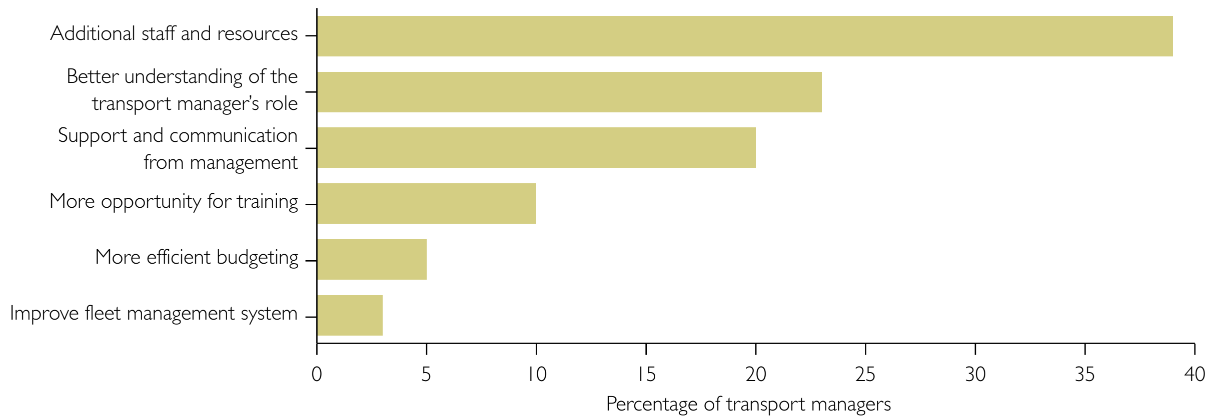
Compliance, budgets and driver recruitment top the list



Source: FTA Transport Manager Survey 2013

FIGURE 4.11 • 6 most helpful actions which would support the transport manager role

More staff and resources top the list



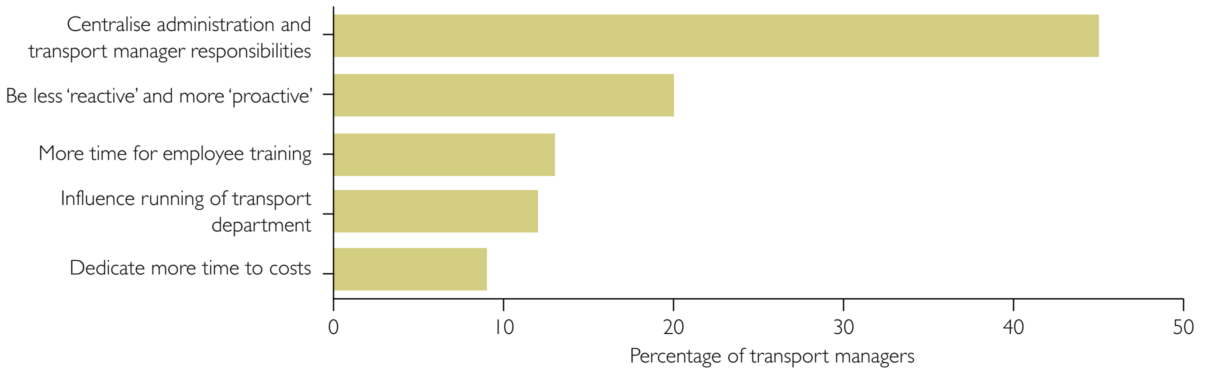
Source: FTA Transport Manager Survey 2013

be important in minimising the number of leavers. In part these findings could be a manifestation of unwillingness to move in the current economic climate, but they are also a positive indication of people staying in logistics roles.

An important part of obtaining and keeping the right people is developing a clear understanding of what the 'employer brand' is; that is to say what the company stands for, its culture and principles, what it has to offer its employees and including more tangible things such as pay and conditions, training, development and career prospects. This year's FTA Logistics Industry Survey looked at respondents' awareness of their 'employer brand' (figure 4.13). An impressive and overwhelming 89 per cent stated that they were very aware of the brand, whilst zero respondents claimed to have no awareness at all.

FIGURE 4.12 • 5 things transport managers would change about their role

Transport managers would like to spend less time on administration



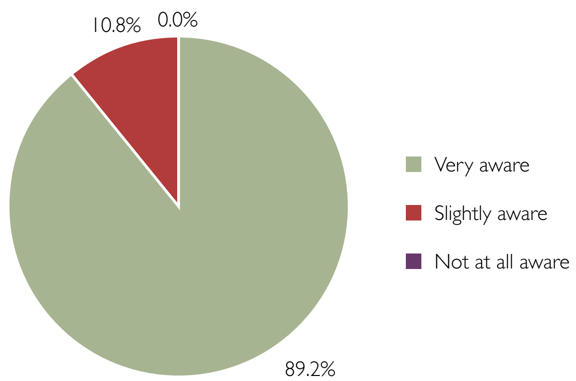
Source: FTA Transport Manager Survey 2013

This is a positive indicator for logistics and something that will be important to build on, as employers compete for people with the diverse range of skills they need.

It is clear that logistics faces specific challenges in terms of the skills agenda. Its image with the general public, referred to so often in this report, means that roles in logistics may be less attractive than comparable jobs in other businesses. Employers are seeking higher skilled workers, as legislative change, new technology and competition drive the need for new skills. Logistics also struggles to recruit younger employees, in particular school leavers, as a result of skills shortages and the demands of the roles available. A lack of hgv drivers is a particular issue and one that economic growth, and the impending deadline for achieving the required amount of periodic training under the requirements of the Driver CPC, could make worse.

FIGURE 4.13 • Awareness of employer brand

Respondents are very aware of their organisation's image and reputation



Source: FTA Logistics Industry Survey 2013/2014

A lot of work has been done by Government and representative organisations in the last 18 months to better understand the issues. The next year will be crucial for the effective implementation of enhanced approaches to skills and training and there will be exciting opportunities for logistics to respond to.

Being a Transport Manager and being a Traffic Commissioner is really similar ... a Transport Manager has to praise the good and develop best practice, but also has to have the tenacity to deal with those who are not quite so good and to deal quite harshly with the bad, which is not dissimilar to the work that myself and my colleagues have to carry out.

Beverley Bell
Senior Traffic Commissioner

Future outlook – FTA analysis 4

Respondents to the FTA Logistics Industry Survey 2013/2014 were asked to rate the importance and risk of economic, political and policy, operational and technological related issues.

The top 5 responses to each category have been combined to give an overview of the 15 most important risks and opportunities (figure 4.14). UK fuel duty, UK fuel prices and world oil prices were considered to be important risks. Infrastructure spending and recruitment and employee development were considered the most important opportunities.

Risks

UK fuel prices, fuel duty and world oil prices

It should come as no surprise that the cost of fuel tops the list of political, economic and operational concerns. As the operating cost input over which logistics has least control, and which forms around 40 per cent of the cost of running a 44 tonne articulated lorry, the price of fuel really matters. Reducing fuel duty

FIGURE 4.14 • Top 15 risks and opportunities for 2014

Fuel prices dominate important risks

Source: FTA Logistics Industry Survey 2013/2014

would help businesses and cash-strapped consumers and, research for FairFuelUK shows, would pay for itself as a result of stimulation of economic growth.[17]

Uncertain economic growth and interest rate rises

Pundits have underlined the differences between this recession and others – in terms of the breadth and depth of the downturn and the size of the deficit.

The slow, hesitant nature of the recovery and the expectation of interest rate rises towards the end of 2014 or early 2015, mean that business confidence is fragile but some of the improvements to the safety and environmental performance of logistics will come at a cost that some companies may struggle to absorb, justify, or pass on to customers.

Cyber security

The vulnerability of the IT that companies use has been underscored by a number of high profile data breaches in the last year – both as a result of internal fraud and external hacking. As businesses and consumers become even more IT-dependent and use of e-commerce expands, this is a weakness that will face increasing attention.

17 *The Impact of Fuel Duty on the Macro-Economy*, 2012, NIESR

Road pricing and road tolls

Government may have rejected the planned toll for the A14 improvements but that does not mean the concept has gone away. The implications for reliability of alternative non-tolled routes and the cost of tolls are of concern for logistics. FTA is not opposed to tolling in principle but believes that tolling schemes should meet the criteria set out in its *Tolling Charter* in order to be acceptable (which the plans for the A14 did not).

Public spending cuts

Dealing with the deficit has, rightly, been the focus of Government attention. Those engaged in logistics, like those in other parts of the economy, understand the scale of the issue that needs to be addressed and uncertainty of the consequences of severely curtailed public spending.

Euro VI and beyond

Cleaner vehicles tend to come at a cost. In the case of Euro VI, the trucks themselves are more expensive, as manufacturers seek to recoup their investment in developing the technology to meet the new engine emissions standards. However, there is also evidence of higher fuel consumption which impacts on the bottom line, and on businesses' carbon reduction targets.

Cost of making urban deliveries

A tangle of less reliable and congested journeys, kerbside delivery restrictions, penalty charge notices (PCNs), other access restrictions, night time delivery curfews and, in London, a congestion charge and low emissions zone contrive to significantly increase the cost of urban deliveries and the administrative burden

on businesses. This makes goods more expensive for people who live in major towns and cities and adversely impacts the local economy.

Differing hgv/cyclist safety standards

A Safer Lorry Scheme is proposed in London which would require the fitment of additional safety equipment to all vehicles regardless of risk (given that particular vehicle types have been identified as having a higher frequency of involvement in collisions). There is concern over the suitability of this retro-fitting for some vehicle types and the cost of fitment, especially if other towns and cities decide to follow suit.

Opportunities

Recruitment and employee development

The value of developing existing employees and the welcome sign that companies are anticipating to increase recruitment in 2014 are positive indicators. Various data in chapter 4 indicate that businesses are facing key skills shortages and that there is competitive advantage to be had from addressing these early.

Vehicle and driver performance data integration

This means of improving fuel consumption (and lowering costs) and reducing emissions of carbon is a key use of new technology to secure more efficient logistics.

Infrastructure spending

With the Government announcing major investment in infrastructure over the next few years, the hope is that levels of congestion will be eased and more reliable journey times will be achieved, thus reducing costs and improving customer service.

Carbon footprint measurement

There is a direct relationship between reducing logistics' carbon footprint, principally through lower fuel consumption, and benefits to the bottom line. Many companies are under pressure through pending legal requirements (Energy Savings Opportunity Scheme audits from December 2015) and customer undertakings to measure and reduce their carbon footprint.

Insights • Driver CPC – beyond 2014

James Firth
Head of Road Freight and Enforcement Policy, FTA

The European Commission's review of Driver CPC currently underway is expected to lead to legislative change, although any alterations are unlikely to come into force before 2018 – by which time the goods industry will have nearly completed its second cycle of periodic training. If the first cycle was primarily about compliance with administrative processes and testing the scope of the directive, then post-2014 the focus must be on ensuring drivers are receiving effective training across the board.

Detractors have seen the review as an opportunity to address perceived problems, such as ensuring drivers undertake a more prescribed syllabus of training and stop practices such as 'taking the same course five times' (a practice which FTA does not believe is so prevalent as to justify measures which might constrain drivers and operators with genuine business reasons for repeating modules).

Unfortunately, it is often suggested that the solution lies in legislation, but politicians are not best placed to make decisions about an individual driver's training needs; the Transport Minister, Robert Goodwill MP, supports FTA's view, recognising in his letter to the EU Transport Commissioner that the flexibility of the UK's approach to Driver CPC is a key strength. While people often discuss what is meant by 'professional', surely part of the definition includes taking responsibility for your own development?

If drivers or operators are choosing training topics simply by the cheapest upfront route to compliance, then clearly the true benefits of training have not been properly realised. The challenge for the industry as we enter the second cycle is educating drivers and operators alike to make effective choices about where to direct their training obligations.

Driver CPC training – hours completed

In 2013, training centres accredited by JAUPT (Joint Approvals Unit for Periodic Training) to deliver Driver CPC training logged over 6.3 million Driver CPC training hours for hgv and psv drivers; this equates to almost 1 million driver training days, which is around a quarter of the estimated total training needed to be delivered in the first 5-year period training cycle. However, it is expected that double this figure will need to be delivered in the 8 months leading up to the September 2014 deadline.

Evidence base


CONNECTION
RECOVERY
LOGISTICS

Evidence base

The Logistics Report 2014 draws its evidence from the following sources

- The latest annual FTA Logistics Industry Survey 2013/14
- A selection of data and survey results from PwC including the 17th Global CEO Survey 2014
- The FTA Quarterly Transport Activity Surveys (QTAS)
- FTA Manager's Guide to Distribution Costs
- FTA Transport Manager Survey 2013
- Official statistical publications

FTA Logistics Industry Survey 2013/14

The Logistics Industry Survey 2013/14 – FTA's annual poll of members' experiences of the freight market and trading environment – provides insights into current and future levels of business sentiment[1] in relation to logistics activity. The survey was conducted in November and December 2013 and there were 155 respondents in the sample, spanning over 10 sectors in the UK.

Questions in the industry survey centred on economic and political issues that affected the logistics sector in 2013 and expectations for 2014. Overall results indicate that the business environment for the logistics sector reflected growth in the UK economy in 2013. Expectations for 2014 are generally optimistic.

FTA Quarterly Transport Activity Survey (QTAS)

FTA's Quarterly Transport Activity Survey (QTAS) is a quarterly survey of business sentiment within the logistics sector, based typically on a sample size of around 110 FTA members. The survey results help to produce an indicator of current and future business conditions in the logistics sector and external factors influencing efficiency.

FTA Manager's Guide to Distribution Costs (MGDC)

This is an annual publication, with 3 quarterly updates used by the logistics industry to benchmark costs in 4 key areas – wages, vehicle operating costs, warehouse costs and haulage trends.

FTA Transport Manager Survey 2013

The first of what FTA hopes will be an annual production. This survey provides data which demonstrates the diverse nature of the transport manager role.

PwC 17th Annual Global CEO Survey

PwC's 17th Annual Global CEO Survey polled 1,344 CEOs in 68 countries and 101 transportation and logistics CEOs in 43 countries. There were also 34 face-to-face interviews including 2 from the transportation and logistics industry.

PwC Economic Outlook (March 2014)

This is the March 2014 issue of PwC's regular UK Economic Outlook report and is a detailed assessment of UK economic trends and prospects, set within a global context.

PwC Global Economy Watch (February, March and April 2014)

These are the February, March and April 2014 issues of PwC's Global Economy Watch report and are a detailed assessment of global economic trends and prospects.

PwC Global Total Retail Survey 2013 – Achieving Total Retail. Consumer expectations driving the next retail business model (February 2014)

More than 15,000 online shoppers in 15 different territories participated in the PwC Global Total Retail Survey 2013, which asks consumers about their purchasing preferences, use of different shopping channels and expectations of retailers.

1 Business sentiment measures the 'mood' of respondents as positive or negative and is measured using a percentage 'balance' of responses – calculated by subtracting all negative responses to a question from all positive responses

PwC Navigating your way to calmer waters? (April 2014)

Low asset and debt prices, and improved market conditions, make investing in the shipping sector attractive and potentially lucrative if the right type of vessel or operator is chosen. The shipping industry has faced difficult times recently due to depressed demand and structural over-supply. Asset values are up to 70 per cent lower than their peak market values. Will the longer-term returns satisfy new investors? And will the influx of new investors help to resolve or exacerbate some of the wider industry issues?

PwC Global Shipping Benchmarking Analysis 2013

An overview of the factors that impacted the shipping industry in the previous year and analysis of how these have been reported by a large number of shipping companies from around the world, with a closer look at sustainability.

PwC Intersections: Quarterly M&A (February 2014)

Intersections, a quarterly analysis of global merger and acquisition (M&A) activity in the T&L industry, provides an overview of the most recent M&A results and expectations for future deal activity.

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