



Department
for Transport

Temporary extension to road haulage cabotage

Consultation response

Department for Transport
Great Minster House
33 Horseferry Road
London
SW1P 4DR



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Executive summary

Post-Consultation Decision

Ministers have considered the views and evidence provided via the consultation that took place from 14th to 21st October 2021. This includes responses by representatives of the goods road transport sector. The consultation has tested reaction to proposals and sought evidence about them. Issues have been raised in principle for and against any cabotage relaxation.

On balance ministers have decided to proceed with a temporary relaxation of cabotage rules, being implemented with effect from 28th October. This is via a statutory instrument and also a provision announced in the Budget to remove vehicles undertaking the temporary additional cabotage from the requirement to pay vehicle excise duty.

The temporary additional cabotage rights being permitted are for the period up to 30th April 2022 and allow cabotage:

- within Great Britain;
- for a period of 14 days, with the first day being when a laden entry into the United Kingdom was made, with no limitation during that period on the number of cabotage journeys permitted.

The relatively polarised views in consultation responses either against any cabotage or for high levels have been noted, with about three quarters of respondents against and one quarter in favour of extra cabotage, while around one sixth supported even stronger measures. The consultation sought views about a three month period of applicability, a seven-day period within which all cabotage had to operate, a cap on the number of trips and restricting cabotage to certain types of journey (for example port-related movements or movements in the food supply chain).

Noting that the current supply chains issues and acute driver shortage are substantial, will not dissipate quickly and manifest themselves across different supply chains, these different, lesser, versions of the additional rights have not been adopted.

Need for temporary cabotage

UK supply chains now and over the next six months are affected by a shortage of UK-resident heavy goods vehicle drivers. The number of professional UK-resident drivers is estimated to have fallen by about 39,000 between the year ending June 2019 and the year ending June 2021, to stand at 268,000 (Source: ONS).

High level analysis has been carried out on the effect of a missing driver on Gross Value Added (GVA) using the previous 4 years' worth of GVA (2016-19). Initial results show that the weighted average annual GVA per employee equivalent is around £50,000 in 2021 prices.

There are also international supply chain issues with wider effects, that interact with the domestic lorry driver shortage to compound difficulties with the transport of container traffic and trailers arriving unaccompanied into the UK.

Supply chains have been managing significant disruption for several months, partly due to the shortage of lorry drivers. There have been reduced fulfilment rates and delays to deliveries, including within the food supply chain.

There has been increased capacity and throughput in tests for new drivers, following closure periods during the pandemic. Capacity has been and is increasing further and the Government has taken many measures to help address the shortage. However, it will take some months before the UK resident workforce can be grown sufficiently to rectify the shortage.

The underlying fact of problems affecting supply chains has not been challenged significantly by the responses to the consultation. It is why the proposals are being brought forward.

The Department emphasises that the acute lorry driver shortage will only be resolved by growing the UK-resident labour force.

Scale of contribution of temporary cabotage

There is some evidence provided in the consultation responses of interest in using the temporary cabotage extensions, both by UK and international businesses. The Department has also had indications in confidence and indirectly that some significant logistics operations and very large customers consider they will use the extensions. The indication is that the capacity is needed to move deliveries that otherwise would not be made into the UK or transported within it. Some imports are reported to not be reaching the UK because of constraints in port to inland distribution centre movements.

Some of this intelligence suggests the extension would be of value for the full six months proposed in the consultation document (as opposed to alternative shorter durations included in the consultation document). Some responses sought a period of twelve months. Trunking and port to hub operations are likely areas of particular use.

Cabotage operations within the UK prior to the pandemic and revisions related to the UK/EU Trade and Co-operation Agreement were of a size broadly equivalent to about 1%

of the national tonne-miles moved in the UK or 0.5% of tonnes lifted (i.e., in the order of 0.8% of the market). Cabotage rates are reported via the home authorities of the operator and then collated by Eurostat. In tonne-mile terms varied in recent years between 0.8% and 1.2% of the UK national transport market. This is indicative of some flexibility in levels related to market conditions. This pre-EU Exit rate of cabotage is equivalent to the work of up to in the order of 3,000 UK-resident drivers.

The in-confidence indications and analysis are suggestive of a potential use of the extension of up to close to doubling that rate.

Cabotage and UK road haulage

Many consultation responses are concerned about UK businesses being undercut, improvements to driver pay being compromised and the extension being inconsistent with promoting reliance on a better recognised home-grown workforce. Analysis indicates there is likely to continue to be an acute driver shortage for at least the next six months and hence limitations on transport volumes due to driver capacity.

It is unlikely that this intervention alone (involving temporary capacity in the order of 1% of total volumes or less than 10% of the size of the acute driver shortage) will depress driver earnings or haulage rates. This is also a temporary intervention at the end of which demand for UK drivers is still going to be ahead of supply.

The intervention will lead inevitably to transfers of some work from UK operators to cabotage operations and hence changes to rates cited in commercial negotiations. This is in the context of a lack of overall capacity and suppressed demand for road transport. The intervention may also grow supply chain activity and hence other haulage, by increasing imports and trunking.

The non-payment of tax to the UK authorities (on driver earnings, related to vehicles and fuel bought overseas) has been raised as a factor against a cabotage extension. The fairness of competition given some of the non-UK labour rates has also been highlighted. These are negative consequences of the temporary extension but are tempered by the lack of overall capacity in the UK haulage market due to the shortage of drivers. Where demand for road transport is suppressed, they would not represent a revenue loss compared to doing nothing.

Drivers and operators doing cabotage in the UK are subject to many commercial road transport rules including:

- common drivers' hours and working time rules;
- requirements and standards for operator licensing (applied via the UK/EU Trade and Co-operation Agreement for the inbound vehicles and via the European Conference of Ministers of Transport (ECMT) quality charter for wider European international transports), including for transport managers;
- UK laws for the condition of vehicles.

The UK/EU Trade and Co-operation Agreement commits UK and EU to sharing data about infringements. The ECMT operates an analogous information exchange process.

Some labour rights apply including the current UK minimum wage of £8.91 per hour (equivalent to 10.54 Euros at late October 2021 rates). Key rules can be accessed at the below links:

<https://www.gov.uk/national-minimum-wage-rates>

<https://www.gov.uk/guidance/equality-act-2010-guidance#overview>

<https://www.hse.gov.uk/legislation/hswa.htm>

<https://www.gov.uk/maximum-weekly-working-hours>

Safety

Safety concerns have been raised during the consultation.

All the goods vehicles which could use the additional temporary cabotage rights are already permitted on UK roads in the context of the international transports they arrive on. Nearly all foreign lorries arriving in the UK from mainland Europe are from the EU and already have cabotage rights under the UK/EU Trade and Co-operation Agreement.

Crash rates (including fatality rates) per mile travelled for left hand drive heavy goods vehicles (HGVs) in the UK are similar to those for right hand drive vehicles. For 2019 the proportion of incidents involving killed or seriously injured (KSI) casualties involving left hand side vehicles is under 3% (36 KSI compared to 1,311 for all HGV traffic). Road traffic statistics also show that in 2019 the proportion of foreign HGVs in traffic was about 4%.

To note there are UK registered left-hand driver HGVs (for example some street cleansing vehicles) and foreign right-hand drive vehicles (for example registered in Ireland). But the figures indicate that per mile travelled foreign HGVs were involved in fewer or a similar rate of serious accidents, reflecting the fact they drive on less dangerous roads. This is not withstanding that left-hand drive vehicles run more risks of certain types of incident.

To note Driver and Vehicle Safety Agency figures based on targeted (non-random) checks have similar rates of roadworthiness defects for GB and non-GB HGVs, but higher rates of serious defects for non-GB HGVs. There are also higher rates for non-GB HGVs of traffic offences (for example drivers' hours infringements), which may in part be related to the long international journeys many of the vehicles are doing.

Overall non-UK operated international and cabotage transport is being undertaken with comparable risks to UK operated national transports. The indications of interest in taking up the additional temporary cabotage rights focus on port to distribution centre and other trunking movements. These movements (like existing cabotage) involve above average distances within the UK and focus on motorways and other roads used most for long distance traffic.

Access to facilities and parking

The consultation itself raised the issue of the effect of the cabotage extensions on levels of overnight lorry parking outside haulage depots. There is likely to be more pressure on

truck stops and motorway service area capacity and more informal overnight parking than there otherwise would have been.

A study carried out for the Department in 2017 identified 15,000 lorry parking places across England compared to 18,700 lorries parking overnight. Roughly 25% of the lorries parking were from Europe. There were imbalances across regions with the highest pressures in the South East where international movements are concentrated.

The 4,355 non-UK lorries parked overnight during the 2017 survey were in the context of about 5,000 non-UK lorries crossing from mainland Europe every day plus the cabotage rights in force then (with cabotage transports equivalent to about 3,000 drivers' worth of work in the UK). Many of the existing cabotage transports are unlikely to have been part of the 4,355 figure in the survey (although the survey did not identify how many non-UK vehicles were parked in the course of cabotage or other elements of work including leaving or crossing the UK).

The Department will monitor the position but notes that the previous survey information is consistent with many vehicles operating cabotage not being parked overnight near the strategic road network. Some cabotage is operated by organisations with UK partners or corporate structures.

The Department also emphasises the importance (and legal rights) of the drivers of all operators having access to facilities at distribution centres and the avoidance of unnecessary delays and turn backs (still reported, despite the scarcity of lorry drivers). The Department encourages shippers and other supply chain partners to adhere to and join the International Road Transport Union's drivers' charter (at <https://support-our-drivers.org/charter/>).

The charter is based on the following principles, which the Department backs:

- road transport is vital to mobility, the supply chain and the global economy.
- professional drivers are a key asset in the supply chain.
- the severity and urgency of the shortage of professional drivers necessitates urgent action by a wider alliance of stakeholders.
- the treatment of drivers at delivery sites is one of the key elements to improving the attractiveness of the profession, and thus tackling the driver shortage.
- legal compliance and mutual respect will remain at the core of our common values.

Introduction

Cabotage (in this context) is the transport of goods or passengers between 2 places in the same country by a transport operator from another country for the purposes of hire and reward. It is heavily restricted both in the UK and abroad. Currently, the UK allows EU heavy goods vehicle operators rights to undertake up to 2 laden transports within 7 days of a laden entry on an international transport into the UK. Before the pandemic, and while the UK was a member of the EU, cabotage comprised about 0.8% of national UK transports, equivalent to the work of around 3,000 permanent lorry drivers in the country.

Over the past recent months, shortages in lorry drivers have been associated with acute problems with the distribution of food and other essential goods and there have now been representations to allow increased levels of cabotage. Qualitative feedback indicates cabotage is concentrated on long-distance movements and that, currently, recruitment and retention for these driving roles (with overnight stays away from home for UK drivers) is particularly difficult.

The proposal outlined in the consultation is to allow cabotage journeys within Great Britain to be done within 14 days of a relevant laden international goods vehicle transport into the UK with no specific cap on the number of trips, provided:

1. The relevant laden international entry takes place within 3 or 6 months of the change coming into force.
2. That this applies to any type of goods being transported.
3. That an international operator's licence of the operator's country of establishment is carried.
4. That a relevant laden entry on an international goods transport would be one permitted by UK law. It would include pursuant to the UK/EU Trade Co-operation Agreement by an operator with a Community Licence. It could also include entries

further to rules established by the ECMT and further to other international road transport agreements between the UK and other States¹.

This consultation also sought evidence and views about:

- whether to include the cabotage rights for all types of transport or for specified types
- how long the extra rights should be permitted (3 or 6 months)
- whether to allow cabotage for a shorter period after laden entry (for example, 7 days) and/or have a cap on the number of permitted trips (for example a maximum of 4)

¹ The European Conference of Ministers of Transport (ECMT) rules provide for heavy goods vehicles to operate across its 43 member states using licences issued according to a quota. The UK allows access via the ECMT rules and/or bilateral agreements for non-EU operators based in all of the Western Balkans and former USSR (excluding the 4 central Asian countries other than Kazakhstan) and those based in Liechtenstein, Norway, Switzerland, Turkey, Morocco, Tunisia and Jordan.

Responses to the consultation questions

The summary of responses is structured according to the consultation document and the full list of questions is available at Annex A.

The consultation period ran from 14 to 21 October 2021. A total of 150 responses were received via online survey from external organisations and individuals. 11 written submissions were also sent directly by email, 1 was in clear support of the proposals, 3 expressed cautious support for an extension, and 5 were opposed, the remaining 2 did not specify their stance. The written responses that did not fit the structure of the consultation survey will not be summarised in the below text, but any salient points will be included in the final section on other comments. The respondents to the consultation included:

- transport industry trade bodies
- trade unions
- GB road haulage operators
- European road haulage operators
- HGV drivers
- supply chain end-users

Support for temporary extension to cabotage rights

90 responses were provided by individuals, while 60 were representations on behalf of organisations. Overall, 25.3% of respondents stated they were supportive of the proposed measures (38 out of 150 responses), the predominant reason cited was that it was a necessary move in order to ease the current pressure on supply chains. One large haulier emphasised that this should be a temporary measure to alleviate pressure on the supply chains while other measures are given time to take effect, such as driver training and testing.

72% of respondents stated that they were opposed (108 out of 150 responses). The main reasons given for opposition were:

- Unfair competition for UK based hauliers was raised as the predominant reason for opposition. Of the 108 responses opposed to the measures, 75 mentioned this as a concern. There are worries that EU hauliers will be able to undercut UK hauliers by agreeing to do jobs at lower rates. EU hauliers are also not required to pay operator licencing fees, taxes, are able to avoid enforcement fees, and do not often pay for fuel within the UK. Concerns were also raised that this would disproportionately affect smaller hauliers.
- Driver pay and working conditions, for both UK based and EU. The concerns raised here centred around the latest improvements in pay and conditions for UK drivers being rolled back if UK operators are required to adopt to the lower rates being provided by EU hauliers in order to remain competitive. 40 of the responses mentioned driver pay and conditions, often as what needed to be improved rather than cabotage changes.
- Road safety concerns were raised, given that vehicle testing standards across parts of Europe differ from those in the UK, and driver training and adherence to drivers' hours are not as stringent. This was raised in 17 responses.

Respondents were primarily from Great Britain, 60.6%. The table below shows respondents by location and whether they supported, opposed, or were unsure of the proposed measures.

| Respondent location | Supportive | Opposed | Unsure | Total |
|----------------------------|-------------------|----------------|---------------|--------------|
| Great Britain | 13 | 76 | 2 | 91 |
| Europe | 7 | 2 | 1 | 10 |
| Other | 2 | 0 | 0 | 2 |
| Not specified | 16 | 30 | 1 | 47 |

41.6% (25) of organisations were in support of the measures, while 55% (33) were opposed. The table below splits responses by organisation size.

| Organisation size | Supportive | Opposed | Unsure | Total |
|--------------------------|-------------------|----------------|---------------|--------------|
| 1-10 | 2 | 12 | 0 | 14 |
| 11-50 | 7 | 9 | 0 | 16 |
| 51-250 | 4 | 9 | 1 | 14 |
| 251-1000 | 3 | 0 | 1 | 4 |
| Over 1000 | 9 | 3 | 0 | 12 |

Those who opposed the measures were given the opportunity to skip the rest of the questions and leave final comments, 48 of the responses opted to do so. The further comments are based on the responses of 102 respondents.

Evidence on extra capacity the proposed extension may provide and other effects of a cabotage extension

Questions 2 and 3 asked for respondents to provide any evidence they may have regarding extra capacity or other effects the proposed extension may have. 51 responses were provided to the question of extra capacity. However, a majority of these were restating opposition or support to the proposed measures or indicating that they did not have any evidence to provide.

There were 53 responses to the question on the other effects of a cabotage extension. Again, the majority of these were restating their opposition or support for the measures or stating that they did not have further evidence to provide.

Limitation to certain types of transport

63 respondents were of the view that any extension should not be limited to certain types of transport, 26 responded yes it should be limited, and 12 did not know if there should be limits.

Respondents that indicated any cabotage extension should be limited to specific types of transport listed food, fuel, refrigerated transport, ports, and/or medicines as where the restriction should apply. Several of the responses to the question around whether there should be limits reiterated that there should not be any extension to cabotage rights.

| Type of transport | Frequency |
|-------------------|-----------|
| Food | 6 |
| Fuel | 2 |
| Ports | 6 |
| Medicines | 3 |

Duration of any extension

Of the 97 responses to question 6 regarding the duration of any extension to cabotage rights, the majority of responses (40.2% or 39 responses) indicated that there should be no extension to cabotage rights. Of those in favour of an extension, 10.3% suggested the duration be limited to 3 months, and 10.3% suggested the duration be limited to 6 months. A significant number of respondents, 24.7%, indicated a preferred duration of at least 12 months. The remaining 14.5% of respondents indicated a variety of other durations.

Number of cabotage journeys

Regarding the limits on the number of cabotage journeys allowed following laden entry 32 respondents indicated keeping the limits as they are or reducing the limits further. 11 stated 4 transports within 7 days as their preference, while 19 preferred an unlimited number within 14 days. A variety of other options were suggested ranging from 2 transports within 3 days to 5 transports within 7 days.

Other points raised

91 respondents left further comments. Of those who left comments, 53 used the opportunity to restate their support/opposition to the proposed extension. A majority of the comments made are regarding policy that sits outside of scope for this consultation, but they have been summarised below.

- Driver CPC was mentioned in 14 of the comments. There are strong views that this a limiting factor in the driver shortage and is in need of reform.
- Concerns over the time taken for DVLA to process licence applications and renewals were mentioned in 8 of the responses. There are strong views that these need to be processed faster to allow more drivers to enter the industry.
- Parking and driver facilities were mentioned by 13 respondents. The facilities available to drivers at lorry parks and when making deliveries is often cited as a limiting factor in the driver shortage narrative. There are risks that increased numbers of drivers from European operators will lead to decreased capacity in existing facilities as well as an increase in vehicles parked in laybys or industrial estates.
- Delays in the turnaround time at regional distribution centres and ports was mentioned in 8 of the responses as contributory factors in the supply chain pressures. Comments are made that waiting times at ports and distribution are too high and if these were to be reduced then drivers would have greater capacity to make deliveries.

6 representations were made by international hauliers indicating their support for these measures. Responses were also provided by the Ministry of Transport of Romania, and Transport en Logistiek Nederland, the Dutch Association for Transport and Logistics, both of which were in favour of these proposals.

Specific stakeholder feedback

Broadly, responses from haulage operators mostly indicated opposition to the introduction of a temporary extension to cabotage rights. This includes the Road Haulage Association's and Unite the Union's consultation responses, which both object strongly.

The Road Haulage Association officially responded to the consultation and their response clearly outlines their opposition to the proposal, as they state "The negative consequences of this cabotage proposal are substantial and will be long lasting, they will undermine the

positive actions on training and testing already taken by the Government and industry to deal with the shortage of UK lorry drivers". They raised concerns regarding unfair competition for UK hauliers, and that the suppression of haulage rates by international competition could drive UK driver wages down. The availability of adequate parking facilities, road safety, and the accountability of non-UK operators were also raised as points of concern.

Unite the Union also provided an official response to the consultation. They are opposed to the proposed measures due to several concerns. Primarily, they are concerned that these measures will result in unscrupulous operators exploiting drivers and create an unfair advantage across the industry. Unite refer to a recent joint VNB ITF-IUF report on European trucking during the pandemic, and how it raised concerns over how the partial relaxation of driving regulations during the Covid-19 crisis enabled unscrupulous road haulage operators to exploit lorry drivers. Furthermore, it was their view that an extension cabotage rights will result in a loss of tax revenue HMG, increased road safety risks through a lack of compliance with regulations, in particular compliance with drivers' health and safety legislation, DVSA and DfT requirements. Finally, they expressed concerns that a temporary extension to cabotage rights will reduce the size and viability of the UK businesses continuing to provide logistics services and remove UK jobs.

There is some evidence provided in the consultation responses of interest in using the temporary cabotage extensions. Logistics UK (which has both haulage and shipper members) provided an official response to the consultation outlining their position. Overall, they are supportive of an extension. However, they suggested the following amendments should a temporary extension to cabotage be adopted:

- The number of journeys should be unlimited over a period of 7 days, a reduction from the 14 proposed.
- There should be a 3-month limit imposed, with the option to extend a further 3 months only if there was a demonstrable positive impact of these measures.
- Regular feedback was provided on the impact of these measures on UK hauliers.
- That the UK Government increased their cooperation with ECMT counterparts regarding enforcement on drivers' hours and other safety regulations.

They also emphasised that while supportive of these temporary proposals, the focus should still remain on improving testing and training for drivers.

Annex A: Full list of consultation questions

Question 1: Do you support a temporary extension of cabotage rights?

Question 2: Supply any evidence you have about the extent of extra capacity the proposed extension would provide.

Question 3: Supply any evidence of any other effects of the cabotage extension.

Question 4: Should, in your view, the extension be limited to certain types of transport (e.g. food supply and ports)?

Question 5: If you answered yes to the previous question, what types of transport should the extension be limited to?

Question 6: Should an extension be for 3 months, 6 months, or another duration?

Question 7: In your view should the extension of cabotage rights include a cap on the number of cabotage journeys following a laden international entry of 4 transports within 7 days, unlimited transports within 14 days, or another cap on the number of cabotage journeys?

Question 8: Any other comments.