

The Logistics Growth Review - Connecting People with Goods

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The Importance of Logistics Growth

1. The logistics sector is a hugely important part of the UK economy. It is an important business in its own right, with the output of core logistics activities in 2009 accounting for almost 9% of UK GVA and around 7% of total employment¹. It is also a critically important enabler of the success of other businesses of all sizes and sectors– from corner shops to supermarkets, manufacturers to ebay entrepreneurs, and energy companies to waste businesses.

2. The sector is already extremely competitive, with many small firms and very slim profit margins of around 1-3%². Any actions to improve the sector's productivity will result in cost reductions that will, in part, be recycled for much-needed investment in capital and innovation across the sector but will also translate into reduced costs of production and transport of goods and reduced prices for the consumer.

3. Facilitating conditions for growth in the logistics sector is therefore critical to the Government's growth agenda. The diverse package of measures announced in this Review targets real barriers to growth identified by businesses across the sector - from freight transport operators to logistics users in the manufacturing, wholesale, retail, postal services and waste sectors. It is designed to create the right conditions to leverage short term private sector investment in critical pieces of logistics infrastructure and a longer term efficient, competitive and low carbon logistics sector that can service and support the growth that we are expecting to see across the economy as a whole.

¹ Office of National Statistics (ONS).

² <http://www.plimsoll.co.uk/industry-report.aspx?industry=road-haulage>

The Barriers to Logistics Growth

4. Evidence provided by the UK logistics industry and its users, supported by evidence from international statistical, academic and industry sources³, demonstrates five core areas in which Government can play a significant part in increasing the productivity of the UK industry and strengthening its role in the UK economy.

5. The first is **giving industry greater confidence to invest** in the short term by removing planning barriers to sustainable logistics development, with a particular focus on strategic rail freight interchanges; and by promoting use of private capital in our approach to funding for the strategic road network; and by facilitating access to capital for commercial investment.

6. The UK's road and rail transport infrastructure plays a vital role in keeping products moving efficiently. The rail network transports approximately 100 million tonnes of goods per year⁴ and rail freight is expected to expand around 30% over the next seven years⁵. This expansion will be difficult to deliver unless the industry is able to develop modern distribution centres in appropriate locations to serve our major conurbations, providing effective integration between rail and trunk road networks – namely, Strategic Rail Freight Interchanges (SRFIs).

³ Including statistical sources such as ONS Blue Book, Supply and Use Tables, Annual Business Survey; NOMIS; The European Cities Monitor; EU KLEMS; Eurostat UK Innovation Survey; OECD Main Economic Indicators; World's Bank Logistics Performance Index, Doing Business Project; BERR (2008): Cross Country Productivity Performance and industry and academic sources such as the Freight Trade Association "The Logistics Report 2011"; Alan McKinnon; Behar et al. (2009); Limao and Venables (2000); Djankov et al (2006)

⁴ Office of Rail Regulation, National Rail Trends 2010-11

⁵ Rail Freight Group, Rail freight demand forecasts to 2030, October 2011 (Produced by MDS Transmodal Limited)

Prologis

Movement towards rail freight is demonstrated by retailers such as M&S who have adopted a “Plan A” strategy and have taken a rail connected logistics unit at Castle Donington, and Tesco who have occupied rail connected units at Widnes, Teesport and DIRFT. We are aware that other customers are now actively considering incorporating rail freight solutions to their supply chain. It is extremely important that more modern, high specification logistics buildings and intermodal terminals in the form of Rail Freight Interchanges (RFI's) are now approved and built in order to give occupiers the opportunity to actively move more goods by rail.



Courtesy of ProLogis

7. In recent years, five out of six applications for SRFIs have been rejected through the planning process, demonstrating a clear need for Government intervention to support investment in SRFIs. SRFI development not only benefits the rail freight sector but also creates direct employment opportunities (one previous SRFI creating around 3000 jobs) and plays an important role in serving regional markets and promoting international connectivity and ports growth. The capacity and reliability of the strategic road network is also critical to the performance and competitiveness of businesses across the logistics sector. Slow, unreliable performing roads stand in the way of growth and economic success as well as making day to day life difficult and stressful. Government must play a role in ensuring improved capacity of the most growth-critical roads and, where possible, optimise the potential for use of private capital in doing so.

8. Access to capital is critical to firms looking to secure commercial investment opportunities and Government pump priming to help local businesses from across the sector secure funding for sustainable development projects is also important not only for growth of the logistics sector but also for delivering sub-national and local employment opportunities and growth.

9. A second area for Government action is **improving the longer term capacity, performance and resilience of our congested road and rail networks**, and in doing so, also improving connectivity to ports.

10. Network capability and congestion can create significant barriers to growth of businesses. Improving the capability of the rail network for carriage of goods will be critical to maintaining the expected levels of rail freight expansion, and a part of this is ensuring that rail freight operators have the level of support they need from the regulator and Network Rail to make the best use of the rail freight network. Congestion on the strategic road network increases the fuel costs associated with the distribution of goods and makes it difficult for businesses to plan and schedule their operations efficiently. Equally important to leveraging investment in road network capacity is the role of Government in improving real-time communication of information to business and hauliers so that they can make informed decisions on how best to route and schedule their journeys.

11. As we enter the winter period, the risk of inclement weather becomes significant. Ensuring a quick and effective response to incidents on the network and preparing for inclement weather conditions is fundamental to keeping the logistics sector and therefore the economy moving.

12. The third area is that of **promoting the image of the sector at local level**. There is also real logistics industry appetite to come together with local authorities and residents to consider how to promote use of other technologies and behaviours that reduce the wider impacts of the industry in urban areas by minimising emissions, noise and congestion at minimal cost to industry. This includes measures that make it easier for logistics companies to plan and deliver their local operations: for example, supporting wide-spread uptake of quiet night time deliveries:

13. Night time delivery curfews have been a long-standing barrier to efficient business operations, increasing business costs but also, in often forcing retailers to receive during morning rush hour, impacting on the performance of the local road network by increasing congestion, emissions and road safety risks for vulnerable groups such as schoolchildren and cyclists. Moving a delivery from day time to night time can save up to 6%⁶ in fuel costs and generate real benefits to the local community. The potential for successful partnership working between industry and local residents to lift night time delivery curfews has been demonstrated in the Department for Transport-funded Quiet Delivery Demonstration Scheme, managed jointly with the Freight Transport Association and Noise Abatement Society. However it is clear from discussions with industry that stronger support from Government is needed to promote such partnership working on a widespread level.

⁶ <http://www.dft.gov.uk/publications/quiet-deliveries-demonstration-scheme>

Wm Morrison plc and Stafford Borough Council

Morrisons deliveries in Stone town centre are received via a service yard at the rear of the store within 40 metres of residential flats. A voluntary agreement was in place which meant that deliveries could only be taken between 7am and 10pm. Earlier deliveries would enable the turnaround of stock in preparation for store opening at 8am. They would also remove the need for vehicles to stay in lay-bys on the A34 for up to 45 minutes while waiting for the 7am curfew to pass. A Quiet Delivery Demonstration trial commenced in August 2010 to allow deliveries earlier than 7am. At the end of the trial, small improvements in fuel economy and reduced journey times were reported as a result of less traffic on the roads at the earlier time. Whilst the fuel efficiencies recorded for the individual store were not individually of great significance, if replicated across other stores the impact would be substantial.



Delivery yard overlooked by residential flats

14. The fourth area is the need to **reduce unnecessary regulation**. The logistics industry and its users have identified the burden of regulation across the sector as one of the most significant barriers to growth and one that squeezes industry margins and reduces the amount of cash they can recycle back into their business for investment. Discussions taking place as part of the Red Tape Challenge have identified clear areas of priority for reducing regulatory burdens in the shipping and ports sector and in the road freight sector. For shipping and ports these priorities include the need to tackle cases that have recently arisen where implementation of the regulations flowing from the EU Habitats and Birds Directives in England are seen to be causing substantial compliance costs for ports and delaying key development projects. For road freight, these priorities include the need to recognise the benefits that high volume road freight vehicles can bring in terms of reduced lorry miles and therefore reduced costs to industry and reduced congestion and emissions; and the need to simplify the regulatory framework supporting professional drivers with a focus on drivers' hours and working time.

15. The final significant barrier to increased productivity of the logistics sector is a real difficulty in **attracting and retaining high calibre recruits** both at driver and management level. There is concern across a number of businesses that a lack of skilled young entrants, a poor sector image and a low uptake of vocational training among SMEs is severely constraining growth of the sector. Recent academic research⁷ has shown that a trained workforce increases the productivity of a business by double the costs of the additional wages of more skilled workers.

16. There is also an important **low carbon dimension** to growth of the logistics sector: freight and logistics makes up a significant proportion of transport greenhouse gas emissions and deep cuts in freight emissions will be required to meet the UK's 2050 climate change targets and preceding carbon budgets. HGVs are also significant contributors to air quality hotspots. The Government has a part to play in facilitating development and uptake of low emission freight technologies.

17. Extensive work with industry has shown that there are real market barriers to uptake of low emission HGV technologies (technologies such as hybrid, electric and gas (biomethane and compressed natural gas) which have projected emissions savings of greater than 15%) and therefore to development of a UK manufacturing base in these technologies and their component parts. These barriers stem from a lack of industry confidence in the technologies and an unwillingness to take on the risks of investment; discussions with industry have made clear that without Government support, these barriers are likely to remain.

John Lewis

Currently, the high capital cost of the gas compressing and fuelling equipment, coupled with the lack of public gas filling stations on trunking routes presents significant barriers. Government help in seeding the use of methane as a road fuel will help to reduce CO₂, assist the British gas vehicle industry, and address the problem of foreign hauliers gaining a competitive advantage by using fuel purchased outside the UK.



⁷ Konings, Jozef & Vanormelingen, Stijn, 2010. "[The Impact of Training on Productivity and Wages: Firm Level Evidence](#)," [IZA Discussion Papers](#) 4731, Institute for the Study of Labor (IZA).

18. There are also increased costs to industry from using technologies that increase the overall weight of the vehicle (through increased battery weights or fuel tank weight) and therefore reduce its payload. A regulatory framework that takes this into account is also important in promoting the longer term use of low emission technologies.

The Actions Government is Taking

1. Leveraging short term private sector investment

A. Rail freight network

19. The Secretary of State for Transport and the Secretary of State for Communities and Local Government have today published a joint Written Ministerial Statement to support development of and investment in major freight terminals. This Statement is coupled with a detailed Strategic Rail Freight Interchange guidance document, which can be used to help developers, examiners and decision-makers make informed investment and planning decisions in the interim before the launch of the consultation on the National Networks NPS in December. A copy of this SRFI policy guidance has been placed in the Libraries of both Houses and published on the Department's website.

Tony Berkeley, Chairman, Rail Freight Group

"Strategic Rail Freight Interchanges are key to encouraging more businesses to use rail as part of their logistics operations. By consolidating warehousing and rail operations on the same site, they offer increased efficiency and reduced road miles as well as creating hundreds of jobs. This policy statement will be a key document to support developers who are seeking planning permission for such facilities, and provides important guidance to ensure they are developed appropriately."

Wincanton

"Wincanton actively seeks to switch domestic volume to rail wherever it proves operationally and commercially viable to do so and the continued development of SRFIs is crucial in delivering this. A network of open access terminals providing for minimal stem mileage from distribution centre to SRFI and access to genuine shared user services will lead to the introduction of new rail freight services and encourage modal shift from road to rail."

20. **The Government has also asked Network Rail to support the development of a network of SRFIs**, working collaboratively with the wider logistics industry to: speed up the delivery of SRFI sites to meet business demand; assist with funding mechanisms (potentially including Network Rail funding); and establish appropriate delivery vehicles for funding rail infrastructure elements of such proposals.

B. Strategic road network

21. The package of infrastructure investments announced in the Autumn Statement includes a number of measures relevant to logistics sector growth:

22. **The Government is supporting over a £1bn investment in the most growth-critical roads.** Part of this will enable the acceleration of work already planned on the M25 and the M1 near Leeds. It will also see six further schemes start in this spending review period on the M6 north of Birmingham, M3 in Surrey, A14 near Kettering, M1/M6 junction near Rugby, A45/46 junction near Coventry and the A453 near Nottingham. This is in addition to the £1.4bn investment made in 14 schemes scheduled for this spending review period.

23. **This will also include a Pinch Point Fund of £220m to make step changes in the performance of the network including improvements in congestion, journey time reliability and safety.** These schemes deliver substantial differences for the local users of the network – better junctions, better roundabouts and better road layouts.

24. **The Government has ring-fenced £20m for small scale schemes on the A14's Cambridge to Huntingdon corridor** - including a mix of highway and junction improvements, public transport investments and measures to make it quicker to re-open the road after an incident.

25. **The Government will also shortly be publishing the results of our early scoping work on a longer term solution for the A14 corridor which will trigger the launch of a large scale engagement programme – the A14 challenge - aimed at generating new ideas for solutions to the problems faced by this road.** We will be seeking views on the scope for improvements to both national and local road networks, to local public transport and to rail and road freight facilities. We are particularly interested in proposals which involve an element of innovative financing from the private sector – this might include proposals for tolling new infrastructure, or for releasing development gain, or sharing costs with business in other ways.

Theo de Pencier, Chief Executive, Freight Transport Association

“The Freight Transport Association is delighted that the Government is introducing more measures to invest in the performance of the transport network. In particular, tackling congestion and improving resilience on the A14 has been a long-term objective of FTA as it is a key trade route for industry linking the East Coast ports to the Midlands. With public money tight, measures to manage networks more intelligently, such as making use of information, technology and innovation to tackle congestion and improve efficiency make sense.”

26. The Government is also continuing to progress the implementation of electronic tolling technology at Dartford in order to enable free flow traffic and improve performance at this critical point in the network. We will also be starting our analysis of the options for providing additional capacity across the Lower Thames, and moving to consultation by mid 2013 with the aim of having a new, privately financed, crossing constructed within about a decade.

C. Securing commercial funding for sustainable logistics development projects

27. Round 1 of the Regional Growth Fund⁸ alone is expected to enable around £210m total investment in logistics and manufacturing projects, including: supporting investment in the Tees Multimodal bio-freight terminal; the Mersey Multi modal Gateway and the Sheffield City Regional Gateway and creating net additional employment of up to 1,400 jobs.

28. Round 2 project and programmes which also support the logistics sector include: a £8.5m grant to improve the marine infrastructure at the port of Hartlepool to help enable wind turbine manufacturers to establish a partnership with the port there; a £15m grant to help complete the Western Gateway Enabling Scheme at Port Salford and allow the development of the full Barton Strategic Employment Site, including around 153 000 sqm of rail connected warehousing, to be realised; a £6.3m grant to support the development of next generation transport technology including an R&D centre for low emission HGV technologies in the North East; and a £5.6m grant which will improve rail access to the Eastern Docks at the Port of Southampton.

29. This funding support is in addition to the commitment Government has already made to allocate £2 billion in Waste Infrastructure Credits (formally known as PFI Credits) to 32 waste infrastructure projects [through the Green Investment Bank]. This investment is managed by the Waste Infrastructure Delivery Programme (WIDP) and will deliver waste treatment and incineration facilities that will divert an additional 1.6m tonnes of waste from landfill in England by 2020.

⁸ Regional Growth fund projects and programmes are agreed in principle, and are now undergoing due diligence before final funding is confirmed

2. Improving the longer term capacity, performance and resilience of our congested road and rail networks

A. Strategic Rail Freight Network

30. **The Government is making available funding for an investment of £55m for the Strategic Rail Freight Network (SFN) allowing delivery of schemes that remove bottlenecks and improve capability and longer term connectivity to the UK's major ports. These are:** the **Ely – Soham doubling scheme** that will remove a bottleneck on the Felixstowe-Nuneaton route, improving both freight and passenger capacity and reliability on this section of the route and increasing the attractiveness of freight paths between Felixstowe and Nuneaton, reducing demand for paths on more heavily congested routes via London; and **Gauge clearance of additional rail freight routes in the Midlands** between Syston Junction (just north of Leicester) and Stoke that will allow existing freight capacity to be used more efficiently by enabling the routes to carry 9ft 6in 'hi-cube' containers - which otherwise require specialist rail wagons or carriage by road. These schemes will improve access to Felixstowe and Southampton ports and the new port at London Gateway, as well as northern locations including Liverpool.

Tony Berkeley, Chairman, Rail Freight Group

"We are delighted that Government has chosen to bring forward further investment in these two rail freight schemes. UK business who are seeking to import and export their goods through our ports need effective, low carbon and reliable choices for their logistics operations. Enhancing key rail routes now will ensure that there is enough capacity for the future, and will ensure that the rail freight operators can offer ever more efficient services for their customers."

31. **The Government will provide details of how it will further support the rail freight industry in the forthcoming Rail Command Paper.** This should, however, be accompanied by progress from the rail freight sector to continue to be responsible and cost conscious users of the network. We are pleased that Network Rail has recently created a new senior post of Freight Director who will provide a single interface for freight in a world of greater devolution within Network Rail.

32. The benefits that these schemes will bring to the UK's rail freight industry will be further enhanced by a number of other Government initiatives already underway. These include work to identify the first tranche of a set of strategic freight paths that will provide the rail freight industry with assured capacity for new services on these routes; the focus for this first tranche is likely to be on key deep-sea container flows from Southampton and Felixstowe to inland terminals. Work has also commenced with European partners to develop an international rail freight corridor between the UK and France with onward links through Europe, with a view to proposing a freight corridor to the European Commission in late 2012. And Network Rail are developing further gauge cleared diversionary routes to work towards 24/7 network access for rail freight. Schemes for a 24/7 railway will be identified by the SFN Industry Steering Group for delivery in Control Period 5 (2014 to 2019).

B. Strategic Road Network

33. The Pinch Point Fund will also deliver technology improvements on a number of key routes, including the M5, M40, M3 and M54, to assist drivers – particularly those in the haulage sector - in managing their journeys.

34. The Department for Transport will host a series of summits with the Highways Agency, hauliers and operators and data service providers to identify what short and longer term requirements for additional traffic data or information will enable effective planning and re-scheduling of road freight operations. This includes whether there are further opportunities to improve information sharing between sat nav providers, the HA and hauliers through the National Traffic Information Service and how to make best use of the HA's journey time reliability data. The first of these will take place at the Department's next annual Listening to Industry event on 31 January 2012.

35. The Government is also continuing to explore options for a new traffic radio information service that will provide rolling traffic and weather reports to hauliers and other road users.

36. The Government is also continuing to support growth at ports through the Highways Agency's work with DP World towards an early resolution of the planning obligations in relation to Junction 30 on the M25. The planning consents already provided for new container terminal developments at Felixstowe (the first phase of which is already open), Bristol, Mersey, Tees and Bathside Bay, as well as other development, will over time expand route choices available to shippers and shipping lines and facilitate integrated logistics planning.

C. Resilience

37. The Department for Transport is exploring with Transport Scotland, the Freight Transport Association and the Road Haulage Association how to broker agreement across a group of businesses and local authorities in England and Scotland to trial the temporary use of snow ploughs attached to certain types of heavy duty vehicles to help clear

important routes between key distribution centres and the strategic road network. Where necessary, Ministers will consider relaxing certain weights and dimensions legislation to facilitate this.

Theo de Pencier, Chief Executive, Freight Transport Association

“Increasing the resilience of the road network during extreme winter weather is essential, as the cost to industry of disruption to its supply chains is immense. Smarter use of existing assets, better coordination and increased cooperation with industry could make an important difference and FTA is always happy to be working with its members and with Government to explore ways to harness the use of commercial vehicles in clearing important routes leading to the strategic road network.”

38. *The Government is delivering the recommendations from the Motorway Incidents Review to ensure it can reduce the frequency of long duration incidents and delay to HGVs.* This includes a review of the Road Death Investigation Manual to achieve a better balance between investigation of incidents and the re-opening of roads following an incident; and a £3m fund to assist police forces to purchase laser scanning equipment to help speed up the investigation of serious incidents.

39. *The Highways Agency has developed a number of measures for improving preparedness for inclement weather conditions.* These include: implementing a revised policy for strategic incident management to improve incident coordination, including impacts from severe weather, that supports appropriate incident command and consistent and effective network performance monitoring, resource utilisation and incident escalation; the introduction of an Amber Alert process for snow events, similar to the existing system for high winds, where freight operators and others are given advance targeted notice of likely difficult road conditions; identification of locations on its network that are particularly vulnerable to severe weather, such as locations where HGVs have experienced problems in gaining traction in snow conditions; improved severe weather communications including the wider use of roadside variable message signs ahead of and during severe weather; and increasing both its operational salt stock to 289, 000 tonnes and its strategic salt stock to 120, 000 tonnes - this is in addition to the 305,000 tonnes of strategic salt that the Agency continues to manage to help support national salt stock resilience.

40. *The Government is also working closely with the rail industry to ensure it is as prepared as it reasonably can be for severe winter weather, to prevent if possible any repeat of the significant disruption caused by snow last winter.*

41. Ensuring resilience of the UK transport networks is not the only role for Government in supporting the logistics industry. As Somali piracy continues to threaten international trade through the strategic trade corridor of the Gulf of Aden and in the wider Indian Ocean ***the UK Government has also now recognised that, to protect human life onboard UK registered ships from the threat of Somali piracy and assist in the safe and secure movement of goods through these international waters, the engagement of armed***

guards is an option in exceptional circumstances and where it is lawful.

This option will only apply to internationally trading passenger ships and cargo ships of 500 gross tonnage and above. Shipping companies must follow the DfT national guidance if they wish to employ armed guards and the private security companies must ensure they lawfully hold any firearms they possess. Work will continue both nationally and internationally towards a robust accreditation scheme for private security companies and the policy and the exceptional circumstances will be kept under regular review.

3. Promoting the image of the sector at local level

42. ***The Government will consider the requirement for further guidance on quiet night time deliveries.*** The Government will ask the Noise Abatement Society and the Freight Transport Association to build on the Quiet Deliveries Demonstration Scheme by expanding the existing Scheme's best practice guidance into a toolkit that includes standards for quiet night time deliveries; and identify if further government guidance is needed to promote uptake.

Gloria Elliot, Chief Executive, Noise Abatement Society

"Noise Abatement Society welcome the opportunity to share in the process of contributing pragmatic guidelines for quiet deliveries to help stimulate growth while protecting the interests of the public."

43. ***The Government is today launching an industry-led task force to promote use of fuel efficient, low emission road freight technologies. One of the task force's major objectives will be to broker successful engagement between industry, Local Enterprise Partnerships and local authorities on trialling and implementing measures that support the use of low emission technologies and behaviours at minimal burden to the industry.*** The task force membership includes the Freight Transport Association, Road Haulage Association, Chartered Institute of Logistics and Transport, the Society of Motor Manufacturers and Traders, Low Carbon Vehicle Partnership and Transport Knowledge Transfer Network and will be supported by the Department for Transport, CLG and Defra.

Paul Everitt, Chief Executive, SMMT

"As part of government's Logistics Growth Review, industry welcomes the establishment of a Strategic Task Force to drive forward the discussion on lower emission HGVs," said Paul Everitt, SMMT Chief Executive. "The Automotive Council has already made good progress in setting out a roadmap for the Commercial Vehicle and Off Highway sector, so industry is well placed to analyse the range of low emission technologies available for each duty cycle and looks forward to working with government to shape policies that will increase the uptake of these technologies by CV operators."

Steve Agg, Chief Executive, Chartered Institute for Logistics and Transport

"The Chartered Institute for Logistics and Transport welcomes Government support at local level for efficient, low-emission and low cost logistics operations through the creation of an industry-led task force. Knowledge of how logistics operations are planned and delivered is critical when considering the potential to promote efficient and therefore low emission and low cost freight movements at local level. The Logistics Growth Review package of measures raises the profile of the importance of efficient supply chain operations at local level and promotes behaviours that will minimise emissions, cost and the wider impacts of road freight movements serving communities within and across local authority boundaries."

44. In the run up to the Olympics, Transport for London (TfL) is also putting in place a number of measures in the Greater London area that will facilitate efficient movement of freight during the Olympics period – a period where a number of access restrictions have necessarily been put in place - and also leave a longer term legacy for those businesses operating in London that goes beyond 2012.

- TfL has developed a freight transport communications plan to liaise with a large number of freight companies and their customers and provide Games time data including a freight journey planning tool to help companies manage their deliveries and plan the most efficient route through London.
- TfL is delivering ten trials of a quiet deliveries Code of Practice derived from the Quiet Deliveries Demonstration Programme. These trials are focused on the pragmatic, short term, measures that facilitate a quieter delivery that can be adopted with minimal cost implications.
- TfL is working with London Councils and the industry trade associations to consider the potential to relax the routing restrictions put in place by the London Lorry Control Scheme during the Olympics period - and the impacts and benefits of doing so.

4. Reducing unnecessary regulation

A. Ports and shipping

45. **The Government will ensure that compliance with the Habitats and Wild Birds Directives does not lead to unnecessary costs and delays to development**, while continuing to support the directives' objectives. The Government is reviewing the directives as currently implemented in England by Budget 2012 and is committed to tackling blockages for developments where compliance is particularly complex or has large impacts. In addition, the Government has announced, in the National Infrastructure Plan, progress on specific projects where compliance has already proved problematic, including Falmouth Harbour.

46. The Government already has in place a number of further activities aimed at reducing burdens to the ports and shipping industry. These include: continuing to ensure effective co-operation between VOSA and other agencies operating at UK ports; promoting the guidance published in March on the Bribery Act that provides British businesses with clear guidance on the procedures commercial organisations can follow to prevent bribery (or facilitated payments) and resist bribe solicitation; and work to encourage greater levels of short-sea shipping by reducing border administration burdens through the EU's maritime Blue Belt pilot project, where the movements of participating vessels are monitored with the aim of giving customs authorities advance knowledge of arriving vessels, their cargo and recent history.

Richard Bird, Executive Director, UK Major Ports Group

"UK Major Ports Group is pleased that the Government has listened to the concerns of the ports industry and has recognised both the need for better rail and road connectivity to ports; and the need for de-regulation."

B. Road freight

47. **The Government will continue to strongly resist the draft EU proposal to impose a 4m height limit on heavy goods vehicles**, recognising that the UK trailer fleet has, for many years, operated at heights of up to 4.95m. Compared with operating a fleet with a 4m height limit, this has saved approximately 400million vehicle km on UK roads, reducing costs to hauliers by around £150m per year and giving congestion benefits to society of £100m a year.

48. ***The Government announced on 11 October 2011 that it will carry out a trial of up to 1800 longer semi-trailers, starting in January 2012.*** The Government's independent research⁹ suggests that longer semi-trailers of up to an additional 2.05m in length have potential to allow up to 13% more loading space than current articulated lorries, resulting in fewer journeys needed to transport the same volume of goods and by 2015 reducing lorry miles in the UK by 100 – 180 million a year, reducing congestion, air pollution and carbon emissions (by around 100,000 tonnes a year). It is anticipated that the trial alone will deliver £33m in cost savings to operators over the ten years (around £1,800 per vehicle per year).

49. ***The Government intends to work to influence the EU to adopt a simplified regime for drivers' hours and working time.***

50. ***The Government will develop proposals to allow an increase in the time required between tachograph data downloads,*** meaning businesses would only have to download every 90 days (the EU minimum) rather than the 56 days at present.

51. ***The Government is working with Traffic Commissioners to find administrative efficiencies in the operator licensing regime.***

52. ***The Government is re-examining our interpretation of exemptions from driver CPC which could free up some sectors, such as farmers, from the statutory requirements of 35 hours' periodic training every five years.***

53. ***The Government intends to consult on the speed limit for HGVs over 7.5 tonnes on single carriageway roads next year.***

54. The Government is also clear that maintaining the competitiveness of the UK logistics industry is critical. That is why the Government is committed to introducing a scheme of HGV road user charging to ensure a fairer arrangement for UK hauliers and hopes to consult on proposals for a time-based charging scheme in the New Year. VOSA is also continuing to enforce against foreign lorries beraking the EU cabotage rules, through prohibition, directing the vehicle out of the country immediately and the issuing of a fixed penalty (in the form of a conditional offer) or, if deemed appropriate and where an operator has failed to respond to the normal enforcement measures, impounding the vehicle.

Geoff Dunning, CEO of Road Haulage Association

"The Road Haulage Association is delighted that Government is reducing regulatory burdens for the haulage industry and in doing so increasing flexibility for businesses to choose the most efficient way of managing their operations. The logistics industry and its users require effective regulation across the sector to promote growth and increase the amount of cash they can recycle back into the business for investment. Measures such as working to influence the EU to adopt a simplified regime for drivers hours and working time will enable hauliers to improve the competitiveness and efficiency of their operations."

⁹ <http://www2.dft.gov.uk/pgr/freight/research/longersemitrailer/>

C. Logistics users

55. Over the past year, the Government has also initiated regulatory reform in areas that will benefit a number of logistics users including sectors making significant use of air freight, the postal and courier services, the waste sector, the warehousing and storage sector and the e-commerce sector.

56. **Aviation** makes a significant contribution to the UK economy. Goods worth £113 billion were shipped by air freight between the UK and non-EU countries in 2010¹⁰, representing 38 per cent of total trade with those countries. We therefore want to see a successful aviation sector, and will issue a sustainable framework for UK aviation in March 2012 for public consultation. We recently completed a call for evidence on a scoping document, *Developing a sustainable framework for UK aviation*. The document recognises that air freight is particularly important for supporting export-led growth in sectors where the goods are of high-value or time critical. We welcome the responses to the scoping document submitted by the air freight industry and are currently reviewing all responses to inform the development of our new long-term aviation strategy.

57. The Government has also announced its intent to move towards a new outcome-focused risk-based regime for **aviation security**. We believe that this approach will provide even better aviation security by enabling more responsive and flexible approaches to new and emerging threats. It should also provide greater scope for innovation and efficiency in the delivery of security processes by industry with subsequent efficiencies for the air freight sector.

58. The **universal postal service** is a key part of the logistics sector and essential to the economy and society. In 2010, 16bn letters were delivered to 28.2m addresses. Nearly all businesses in the UK use post in one form or another, for delivering and receiving goods, invoicing or paying bills, marketing and communicating with customers and suppliers, publications, bills, statements, etc. Total spending on postal services in the UK in 2010 exceeded £6bn. The Postal Services Act 2011 provides for the independent regulator, Ofcom, to introduce a new regulatory framework that secures provision of the universal postal service in a way that promotes efficiency and financial sustainability.

59. The Government has committed to minimising the burden of regulation on the **waste sector** by making it easier for businesses to comply and by reducing unnecessary regulatory burdens on legitimate businesses, whilst cracking down on waste crime such as illegal waste exports, through intelligence-led enforcement.

¹⁰ CHIEF Non-EU data, HMRC, <https://www.uktradeinfo.com/index.cfm?&hasFlashPlayer=true>

60. The majority of businesses in the **warehousing and storage sector** will benefit from the Government's ongoing work to simplify the CRC Energy Efficiency Scheme (CRC), including proposals that will allow for greater flexibility to participate, reduce the administrative burden and complexity of the scheme and reducing overlap with other schemes. The new leaner, simplified and re focused CRC will stay true to its intent whilst making compliance easier for business and less burdensome. The simplifications to the scheme will be in place for the start of Phase 2 in April 2013

61. The Government is making enhancing alternative dispute resolution mechanisms an additional priority in pushing the EU for a digital single market to overcome barriers to **e-commerce and the electronic distribution of goods** in Europe. The planned Framework Directive on Collective Rights Management is also intended to create an efficient cross-border licensing framework for copyright across Europe that will help reduce transaction costs and barriers to entry in the e-commerce market. This will enable the development and roll out of new business models and goods and services across Europe.

5. Attracting and retaining high calibre recruits

62. **The Government will be providing £4m of funding to Skills for Logistics to, in conjunction with major trade bodies and others, establish new and innovative approaches to training to increase the economic competitiveness** and subsequent productivity of the sector. Key elements of the work include:

- Establishing a UK modern logistics guild-like organisation with the major trade bodies which will work to promote the image of the sector, attract new entrants and support the development of the current workforce
- Creating Local Logistics Community Networks so that training and qualifications are relevant, valuable and accessible to all interested individuals and meet the needs of local logistics businesses
- Investigating alternative ways by which employers can 'own' the skills system – including facilitating engagement with Universities and other training providers to make sure qualifications and courses are appropriate and relevant
- Ensuring that the right qualifications are available at all levels across the logistics industry.

Mick Jackson, Chief Executive, Skills for Logistics

"The skills of a workforce have a direct impact on productivity and competitiveness. In today's globalised world, improving the performance of the UK Logistics Sector will bring far reaching benefits to those who work in the sector, industries that are underpinned by logistics and consumers across the UK. *Skills for Logistics* welcomes Government support for the vision of establishing the best performing Logistics Sector. Should the Logistics Sector better attract, develop and retain high calibre individuals, research shows that there will be discernible bottom line benefits. *Skills for Logistics* looks forward to working with employers, employer and learner organisations, and government to deliver improvements in these key areas."

Geoff Dunning, CEO Road Haulage Association

"Road Haulage Association members have highlighted that a skilled logistics workforce is critical to the productivity of the sector and wider economy. The Road Haulage Association is therefore delighted that Government has provided funding to promote a skills package designed to develop skills across the logistics sector and target one of the major barriers to increased productivity of the sector by helping it attract and retain high calibre recruits both at management and driver level."

63. The Government also commissioned, in August, an independent review of its support for maritime training: to review the UK requirement for trained seafarers (i) at sea and (ii) onshore over the next decade. The review, being conducted by Deloitte and Oxford Economics, will report in December and will identify how Government might best support a more effective and efficient maritime training environment.

64. The Government is also taking action to enable businesses to deploy a skilled workforce to better exploit the opportunities provided by ICT and innovative technologies.

65. *The Highways Agency is considering new approaches to make its roadside telecommunications network available to enable points of access for 3rd party services such as broadband for rural businesses. From today, businesses are encouraged to approach the Agency to discuss using the network to aid their connectivity or carrier requirements.*

66. This builds on the commitment the Government made in the December 2010 Broadband Strategy launch to accelerate superfast broadband roll-out to 90% of UK premises and invest £530 million over this Spending Review period in order to create the best superfast broadband network in Europe by 2015.

6. Low Carbon Growth

67. The Government is making available £8m capital funding to pump prime procurement of low emission HGV technologies and their supporting infrastructure. The funding includes £6.5m for a low emission vehicle demonstration trial plus the supporting infrastructure for trial vehicles, coupled with £1.5m targeted funding for public gas refuelling hubs. The Government will work with the Technology Strategy Board to launch a competition for this funding in March 2012 and will consult with interested parties on the scope of the competition over the course of the next three months.

Hardstaff Group

The UK lacks a well developed natural gas infrastructure allowing vehicles to fill up on the roadside as they travel. In 2010 there were 10 re-fuelling stations in the UK either working or under construction and of these 2 only were available for public use. In comparison Germany has in excess of 1000 stations of which in around 80% are available to the public. The lack of refuelling infrastructure in the UK makes it extremely challenging for vehicle equipment manufacturers to demonstrate their vehicles with

potential operators, and to provide a case for adoption of natural gas as a road fuel, and this is a clear barrier to the growth of gas powered vehicles in this country. Developing publicly available fuel stations at busy vehicle hubs will provide the catalyst for organisations to be able to effectively undertake trials and gain confidence in the infrastructure and operation, leading to long term adoption of natural gas as a proven lower carbon fuel.



Courtesy of Hardstaff Group

Theo de Pencier, Chief Executive, Freight Transport Association

“The industry-led task force, backed by Government funding for investment in low-carbon hgvs and refuelling infrastructure, provides much-needed impetus for technologies which until now industry has only used in trials or on a small scale. The FTA-managed Logistics Carbon Reduction Scheme, an industry-led voluntary agreement to reduce the carbon-intensity of freight transport in the UK, highlights industry’s appetite to keep innovating to drive down carbon emissions. However, this has got to make commercial and environmental sense, and it is this challenge that the task force will help address.”

68. *The Government will also explore opportunities to support green technologies through the operator licensing regime*

69. The Department for Transport's existing Low Carbon Supply Chain group – which comprises all the major freight trade bodies including the FTA, RHA, Chartered Institute of Logistics and Transport, Institute of Grocery Distribution, Rail Freight Group and British Shipping - will support these actions by continuing to encourage uptake of industry-led low carbon measures, such as the Freight Transport Association's Logistics Carbon Reduction Scheme.

What we expect to see from this Government action

70. It is hoped that the package of actions described above will, in addressing core planning and regulatory barriers, unblock immediate investment in logistics infrastructure and assets (including low emission infrastructure and vehicles) and subsequently create much-needed local employment opportunities. Over the next few years it is anticipated that our actions to promote the image of the sector at local level and to develop the skills of the workforce will allow wide-spread uptake of more efficient, lower cost delivery patterns across the sector. And, over the longer term the improved capacity, performance and resilience of the transport network will reduce the impacts of congestion on the sector and allow for more effective routeing, scheduling and planning of logistics operations. In delivering these actions, we will create the right conditions to support the longer term efficient, competitive and low carbon logistics sector that is needed to support growth in the economy as a whole.