



Department
for Transport

Road Transport Cabotage Further Flexibilities during 2022 for Foreign Hauliers

Consultation response

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Executive summary

Post-Consultation Decision

Ministers have considered the views and evidence provided in response to the consultation that took place on road transport cabotage from 9 to 23 March 2022. This includes responses by representatives of the goods road transport sector and the users of haulage services. The consultation asked about the effects that have resulted from the introduction of additional cabotage rights. In particular, it sought views and evidence about:

- whether the additional cabotage rights - which allow non-UK hauliers to carry out unlimited cabotage within a 14 day period and which were to expire on 30 April 2022 – should continue;
- information on the uptake of the additional cabotage rights including uptake by particular sectors;
- effects - positive or negative - of the extension of cabotage rights.

The views expressed in response to the consultation varied with respondents from the UK haulage sector against extending the additional cabotage rights and respondents from users of the additional cabotage flexibilities supporting their continuation.

Following the consultation, the Government decided not to continue the additional cabotage rights beyond 30 April. Department for Transport analysis suggests that the take up of the additional cabotage rights has been low. This analysis has been compared to a 2019 baseline. The qualitative feedback from the consultation was that, while the use of the additional cabotage rights has been low in overall terms, the rights were helpful in some sectors in the run up to Christmas 2021. Conversely some UK haulage operators reported that the impact of the additional cabotage rights on their businesses was greater than the Department's overall assessment would suggest.

The additional cabotage rights were introduced as a temporary measure at a time of acute supply chain pressure while other measures to boost domestic capacity took effect. The extension of cabotage rights was one of the 33 measures taken by Government to tackle a shortage of lorry drivers and the supply chain pressures that this caused. The measures to support the work that the sector is doing to recruit and retain drivers is beginning to take effect. The continuation of the additional cabotage rights could have hampered these efforts if it led to downward pressures on haulage rates and driver pay.

The Government will continue to keep supply chain pressures under review and if later in the year these pressures increase Ministers will consider whether a short-term reintroduction of additional cabotage rights measure could help ease such pressures.

As a result of the consultation, the Government has also decided that there could be merit in having a mechanism that allows additional cabotage rights to be introduced a temporary basis to enable a quick response should acute shortages of UK domestic capacity happen in the future. We put in place an accelerated mechanism for 2022 only. After 2022 such a measure would take many months to implement using current legislative routes.

It is, therefore, our intention to seek a legislative route to allow for a quicker regulatory process. A possible route would be to amend the retained EU Regulation EU1072/2009 retained from the EU after Brexit (or replace the relevant part of the retained EU Regulation). In accordance with the provisions of the European Union (Withdrawal) Act on retained EU law, any such measure may require primary legislation and would be the subject of targeted consultation with key representative organisations about draft proposals.

Cabotage rights

Background

1. Cabotage 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.
2. As agreed in the UK/EU Trade and Co-operation Agreement, the UK allows EU heavy goods vehicle operators to undertake up to 2 laden transports within 7 days of a laden entry into the UK.
3. Following a consultation in October 2021, the Government legislated to allow unlimited numbers of cabotage movements by heavy goods vehicles for up to 14 days after arriving on a laden international journey into the UK. The extension was provided for a period of six months up to 30 April 2022. It applied to all hauliers who had the right to make international laden transports to and from the UK (not just EU hauliers).
4. The cabotage extension was introduced in response to acute shortages in lorry drivers which were causing problems in distributing food and other essential goods. The shortage was caused by several factors including HGV driving tests not taking place because of the coronavirus (COVID-19) pandemic, the economic bounce-back from COVID-19, an ageing workforce, a lack of diversity in the industry and an over-reliance on overseas labour.
5. The Government carried out a further consultation on road transport cabotage from 9 to 23 March 2022. The consultation asked for evidence and views on the effects that have resulted from the introduction of additional cabotage rights. It also sought views on whether or not the additional cabotage rights should continue.

Response to the Consultation questions

6. The consultation document sought views from both suppliers and users of haulage services. The full list of questions is available at Annex A.
7. The consultation period ran from 9 to 23 March 2022. A total of 71 responses were received, 67 via an online survey and 4 by email. 15 responses were from individuals and 56 from organisations.
8. The organisations who responded were:-

Organisations (Total 56)		Response Total
1	UK-based haulage company	32
2	Foreign haulage company	4
3	UK-based Owner Driver	4
4	Business user of haulage services	4
5	Stakeholder organisations	5
6	Other/not specified	7

Views on whether to extend the additional cabotage rights for a further period

9. Respondents were asked whether the additional cabotage rights should be extended.

Answer Choices		Response Total
1	continue beyond 30 April 2022	26
2	expire on 30 April 2022	36
3	expire on 30 April 2022 but be reintroduced for the pre-Christmas 2022 period?	2
4	Other	7

10. For the most part, UK hauliers responding argued for allowing the additional cabotage rights to expire on 30 April 2022; some argued that the rights should be ended immediately.

11. The main reason cited for opposing an extension of cabotage rights was that this was driving down haulage rates. Some argued that this was critical to British hauliers staying in business as they have lost contracts to cheaper EU hauliers.
12. Some suggestions to mitigate the effects of undercutting were: to increase non-UK haulier operating costs in the UK through tax or other measures, have reciprocal cabotage, or start to tax the foreign hauliers on fuels brought into the UK. Similarly, it was suggested that the UK charge overseas hauliers to use our roads (as UK hauliers must pay road tolls in Europe) and regulate the number of movements these vehicles make.
13. The case was made that increased cabotage damages the scope for training and recruitment of domestic drivers. It provides a sub-standard service where vehicles and drivers from abroad are not following UK rules that are enforced on domestic companies. This drives job rates and wages down to a false low level.
14. UK hauliers expressed concern that some EU hauliers do not have as high safety standards, not just making them unfairly competitive, but also increasing the risk of accidents. As reported in the consultation document, we have kept data on safety since the extension of cabotage rights under review. Compliance data from the DVSA shows that the average number of non-UK HGV driving offences recorded in the period since the cabotage relaxation (late October 2021 – late January 2022) have increased marginally by 5% (from 738 offences to 792) when compared to the same period in 2019/20. Part of this increase may be explained by an increase in DVSA's enforcement rate (offences issued per encounter), from 42% in the 2019/20 period to 44% in the 2021/22.
15. Furthermore, the Department's road safety statistics show that foreign hauliers are just as safe as UK hauliers on a vehicle kilometre basis¹, with left-hand drive HGVs being responsible for 3% of accidents, while representing 4% of the vehicle kilometres for HGVs on GB roads. One reason for this may be that foreign hauliers tend to be more heavily concentrated on the safer roads, such as motorways, than UK hauliers.
16. The Road Haulage Association (RHA) stated that, while it did not support the original relaxation, it understood why the Government did so to avoid supply chain issues late in 2021. However, it does not support a continuation of the relaxation because the driver shortage is not acute as it was previously, and continuation would damage parts of the haulage sector and be counter-productive in dealing with the long-term driver shortage.
17. Logistics UK also opposed an immediate extension of cabotage flexibilities which it considers as unnecessary at this time. However, it has suggested that the policy should be kept under review in light of prevailing market conditions.
18. Other respondents, however, argued that the driver shortages problem was by no means over and disruption to some supply chains might return if there was not an extension of the additional rights.
19. For instance, one major company in the food sector noted that finding hauliers to transport food products between the UK and the EU was already difficult, causing delays and significant additional cost. They expected these issues to become worse with increased controls on sanitary and phytosanitary (SPS) products from 1 July. They argued that the current relaxation of cabotage rules provides increased

¹ Department for Transport Statistics, [RAS20003](#), 2019 and [TRA3203](#), 2019

incentives for EU based hauliers to provide these services and therefore adds capacity and reduces costs.

20. This view was supported by the Food and Drink Federation (FDF) who argued that pressure points including the Ukraine crisis, the Covid recovery, and imminent UK SPS import controls could threaten widespread supply chain disruption and thereby UK food security. They supported the extension of cabotage flexibilities arguing that, although UK HGV driver numbers are improving, this is not fast enough to ensure that there will not be shortages without the freedom to use EU based drivers, with a corresponding impact on costs and delivery times
21. Other respondents also stated that there are still some driver shortages and although moves are being made to address this, there is still a lag in new drivers coming through. In addition, the drivers that are coming through are in the main day drivers and there is a significant lack of new drivers who will stay away from base overnight.

Need for temporary cabotage

22. The actions that the government has taken to tackle the shortage of HGV drivers are starting to have an impact. This is supported by some of the respondents to the consultation who argued that the issue was less acute than last year. As noted in the consultation document, some stakeholder organisations have also noted changes. For example, Logistics UK reported in December 2021 that fewer drivers were leaving the profession and there had been an increase in HGV driver tests.
23. The Government recognises that measures will take several months to start showing their full effect. In addition, the economy is continuing to recover from the pandemic, with previously subdued sectors such as hospitality able to function fully. We anticipate that the shortage of drivers is less likely to be an acute problem in the first half of 2022 but may increase in severity again in the busy period from the summer building up to Christmas 2022, due to well-established seasonal patterns.
24. The consultation asked users of haulage services whether they had experienced any difficulty over the last 12 months in accessing drivers in the haulage sectors for their business and about the effects of the additional cabotage rights.
25. One international logistics company noted that the capacity of UK hauliers to provide drivers in 2021 was turbulent, and caused huge supply chain disruption, especially in relation to the delivery of time sensitive goods from port to final delivery point. There was an overnight improvement when the cabotage relaxation was introduced.
26. Another company noted that the cabotage relaxation had enabled them to provide clients with a better service level and no interruptions in the supply chain. In the tanker sector a company noted that it had daily problems finding external capacity in the UK. EU resources had enabled it to serve key customers and those linked to food supply chain, and high priority chemicals. A company that delivers trailers per day for different industries stated that the change in regulations had eliminated a shortage of 25-30 trucks per day.
27. As noted in the previous section, the food sector was also highlighted as an area where the additional cabotage rights were helpful.

Scale of contribution of temporary cabotage

28. As noted in the response to the first cabotage consultation in October 2021, the contribution of cabotage to freight movements in the UK has always been low. Before the pandemic, and while the UK was a member of the EU, cabotage comprised about 0.8% of national UK freight movements (on average about 1% as measured by tonne-kilometres).
29. The take up of the additional cabotage rights was monitored in two ways:- (i) mobile phone data on warehouses and distribution centres visited by foreign drivers and (ii) surveys at DfT's Information and Advice Sites (IAS).
30. The mobile phone data showed a slight increase in the number of cabotage movements per haulier in November 2021 compared to a 2019 baseline. From this information, we estimate that the amount of capacity released by the relaxation to be around the equivalent of 0-140 UK full-time drivers although this is subject to very high levels of uncertainty. Information from the IAS survey is also subject to uncertainty but supports the view that take up has been low but may be rather higher than the mobile phone data suggests.
31. The RHA noted, in their response to the consultation, that most haulage sectors have no cabotage activity, while other sectors (such as long-distance line haulage) have very high rates. There is little published information about the contribution of cabotage in specific sectors. The consultation responses provided some additional qualitative information. Future monitoring of cabotage could usefully focus on getting a fuller sectoral picture – to supplement the information on the overall level of cabotage that is produced by Eurostat².

Cabotage and the UK road haulage sector

32. The consultation asked respondents from the UK haulage sector about effects that they had seen from the cabotage relaxation on their businesses. The most common effect cited by respondents was that haulage rates were reduced, following the introduction of additional cabotage rights as non-UK hauliers were able to undercut UK hauliers.
33. A number of respondents reported that they had lost jobs as a result of the cabotage relaxation (losing out to EU companies). Among these respondents, one company reported a 30% drop in customer orders. Some respondents said that while the beginning of the year was traditionally quiet, this year had been exceptionally so and they attributed this to the additional cabotage that was taking place.
34. Respondents identified several reasons why non-UK hauliers were able to undercut UK ones. These include lower insurance rates, lower driver wages, non-UK vehicles being able to enter UK with large fuel tanks with diesel bought at lower prices and inferior levels of vehicle maintenance. Training requirements in Eastern Europe were said to be substantially lower than in the UK.
35. The available evidence suggests that some non-UK companies operating in the UK have lower costs than their UK equivalents. Evidence from various sources suggest that eastern European hauliers have costs that could be as low as two thirds of UK

² <https://www.gov.uk/government/statistical-data-sets/rfs02-international-road-haulage#cabotage>

hauliers due to lower wage, fuel and other operating costs. However, such operators, when working in the UK, are likely to receive a premium. This reduces but does not eliminate, the cost advantage such hauliers have. The effects of the ability of some non-UK haulage companies to undercut UK operators will be greatest when there are the fewest shortages of domestic capacity.

36. Seasonal factors and fluctuations in demand are important determinants of haulage rates. The Transport Exchange Group report that haulage rates peaked in September 2021 and have fallen significantly since. Haulage rates in January 2022 remained higher than in January 2021.
37. Some respondents said that they were faced with rising costs. The additional competition from non-UK hauliers carrying out cabotage meant that UK hauliers were not able to pass on their additional costs to customers. One haulier said that it had reduced their fleet by half as a result of falling haulage rates. Another said that it would need to cease business.
38. One respondent complained of a lack of overnight parking spaces since November. This issue had also been raised in the first consultation in October 2021. The Department commissioned Transport Focus to undertake a survey of roadside facilities on the Strategic Road Network. This work is continuing. As set out in the consultation paper, early findings were that it was not possible to detect effects from the cabotage relaxation on the availability of driver welfare facilities. Consistent feedback that is that European drivers (especially from Eastern Europe) spend minimum amounts of money at services and facilities, bring food and drink with them and only use shower and toilet facilities. Motorway Service Area operators also were not aware of any impact from the cabotage relaxation but recognised that there was a long-standing capacity issue and that they frequently accommodated more HGVs than their advertised capacity.
39. The government recognises that the provision of adequate welfare facilities is important in making the profession attractive to current and potential drivers. The Chancellor of the Exchequer announced £32.5 million of funding to improve current facilities in November 2021.
40. RHA noted that sectors with high levels of cabotage saw an immediate stop in pay increases. RHA say that they have not yet seen evidence of reduced pay rates for drivers so far because of the cabotage relaxation, but a future relaxation is likely to suppress pay rates for drivers. Further information on drivers' wages is provided in Logistics UK' s Skills and Employment Update which reported that " Late Q3 and Q4 is the peak season for road haulage and a surge in pay (as well as vacancies) began in July 2021 as companies sought to prepare for the run-up to Christmas". ³

Other points raised

41. Other measures than cabotage suggested were more trained and capable staff working within HMRC Customs and Excise, investment in skills and training, open markets to labour from other countries, to allow our haulage industry to set sustainable rates without being undercut by temporary haulage solutions, better

³ <https://logistics.org.uk/media/press-releases/2022/february/hgv-driver-numbers-stabilising-according-to-logist>

infrastructure for the drivers including safe parking arrangements and stronger laws against those who attack vehicles whilst parked up at night/day.

42. Another issue raised was that the policy is not reciprocated by EU countries. The ability to undertake additional cabotage enabled non-UK companies to be better placed to take back loads to Europe, leading to UK companies losing out. Europe is tightening cabotage rules at a time when the UK's are loosening. The EU requires a stop for a minimum of 4 days between cabotage trips unless the deliveries are crossing borders i.e. Belgium to Holland.

Annex A: List of consultation questions

Questions for users of haulage services

Q1: Which sectors do you operate in (general, food, energy, port services etc)?

Q2: Over the past 12 months have you encountered any difficulties in accessing drivers in the haulage sector to serve your business?

Q3: To what extent has this affected the normal operation of your business? Q3A How has your business been affected?

Q4: Prior to 28 October 2021, which type of hauliers did your company rely on?

(a) UK based only, (b) mix of UK and foreign hauliers, (c) foreign hauliers only, (d) don't know

Q5: How has your use of foreign hauliers changed since 28 October 2021?

(a) more, (b) less, (c) the same

Q6: If your use of foreign hauliers has changed, what were the main reasons for the change?

Non-UK hauliers

Q7: Which sectors do you serve (general, food, energy, port services etc)?

Q8: Prior to the 28 October 2021 how many trips did you typically make to the UK per month?

Q8A Of these trips, how many would typically include cabotage movements, per month?

Q9: Since 28 October 2021 has the number of trips you made to the UK per month changed?

Q9A Of these trips, how many have include cabotage movements also, per month?

Q10: If you made undertook cabotage, how many individual cabotage movements have you made per trip on average?

Questions for UK haulage companies

Q11: What sector(s) do you serve (general, food, energy, port services etc)?

Q12: Has the government's relaxation of cabotage rights on 28 October 2021 affected your business in any way?

Q12A How has your business been affected?

Q13: Why do you think this change has happened?

General questions (for all)

Q14: Should extra cabotage rights

(a) be allowed to expire on 30 April, (b) continue beyond 30 April, (c) be allowed to expire on 30 April but reintroduced for the pre-Christmas period, (d) other?

Q15: Why do you hold this view?

Q16: Any other general comments you would like to share?

The consultation is being conducted in line with the Government's key consultation principles which are listed below. Further information is available at <https://www.gov.uk/government/publications/consultation-principles-guidance>

If you have any comments about the consultation process please contact:

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