

Deja vu – all over

There were reasons to be cheerful going into 2021, as operators looked forward to coming out the other side of the global pandemic. However, the world had other ideas. John Challen reviews operational data gathered by trade associations the Road Haulage Association (RHA) and Logistics UK

Time has moved on, but much has remained the same over the past 12 months for those in the haulage industry. A global pandemic still looms large, increased paperwork and new trade rules remain a burden and the driver shortage issue has got worse, not better.

A lot of the talk at the end of 2020 was of stability and a return to 'normal' – even if it had been superseded by 'the new normal'. Last year's article in this slot read: "The big hope is that 2021 is not as disruptive as 2020 – the country holds its breath and waits." The country is still holding its breath.

Having taken a big hit during the first half of 2020, GDP recovered during the second half of the year and continued this through 2021. There was a slight fall (-1.4%) in Q1 2021, but Q2 (5.5%) and Q3 (1.3%) were more encouraging. The improvement in Q3 – partly thanks to Coronavirus restrictions being lifted – left it just 2.1% below its pre-pandemic figure.

There was more positive news at the start of 2021 as more than 10,000 trucks were registered during Q1 – up 9.5% on Q1 2020. A similar number (9,493) of HGVs were registered during Q2, but those 20,000 vehicles for the first half of the year were still down by 28.8% compared with the corresponding period in 2019. However, Q3 saw a fall in registrations (-8.4%) compared with the pandemic-affected Q3 2020. But, as Q3 registrations have proved tough in recent years (8,419 in 2019; 9,852 in 2018), that 7,715 figure in 2021 was not totally

unexpected.

The 2020-2021 period was the one that stopped the decline in total truck numbers and O-licence numbers, which can be traced back to 2015-16. The UK vehicle parc was recorded as 369,287 vehicles – an increase of 6,657 on the 2019-2020 figure. Meanwhile, O-licence numbers increased by 545 (from 68,983 in 2019-2020 to 69,528 in 2020-2021).

The RHA's annual survey of cost movements (Haulage Cost Movement 2021), which informs this text, calculates that the overall percentage increase for 2021 was 11.76%. Tables in this article have been supplied by Logistics UK; for its commentary, new this year, see box, p24.



ECONOMIC BACKDROP

Inflation was relatively low (0.6%) on entering 2021 and remained around that level until April, when it hit 1.5%. That was the start of a steady increase over the summer months: by September, the rate had doubled from April to 3.0%. That trend continued during the autumn, when inflation rose at its highest monthly rate (1.1% in October) for 10 years, to reach 4.2% and, as we go to press, it has reached a 10-year high of 5.1%

The unemployment rate fell steadily throughout 2021, from its starting point of 5.1%. By April, it had stabilised at 4.8% before further falls to 4.3% in September. Fears over an immediate rise in unemployment following the end of the furlough scheme on 30 September

2021 were short-lived, with research from the Resolution Foundation suggesting that only 136,000 workers moved to unemployment or inactivity from the scheme.

Meanwhile, October saw a record number of employees on the books (up 160,000 to 29.3 million), while job vacancies hit a new record of 1,172 million, according to the Office for National Statistics.

At the end of August 2021, the Bank of England stated that pay growth had been "artificially boosted by COVID-related factors in the labour market". It went on to estimate that underlying annual wage growth was lower than the headline data suggested, but that it would "strengthen as the economy recovers from the pandemic". For reference, growth in average total pay for the three months between June and August 2021 was 7.2%, including bonuses.

Interest rates remained at the same low level of 0.1% throughout 2021. At the time of writing, an expected increase at the end of the year was likely to be resisted due to factors such as the rise of COVID-19 restrictions in the wake of the Omicron variant and slow economic growth of 0.1% in October 2021.



TYRES

According to RHA members, tyre prices have risen on average 5% over the past year.

Some members mentioned monthly increases, partly due to increased costs

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again

of raw materials such as natural rubber and also crude oil. Tyre breakdown cover and delays in getting tyres repaired at the roadside were also mentioned in the report as areas of concern and of extra costs.



FUEL

Based on its 44-tonne artic model, RHA estimates fuel increases to amount to over £11,000

for the year. The biggest issue was the perceived shortage of fuel in September, which was more precisely a shortage of drivers. RHA reports it was due to a lack of a few dozen drivers, principally from one company. There followed huge queues at the pumps, by which time global oil prices had upped fuel costs, too. The UK faced record fuel prices towards the end of the year, beyond previous highs of 2012. (See also p24 for Logistics UK's fuel views.)

Globally, fuel pricing has become a major concern, with various countries (USA and Japan included) considering releasing some strategic oil reserves to cool the market.

Meanwhile, costs of another fuel-related fluid, diesel exhaust fluid, better known as AdBlue, have increased beyond any normal pattern through 2021. The fluid has two base ingredients - urea and deionised water. The substance has a finite shelf life and is best stored out of sunlight. DEF costs have risen as a result of automotive-grade urea prices rising from €300 per metric tonne in September 2020 to in excess of €860 by October 2021.

Rising global demand for urea in general for agricultural use as well as a massive recovery in the usage of urea in the resins market for the manufacture

Operator costs for 2021: LCVs up to 3.5 tonnes gvw

	Car derivative vans - diesel	Vans of 3.5 tonnes gvw - diesel
General information		
Annual mileage	24,000	35,000
Life (years)	7.0	6.0
Life (miles)	168,000	210,000
Replacement cost (£)	15,430	28,014
Fuel consumption (mpg)	40.1	26.0
Annual fuel usage (litres)	2,721	6,120
Fuel price (pence per litre)	112.18	112.18
Tyre life (miles)	30,000	30,000
Standing costs		
Vehicle excise duty	275	275
Insurance	786	1,144
Depreciation	1,499	3,829
	2,560	5,247
Running costs		
Fuel	3,052	6,865
Tyres	194	518
Maintenance	1,482	3,186
	4,729	10,569
Total vehicle cost	7,288	15,816
Overheads		
Transport	1,753	1,753
TOTAL COST	9,041	17,569
ANNUAL CO2 FOOTPRINT (TONNES PER YEAR)	6.84	15.37

Source: *Manager's Guide to Distribution Costs*, Logistics UK, October 2021

of chipboard and MDF are among the driving factors, but also the rising price of gas, the principal raw material in urea manufacture, is to blame. The UK has no domestic production of urea, so it has to be imported and global prices pervade. Plastics costs have increased, too, which means more for the IBCs that many haulage firms will buy the product in.

In cost terms, DEF amounted to around 0.61% of the cost of operating at 44-tonnes

in RHA's model for 2020 - or £910. This year this has changed to 0.74% or £1,234. That is a 35.6% increase, and the concern is that prices will in the near term keep going up.



VEHICLE AND DEPRECIATION

The costs of commercial vehicles and trailers have jumped this year, with reports of closed order books and

Operator costs for 2021: rigids 7.5-32 tonnes gvw

	7.5 tonnes gvw - box or curtainsided	10 to 12 tonnes gvw - box or curtainsided	12 to 14 tonnes gvw - box or curtainsided	16 to 18 tonnes gvw - box or curtainsided	3-axle rigid vehicle 26 tonnes gvw - box or curtainsided	4-axle rigid tipper - 32 tonnes gvw
General information						
Annual mileage	40,000	50,000	40,000	60,000	60,000	55,000
Life (years)	7.0	5.0	5.0	7.0	6.0	7.0
Life (miles)	280,000	250,000	200,000	420,000	360,000	385,000
Replacement cost (£)	43,242	51,215	54,786	72,049	91,886	99,887
Fuel consumption (mpg)	16.0	13.0	13.0	12.0	10.0	8.0
Annual fuel usage (litres)	11,365	17,485	13,988	22,730	27,276	31,254
Fuel price (pence per litre)	112.18	112.18	112.18	112.18	112.18	112.18
Tyre life (miles)	55,000	50,000	50,000	60,000	55,000	50,000
Standing costs						
Vehicle excise duty and RUL*	165	200	95	300	300	560
Insurance	2,310	2,660	2,646	2,944	2,630	2,816
Depreciation	5,251	8,297	8,875	8,234	12,251	11,986
	7,726	11,157	11,616	11,478	15,181	15,362
Running costs						
Fuel	12,750	19,615	15,692	25,499	30,599	35,062
Tyres	487	1,378	1,019	1,632	1,700	2,148
Maintenance	4,990	6,679	4,124	7,097	9,127	13,526
	18,227	27,671	20,835	34,229	41,426	50,735
Total vehicle cost	25,953	38,828	32,451	45,706	56,607	66,098
Employment cost of driver	31,568	34,740	34,879	39,748	43,240	43,180
Cost of vehicle and driver	57,521	73,567	67,330	85,454	99,848	109,278
Overheads						
Transport	5,802	6,404	6,404	6,404	7,829	8,690
Business	5,802	6,404	6,404	6,404	7,829	8,690
TOTAL COST	69,126	86,374	80,137	98,261	115,505	126,657
ANNUAL CO ₂ FOOTPRINT (TONNES PER YEAR)						
	28.55	43.93	35.14	57.11	68.53	78.52

Source: *Manager's Guide to Distribution Costs*, Logistics UK, October 2021

*Road user levy (RUL) applies to vehicles 12t gvw and above. RUL is suspended until 31 July 2023; see box, p24

long delays for new vehicles. However, the chancellor announced that the Annual Investment Allowance would be extending the temporary £1 million allowance level for capital expenditure tax relief until 31 March 2023.

While work continues at OEMs on more environmentally friendly versions of their vehicles, the diesel engine, especially at the heavy end of the market, is still very much the king.



INSURANCE

Traffic volumes are back up to pre-lockdown volumes, but have not been that way over the total 12 months. RHA Insurance Services advises that, overall, the motor insurance market fell to a five-year low during 2021. The drop in part reflects insurers passing on claim cost reductions during previous national lockdowns.

Meanwhile, there have been some new usage-based insurers and connected fleet solutions entering the small CV market during the year. It is anticipated that these insurers could begin to bring capacity and solutions to the haulage market in the future.

Otherwise, there are no major changes to vehicle insurers' underwriting approach. Hauliers' costs are to increase by 5%.

Operator costs for 2020: tractor units and semi-trailers, 33-44 tonnes gw

	33-tonne gw artic: 2-axle tractor, 2-axle curtainsided semi-trailer	38-tonne gw artic: 2-axle tractor, 3-axle curtainsided semi-trailer	38-tonne gw artic: 3-axle tractor, 2-axle curtainsided semi-trailer	32.5-tonne gw drawbar combination: 2-axle drawing vehicle and trailer	40-tonne gw artic: 2-axle tractor, 3-axle curtainsided semi-trailer	44-tonne gw artic: 3-axle tractor, 3-axle curtainsided semi-trailer
General information						
Annual mileage	75,000	75,000	70,000	60,000	70,000	85,000
Life (years) - tractor	8.0	7.0	6.0	8.0	6.0	6.0
Life (years) - trailer	11.0	11.0	11.0	12.0	11.0	11.0
Life (miles) - tractor	600,000	525,000	420,000	480,000	420,000	510,000
Replacement cost (£) - tractor	57,473	82,584	82,584	64,364	101,323	108,365
Replacement cost (£) - trailer	20,767	22,843	20,767	20,767	22,843	22,843
Fuel consumption (mpg)	9.0	8.5	8.0	9.0	7.6	8.2
Annual fuel usage (litres)	37,883	40,112	39,778	30,307	41,871	47,123
Fuel price (pence per litre)	112.18	112.18	112.18	112.18	112.18	112.18
Tyre life (miles) - tractor	65,000	80,000	95,000	65,000	80,000	85,000
Tyre life (miles) - trailer	80,000	70,000	80,000	60,000	70,000	70,000
Standing costs						
Vehicle excise duty and RUL*	560	560	560	430	850	560
Insurance	3,087	3,845	3,845	3,268	3,845	3,845
Depreciation - tractor	6,394	9,674	11,287	6,678	13,847	14,810
Depreciation - trailer	1,888	2,077	1,888	1,731	2,077	2,077
	11,929	16,156	17,579	12,106	20,619	21,291
Running costs						
Fuel	42,499	44,999	44,624	33,999	46,973	52,865
Tyres - tractor	1,883	1,727	1,718	1,654	1,594	1,768
Tyres - trailer	2,383	2,347	2,018	2,360	2,176	1,810
Maintenance - tractor	7,520	7,028	6,973	6,245	7,065	9,797
Maintenance - trailer	4,602	4,645	3,900	2,729	4,670	5,501
	58,888	60,746	59,233	46,987	62,479	71,741
Total vehicle cost	70,817	76,901	76,812	59,093	83,098	93,033
Employment cost of driver	45,477	46,208	46,208	45,337	46,208	46,208
Cost of vehicle and driver	116,294	123,109	123,020	104,429	129,305	139,240
Overheads						
Transport	10,167	11,255	11,255	10,017	11,255	11,255
Business	10,167	11,255	11,255	10,017	11,255	11,255
TOTAL COST	136,628	145,620	145,531	124,463	151,816	161,751
ANNUAL CO ₂ FOOTPRINT (TONNES PER YEAR)	95.18	100.77	99.93	76.14	105.19	118.39

Source: *Manager's Guide to Distribution Costs*, Logistics UK, October 2021

* Road user levy (RUL) is suspended until 31 July 2023; see box, p24



REPAIRS AND MAINTENANCE

Repairs and maintenance costs in percentage terms are nearly double that of last year, according to the RHA report, with the all-too-familiar note about scarcity and costs being passed on. There are certainly many cases of vehicles off road (VOR) while they await parts.

To continue working in London with the arrival of the Direct Vision Standard in March, many firms had to gear up, which meant added costs of between £1,000 and £2,000. Some firms were still not ready, delayed by parts and/or new vehicles. As a result, they used the three-month 'safety net' finally offered by Transport for London (TfL) as a grace period if they registered their vehicles. This scheme was backed up by reports at the time that TfL had only issued around 50,000 DVS permits, which amounted to only 12% of the HGV numbers in the UK and less than 60% of the 91,800 lorries in London and the South East.



OVERHEAD COSTS

RHA members reported large increases in overhead costs this year, with some of this money being on administration staff cost increases. In addition, there were other factors to consider, such as site overhead costs, including rent reviews and repairs – some of which might be left over from the previous year.

Unsurprisingly, personal protective equipment (PPE) is included in the list of unwanted but necessary extra costs, given the current requirements of the pandemic.



DRIVER EMPLOYMENT COSTS

It was clear by May 2021 that RHA members felt they had to start offering better employment packages. KPIs were falling at this time and members were having to use agency drivers to plug gaps, typically costing up to 50% more

than normal. For a period of time, there were daily news articles describing how companies were effectively outbidding each other to secure drivers, with some being offered sign on or six-month stay bonus packages along with much-inflated pay figures.

Reports in July suggested that drivers' costs were estimated to have risen 12%, but it was quickly apparent that even that much of an increase wasn't going to work in many areas. RHA member averages had risen to 18% by October. A combination of factors are involved, including location, local competition, whether agencies and/or self-employed drivers are still used and the sector. See also box, right, for Logistics UK's view.



THE FUTURE

January is the start of another uncertain 12 months for those in the transport sector, as well as those in the wider world. For hauliers, the good news is that transport is in great demand, but getting the balance of availability right is key. The driver shortage is ongoing, but efforts have been made to reduce the burden.

One additional cost to note for the coming year is that of National Insurance (NI), which is due to increase in April 2022. The rise will see the PAYE employer rate of NI increase from 13.8% to 15.05% for income per employee above £8,840 per annum. In reality, this means an increase of more than 9%.

Vehicle-wise, the clock is very much ticking for trucks powered by fossil fuels. Most manufacturers are advanced in their overhaul of product ranges, so expect to see new alternative-fuelled models throughout 2022.

Increasing fuel costs are likely to continue, including for many from the loss of the red diesel rebate (from April 2022).

And finally, there will continue to be restrictions and delays caused by ongoing Coronavirus and Brexit-related activities. How much, when and for how long remains to be seen. [TE](#)

LOGISTICS UK

VIEWPOINT

"The two main and significant upward pressures on vehicle operating costs in 2021 were fuel and wages. In the year to 1 October 2021, bulk diesel prices rose by 29% as the global energy crisis pushed oil prices to a three-year high and the COVID-19 pandemic, coupled with Brexit, drastically reduced the HGV driver workforce in the UK.

"To retain existing staff and attract new drivers, wages rose. According to Logistics UK's *Manager's Guide to Distribution Costs*, in the nine months to 1 October 2021, the average increase in basic pay for HGV drivers was 11.2% (which includes those who did not raise pay) and the average basic pay award (excluding those who did not increase pay) was 19.4%. These rises were not consistent across firms or vehicle types. Larger pay rises were awarded to artic drivers, especially shift drivers, while rigid vehicle drivers had relatively more modest increases compared with previous years.

"The road user levy (RUL), which applies to heavy goods vehicles of 12 tonnes or more, is suspended from 1 August 2020 to 31 July 2023 and has led to an overall 42.1% reduction in VED and RUL payments, but this is offset by increases in all other vehicle operating costs.

"Looking ahead to 2022, Logistics UK has been pleased to see recent government and industry interventions to help overcome the driver shortage. It remains to be seen how quickly and significantly these steps will impact the shortage, although there are early signs that some of these measures are cutting through.

"Wider supply chain issues that buffeted the economy in 2021, with container shipping disruption and a shortage of semiconductors, look set to continue. 71% of respondents to Logistics UK's November Performance Tracker had difficulties purchasing or leasing HGVs or vans in the past year, with the leasing of new vans most problematic. However, logistics is a sector known for its ability to adapt, and we see reasons for optimism that the situation will stabilise over coming months."