A PERFECT STORM OF ELEVATED DEMAND AND REDUCED SUPPLY IN THE UK HAULAGE SECTOR 2021:

Investigating HGV Driver Demand & Supply

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INTRODUCTION

Could this be the first time in 20 years that we experience a true HGV driver shortage? And is it too late to prevent it?

Driver Require has been tracking the UK's HGV driver shortage issue for a number of years prior to the Coronavirus outbreak and then more closely as we progressed through the pandemic. We have refined our thinking and conclusions through a series of reports on this subject and on the impact of COVID-19 on the UK haulage sector.

The unprecedented events of the last 12 months have undoubtedly impacted the supply and demand for HGV drivers, and we suspect will lead to a driver shortage crisis in the coming months. To this end we have prepared this report, but, given the potential significance of its findings we have brought together a panel of haulage sector experts to validate its workings and conclusions, through a series of workshops, which we have named the "Think Tank".

The purpose of the Think Tank has been:

- to explore and debate the **supply** conditions and develop consensus on what the "most likely" overall supply deterioration will be relative to pre-COVID-19;
- to agree on the scale of the **demand** for HGV drivers, and the dynamics of the net HGV driver surplus/deficit;
- to understand the **effect** that a surge in demand may have on the magnitude of the driver supply shortage and what expectations need to be set within the haulage sector;
- and finally, to develop a set of **recommended actions** to mitigate against a potential serious HGV driver shortage during the peak summer season.

The Think Tank comprises representatives from the following:

- Recruitment and Employment Confederation
- Logistics UK
- Trailblazer Group for Transport & Logistics
- Road to Logistics and Think Logistics
- Haulage and distribution operators:
  - FTSE 100 grocery supplier
  - FTSE SMALL CAP e-commerce and retail logistics operator
  - SME general haulage operator/ pallet network distributor
- Logistics statistics expert
- National haulage fleet hire supplier
- Large, established LGV training school

As a supplier to the haulage sector, Driver Require is already experiencing a significant increase in demand and a scarcity of quality drivers – and this is only May. As the Lockdown restrictions are lifted we can expect an increase in freight volumes, while permanent drivers will take long-overdue holidays over the summer period, leading to a significant jump in agency HGV driver requirements.

As a temporary recruiter, we are at the coalface of the impending, predicted crisis but it will be our clients and ultimately businesses and consumers who rely on the movement of goods across the UK who will pay the greatest price. We believe that, as a sector, we have a responsibility to take action and alert the wider community to the possibility of a driver shortage crisis. We need to raise the profile of this issue, dispel common perceptions and provide industry key influencers and decision-makers the opportunity to act to secure the UK's economic recovery.

We hope this report and the output from the Think Tank will achieve this goal.

EXECUTIVE SUMMARY

It is widely accepted that the UK will experience a strong economic recovery in the latter part of 2021 from the COVID-19 pandemic setback.

The Think Tank concluded that haulage activity has recently returned to pre-pandemic levels, i.e. demand for approximately 300,000 HGV drivers, and that this is likely to increase throughout the remainder of 2021. It also anticipates that further pressure will come from HGV drivers taking vacation over the school summer holiday period.

The Think Tank noted that, prior to the COVID-19 Pandemic, the haulage sector was already suffering from a chronic low-level shortage of HGV drivers that became severe in times of rapid uplift in requirements or during seasonal peak demand. It also observed that the sector had relied heavily on EU HGV drivers to avoid a supply crisis in the event of a rapid increase in demand.

The Think Tank examined the impact of the Pandemic on HGV driver supply and concluded that the “most likely” scenario was a 22,000 (7%) drop in HGV driver supply, rising to a worst case drop of 30,000 (10%). This drop in supply was caused by:

- Reduced inflow of new HGV drivers due to restricted HGV training capacity during lockdowns.
- Increased outflow of HGV drivers due to:
  - Retirement of HGV drivers.
  - EU HGV drivers leaving the UK because of COVID-19 and subsequently implementation of IR35 reforms in the Private Sector.
  - Drivers seeking other careers due to poor pay and conditions.

The conclusion of this analysis was that the “most likely” impending deficit position is a shortage of 22,000 HGV drivers, which could increase to as many as 50,000 if demand exceeded expectations.

The Government's points-based immigration rules effectively prevent EU drivers coming to the UK to offset this deficit, leading the Think Tank to conclude that this could be the first time in 20 years that we may experience a true HGV driver shortage, along with potentially serious consequences for the UK economic recovery.

The report then proceeds to propose actions to mitigate against the impact of this impending HGV driver supply crisis. It specifically looks at:

- How to increase HGV driver training capacity and throughput.
- How to attract back UK HGV licence-holders who are not currently driving for a career.
- The possibility of permitting EU HGV drivers to enter the UK for work.

The report also acknowledges that most of these mitigating actions will have limited effect in the short-term. Nevertheless, it reinforces that these initiatives should be progressed as quickly as possible if they are to have any chance of mitigating the medium to longer-term impact of the shortage crisis. It also determines that, in the interim, competition over a depleted available HGV driver workforce will force up driver pay rates, initially in the agency market and eventually across the permanent driver pool.

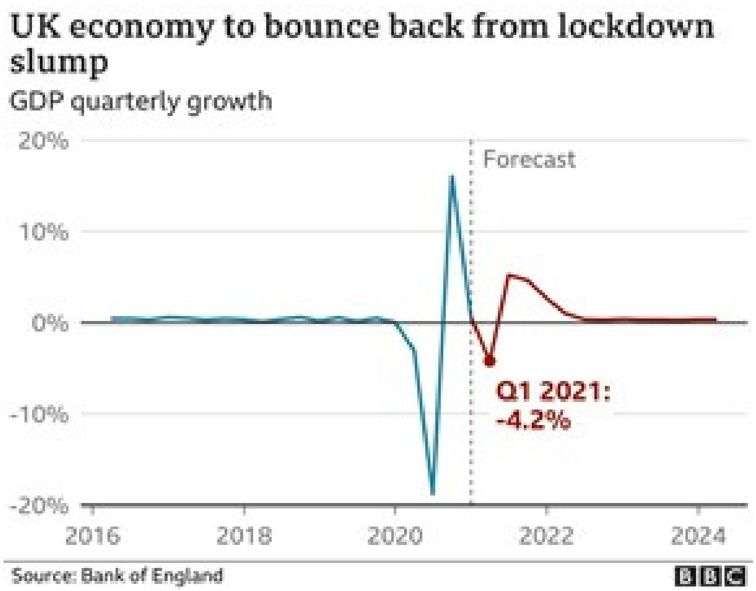
Read on for more details...

ECONOMIC BOUNCE-BACK

We are seeing ever more positive predictions from pundits and senior economists, who have until recently remained cautiously silent, that there will be a strong recovery in the latter part of 2021.

The Bank of England Monetary Policy Report, issued in February, revised down its GDP growth estimate for 2021 from its November estimate of 7.25% to 5%, but importantly this now allows for a 4% fall in GDP in Q1 2021 followed by a 10% increase in the latter part of the year. It argues that this rapid increase in economic activity will be driven by a combination of factors:

- Households running down around 5% of the additional savings they have accumulated in aggregate while spending on some activities has been restricted.
- Business investment rising as sales recover and uncertainty declines, albeit more slowly than consumer spending.
- Substantial growth in government spending.



As evidence to support these predictions, the BoE estimates that between March and November 2020 consumers accumulated a stock of savings of over £125 billion more than what might otherwise have been the case, and that stock is likely to rise substantially further over the first half of 2021.

The MPC's central projection assumes that households spend around 5% of these additional accumulated savings over the forecast period, which is broadly consistent with UK evidence on how much households tend to spend out of increases in their wealth. It is worth recognising that the surge in saving has not been evenly balanced across society. While many office workers have saved money by working from home, thousands of other people – especially younger workers and women – have lost their jobs in the hospitality and retail sectors.

Nonetheless, 5% of £125 billion is a big number, and we are talking about an extra £6 billion of consumer spending being injected into the UK economy in the second half of 2021. The result is that GDP is projected to reach its pre-COVID 2019 Q4 level by Q1 2022.

Looking at the UK haulage sector, this is a sector that is affected very quickly as it responds to the need to move goods into place to meet sales demand and increased activity. As soon as high street shops, pubs and restaurants are allowed to re-open, there will be demand for hauliers to replenish stocks and then meet higher than normal levels of custom. The pent-up demand will cause an initial surge, which will gradually subside over time, so we can expect a great deal of initial stress on the supply chains of these sectors.

Looking back at Q4 2020, even through the November Lockdown, freight volumes were at February levels, which equates to about a 10% drop compared to pre-COVID Q4 levels. This is very much in line with economists' predictions. As the retail and hospitality sector reopens, we would expect a 10% increase in freight volumes, returning to normal operating levels, and possibly higher if we consider the surge due to the pent-up demand and extra spending potential.

In short, it will be a busy time for all haulage operators and one that is likely to be capacity constrained. Add to this the fact that HGV drivers are one of the groups of workers who have been kept busy throughout lockdown but have had limited opportunities to spend their hard-earned income, nor have they had the opportunity to take holidays. We can therefore expect to see a big increase in permanent HGV drivers taking holiday. Increased freight volumes and fewer permanent drivers in the workforce will lead to a significant jump in agency HGV driver requirements.

UK ECONOMY TO REBOUND

Many recent headlines state that the UK is on course for its strongest annual growth since the Second World War after a resilient performance through latest lockdowns, according to many respected economic forecasters. Excerpts from these articles are available in Appendix 1.

BBC NEWS

UK economy poised like a coiled spring, says Bank economist

Published 12.02.2021

TheBusinessDesk.com

April 26 2021 | Rachel Covill

EY ITEM Club's Spring Forecast predicts faster growth for UK economy

EY ITEM Club

UK economy predicted to grow at fastest rate since second world war

The Guardian

Richard Partington Economics correspondent 26 Apr 2021

The Guardian

Richard Partington
Economics correspondent Wed 31 Mar 2021 06.00 BST

UK economy poised to recover after Covid-19 second wave

Private sector growth at eight-year high as UK retail sales jump

The Guardian

Larry Elliott *Economics editor*

Fri 23 Apr 2021 15.19 BST

In the first section of this report, we summarised the latest economic forecasts for the UK as Lockdown restrictions are lifted and we return to a semblance of normal activity.

We asked the Think Tank representatives to provide anecdotal evidence of the impact of the release from Lockdown on the UK haulage sector. The responses and observations from different sectors and on specific issues were as follows:

Truck & Trailer Rental:

- the company is running close to peak utilisation levels (95% utilisation compared to expected 85%) and customers are seeking further increments that are equivalent to a normal peak over and above current levels
- the haulage sector is challenged by extremely long lead times in manufacturing and production of equipment; well over 9-month lead times for truck units and similarly with trailers
- irrespective of driver numbers, there are going to be equipment shortages as well. The early movers will have the advantage with the equipment, while those slow to act will be left wanting
- we could experience a perfect storm of excessive demand combined with a lack of equipment and drivers. Without excess capacity in the system, this is likely to be mirrored by other similar similar fleet rental businesses nationwide

Logistics, pallet distribution & warehousing

- business has been extremely busy, and over the past few weeks (Easter) one operator handled 110,000 extra pallets in one month above the normal 390,000 pallets
- depots are handling 30% - 60% more freight per day and are struggling to keep up
- we know of other pallet operators who have trucks standing because they can’t get drivers
- although this organisation is fortunate to have a loyal driver pool, they would not want to put additional trucks on the road because of the difficulty finding extra drivers

Major 3PL E-commerce and Retail Logistics:

- retail fashion to the high street levels are above pre-COVID peak activity and beyond Cyber Monday and Black Friday levels. Moreover, there has not yet been a drop off in online trading
- the fulfilment side of the business is still operating at volumes that are way beyond peak activity, and alongside that, the company is now observing the same activity on the high street
- non-contracted customers are calling for assistance because the whole industry is in the same situation
- high street retail will experience further demand as pubs, restaurants and hotels hotels reopen and consumers want to buy clothes etc. to go out / on holiday which will drive further demand on the sector

The effect of the Suez Blockage:

- the sector should take account of the fact that not all the new stock has yet arrived because of the Suez Canal blockage
- the stock that is currently moving is stock that was already in the warehouses from last spring and summer, and we are still awaiting this spring/summer's new stock
- this will mean an extremely busy few weeks as the stock arrives in the ports.
- ports will be capacity-constrained when processing the abnormally large number of arrivals
- a further constraint will be the rail routes to inland rail freight terminals and their capacity to transfer the containers to road freight
- the net result will be a protracted burden on the haulage sector for the time it takes to distribute this extra stock
- some of the delayed stock may "miss the season" and have to be stored until 2022
- the restrictions in Scotland and Northern Ireland will be lifted in the coming weeks leading to further pressure

The effect of Brexit:

- export levels have been very low since January and this may have discouraged European mainland hauliers from coming to the UK, which in turn could have resulted in UK hauliers taking on more European work
- cabotage may have reduced, thereby increasing the domestic load on UK hauliers.

REC perspective:

- the REC involvement with the CBI confirmed that overall exports and imports were down in January and February as a result of Brexit and COVID-19, and that the points made above correlate with its understanding of business trends.

Conclusion:

The Think Tank participants agreed that demand for haulage services is nearing peak levels and could remain at increased levels through to the end of the year:

- **The factors above are fueling demand in the short term, then…**
- **As we move into the summer, a significant proportion of the HGV driver community will take holiday, and**
- **After a short respite in Autumn, the Christmas peak will follow.**

Consequently, the Think Tank concluded that the "most likely" current position is that haulage activity is currently running at pre-pandemic levels, i.e. a demand for approximately 300,000 HGV drivers, and that this is likely to increase throughout the remainder of 2021.

HGV DRIVER SUPPLY

Will HGV Driver Supply Meet Demand?

The big question is, will the supply of HGV drivers be sufficient to meet the increase in requirements later in 2021 as restrictions are lifted?

It would be a great pity if the rate of recovery is constrained by HGV driver supply, especially if we can foresee this scenario yet don't attempt now to prevent this potential supply crisis.

What was our HGV Driver Supply Position before COVID-19?

Firstly, let's examine the driver supply position prior to the arrival of COVID-19. There has been much talk of a serious shortage of supply of HGV drivers in the UK, with the consensus being a deficit of 30,000 – 50,000 over the past 5 or more years and the latest Logistics UK estimate being a deficit of 76,000 drivers. There is some room for interpretation of the meaning of "driver shortage" and the quantum can be debated, but there is no question that for a prolonged period the supply of HGV drivers in the UK has been below the number required to comfortably meet haulage requirements.

This has resulted in:

- Seasonal shortages and large bonuses being paid to agency drivers at peak.
- Hauliers incurring non-delivery penalties during peak due to a lack of drivers.
- Difficulty hiring drivers, especially for more skilled jobs or where the pay offered is too low.

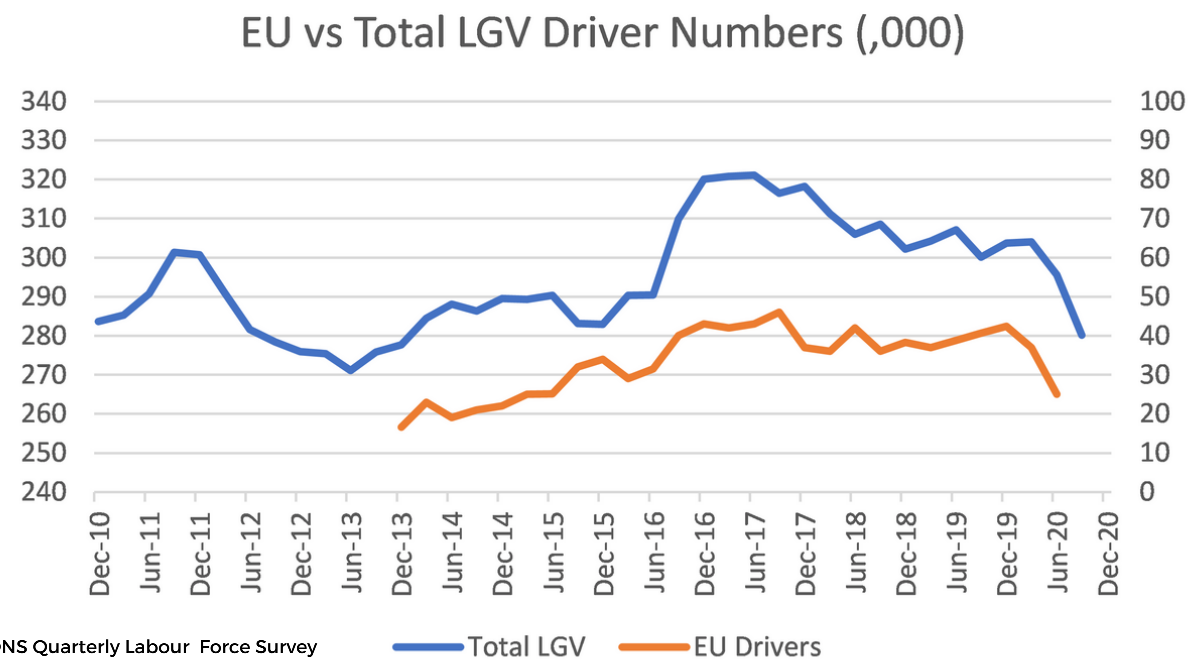
Source: ONS

HGV DRIVER SHORTAGE?

We can conclude that, at a minimum, we have a chronic low-level shortage of HGV drivers in the UK that becomes severe in cases of a rapid uplift in requirements or during seasonal peak demand. A chronic low-level shortage is symptomatic of any industry that is under extreme margin pressure, as the UK haulage sector has been for many years. The hauliers have been forced to seek efficiencies and cost savings throughout their operations and naturally they have maintained HGV driver pay at the lowest level necessary to retain only as many drivers as are needed to cover critical deliveries at peak.

This is intuitively correct, as consensus amongst industry experts and representative bodies is that there is general job dissatisfaction amongst HGV drivers and relatively high churn. For the last 5 years, more than 30,000 HGV drivers passed their test each year and up to 10,000 retire annually, yet the HGV driver pool has remained around 300,000 throughout this period. In other words, 20,000 HGV drivers either don’t take up a career as an HGV driver or have given up HGV driving every year, 7% annual churn. Another key fact is that there are over 600,000 people with an HGV licence but who are no longer driving HGVs for a career. Many of these will have pursued other careers for good reason and are unlikely to return, but if there truly was a prolonged severe shortage then wages would have risen sufficiently to attract back enough to match demand; this hasn’t happened.

If we have a chronic low-level shortage of HGV drivers, how then have we coped with significant rises in demand over the past 20 years? The answer lies in our membership of the European Economic Community. There has been free movement of workers from the EU nations into the UK when demand has risen. The A8 nations joined the EU in 2004 and we saw a significant influx of A8 nationals (mostly Polish) into the UK HGV workforce as demand rose throughout the economic boom through to 2008. The Great Recession followed, but then, as demand rapidly increased from 2013 to 2017, coming out of the Great Recession, A2 nationals (mainly Romanian) covered the short-term gap in supply.



Source: ONS Quarterly Labour Force Survey

In the graph above we can see the number of EU HGV drivers employed in the UK (right hand axis) alongside the total number of HGV drivers employed (left hand axis). We can see that there is a fairly close correlation between the two trends.

Specifically, when demand for HGV drivers rose by 30,000 in 2016/17, the number of EU HGV drivers rose by 10-15,000, which indicates that approximately 40% of the increase was provided from the continent. Similarly, when demand dropped during the pandemic, approximately 50% of the drop was borne by the EU HGV driver group.

To conclude this section, it is highly probable that we have been suffering a chronic low-level and periodically severe HGV driver shortage over the past two decades and we have avoided a supply crisis at times of rapid demand increases through an influx of Continental European HGV drivers. The EU HGV drivers came from countries with lower pay rates and considered the UK pay rates attractive. The result was that UK hauliers were able to suppress HGV driver wages to a level that was only just attractive enough to retain the minimum number of UK workers needed to cover critical deliveries, relying all the time on Continental European drivers to cover peaks in demand.

We have established that we had just about enough HGV drivers to meet demand as we went into the COVID-19 pandemic, the big questions now are:

- **How has HGV driver supply been impacted by the COVID-19 pandemic?**
- **What happens if we can no longer rely on Continental European HGV drivers to meet significant increases in demand?**

Let us look at these in more detail.

HOW DID HGV DRIVER SUPPLY CHANGE DURING COVID-19?

The COVID-19 pandemic has affected the UK HGV driver workforce in several ways. It has reduced new entrants to the UK HGV driver pool by restricting HGV driver training and testing. Meanwhile it has motivated EU HGV drivers to return to their home countries, and older British HGV drivers to shield or take early retirement.

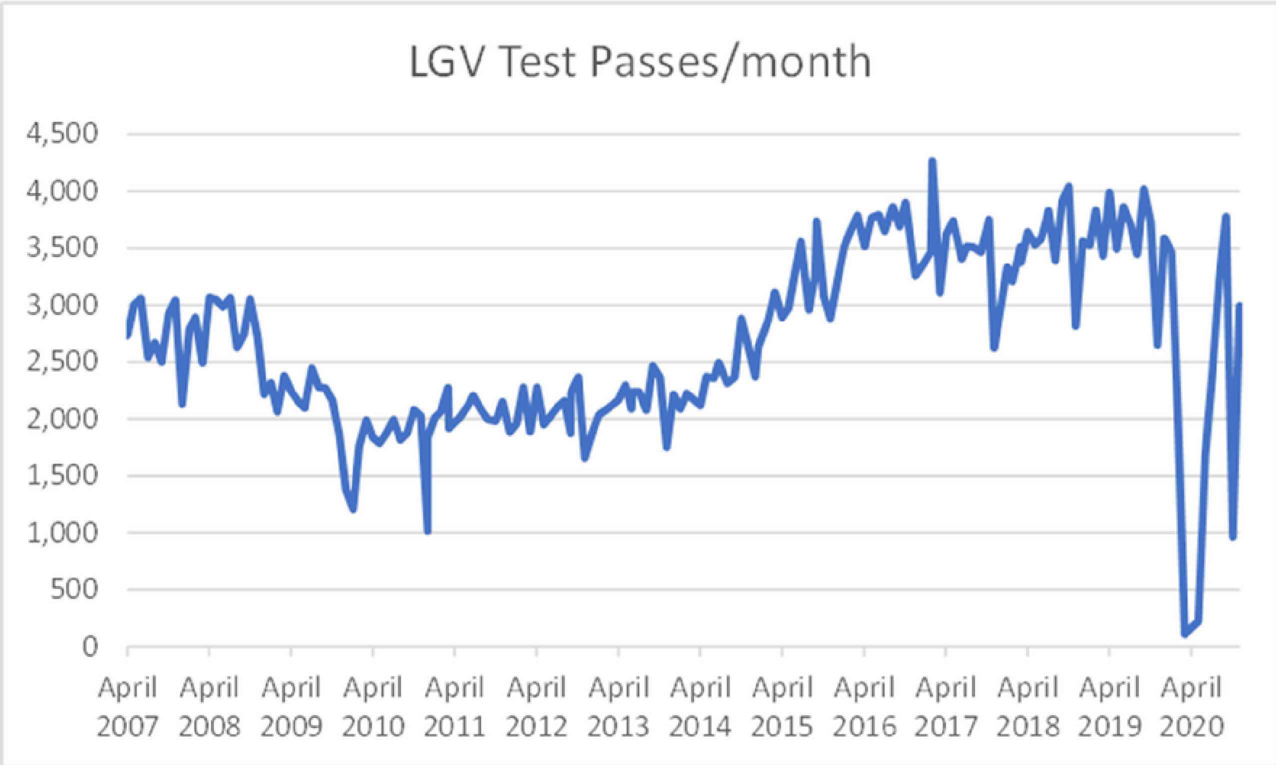
Brexit has compounded these trends by further alienating EU workers, while the impact of the IR35 reforms on net pay may be the final straw, causing more EU drivers to seek work in mainland Europe and British drivers to seek other careers.

We have modeled these dynamics in the table below and attempted to predict best and worse case scenarios. This leads us to a prediction of a "most likely" outcome.

Flow	Factor	Conservative	Most Likely	Extreme
IN	New HGV Passes	+ 14,000	+ 10,000	+ 10,000
OUT	EU HGV Drivers	- 12,000	- 15,000	- 15,000
	Retirement	- 10,000	- 12,000	- 15,000
	Other "Churn"	- 5,000	- 5,000	- 10,000
Net Flow		**- 13,000**	**- 22,000**	**- 30,000**

New HGV Passes:

Prior to the pandemic the average number of HGV test passes was around 40,000 per annum, i.e. approximately 3,500 per month. During the Lockdowns the test centres were closed and HGV tests were cancelled or postponed. This has caused a dramatic reduction in the number of HGV test passes since the beginning of the pandemic.



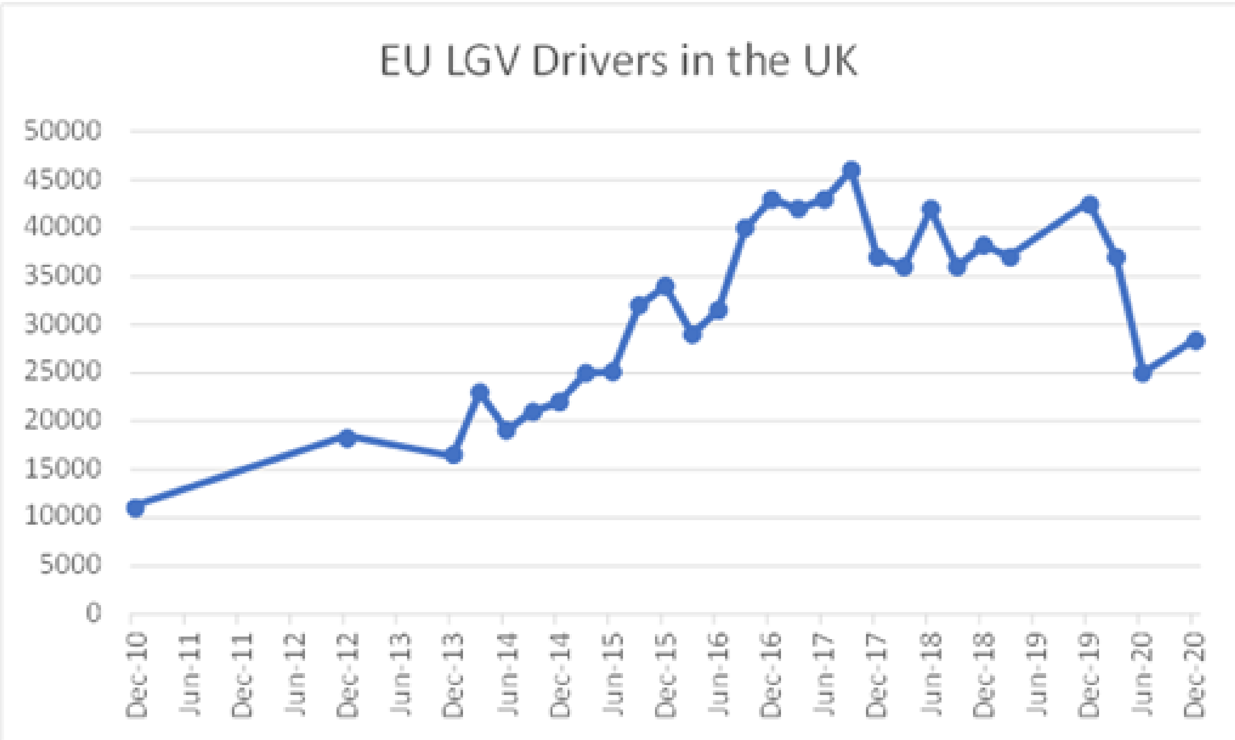
Source: Department for Transport Statistics

The DfT statistics state that there were 10,000 new HGV passes from March to Sept 2020. Between October and March we will have had two months out of Lockdown, October and December, where December was limited by Christmas. We can therefore expect 1.5 months' worth of passes at 75% efficiency due to social distancing, which equates to approx. 4000 new passes. In total this comes to around +14,000 new passes until the current Lockdown restrictions are lifted, after which the rate will rise to around 3,000 per month.

The Think Tank noted that the "new HGV passes" number also includes category C1 (7.5Te) and upgrades from Category C (Rigid) to C+E (Articulated). The 7.5Te licences passed during the pandemic have largely been for ambulance drivers and the upgrades were for drivers who were already within the HGV driver pool. Both these categories should therefore be discounted from the number considered to be entering the HGV driver pool every year.

The Think Tank participants were unable to confirm the breakdown of the UK HGV passes so a Next Step was agreed to request a breakdown from the DVSA or DfT. In the meantime, the Think Tank agreed that an appropriate estimate of the new pass entrants to the UK HGV driver pool would be 70% of the total passes, i.e. 10,000 since the start of the pandemic in March 2020.

EU HGV Drivers:
From 2010 to 2017 the number of EU nationals driving HGV in the UK rose from 10,000 to 45,000, which then fell off to 42,000 at the start of 2020, possibly as a result of the EU Referendum and Brexit. Then, from March to June 2020, the number of EU HGV drivers plummeted by over 15,000 to 25,000, recovering slightly to 28,000 by the end of 2020. We can therefore conclude that the drop of around 15,000 is statistically reliable. This drop is highly likely to have been due to the impact of the COVID-19 pandemic.



Source: ONS Quarterly Labour Force Survey

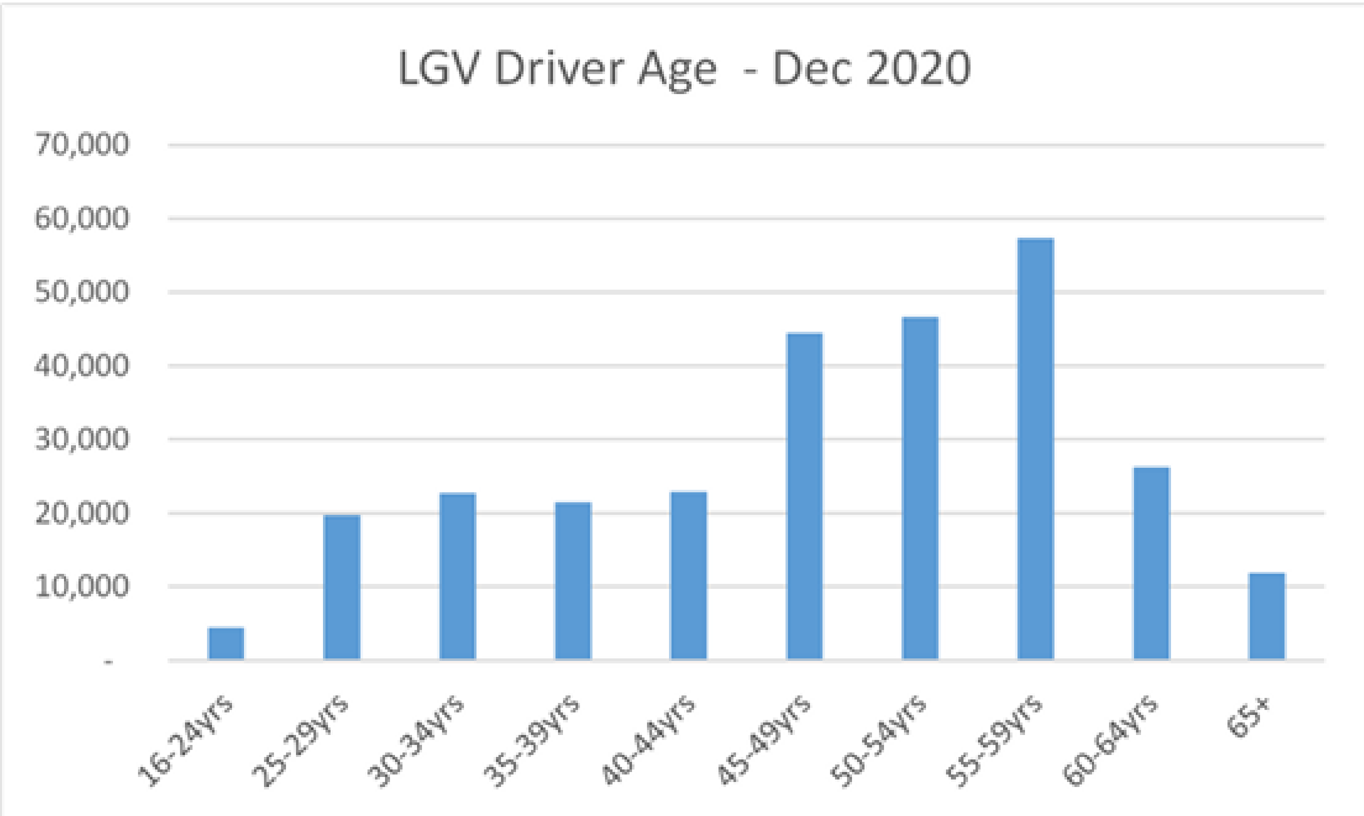
The Think Tank agreed that it was likely that more EU HGV drivers would have left the UK in early 2021 due to the combination of the 3rd COVID-19 Lockdown and the roll out of IR35 reforms to the Private Sector. It therefore concluded that the most likely number would be 15,000. It also acknowledged that the extreme case could be higher but nevertheless elected to keep the extreme estimate at 15,000.

Retirement:

In the graph below, 95,000 drivers are aged 55 or older. If we assume that they all retire by the age of 65 then one tenth retires per year, i.e. 9,500/year.

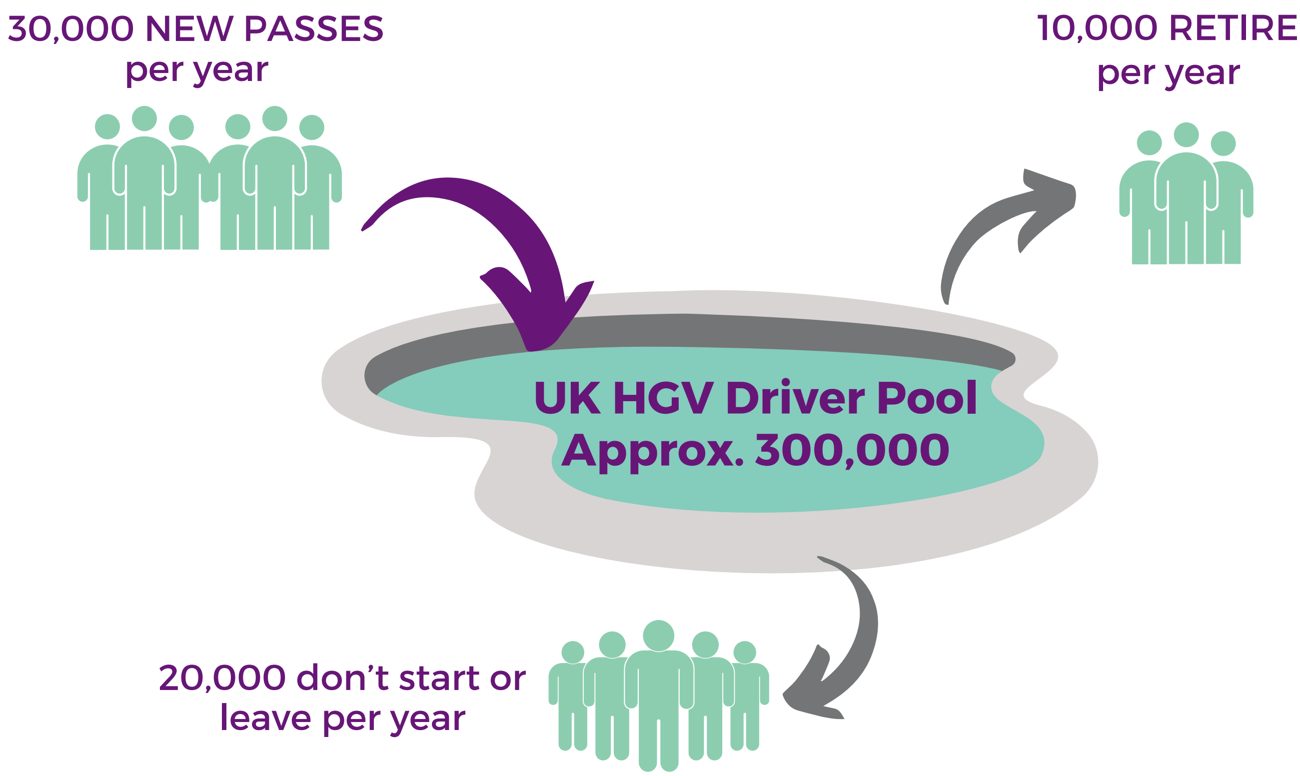
COVID-19 may have accelerated the retirement rate. Given that around 40,000 LGV drivers are over the age of 60 the number retiring could have increased significantly, which could temporarily push the number retiring during the pandemic year to as high as 15,000, which is why we have set 15,000 as a worse case number.

The Think Tank considered the range of 10,000 to 15,000 and agreed that 12,000 was an appropriate “most likely” estimate.



Source: ONS - LFS - SOC8211 April - June 2020

Other "Churn":



Prior to COVID-19 there were around 40,000 HGV test passes per year and around 10,000 retired. Given that the driver pool averaged 310,000 +/- 10,000 for the last 5 years, we can conclude that there was no significant change in the size of the pool. This means that up to 30,000 drivers either didn't start or left the workforce every year.

If we assume that just 70% of the new passes are new additions to the HGV driver pool, we can reduce the average number of additions to approximately 30,000 per year. This in turn leads us to conclude that the churn rate should be closer to 20,000 per annum, i.e. around 50% of the pass rate.

Given that the number of new passes has reduced to 14,000, one third of previous levels, we can deduce that churn is likely to be approximately 50% of this level, this being up to 7,000 during the pandemic.

The Think Tank participants were therefore comfortable with a "most likely" churn rate of 5,000 and an extreme level of 10,000.

When we aggregate these factors we get a net "most likely" reduction in the UK HGV driver workforce of 22,000 since the beginning of the pandemic. Given that we started with 304,000 we estimate a current driver workforce of 282,000.

This correlates exactly with the latest ONS Annual Population Survey statistics, which indicate that the number of people employed as HGV drivers dropped by 22,000 from 304,000 in the 6 months prior to the pandemic, to 280,000 in Q3 2020.

We now proceed to the next stage of our analysis and match our estimates of HGV driver supply to predicted demand. This will give us an estimate of any potential shortage. To do this we will again apply a range of predicted requirements, ranging from a conservative scenario where we assume demand does not increase from current levels, to an extreme scenario where demand increases to 7% above pre-pandemic levels. This extreme scenario assumes a rapid re-opening of all businesses in the UK and a large short-term increase in activity and consumption as Lockdown restrictions are lifted.

The Think Tank participants concluded earlier in the report that the "most likely" scenario is that demand will very soon return to the pre-pandemic level of approximately 300,000 HGV drivers.

This results in the table below which leads us to conclude that the "most likely" impending deficit position is a shortage of 22,000 HGV drivers.

	Factor	Conservative	Most Likely	Extreme
Demand	Relative to pre-pandemic demand for 300,000 HGV drivers	- 20,000 (-7%)	No change	+ 20,000 (+7%)
Supply:		- 13,000	- 22,000	- 30,000
Surplus / Deficit		+ 7,000	- 22,000	- 50,000

A PERFECT STORM OF ELEVATED DEMAND AND REDUCED SUPPLY

We conclude that our supply position could range from a surplus of 7,000 HGV drivers to a deficit of up to 50,000 at the other extreme. We are therefore reasonably confident in our "most likely" prediction of a 22,000 deficit. We expect that this deficit will rapidly develop as Lockdown restrictions are lifted and hospitality venues and high street shops are reopened. This is likely to be from May to August.

At the same time, travel restrictions will be lifted and many people will take long awaited holidays. This includes permanent HGV drivers who have been saving up over the past year. The haulage sector will therefore look to its agency suppliers for a solution, as they usually do in times of increased demand. However, agency demand will be amplified by permanent HGV drivers taking summer vacation and agencies will be trying to source HGV drivers from the same depleted pool.

A shortage of this magnitude, combined with summer holiday demand would not normally be a serious concern because we would expect incoming European workers to make up the numbers as demand increases. However, this time, the European drivers are going the other direction and WILL NOT MAKE UP THE SHORTFALL. Indeed, the recent Points-Based Immigration Rules now prevent new European LGV drivers entering the UK to work as HGV drivers.

This could be the first time in 20 years that we experience a true HGV driver shortage, and it is difficult to predict the real impact this might have on the UK economy.

MITIGATING THE UK'S HGV DRIVER SUPPLY CRISIS

We recognise that there is a crisis in the making and we would be remiss not to act and do what we can to mitigate against it. We therefore need to take steps now to remove obstacles and facilitate an influx of HGV drivers from other sources, which could be:

To TRAIN new HGV drivers.

To ATTRACT back UK HGV licence-holders who are not driving for a career.

To PERMIT EU HGV Drivers to enter the UK for work.

TRAIN NEW DRIVERS

- The driver training sector is highly fragmented and only now, in response to pressures placed on it by the COVID-19 pandemic and the resulting demand for increased capacity, is it coalescing (with assistance from Logistics Skills Network) to develop a coherent message to the DVSA.

- Logistics Skills Network and a group of driver training schools are now working with the DVSA to determine how to increase training capacity. Specifically, they are exploring:
  1. Could training companies have their own driving examiners or “delegated examiners”? … but this could be limited by the fact that driving schools do not have O-licences.
  2. Would the DVSA allow training school instructors to test the reversing part, then the DVSA could concentrate on testing the driver training part, i.e. the road test? This could allow an examiner to conduct up to 5 tests/day, compared to the current maximum of 4/day.

  Option 1 would require a change in secondary legislation to permit training schools to become delegated examination centres.

  Option 2 would require the DVSA to escalate a proposal to the Department for Transport for its approval.

- For some time Logistics-UK has been pushing for non-DVSA staff to have more of a role in testing, but progress has been slow to date.

- It is understood that Logistics Skills Network is producing a report that concludes there is a 25% shortage of lorry driving examiners. The other way to look at this is that there is a 25% surplus of supply of candidates, so throughput could be increased if extra testing capacity were to be added.

- To summarise, the Think Tank concluded that training and testing capacity is a significant bottleneck that needs to be addressed.

TRAIN NEW DRIVERS

- The Think Tank recognised that less than 5% of HGV training candidates are trained through the Apprenticeship route, despite the haulage sector paying about 5 times as much into the Apprenticeship Levy as it recovers through Logistics Apprenticeship funding.

- It was informed that the HGV Driver Category C+E Apprenticeship has still not been finally accredited due to the IFATE recommended funding level of £6,000 not being acceptable to the Trailblazer Group, which has requested £7,000. After two procedural reviews the matter now lies with Gavin Williamson, Secretary of State for Education, but nothing has yet been forthcoming.

NEXT STEPS:

Support efforts to increase HGV driver training and testing throughput by approaching the DVSA and DfT to take action.

Seek to leverage surplus MoD HGV training capacity.

Support the Trailblazer Group for Transport & Logistics with lobbying for a HGV Driver Cat C+E Apprenticeship with a funding level of £7,000.

ATTRACT BACK INACTIVE LICENCE HOLDERS

- The Think Tank acknowledged that there are up to 600,000 LGV licence holders who do not classify themselves as "lorry drivers".
- Of these approximately half have maintained their Certificate of Professional Competence (CPC), which, combined with their licence, legally entitles them to drive large goods vehicles.
- The Think Tank acknowledged that many of this group may actually drive HGV as part of their role, but don't regard themselves as primarily being HGV drivers, e.g: ambulance drivers, firefighters, driving assessors, driving instructors, crane operators, scaffolders, removals operatives etc. It was also noted that many others may be in management or other roles and were maintaining their lorry driving qualifications as job security.
- The remaining 300,000 have a licence but no CPC and would have to devote five days to achieving their CPC and take an HGV driving refresher session to be considered fit to return to HGV driving (along with the associated loss of one week's earnings).
- The big question raised was: why had so many qualified licence-holders decided to leave the UK HGV driver pool? The Think Tank debated this at length and concluded that, despite there being no definitive survey data on this subject, antisocial and unpredictable long working hours coupled with inadequate wages were a primary reason for drivers abandoning this career path, and especially so for those with young families.
- There was consensus that nevertheless there should be a substantial number of licence holders from both groups who would move back to a career in driving HGV if the wages and working conditions improved sufficiently.
- The Think Tank agreed that focusing on attracting candidates in the lower age range (18 – 25) made most sense, as the earnings for this age group are relatively attractive and most have yet to start a family.

NEXT STEPS:

Conduct a survey of licence holders to determine their occupation and, if not driving for a career, the reason why they left the HGV driver pool.

Seek Government subsidy of CPC courses and refresher HGV training for returning drivers.

PERMIT EU HGV DRIVERS TO WORK IN UK

- The Think Tank noted the Government's response to previous requests for HGV Drivers to be considered a "Shortage Occupation" and acknowledged the Government's stance that in law an occupation cannot be considered a Shortage Occupation unless it is RQF Level 3 (A Level) or above. The law states that HGV driving is RQF Level 2 and therefore cannot qualify to be considered a Shortage Occupation.

- It was also noted that, with several hundred thousand licence holders not driving HGV as a career, it would be difficult to justify relaxing immigration rules until attempts to tap this candidate pool had been exhausted.

NEXT STEP:

Continue to lobby for HGV drivers to be considered a Shortage Occupation, especially if it can be proven that other means of attracting candidates are failing or too slow.

TIMING

- The Think Tank recognises that the impending HGV driver shortage crisis is rapidly worsening and that many of its recommended actions may have limited short-term impact. Nevertheless, it is important that these initiatives are progressed as quickly as possible if they are to have any chance of mitigating the impact of the shortage crisis.
- In the meantime, the effect of an HGV driver shortage will be that hauliers and their temporary driving agencies will be competing for a diminishing pool of available drivers, which in turn will push up driver pay rates, initially in the agency market and then eventually in the permanent workforce.
- The effect of elevated pay rates will at least have the benefit of hopefully attracting HGV licence holders to return to driving, thereby helping to alleviate the shortage.
- It appears highly likely that we will be forced to ride this storm out and bear the financial pain until the HGV driver market stabilises.

CONCLUSION

THE THINK TANK:

- Welcomes and would like to proactively support initiatives to increase HGV driver training capacity and throughput. In the short term it specifically supports the Logistics Skills Network proposal to increase HGV driver training capacity by 25% and the possibility of leveraging surplus MoD HGV training capacity..
- Proposes that the government subsidise CPC training costs and HGV refresher courses for HGV licence holders wishing to return to a career driving HGV.
- Asks for the Department for Transport and/or the DVSA to conduct a survey of UK licence holders to determine their occupation and, if they are no longer driving HGV, investigate why they left the profession.
- Encourages hauliers to focus on recruiting and developing younger drivers while working to enhance working conditions to improve retention.
- Supports continued pressure on the government to consider HGV drivers as a "Shortage Occupation", in case the above initiatives fail or are too slow to reduce the HGV driver shortage.
- Supports the Trailblazer Group for Transport & Logistics with its campaign for a £7,000 HGV Driver Cat C+E Apprenticeship.

FURTHER WORK:

The Think Tank agreed that it is critical to further raise awareness at Government level and amongst senior haulage executive decision makers, of the need to take immediate and decisive action to reverse the depletion of the UK HGV driver pool due to aging and churn. To this end it supports the production of a further comprehensive report into this area, which can act as a reference point when debating and exploring this important issue.

DRIVER REQUIRE

APPENDIX

UK ECONOMY TO REBOUND

UK ECONOMY TO REBOUND

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UK economy poised like a coiled spring, says Bank economist

The UK economy is like a "coiled spring" ready to release large amounts of "pent-up financial energy", the Bank of England's chief economist has said.

Andy Haldane said consumer confidence would surge back thanks to the vaccine programme, with the economy firing "on all cylinders" by spring.

He is the latest economist to forecast a sharp rebound in growth after an expected easing of restrictions.

The economy is currently set to shrink 4.2% in the first three months of 2021. Writing in the Daily Mail, Mr Haldane said: "With 13 million of the most vulnerable people already vaccinated, the risk of death or hospitalisation in the UK has already probably halved. "By the end of March, based on the current pace of vaccine rollout and government data on vulnerable groups, this risk may have been reduced by as much as three-quarters and by the end of the second quarter it will be even smaller."

- UK economy 'to rebound strongly thanks to vaccine'
- Home working cuts creativity, says Bank economist

As a result, he said health concerns would fall and restrictions lift, allowing people to return to spending and socialising.The turn in sentiment was likely to be rapid, he added - "a light-switch being flicked rather than a dimmer-switch being turned".

Having been bottled in for a year, most people are desperate to get their lives, including their social lives, back. "When given the opportunity to do so safely, they will seize it," He said shared social experiences - from pubs to sports to cinema - would benefit, as glimpsed last summer during the Eat Out to Help Out scheme.

Strong household finances

And unlike past recessions, he added, many UK households had strengthened their finances during lockdown and would have more money to spend. "That might mean two pub, cinema or restaurant visits a week rather than one," he said. "It might mean a higher-spec TV or car or house."

On top of this he said a significant number of companies had amassed cash during the crisis, which would likely be invested as restrictions started to ease. "That would be good news for jobs, helping to recover some of the million lost so far in this crisis," Mr Haldane wrote. "And it would be good news for business investment too, helping companies boost their performance and productivity - and, ultimately, the pay of their workers."

With continued government support added to the mix, he said a strong bounce-back was assured. "The economy is poised like a coiled spring. As its energies are released, the recovery should be one to remember after a year to forget."

UK ECONOMY TO REBOUND

TheBusinessDesk.com

April 26 2021 | Rachel Covill

EY ITEM Club's Spring Forecast predicts faster growth for UK economy


Simon O'Neill, office managing partner at EY in the Midlands

The UK's economic growth prospects for 2021 have been significantly upgraded in the EY ITEM Club's Spring Forecast, published today.

The EY ITEM Club now expects the economy to grow 6.8% this year rather than the 5% growth expected in January.

The upgraded forecast primarily reflects the UK economy's resilient performance in the lockdown-affected fourth quarter of 2020 and first quarter of 2021, providing a better-than-expected platform for growth through the rest of this year. The substantial near-term fiscal support for the economy announced in the Chancellor's Budget, the roadmap towards economic reopening, and the continued rapid roll-out of COVID-19 vaccines have also helped to improve growth prospects.

Strong consumer spending growth expected to continue into next year. The EY ITEM Club forecast says that, overall, consumers look well-placed to play a key role in the recovery given the recent high savings ratios and lower-than-expected levels of unemployment. The household savings ratio reached 16.3% in 2020, up from 6.8% in 2019.

EY ITEM Club

After a contraction of 10.9% in 2020, consumer spending is expected to expand 4.4% in 2021 before growing 5.7% in 2022 as consumers benefit from falling unemployment and increased earnings growth.

Howard Archer, chief economic advisor to the EY ITEM Club, said: "The UK economy has proven to be more resilient than seemed possible at the outset of the pandemic. Businesses and consumers have been innovative and flexible in adjusting to COVID-19 restrictions and, while restrictions have caused disruption, lessons learned over the last 12 months have helped minimise the economic impact.

"Our latest forecast suggests that the UK economy will emerge from the pandemic with much less long-term 'scarring' than was originally envisaged and looks set for a strong recovery over the rest of the year and beyond.

UK ECONOMY TO REBOUND

The Guardian

Fri 23 April 2021 15:19 BST

Caution needed over bounceback optimism as booms in Britain have tendency to end in busts

Larry Elliott

Britain's economy is forecast to grow at the fastest rate since the second world war this year after businesses adapted better to coronavirus restrictions and consumer spending booms as lockdown measures are relaxed.

With businesses and households preparing for looser controls this spring, the EY Item Club said it had upgraded its growth forecasts for 2021 after a stronger start to the year than expected and as rapid progress with the vaccine programme enables a swift return to relative normality.

The group said it now expected GDP to grow by 6.8% in 2021 – a sharp upgrade on the 5% growth rate it had estimated in January – which would mark the fastest annual growth in national income since 1941.

Every measure of confidence – from the state of the economy, to general wellbeing and personal debt levels – increased over the period, according to the Deloitte Consumer Tracker.

"The UK is primed for a sharp snapback in consumer activity," said Ian Stewart, the chief economist at Deloitte. "High levels of saving, the successful vaccination rollout and the easing of the lockdown set the stage for a surge in spending over the coming months."

The forecast prepared for Rishi Sunak by the Office for Budget Responsibility at the time of the March budget pointed to 4% growth this year. That estimate is already out of date. Earlier this month the International Monetary Fund pencilled in a 5.3% increase in UK gross domestic product this year. That looks a bit pessimistic as well. According to Thomas Pugh of Capital Economics, Britain will rise from the bottom of the European super league GDP table in the early stages of the pandemic to the top by the end of 2022, when he forecasts output to be 3.7% above its pre-pandemic level.

UK economy poised to recover after Covid-19 second wave

The Guardian

Richard Partington
Economics correspondent
@RJPartington
Wed 31 Mar 2021 06.00 BST

Retail sales return close to pre-pandemic level in online boom
Online sales boomed during lockdown, although the forced closure of high street stores damaged the retail sector overall. The total volume of retail sales has, however, recovered close to pre-pandemic levels, after falling by the most on record during the first wave.

Inflation drops with economy under pressure
Faltering demand for goods and services during the pandemic has depressed the rate of inflation, with the consumer prices index (CPI) falling close to zero as energy costs dropped and many firms cut their prices to entice reluctant buyers. Reflecting the collapse in demand, US oil prices turned negative for the first time in history. With record support from governments and global central banks, economists expect inflation to rise as consumers go on a spending spree after lockdown measures are relaxed.

UK ECONOMY TO REBOUND

The Guardian

Private sector growth at eight-year high as UK retail sales jump

Services and manufacturing show April boom, prompting hopes of spring spurt in activity

Larry Elliott *Economics editor*

Fri 23 Apr 2021 15.19 BST

The release of the IHS/Markit purchasing managers' index came after official data showed strong growth in retail sales in March, when most of the lockdown restrictions imposed to halt the spread of the Covid-19 pandemic were still in force.

The overall PMI rose from 56.4 in March to 60.0 in April, well above the 50 cut-off level that shows whether the economy is growing or contracting. Service sector business activity rose from 56.3 to 60.1, while manufacturing output was up from 56.6 to 59.1.

Markit's chief business economist, Chris Williamson, said it was the strongest showing in the 23-year history of the PMI other than a four-month period between August and November 2013.

"Companies are reporting a surge in demand for both goods and services as the economy opens up from lockdowns and the encouraging vaccine rollout adds to a brighter outlook," Williamson said.

"Business activity should continue to grow strongly in May and June as virus restrictions are eased further, setting the scene for a bumper second quarter for the economy."

The Office for National Statistics said that in March – a month in which there was only a modest relaxation of the curbs imposed across the UK to stop the spread of Covid-19 – retail sales rose by 5.4%.

The increase was well above the 1.5% predicted by City economists, with sales in March 1.6% higher than they were before the pandemic began to have an impact on the economy in February 2020.

Kallum Pickering, an economist at Berenberg, said: "Spring has sprung for the UK economy. Led by a rapid recovery in domestic demand, the UK is building serious recovery momentum heading into the summer. Household confidence continued to rise in April, underpinned by rapid vaccine progress and easing virus restrictions, while monthly retail sales surged above their pre-pandemic level in March."

DRIVER REQUIRE

THE UK'S HGV DRIVER SHORTAGE CRISIS

Driver Require has been tracking the UK's HGV driver shortage issue for a number of years prior to the Coronavirus outbreak and then more closely as we progressed through the pandemic. We have refined our thinking and conclusions through a series of reports on this subject and on the impact of COVID-19 on the UK haulage sector.

For further information visit:

driverrequire.co.uk/insights

We would welcome your feedback. To comment on this Report, on the issues raised or to provide insight or suggestions:

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