



Local Government & Transport Committee Freight Transport Inquiry

Response from the Federation of Small Businesses in Scotland

Introduction

- 1.1 The Federation of Small Businesses is Scotland's largest direct-member business organisation, representing over 18,000 members. The FSB campaigns for an economic and social environment which allows small businesses to prosper.
- 1.2 The Federation represents haulage and courier companies of various sizes across Scotland and we welcome this opportunity to highlight the concerns of these members to the Committee.
- 1.3 It would be fair to conclude from our discussions with members that they are deeply pessimistic about the future of the haulage industry in Scotland. The same issues were consistently raised by these businesses: competition from European operators; fuel costs; staff shortages; and regulation. These points are discussed in more detail below as well as some brief remarks on additional points raised by businesses.

European Competition

- 2.1 Businesses are unanimous in their concern about the rapid increase in competition from European firms. Scottish hauliers report that they have both reduced the amount of work they do on the Continent and are simultaneously losing customers at home as they are 'poached' by European competitor firms able to undercut Scottish prices. Most businesses cited companies from a number of European countries increasingly operating across Scotland, including Portugal, Lithuania, the Netherlands, Poland, Russia and Romania.
- 2.2 One business in the North East told us that previously 90% of his work had been in Europe but by the start of this year this had virtually ended and 90% of his work was now local.
- 2.3 Businesses find it almost impossible to compete due to the lack of a level playing field in terms of business costs – mainly fuel costs and road tax (not paid by European firms). With such fierce competition many felt it was very difficult to pass increased costs on to the customer. There are also suggestions that working time regulations are applied differently across the European Union, e.g. that the Road Transport Directive (which has no opt out) has not yet been implemented by all member states even though it came into force earlier in 2005 for UK drivers.
- 2.4 An example of cost difficulties are highlighted in the comments from a member running a business with 4 vehicles in the West Highlands who told us that his charges had not increased since 1996 yet these rates were still being undercut by half by foreign competitors.
- 2.5 A major step to address this imbalance took the form of proposed lorry road user charging but we understand that the Secretary of State for Transport has now abandoned this proposal in favour of longer-term research into wider road user charging.

Staff Shortages

- 3.1 The inability to recruit drivers was mentioned as one of the top problems facing haulage businesses in Scotland. Most businesses were clear that this was because it was a highly-

regulated job for a low wage, with long periods away from home and poor facilities on the road (e.g. roadside facilities for drivers) but that there was very little option to pay more and still keep the company afloat. Wage levels also depend on where in Scotland the business is operating from, i.e. wage levels were deemed to be higher in the central belt.

- 3.2 Many businesses highlighted the role that drivers from Europe (Polish and Czech were mentioned most often) increasingly play in Scottish firms. Some felt that while their competitors could pay these workers more cheaply and thus offer a cheaper rate to the customer this was not the route for them as they felt there were service issues regarding language and knowledge of driving in the UK. Others felt that these poor service issues were rapidly being overcome particularly by larger companies who might find it easier to recruit larger numbers of foreign drivers.
- 3.3 The high level of regulation of drivers was also deemed to be a particular deterrent. As well as a CPC and an operator's licence there was concern about ongoing increases in regulation of drivers. One business commented on the difficulties caused by high penalties (relative to drivers' earnings) for even the most minor tachograph offence and suggested that this acted as a further deterrent to recruitment. The same member also felt that the lack of an opt-out on working hours for transport workers, whilst well-intentioned, meant that some drivers had left her business for more lucrative sectors where there was less restriction on hours, e.g. off road and quayside driving.

Fuel Costs

- 4.1 Unsurprisingly most businesses rated rises in fuel costs as the biggest single problem in terms of competitiveness.
- 4.2 Businesses in rural areas have an additional cost to bear given their distance to distribution centres and also significant increases in fuel consumption on rural roads.

Regulation

- 5.1 As mentioned above, the haulage industry is highly regulated and ongoing changes mean additional costs to the business e.g. the introduction of digital tachographs next year.
- 5.2 There is also concern, mentioned above, that Working Time Directive/Road Transport Directive is not implemented consistently across Europe.
- 5.3 As well as European competitors, businesses raised the rise in un-regulated competition at home. In particular the issue of fast-track tractors with trailers was raised – these tractors carry the same payload and same goods as haulage businesses but have untaxed fuel, no drivers' hours nor tachograph legislation, low vehicle excise duty, no operator's licence and the ability to drive any size tractor at age 17 on public roads after basic driving/theory/eyesight test. Again, there is a perception that there is no level playing field in terms of costs or regulation.

Rail and Sea

- 5.4 Some businesses perceive the drive to transfer freight to rail as a direct threat to their business whilst others feel that this is unavoidable.
- 5.5 A perception of a general increase in sea freight was also reported to us suggesting that it may have become cheaper to ship goods directly from Scotland, where previously they might have been driven to ports in the south of England.

5.6 Many businesses still felt that for many non-bulk goods and where speed of delivery is important, there could be little alternative to road haulage and that, as a result, there should be a balanced approach from the Scottish Executive.

Road Network

6.1 Concerns about local road networks and the impact of congestion and/or difficulties caused by poorly maintained rural roads, as well as wider concerns about general infrastructure in the UK were also raised by businesses. As business becomes more 'local' and time becomes a crucial competing factor businesses will obviously suffer as a result of delays caused by congestion, roadworks etc. Businesses also pointed out that the rise in online shopping has probably led to an increase in delivery traffic which needs to use local roads to reach customers. Some members expressed their concern at the slow pace of progress on larger infrastructure projects such as the Aberdeen peripheral route and upgrading the A8000.

6.2 However most haulage businesses appear to be against the introduction of congestion charges since they are, in effect, essential users. It is worth considering that even if there is further pressure to transfer freight to rail and/or sea, it will still be necessary to transport those goods from the quayside/rail hub to businesses and shops and this can only reasonably be done by road. Given the bleak state of the industry in Scotland it is not surprising that most businesses believe that they already pay their share through fuel duty and road tax. Most felt that measures to tackle congestion should be aimed at non-essential car users particularly by increasing funding of public transport and should not punish the haulage industry.

For further information on any of the points raised in this submission, please contact Susan Love, Policy Development Officer, on scotpu.policy@fsb.org.uk or 01259 723713