

INDUSTRY REPORT

Freight Road Transport in the UK

Nov 2023



About

IBISWorld

IBISWorld specializes in industry research with coverage on thousands of global industries. Our comprehensive data and in-depth analysis help businesses of all types gain quick and actionable insights on industries around the world. Busy professionals can spend less time researching and preparing for meetings, and more time focused on making strategic business decisions.

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About

A quick definition of the industry, its products and services, major companies and other key identifiers help you confirm you're in the right place.

1. About

<https://my.ibisworld.com//uk/en/industry/H49.410/about>

UK-SIC 2007

49.41

Definition

This industry transports freight by road. This includes the haulage of bulk, stock and heavy, as well as both liquid and refrigerated transport. The industry also carries vehicles, waste materials and logs. The operation of terminals, packing and courier activities are not included in the industry.

Related Terms

HEAVY GOODS VEHICLE (HGV)

A freight vehicle that weighs more than 3.5 tonnes.

TELEMATICS

The integrated use of telecommunications and information processing to measure and send data.

INTERMODAL FREIGHT TRANSPORT

When shipping containers are moved on standardised trailers using different modes of transport.

What's Included

- Transport by articulated lorry
- Transport by rigid lorry
- Transport by light goods vehicle
- Customs brokerage and distribution

Companies

- DHL Supply Chain Ltd
- Eddie Stobart Ltd
- Wincanton plc
- XPO Transport Solutions UK Ltd

Related Industries

Industries in the Same Sector

- **Competitors:**
 - Freight Rail Transport in the UK
- **Complementors:**
 - Removal Services in the UK
 - Warehousing & Storage in the UK
 - Freight Forwarding & Customs Agents in the UK

International Industries

- Local Freight Trucking in the US
- Long-Distance Freight Trucking in the US
- Local Specialized Freight Trucking in the US
- Vehicle Shipping Services in the US
- Long-Distance Refrigerated Trucking in the US
- Dump Truck Services in the US
- Local Freight Trucking in Canada
- Long-Distance Freight Trucking in Canada
- Road Freight Transport in Australia
- Road Freight Transport in New Zealand
- Freight Road Transport in Ireland
- Freight Trucking in China

Additional Resources

- [Department for Transport](#)
- [Road Haulage Association](#)
- [Logistics UK](#)
- [The Transport Association](#)

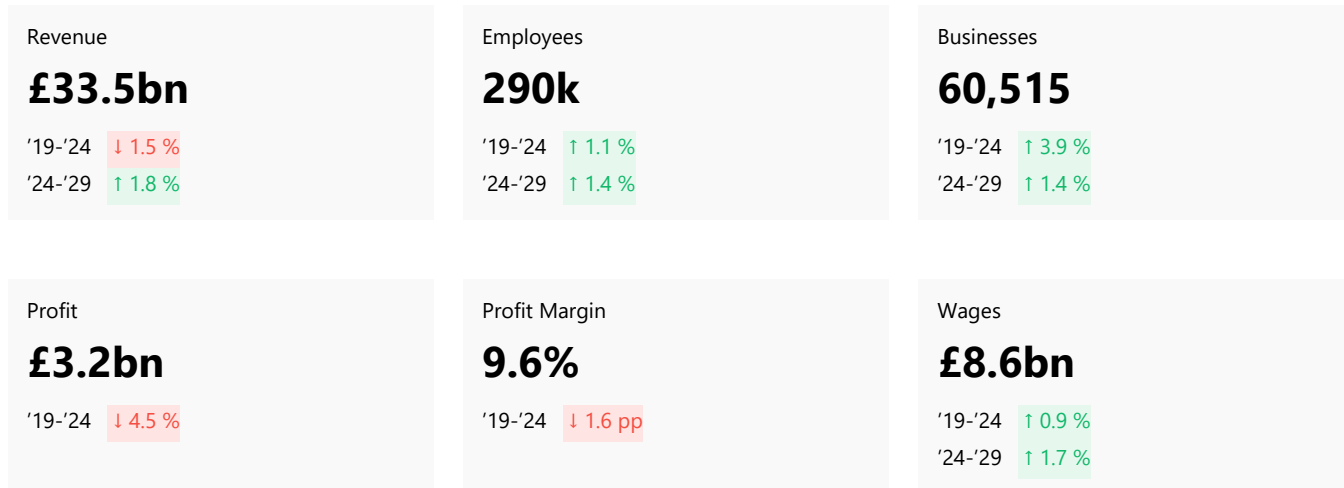
A large, stylized number '2' graphic in a light red color, positioned on the right side of the page. The '2' is composed of two overlapping curved shapes, with the top part being a semi-circle and the bottom part being a larger, more complex curve that tapers to a point at the bottom right.

At A Glance

Evaluate key industry data and trends and get an overview of important report sections to use in meetings and presentations.

2. At a Glance

<https://my.ibisworld.com//uk/en/industry/H49.410/at-a-glance>



Key Takeaways

Performance

Brexit and the pandemic whittle down the UK freight industry. Post-Brexit complexities and pandemic-induced demand have impacted Britain's freight services. Burgeoning costs, a labour shortfall and global supply chain disruption have decimated the sector's growth.

Green initiatives revamp the traditional road freight sector. The UK's push towards eco-friendly transportation methods is poised to rewrite the script for the traditional truck industry, given significant funding for low-emission vehicles and targeted efforts to cut back on fuel-driven freight journeys.

External Environment

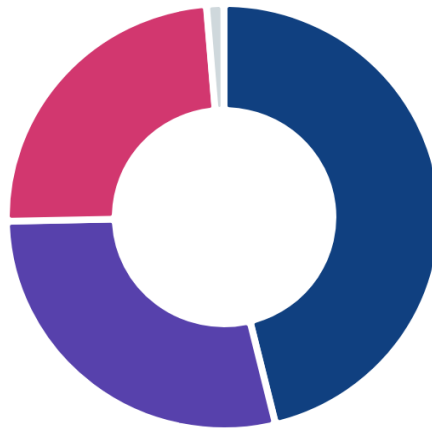
Mandatory HGV licensing and emission standards dominate policy. The UK's haulage sector faces stringent regulations, including obligatory goods vehicle operator licences and Euro 6/VI emission standards, prioritising green and safe operations.

The UK faces increased freight transport regulations post-Brexit. Since leaving the EU, UK road haulage companies grapple with extra regulation, including additional document requirements for cross-border freight transport, leading to potential delays or refusal at borders.

Products and Services

Products & Services Segmentation

Industry revenue in 2024 broken down by key product and service lines.



● Transport by articulated lorry (£15.5bn) 46.2% ● Transport by rigid lorry (£9.5bn) 28.5%

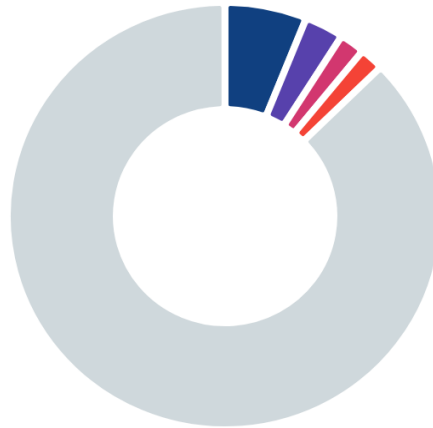
● Transport by light goods vehicle (£8.0bn) 24.0% ● Other (£435.4m) 1.3%



Source: IBISWorld

Major Players

Major Players



- DHL Supply Chain Ltd (£2.1bn) 6.1%
- Wincanton plc (£971.2m) 2.9%
- Eddie Stobart Ltd (£636.3m) 1.9%
- XPO Transport Solutions UK Ltd (£602.8m) 1.8%
- Other Companies (£29.2bn) 87.3%



Source: IBISWorld

Key External Drivers

Key External Drivers

Impact

Real private consumption expenditure	Positive
Business confidence index	Positive
Industrial production index	Positive
Fuel prices	Negative
Demand from sea and coastal freight water transport	Negative
Demand from freight rail transport	Negative

Industry Structure

Characteristic

Level

Trend

Concentration	Low	
Barriers To Entry	Low	Increasing
Regulation and Policy	Moderate	Increasing
Life Cycle	Mature	
Revenue Volatility	High	
Capital Intensity	Moderate	
Assistance	Low	Steady
Competition	High	Increasing
Innovation	Moderate	

SWOT



Strengths

- Low Imports
- High Profit vs. Sector Average
- Low Customer Class Concentration
- Low Product/Service Concentration



Weaknesses

- Low & Increasing Barriers to Entry
- Low & Steady Level of Assistance
- High Competition
- Low Revenue per Employee
- High Capital Requirements



Opportunities

- High Revenue Growth (2019-2024)
- Industrial production index



Threats

- Low Revenue Growth (2024-2029)
- Low Performance Drivers
- Demand from sea and coastal freight water transport

Executive Summary

The Freight Road Transport industry operates the most extensive transport network of all freight modes, providing much-needed flexibility and the convenience of door-to-door haulage. The industry has historically offered faster and more reliable delivery times and less damage to goods than other freight methods, making it popular. According to the latest data from the Department for Transport, road transport accounted for 77.4% of all goods moved in the UK in 2020. Revenue is expected to contract at a compound annual rate of 1.5% over the five years through 2023-24 to £33.5 billion, including a 0.8% drop in 2023-24.

Domestic freight volumes increased over the two years through 2019-20, aided by robust downstream industrial output. International freight volumes increased in 2018-19, before recording a notable dip in 2019-20, owing to the initial effects of the COVID-19 pandemic on international trade. Reduced domestic and global economic activity compounded restrictions placed on capacity to spur a significant decline in industry revenue in 2020-21. Despite good recovery in 2021-22, freight volumes remained somewhat subdued in 2022-23 amid stalling UK economic growth. Severe supply chain disruptions and soaring inflation have weakened business confidence, constraining revenue in 2022-23 and 2023-24. A severe shortage of qualified drivers and record-high fuel prices have weighed on the average industry profit margin.

Revenue is forecast to rise at a compound annual rate of 1.8% over the five years through 2028-29 to reach £36.6 billion. Expanding freight volumes as economic conditions improve will drive growth. Continued efforts made by the government to promote less fuel-intensive transport methods, like rail and sea transport, will lessen the industry's overall share of freight movements in the UK. The extension of the Mode Shift Revenue Support scheme until March 2025 will support this aim.

Performance

Track historical, current and forward-looking trends in revenue, profit and other performance indicators that make or break an industry.

3. Performance

<https://my.ibisworld.com//uk/en/industry/H49.410/performance>

Highlights

Revenue

£33.5bn

2019-24 CAGR ↓ 1.5 %

2024-29 CAGR ↑ 1.8 %

Employees

290k

2019-24 CAGR ↑ 1.1 %

2024-29 CAGR ↑ 1.4 %

Businesses

60,515

2019-24 CAGR ↑ 3.9 %

2024-29 CAGR ↑ 1.4 %

Profit

£3.2bn

2019-24 CAGR ↓ 4.5 %

Profit Margin

9.6%

2019-24 CAGR ↓ 1.6 pp

Key Takeaways

- **Brexit and the pandemic whittle down the UK freight industry.** Post-Brexit complexities and pandemic-induced demand have impacted Britain's freight services. Burgeoning costs, a labour shortfall and global supply chain disruption have decimated the sector's growth.
- **Green initiatives revamp the traditional road freight sector.** The UK's push towards eco-friendly transportation methods is poised to rewrite the script for the traditional truck industry, given significant funding for low-emission vehicles and targeted efforts to cut back on fuel-driven freight journeys.

Executive Summary

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Performance Snapshot

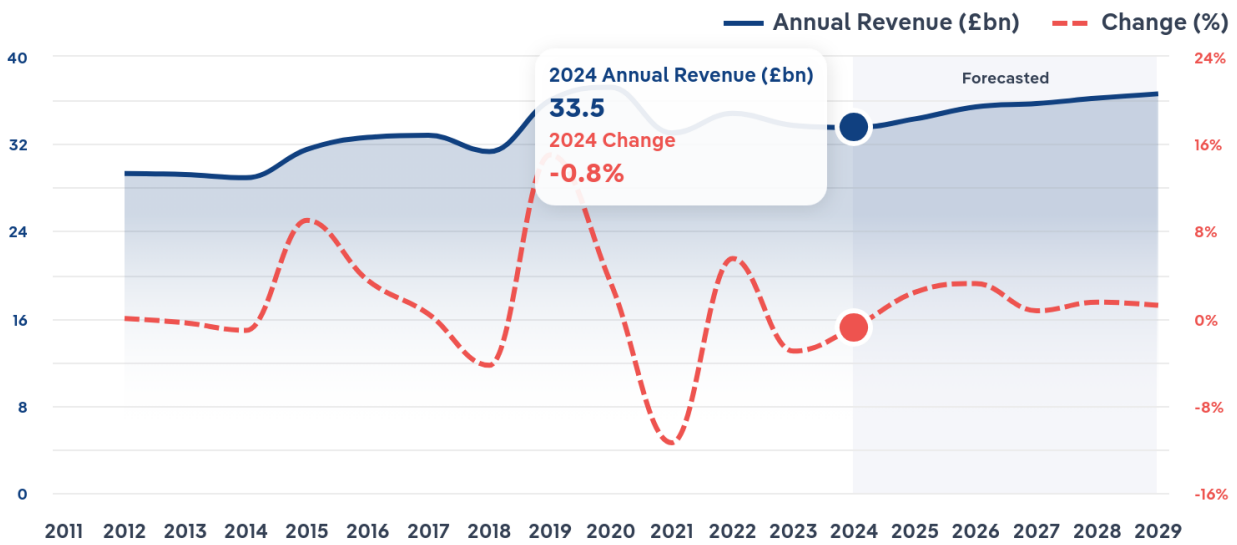
↓ 2019-24 Revenue CAGR -1.5%

Revenue:

<p>Revenue</p> <p>£33.5bn</p> <p>'19-'24 ↓ 1.5 %</p> <p>'24-'29 ↑ 1.8 %</p>	<p>2024 Revenue CAGR</p> <p>↓ 0.8 %</p>	<p>Revenue Volatility</p> <p>↓ High</p>
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Revenue

Total value (£) and annual change from 2011 – 2029. Includes 5-year outlook.

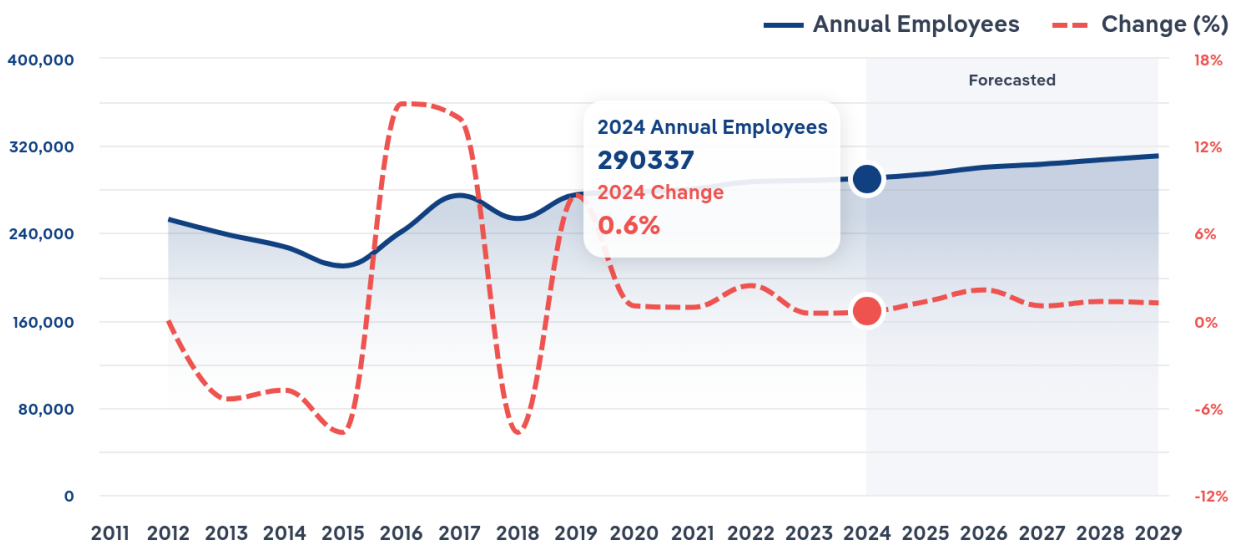


Employees:

<p>Employees</p> <p>290k</p> <p>'19-'24 ↑ 1.1 %</p> <p>'24-'29 ↑ 1.4 %</p>	<p>Employees per Business</p> <p>5</p> <p>'19-'24 ↓ 2.7 %</p> <p>'24-'29 ↑ 0.0 %</p>	<p>Revenue per Employee</p> <p>£115k</p> <p>'19-'24 ↓ 2.5 %</p> <p>'24-'29 ↑ 0.4 %</p>
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Employees

Total number of employees and annual change from 2011 – 2029. Includes 5-year outlook.

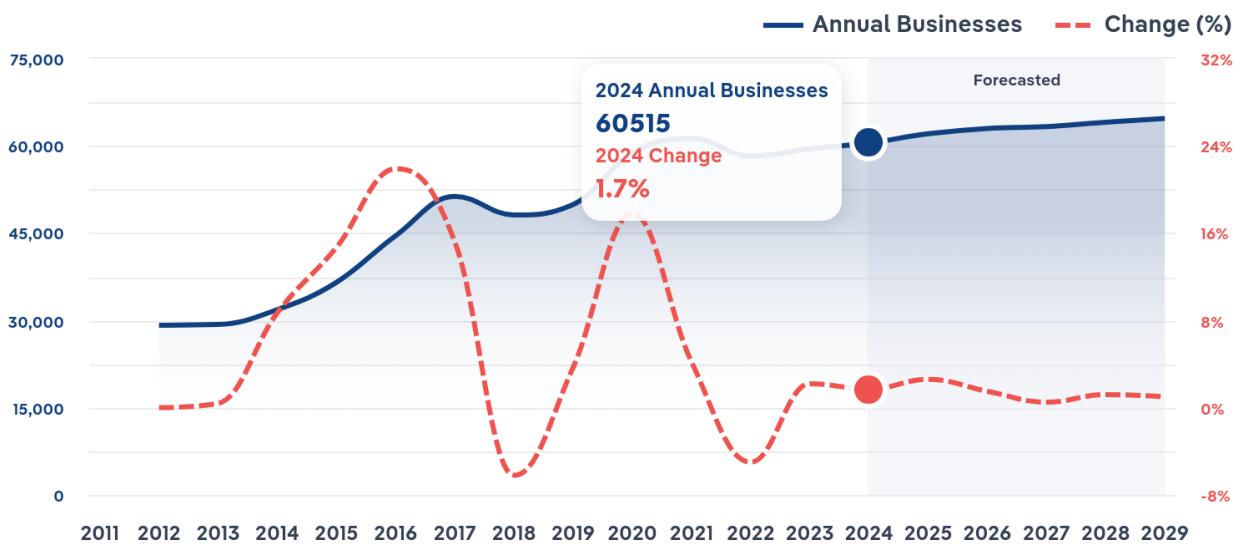


Businesses:

<p>Businesses</p> <p>60,515</p> <p>'19-'24 ↑ 3.9 %</p> <p>'24-'29 ↑ 1.4 %</p>	<p>Employees per Business</p> <p>5</p> <p>'19-'24 ↓ 2.7 %</p> <p>'24-'29 ↑ 0.0 %</p>	<p>Revenue per Business</p> <p>£553.4k</p> <p>'19-'24 ↓ 5.2 %</p> <p>'24-'29 ↑ 0.4 %</p>
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Businesses

Total number of businesses and annual change from 2011 – 2029. Includes 5-year outlook.



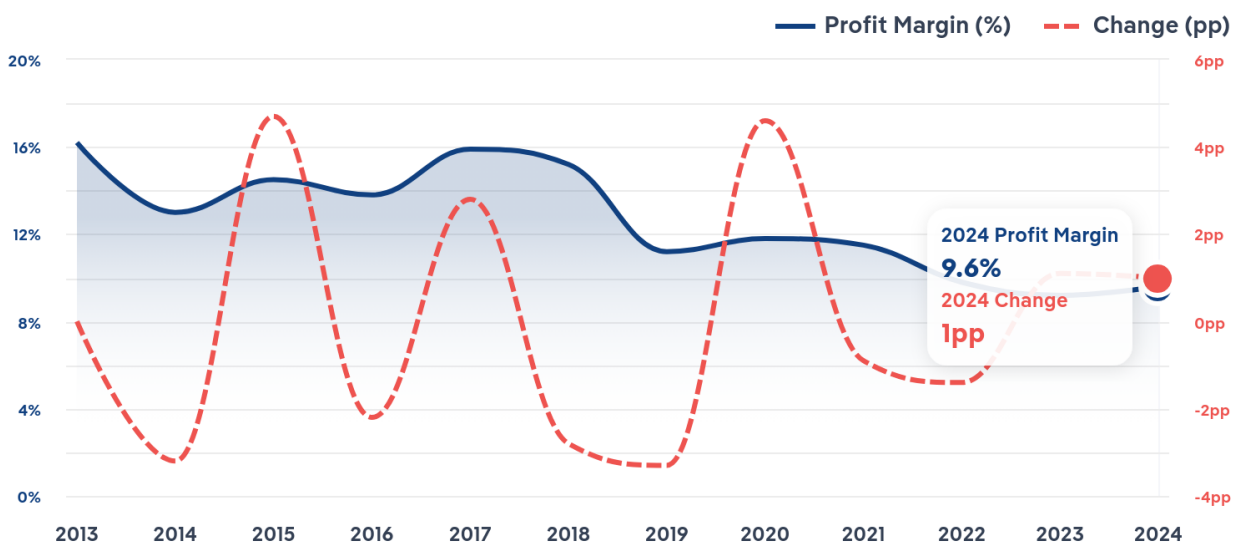
Source: IBISWorld

Profit:

Total Profit £3.2bn '19-'24 ↓ 4.5 %	Profit Margin 9.6% '19-'24 ↓ 1.6 pp	Profit per Business £53,126.6 '19-'24 ↓ 8.1 %
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Profit Margin

Total profit margin (%) and annual change from 2011 – 2024



Source: IBISWorld

Performance Snapshot

What's driving current industry performance?

Brexit uncertainty boosts UK freight services

- Industrial production activity in the UK saw a rise over 2019-20 despite economic uncertainty post-EU referendum. This rise was primarily due to stockpiling activity by UK companies anticipating Brexit.
- Unconventional stockpiling by businesses stimulated international trade volume, increasing goods import value by 9.9% through March 2019.
- Further delays in the exit date propagated stockpiling activity, enhancing demand for domestic and cross-border road haulage services.

The COVID-19 outbreak restricts demand for freight road transport

- A slump in downstream industrial activity caused by the COVID-19 (coronavirus) pandemic contributed to a decline in freight volumes in 2020-21.
- The decline was underpinned by reduced demand from downstream automotive, aviation and hospitality markets and social distancing measures, which limited operational capacity. More robust demand from the retail sector mitigated the overall drop.
- International freight volumes also plunged due to reduced global economic activity and restrictions on international movements.

Freight volumes experience mixed recovery in the post-pandemic environment

- Demand for road haulage services swelled in line with the reopening of the economy, boosting revenue in 2021-22.
- The recovery in domestic freight volumes remained somewhat constrained as lingering global supply chain disruption maintained industrial activity below pre-pandemic levels.
- A severe global shortage of semiconductors and soaring inflation since 2022-23 have decimated business confidence and weakened industrial activity, hindering demand for freight road transport.

Increasing costs lead to a shrinking profit margin and price hikes

- The industry has suffered from a chronic undersupply of appropriately qualified drivers. Brexit and the COVID-19 outbreak have exacerbated this, as a significant testing backlog has been accompanied by an exodus of EU workers and reduced access to EU labour markets.
- In October 2021, the Road Haulage Association estimated a shortage of more than 100,000 qualified drivers in the UK. Pressures eased thanks to increased funding for HGV driver tests and the introduction of temporary visas for 5,000 lorry drivers to work in the UK.

- Rising wages and record-high fuel prices due to the Russia-Ukraine conflict have weighed on profitability.

Volatility

What influences industry volatility?

Fuel price fluctuations raise volatility

- Fuel is a significant cost for freight road transport companies. Hikes in fuel prices inflate costs for companies, weighing on profitability.
- To protect performance, companies often pass on higher fuel prices to consumers. This boosts revenue in times of rising fuel prices. Companies also tend to employ fuel-hedging strategies and increasingly invest in fuel-efficient vehicles.
- Fuel prices have been highly volatile recently, with sanctions imposed on Russia following its invasion of Ukraine, sending prices soaring in 2022 and 2023.

Wider economic conditions and client demand play a role in volatility


- Business confidence and industrial production are highly dependent on the economic climate.
- Uncertain economic conditions like Brexit, the COVID-19 outbreak and severe inflation have subdued business confidence and weakened industrial production. This has lessened spending on freight road transport services.
- Road haulage companies limit volatility by providing services to clients in various sectors across the economy.

On thin ice

Industry volatility vs. revenue growth (2018-23 CAGR)



Source: IBISWorld

 Key Success Factor

How do successful businesses overcome volatility?

Incorporate long-term sales contracts

Strong competition means long-term contracts are desirable. If a client is tied to a distribution system committing them to the operator's facilities and approach, it may be difficult and costly for the client to transfer elsewhere.

Optimise operating capacity

Maximising capacity utilisation is crucial to raise revenue and profit. Operating significantly below capacity can narrow the gap between revenue and costs.

Leverage economies of scope

Road freight is often part of a longer and more complex logistics chain, so a business is likely to be more successful if it cross-sells other services, like warehousing.

Outlook

What's driving the industry outlook?

Post-Brexit changes affect UK freight road companies

- The post-Brexit landscape has brought added paperwork, regulations and financial burden to UK hauliers, delaying and complicating international freight transport.
- The Northern Ireland Protocol introduced a 'sea border', mirroring the impact of changes to the EU-UK relationship but causing some friction. In March 2023, the UK and EU adopted a new post-Brexit legal agreement under the Windsor Framework to make trade within the UK internal market smoother.
- New immigration restrictions exacerbate labour shortages. Reduced cabotage impacts foreign-based companies, though this was reciprocated, affecting UK hauliers operating within the EU.

Green transport initiatives transform the road haulage industry

- Government policies to reduce emissions push freight transport towards less fuel-intensive methods, like rail and sea.
- The Mode Shift Revenue Support scheme encourages this shift, resulting in 19,000 fewer lorry journeys in 2018-19. This scheme, initially due to end in 2020, has been extended to 2025.
- Significant funding for commercialising low-emission LGVs and HGVs will likely spur technological advances.

Efforts to boost eco-friendly commercial vehicles gain momentum

- Government extends the Plug-in-Van grant scheme to encourage road hauliers to switch to electric or hybrid commercial vehicles.
- An investment of £1.2 billion under the Automated and Electric Vehicles Bill targets improving infrastructure for electric vehicles and increasing the number of charging points on motorways.
- Driverless technology development may lead to reduced fuel consumption and emissions in the industry.
- There will likely be continued support for greener vehicles as the UK aims for all HGV's to be zero-emission by 2040.

Longer semi-trailers (LSTs) show promising potential in UK transport

- A 10-year trial started in 2012, imposed on 2,800 LSTs, in the UK shows potential benefits for the transport industry.
- The DfT records a 55% reduction in personal injury collisions and substantial carbon emissions reduction due to LST usage.

- Using LSTs has led to an average distance saving of 7.5% and improved fuel efficiency by 10-15%.
- Despite safety concerns from community groups and Freight Rail Transport, LSTs can potentially make road freight more competitive.

Life Cycle

Why is the industry mature?

Contribution to GDP

Contribution to GDP is mature due to the industry's established importance within the economy. The activity in downstream markets determines demand. Staff shortages and green initiatives are disruption companies.

Market Saturation

Freight road transport has reached market acceptance and is the most popular transportation method. There are several well-established road haulage companies, though low barriers to entry and various services offered provide growth opportunities, with competition growing.

Innovation

Road haulage companies are increasingly adopting electric and automated vehicles as environmental concerns grow and they seek better fuel efficiency.

Consolidation

Consolidation activity exists as larger companies acquire smaller ones to expand their presence and achieve economies of scale, cementing their leading positions. This trend will continue in the future.

Technology & Systems

Companies invest heavily in advanced tracking and telematics systems to boost customer satisfaction and improve efficiency. Companies increasingly adopt fuel-efficient and electric vehicles to meet growing environmental concerns and government targets to reduce greenhouse emissions.

Products and Markets

Find out what the industry offers,
where trade is most concentrated and
which markets are buying and why.

4. Products and Markets

<https://my.ibisworld.com//uk/en/industry/H49.410/products-and-markets>

Highlights

Largest Market

£15.5bn

Transport by articulated lorry

Product Innovation

Moderate

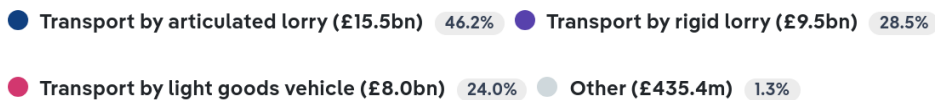
Key Takeaways

- **Articulated lorries drive UK transport growth.** They're increasingly favoured for long-distance freight, outpacing overall demand and contributing to a larger share of the transport industry's revenue.
- **Rigid lorries and light goods vehicles (LGVs) diverge.** Diminished use of rigid lorries due to stricter emissions rules and shifting freight preferences sit in stark contrast to the growing popularity and revenue contribution of smaller, lightweight vehicles.

Products and Services

Products & Services Segmentation

Industry revenue in 2024 broken down by key product and service lines.



How are the industry's products and services performing?

Transport by articulated lorry is growing in popularity

- Articulated lorries are lorry and trailer combinations capable of carrying between 26 and 44 tonnes.
- In 2020, the DfT reported that over 841 million tonnes of freight were carried by articulated vehicles.
- Articulated lorries are most commonly used for long-distance road freight in the UK. These lorries are the most common type of transport vehicle that passes between Britain and Continental Europe.
- Demand for freight carried by articulated lorries is growing faster than overall demand for road freight, boosting this segment's share of revenue.

Transport by rigid lorry is contracting amid growing transportation by other vehicles and emissions regulations

- Rigid lorries are single-tray vehicles loaded with over 3.5 tonnes and no longer than 12 meters.
- According to DfT figures, rigid lorries carried 431 million tonnes of freight in 2020.

- Rigid lorries have contributed to a declining revenue share because more freight has shifted to larger and articulated vehicles, small lorries and vans.
- Emissions regulations have increased the industry's capital requirements and fuel costs. Consequently, smaller companies have pulled out of the segment. The increased regulation governing the use of rigid lorries suggests future growth in this segment will come from large road haulage companies.

Transport by light goods vehicle is on the rise

- LGVs, like vans and small lorries, are generalised freight vehicles that weigh less than 3.5 tonnes.
- These vehicles are the mainstay of logistics industries, shifting stock from warehouses and distribution centres to end markets, like stores, across the UK. Renting an LGV with a driver for use by households and small businesses is also included in this segment.
- In recent years, the number of LGVs has grown, and their contribution to industry revenue has increased.

Customs brokerage and distribution contribute only a small share of revenue

- The industry also earns revenue from other services, including customs brokerage and distribution.
- Revenue from these activities depends on the industry's overall activity, so its share remains fairly constant.

 Key Success Factor

What products or services do successful businesses offer?

Leverage economies of scope

Road freight is often part of a longer and more complex logistics chain, so a business is likely to be more successful if it cross-sells other services, like warehousing.

What are innovations in industry products and services?

Rising environmental concerns encourage investment in more fuel-efficient transport

- Freight road transport companies are increasingly introducing electric and hybrid vehicles to carry goods.
- The use of more eco-friendly vehicles is in response to growing environmental concerns and calls to reduce carbon emissions on the road.
- Stricter environmental regulations and more environmentally-conscious consumers will encourage greater investment by road haulage companies to make operations more eco-friendly, especially as other modes of transport like rail and sea are seen as less fuel-intensive.

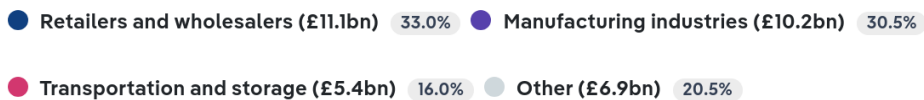
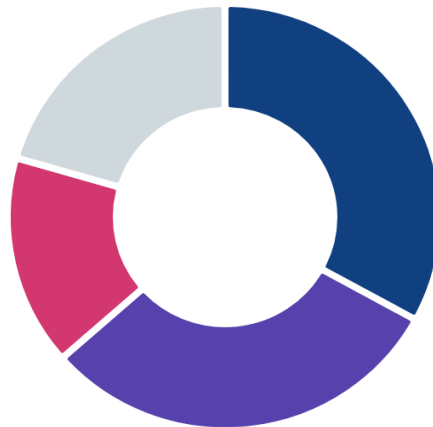
The use of computerised tracking and monitoring systems improves efficiency

- More and more companies are investing in technology like computerised tracking systems and telematics to make operations more efficient.
- Such systems allow customers to monitor shipments and delivery times in real-time, while road haulage companies can analyse patterns, optimise routes and enhance fuel efficiency.

Major Markets

Major Market Segmentation

Industry revenue in 2024 broken down by key markets



What's influencing demand from the industry's markets?

Retailers and wholesalers account for the largest share of revenue

- Demand from this market segment benefitted during the COVID-19 outbreak in 2020-21 due to a surge in demand from supermarkets during lockdown periods.
- The reopening of non-essential retailers once restrictions eased supported continued growth in demand from retailers and wholesalers in 2021-22.
- Inflationary pressures since 2022-23 are stifling growth in retail sales, weakening demand for road haulage services. However, demand from this segment remains fairly stable due to the essential nature of many goods transported by road haulage companies and high and persistent levels of consumerism in the UK.

Uncertain economic conditions restrict demand from manufacturing industries

- Despite heightened uncertainty stemming from Brexit, demand from this market recorded a robust increase before the COVID-19 pandemic, as stockpiling activity among manufacturers in anticipation of Brexit spurred increased levels of industrial activity.
- In 2020-21, the COVID-19 outbreak significantly reduced downstream manufacturing activity. Despite recovering conditions in 2021-22, manufacturing output has remained constrained due to a global semiconductor shortage in motor vehicle manufacturing.
- Brexit-related trade friction, despite the EU-UK trade deal, has further hindered manufacturing activity.
- Lingering supply chain disruptions, economic uncertainty and severe inflation that has pushed up production costs restrict manufacturing output in 2022-23 and 2023-24.

Demand from transportation and storage is supported by growing intermodal freight transport

- Many other industries in the transportation and storage sector extensively use the industry to carry goods between other modes of transport. As such, demand from this segment has been supported by rising levels of intermodal freight transport.
- The growing use of rail freight and the expansion of its capability is providing significant competition for road haulage.
- This segment also includes the transportation of municipal waste.

Mining and quarrying, construction and real estate account for the remaining share of revenue

- This segment covers the demand for road haulage services from all other sectors of the economy.
- Some of these industries include mining and quarrying, construction and real estate. This segment's share of revenue remains steady due to the wide range of sectors covered.

Geographic Breakdown

Discover where business activity is most concentrated in this industry and what's driving these trends.

5. Geographic Breakdown

<https://my.ibisworld.com//uk/en/industry/H49.410/geographic-breakdown>

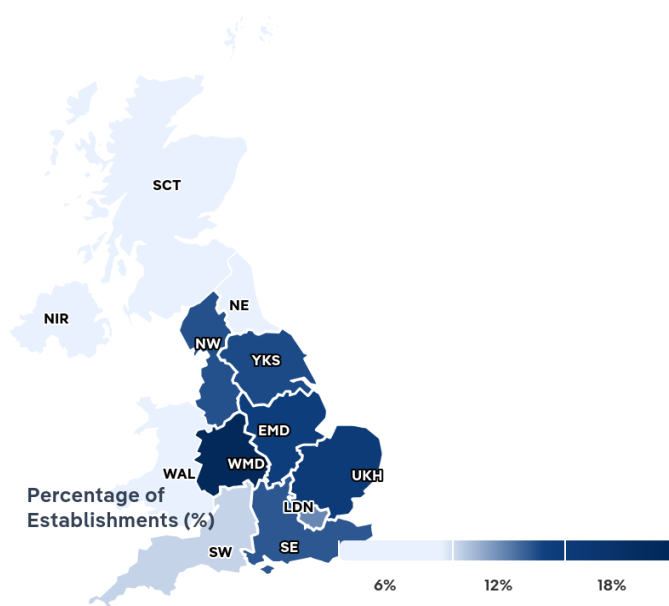
Key Takeaways

- **The Midlands' logistic prowess drives UK distribution.** The area's strategic motorway connections, vast distribution hubs and the UK's largest dedicated freight airport make it attractive to freight road transport companies.
- **London logistics lag behind due to high costs.** Businesses are deterred from operating road transport in London due to the city's high land prices and congestion issues, resulting in an underrepresentation in distribution operations despite its large population.

Business Locations

Business Concentration

Percentage of total industry Establishments in each region



Source: IBISWorld

County	Establishments %	Population %
West Midlands	17.2	8.9
East of England	12.3	9.4
East Midlands	11.7	7.2
Yorkshire	10.5	8.2
North West	10.3	11.0
South East	10.1	13.7
London	8.6	13.5
South West	6.3	8.4
Wales	4.4	4.7
Scotland	3.4	8.2
Northern Ireland	2.9	2.8
North East	2.3	4.0

Where are industry businesses located?

The West and East Midlands provide significant distribution advantages

- The area is known as the logistics and distribution golden triangle. Using the M42, M1 and M6 motorways, drivers can reach almost 90% of the population within four hours.
- Within the golden triangle are the Daventry International Rail Freight Terminal, Magna Park and Eurohub, which are all large logistics hubs. Many national distribution centres, including Tesco, Asda, Amazon and XPO Logistics, are also based there.
- East Midlands Airport is the UK's largest dedicated freight hub; several major transportation companies are based there, including DHL, UPS, TNT and Parcelforce. The region also has rail links to major UK ports.

Large ports make the East of England attractive for road haulage companies

- The East of England has the third highest number of establishments, largely because the region is home to Felixstowe, the largest container port in the UK and one of the largest container ports in Europe.
- The area is also home to the port London Gateway, with its logistics centre hosting distribution centres for Lidl and various freight forwarding companies.
- Tilbury, in Essex, is home to an Amazon distribution centre and the Uniserve London Mega Terminal.

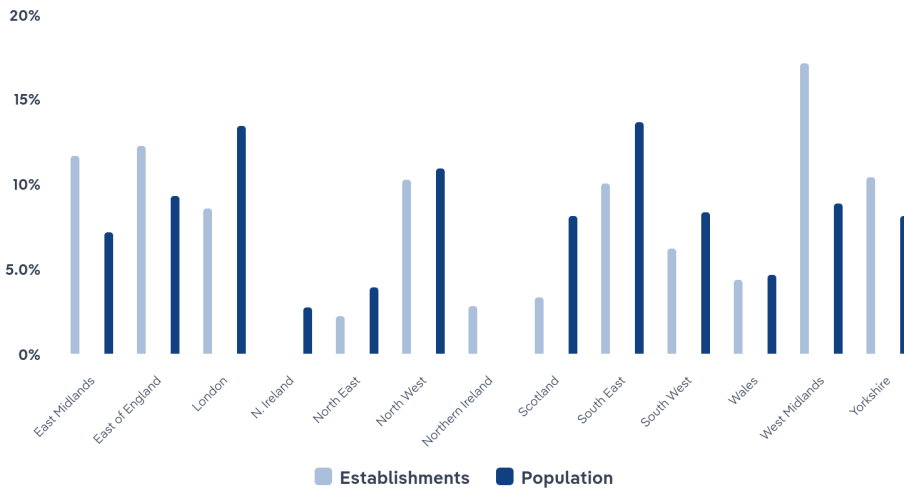
High prices in London put off companies

- London is underrepresented relative to the size of its population.
- Congestion and the high price of land make London a less attractive site from which to operate a road transport business.

Freight Road Transport in the UK

West Midlands has the largest spread of businesses compared to its population

Share of Establishments (%) vs. share of population (%):



Source: IBISWorld

Competitive Forces

Uncover challenges and benefits in the operating environment, digging into market share, buyer and supplier power and key success factors for operators.

6. Competitive Forces

<https://my.ibisworld.com//uk/en/industry/H49.410/competitive-forces>

Highlights

Concentration

Low

Competition

↓ High ↓ Increasing

Barriers to Entry

↓ Low ↑ Increasing

Substitutes

↑ Low ↓ Increasing

Buyer Power

↓ High Steady

Supplier Power

Moderate Steady

Key Takeaways

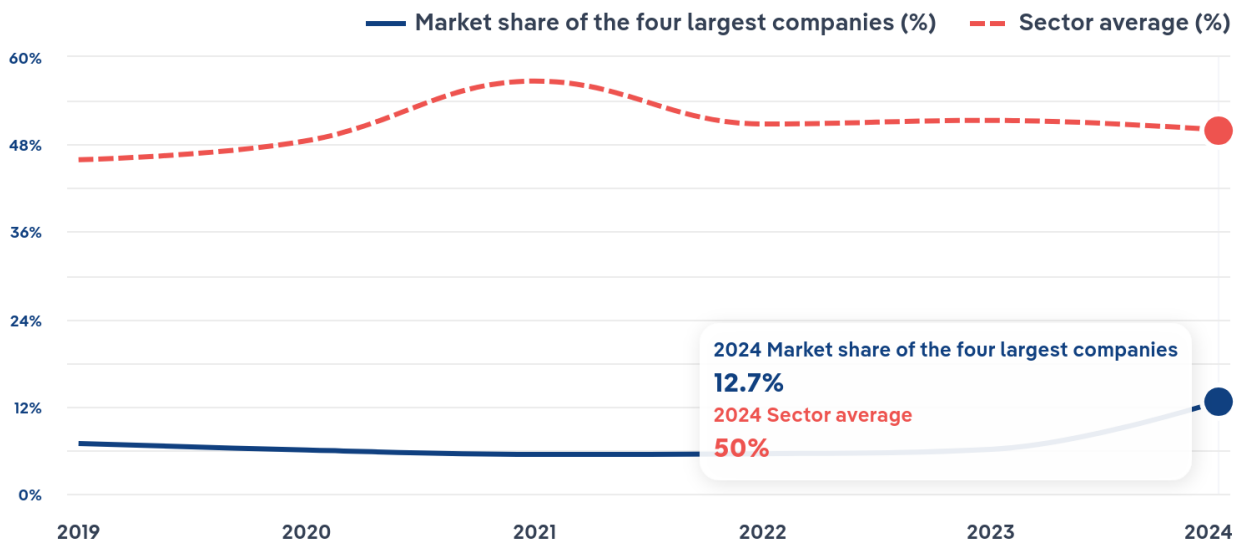
- **Low entry barriers stimulate road haulage competition.** The ease of market entry has led to a landscape populated by many small businesses, creating an intensely competitive environment.
- **Fuel price volatility impacts road haulage operations.** As fuel is a significant input cost for these companies, changes in global fuel prices can drastically affect their operations and profitability, necessitating strategic responses like hedge agreements.

Concentration

Low

Market Share Concentration

Combined market share of the four largest companies in this industry



IBISWorld

Source: IBISWorld

What impacts the industry's market share concentration?

Low barriers to entry allow new companies to enter the market

- The market share concentration level is low, with many small businesses providing road haulage services.
- The diversity of services provided makes it more difficult for companies to dominate. In 2022, 92.3% of companies in the industry employed fewer than 10 staff members, according to the Office for National Statistics.

Economies of scope and large contracts affect concentration

- Small companies generally provide short-distance transport services, while larger companies generally serve long-distance supply chains.
- Larger companies have the resources and capabilities to offer a variety of services and to transport various goods. They can better negotiate and win lucrative, lengthy contracts with large clients like supermarkets.

- DHL signed a six-year contract with Morrisons in June 2018 and a £350 million contract with Mars UK in January 2021. Wincanton has agreements with The Co-operative Group, Asda, Morrisons and Waitrose.

☆ Key Success Factor

How do successful businesses handle concentration?

Incorporate long-term sales contracts

Strong competition means long-term contracts are desirable. If a client is tied to a distribution system committing them to the operator's facilities and approach, it may be difficult and costly for the client to transfer elsewhere.

Optimise operating capacity

Maximising capacity utilisation is crucial to raise revenue and profit. Operating significantly below capacity can narrow the gap between revenue and costs.

Leverage economies of scope

Road freight is often part of a longer and more complex logistics chain, so a business is likely to be more successful if it cross-sells other services, like warehousing.

Barriers to Entry



Low

Increasing

What challenges do potential industry entrants face?

Legal

- The need to hold licences, like the Driver Certificate of Professional Competence, for operating freight road transport raises barriers. There is also significant safety and environmental legislation governing the transport of chemicals, hazardous materials and pharmaceuticals.

Start-Up Costs

- Companies require a significant fleet of vehicles to perform operations. The availability of vehicle leasing arrangements also helps lower the entry cost.

Differentiation

- The variety of services road haulage companies offer allows many companies to operate successfully. Established companies have extensive networks and good customer relationships, making it more challenging for new entrants to differentiate themselves.

Capital Intensity

- Freight road transport companies rely equally on labour and capital for their operations. Companies have to invest more and more in computerised tracking and communication and monitoring systems.

 Key Success Factor

How can potential entrants overcome barriers to entry?

Optimise operating capacity

Maximising capacity utilisation is crucial to raise revenue and profit. Operating significantly below capacity can narrow the gap between revenue and costs.

Develop effective cost controls

Effectively managing costs is important to the success of a road freight business, particularly because one of the main expenses is fuel, the price of which is volatile.

Accommodate environmental requirements

Road haulage companies are subject to regulations on vehicle emissions. It is important for companies to be aware of what their vehicles emit and how regulations could change in the future.

Substitutes

Low

Increasing

What are substitutes for industry services?

Freight Rail Transport

- Railways provide a competitive transport method, allowing bulk freight to be transported long-distance more cost-effectively and eco-friendly.
- The UK has an extensive rail network, allowing businesses to opt for this method of transporting bulk cargo instead of using roads.
- The government's investment in promoting less fuel-intensive methods supports demand for freight rail transport.
- Nevertheless, according to the Department for Transport, road transport accounts for 77.4% of all goods moved in 2020.

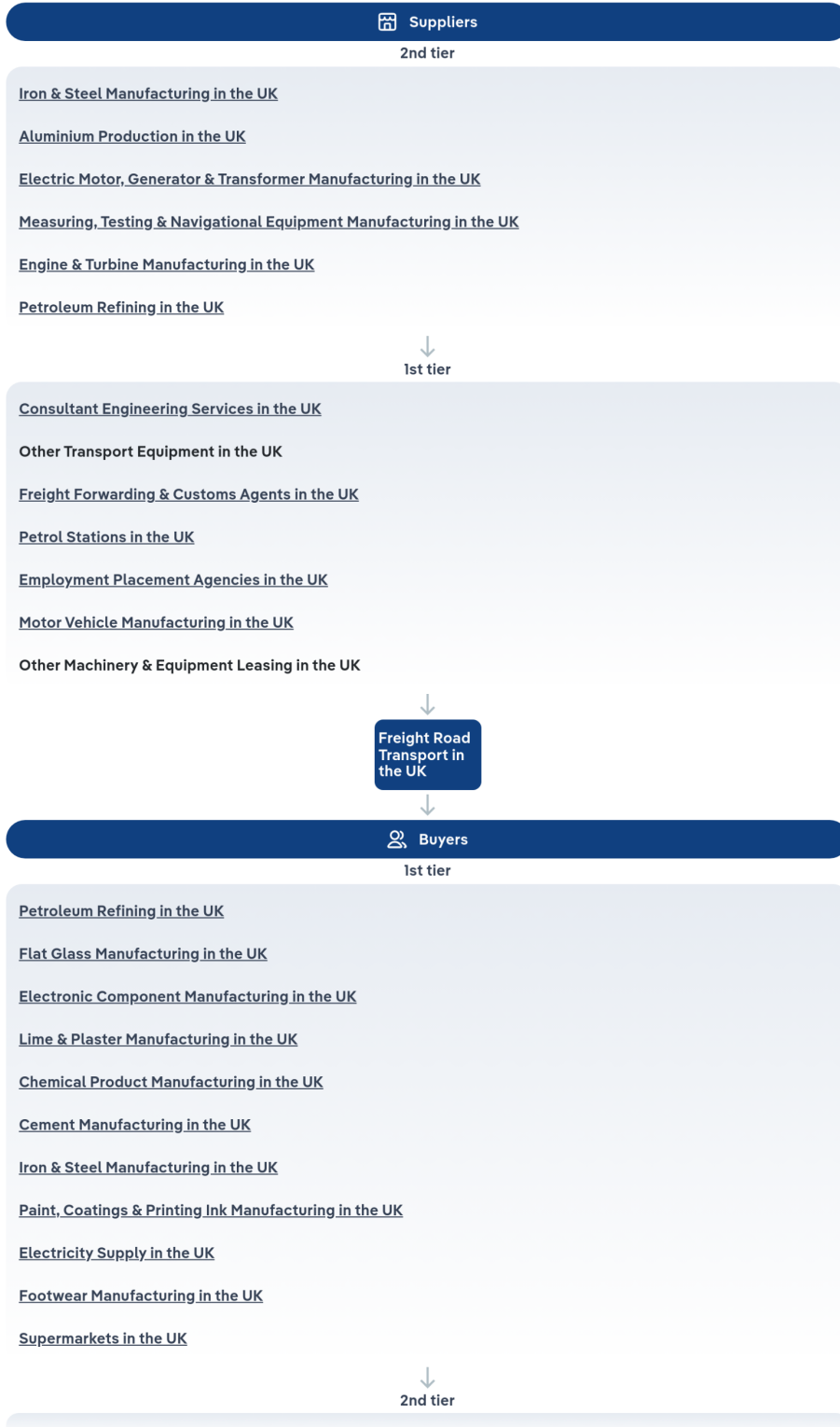
Sea & Coastal Freight Water Transport

- Sea freight water transport services are largely used for transporting bulk freight long distance.
- This type of transport has a better carbon footprint than other modes of transport, giving it an increasing competitive advantage amid growing environmental concerns.
- Sea and coastal freight water transport is uncompetitive when it comes to domestic freight transport, with road and rail largely preferred.

Buyer & Supplier Power

Supply Chain

Direct and indirect supplier and buyer industries related to this industry



What power do buyers and suppliers have over the industry?

Buyers: Quality of service and choice

High

Steady

- Buyers select freight road transport companies based on the quality of operations and ability to deliver goods on time and in good conditions.
- Buyers hold considerable power due to the high number of road haulage companies available and the availability of alternative methods of transport, like air, rail and sea.
- Freight road transport companies can limit buyer power by providing reliable services at competitive prices and seeking out long-term, lucrative contracts.

Suppliers: Fuel prices

Moderate

Steady

- Fuel is a vital input for road haulage companies. The world price of fuel therefore has a significant impact on costs.
- The fuel price is the main determinant of what trucking companies charge for their services, though the use of electric vehicles is on the up. Companies pass on cost increases to clients to protect their profit margin.
- Fuel prices are highly volatile and have surged following Russia's invasion of Ukraine.
- Freight road companies can limit supplier power by forming strategic partnerships and hedging.

 Key Success Factor

How do successful businesses manage buyer & supplier power?

Incorporate long-term sales contracts

Strong competition means long-term contracts are desirable. If a client is tied to a distribution system committing them to the operator's facilities and approach, it may be difficult and costly for the client to transfer elsewhere.

Leverage economies of scope

Road freight is often part of a longer and more complex logistics chain, so a business is likely to be more successful if it cross-sells other services, like warehousing.

Companies

Find out which companies hold the most market share and how revenue, profit and market share have shifted over time for these leaders.

7. Companies

<https://my.ibisworld.com//uk/en/industry/H49.410/companies>

Key Takeaways

- **DHL Supply Chain weathers the pandemic with robust strategy.** Despite the disruption caused by COVID-19, DHL Supply Chain managed to bounce back by concentrating on its supply chain services, benefitting from strategic expansions and significant contracts in 2021.
- **Prominent logistics companies underscore resilience amid challenges.** Wincanton, Eddie Stobart Ltd and XPO Transport Solutions showcased their resilience in the face of difficulties, securing key contracts, implementing sustainable technologies and making strategic acquisitions to strengthen their positions in the logistics market.

Market Share

Industry Market Share by Company

Industry-specific company revenue as a share of total industry revenue



Chart displays current year only in the PDF version of this report. You can view and download chart for all other years associated with this industry on my.ibisworld.com.

Companies

Company	Market Share (%) 2024	Revenue (£m) 2024
DHL Supply Chain Ltd	6.1	2,055.2
Eddie Stobart Ltd	1.9	636.3
Wincanton plc	2.9	971.2
XPO Transport Solutions UK Ltd	1.8	602.8

You can view and download company details on my.ibisworld.com.

External Environment

Understand the demographic, economic and regulatory factors positively and negatively affecting the industry.

8. External Environment

<https://my.ibisworld.com//uk/en/industry/H49.410/external-environment>

Highlights

Regulation & Policy

Moderate ↓ Increasing

Assistance

↓ Low Steady

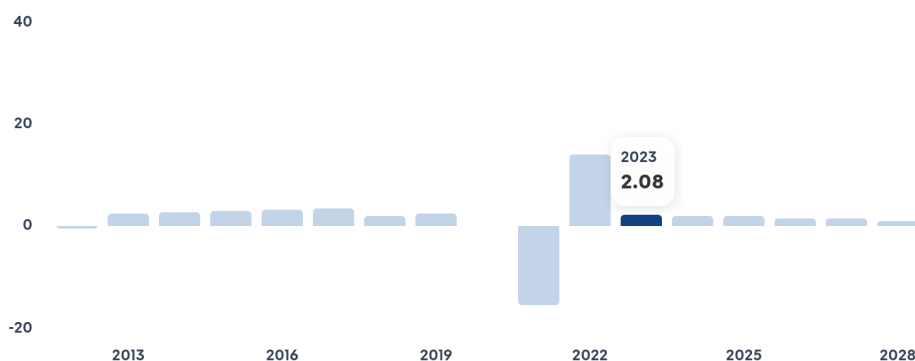
Key Takeaways

- **Mandatory HGV licensing and emission standards dominate policy.** The UK's haulage sector faces stringent regulations, including obligatory goods vehicle operator licences and Euro 6/VI emission standards, prioritising green and safe operations.
- **The UK faces increased freight transport regulations post-Brexit.** Since leaving the EU, UK road haulage companies grapple with extra regulation, including additional document requirements for cross-border freight transport, leading to potential delays or refusal at borders.

External Drivers

What demographic and macroeconomic factors impact the industry?

Real private consumption expenditure Growth



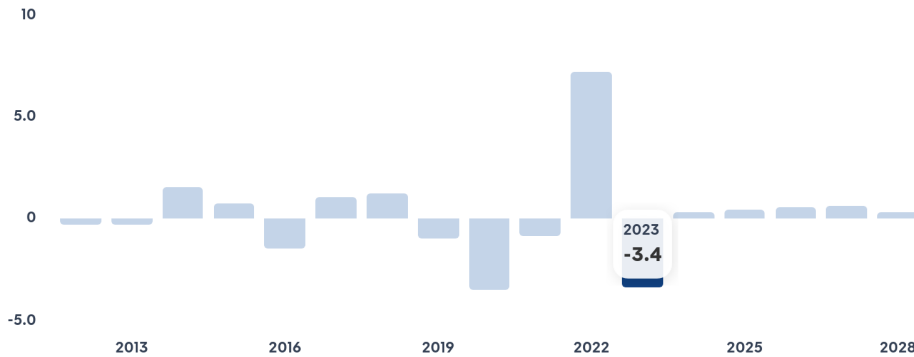
IBISWorld

Source: IBISWorld

Private consumption levels affect demand for food, manufactured goods and petroleum products, which are often transported by the industry. Increasing private consumption expenditure benefits demand for road haulage services and boosts industry revenue. In 2023-24, real private consumption expenditure is

expected to rise.

Business confidence index
Growth

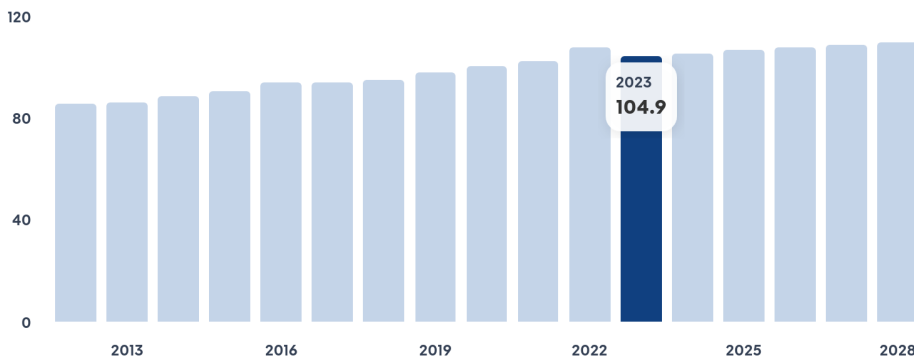


IBISWorld

Source: IBISWorld

The business confidence index is an indicator of businesses expectation of the future and drives decisions on inventory levels. When confidence declines, companies expect trade to decline and have less need for the services of freight road transport services. The business confidence index is expected to inch upward in 2023-24.

Industrial production index
Index

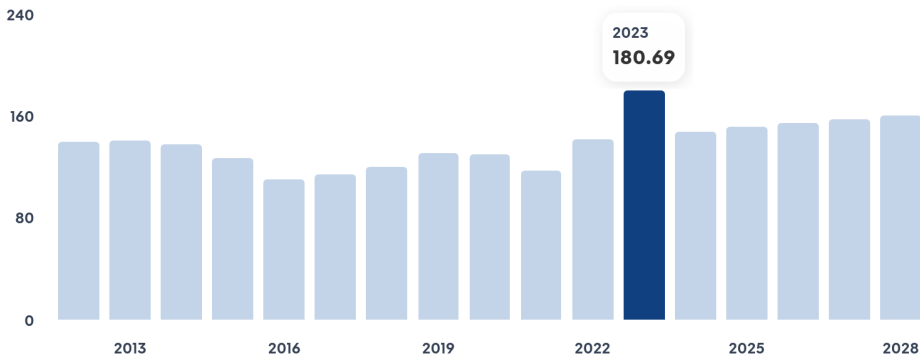


IBISWorld

Source: IBISWorld

The industrial production index can be used as a proxy for demand for the finished goods of production industries. When manufacturing activity rises, freight transport is required to move both inputs and outputs. The industrial production index is anticipated to expand in 2023-24, presenting an opportunity for road haulage companies.

Fuel prices
Pence per litre

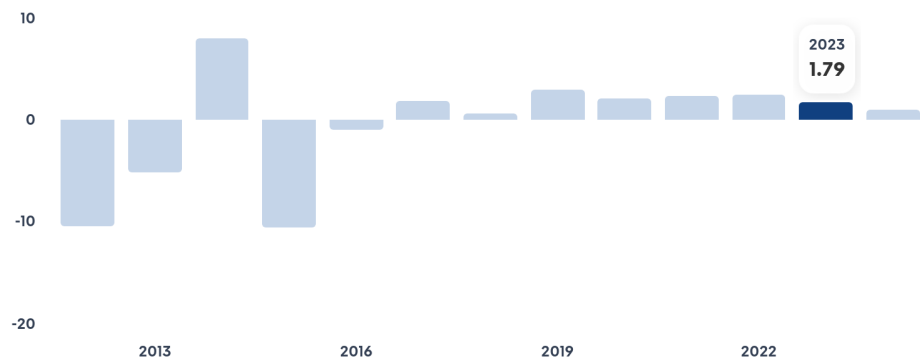


IBISWorld

Source: IBISWorld

Fuel is a significant cost for road haulage companies and changes in fuel prices significantly affect the viability of a road transport business. Network Rail estimates that rail transport is nearly three times more fuel efficient than road transport, and that both the rail and road industries are less fuel-efficient than coastal sea transport. Hikes in fuel prices inflate operating costs for the road freight industry more than for rail and water. Fuel prices have surged since Russia's invasion of Ukraine in 2022, and prices are forecast to rise in 2023-24, hindering profitability.

Demand from sea and coastal freight water transport
Growth

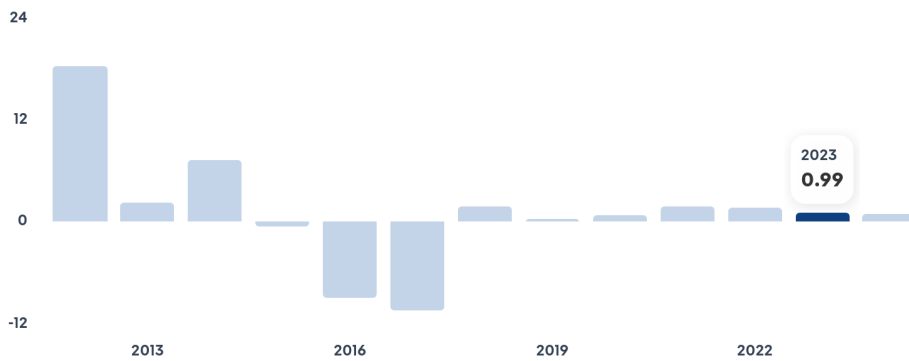


IBISWorld

Source: IBISWorld

Sea and coastal freight water transport is the second most prevalent form of freight transport, according to the Department for Transport, and is therefore the industry's largest competitor. A rise in demand from sea and coastal freight water transport weakens demand for road freight transport. Over 2023-24, demand for freight water transport is expected to increase, which could limit freight road transport revenue. This poses a threat to freight road transport.

Demand from freight rail transport
Growth



Source: IBISWorld

Demand from freight rail transport competes with freight road services. Data from the Department for Transport states that rail freight is the third most prevalent method to move goods in the UK. As demand for rail freight increases, demand for road freight falls. Demand from freight rail transport is expected to inch upward in 2023-24.

Regulation & Policy

Moderate

Increasing

What regulations impact the industry?

Goods vehicle operator licence

Road haulage companies require a goods vehicle operator's licence if using goods vehicles above a certain weight. There are three different types of licences, depending on the work done. A licence is needed depending on the vehicle's weight and whether the company is carrying goods for hire or reward in Europe.

Driving licences

The Driver Certificate of Professional Competence (Driver CPC) is a qualification for professional bus, coach and lorry drivers. Any drivers of lorries over 3.5 tonnes must obtain a Driver CPC. It was introduced across Europe. It came into effect in the UK in September 2009. There are also regulations regarding maximum driving times, with drivers only able to exceed nine hours of driving time per day twice a week, with 10 hours driving time permitted during these days.

Emission standards

There has been a consistent policy focus on the emissions levels from HGVs affecting air quality, which led to the creation of Europe-wide maximum emissions standards. The current Euro 6/VI emission standards were introduced by Regulation 595/2009, which came into force in September 2014. The limit values differ for each vehicle type, i.e. light vehicles, which includes cars and vans, or heavy-duty vehicles (HDVs). The government has also introduced legislation for all new HGVs sold to be zero-emission by 2040.

EU-UK Trade and Cooperation Agreement

From 1 January 2021, the UK left the EU customs union and single market, resulting in increased friction and industry regulation when providing cross-border freight transport. Companies must ensure that the freight they transport meets regulations and carries the correct documentation to avoid delays and even being turned away.

Assistance

Low

Steady

What assistance is available to this industry?

HGV road user levy

The heavy goods vehicle (HGV) road user levy states that all HGVs from 12 tonnes and over have to make a contribution when using UK roads. The levy levelled the playing field for domestic road freight companies, which had been paying to use roads on mainland Europe even though foreign lorries could operate on UK roads for free. A reformed HGV levy comes into effect 1 August 2023.

Logistics UK

Logistics UK, formerly the Freight Transport Association, is a large trade association in the UK representing members from the goods by road, sea, air and rail industries. The association helps members through representation, campaigning and compliance information. It also provides training and advice to members.

Road Haulage Association

The Road Haulage Association (RHA) has over 8,500 members, the majority of which are small- and medium-sized enterprises. The RHA supports businesses in the road transport industry. It provides a voice for the industry, offers a range of training programmes and gives members access to technical and professional services.

Transport Association

The Transport Association consists of members companies that offer transport, storage and distribution services to retailers and manufacturers in the UK and Europe. The association known today was founded in 1955 and currently consists of about 60 haulage companies.



Financial Benchmarks

Understand average costs for industry operators and compare financial data against key ratios and financial benchmarks broken down by business size.

9. Financial Benchmarks

<https://my.ibisworld.com//uk/en/industry/H49.410/financial-benchmarks>

Highlights

Profit Margin

9.6 %

↑ Higher than sector

Average Wage

£29,714

↑ Higher than sector

Largest Cost

Wages

25.8% of Revenue

Key Takeaways

- **Profit is squeezed by operating conditions.** Challenging economic factors, such as rising fuel prices from the Russia-Ukraine conflict and labour shortages, strain profit in the road freight transport industry.
- **Labour shortages inflate road haulage wages.** Labour market pressures, exacerbated by an exodus of European drivers during the COVID outbreak and post-Brexit disruptions, are forcing wage costs to soar across the industry, despite more owner-operators extracting equity instead of wages.

Cost Structure

Cost Structure Benchmarks

Average operating costs by industry and sector as a share (%) of revenue 2024



Source: IBISWorld

Chart displays current year only in the PDF version of this report. You can view and download chart for all other years associated with this industry on my.ibisworld.com.

What trends impact industry costs?

Severe labour shortages inflate wages

- Wages are rising despite increasing owner-operators choosing to withdraw equity rather than a wage.
- Wage costs swelling due to a backlog of HGV driver tests, an exodus of European drivers during the COVID-19 pandemic and reduced access to EU labour markets following Brexit led to a severe labour shortage.
- In October 2021, the Road Haulage Association estimated a shortage of more than 100,000 qualified drivers in the UK. Pressures eased during the latter part of 2021, aided by the resumption of HGV driver tests and the introduction of temporary visas for 5,000 lorry drivers to work in the UK.

Volatile fuel costs bump up purchases

- Maintenance and consumables expenses account for a significant share of industry revenue. Tyres are the most expensive consumable purchase for road haulage companies. Greater use of new technology, communication systems and radio tracking has raised the cost of maintenance.
- Purchase costs have increased mainly due to general price inflation and the surging fuel price since the start of the Russia-Ukraine conflict and sanctions on Russian oil in 2022.

Challenging operating conditions constrain profit

- Freight road transport includes many owner-drivers that reinvest heavily in their companies or draw down on their equity to supplement their wage. Many small road haulage companies specialise in regional or rural routes where lower levels of competition keep the profit margin higher.
- Some companies have shifted their operating model to protect from input price volatility by charging input costs and a management fee to the consumer. The lower risk to companies operating on this contract comes with a lower profit margin.
- Soaring fuel prices amid the Russia-Ukraine conflict and labour shortages have weighed on profit.

No productivity gains from reliance on labour

Share of economy vs. Investment



Key Ratios

Year	Revenue per Employee (£)	Revenue per Enterprise (£ million)	Employees per Estab. (Units)	Employees per Ent. (Units)	Average Wage (£)	Wages/Revenue (%)	Estab. per Enterprise (Units)	IVA/Revenue (%)
2011-12	116,070	1.0	8.3	8.7	29,158	25.1	1.0	43.8
2012-13	122,256	1.0	7.8	8.2	28,245	23.1	1.0	42.6
2013-14	127,115	0.9	6.8	7.1	30,331	23.9	1.1	40.9
2014-15	150,118	0.9	5.4	5.7	34,634	23.1	1.1	43.7
2015-16	135,208	0.7	5.1	5.4	32,728	24.2	1.1	45.2
2016-17	119,242	0.6	5.0	5.4	27,864	23.4	1.1	45.2
2017-18	123,669	0.7	4.7	5.3	30,449	24.6	1.1	47.2
2018-19	130,913	0.7	5.4	5.5	30,018	22.9	1.0	40.7
2019-20	133,820	0.6	4.6	4.7	30,452	22.8	1.0	41.0
2020-21	117,518	0.5	4.5	4.6	29,696	25.3	1.0	43.2
2021-22	121,182	0.6	4.8	4.9	31,039	25.6	1.0	41.9
2022-23	116,993	0.6	4.7	4.8	30,237	25.8	1.0	41.4
2023-24	115,346	0.6	4.7	4.8	29,714	25.8	1.0	41.7
2024-25	116,570	0.6	4.7	4.7	29,903	25.7	1.0	41.9
2025-26	117,877	0.6	4.7	4.8	30,104	25.5	1.0	42.4
2026-27	117,602	0.6	4.7	4.8	30,186	25.7	1.0	42.9
2027-28	117,797	0.6	4.7	4.8	30,216	25.7	1.0	43.4
2028-29	117,811	0.6	4.7	4.8	30,218	25.6	1.0	43.0
2029-30	117,446	0.6	4.7	4.8	30,162	25.7	1.0	43.3

Key Statistics

Discover 14 years of historical, current and forward-looking industry performance data in table format.

10. Key Statistics

<https://my.ibisworld.com//uk/en/industry/H49.410/key-statistics>

Industry Data

Values

Year	Revenue (£ million)	IVA (£ million)	Establishments (Units)	Enterprises (Units)	Employment (Units)	Wages (£ million)
2011-12	29,337	12,857	30,270	29,172	252,751	7,370
2012-13	29,221	12,444	30,645	29,298	239,012	6,751
2013-14	28,913	11,825	33,493	31,858	227,457	6,899
2014-15	31,517	13,776	38,621	36,548	209,946	7,271
2015-16	32,620	14,746	47,332	44,563	241,255	7,896
2016-17	32,755	14,819	54,802	51,333	274,693	7,654
2017-18	31,342	14,785	53,430	48,132	253,431	7,717
2018-19	36,047	14,657	51,065	49,931	275,348	8,266
2019-20	37,198	15,263	60,323	58,818	277,971	8,465
2020-21	32,964	14,231	62,824	61,304	280,504	8,330
2021-22	34,792	14,592	59,829	58,262	287,107	8,912
2022-23	33,749	13,970	61,039	59,520	288,475	8,723
2023-24	33,489	13,960	61,955	60,515	290,337	8,627
2024-25	34,301	14,382	63,196	62,093	294,251	8,799
2025-26	35,406	15,012	64,242	63,012	300,368	9,042
2026-27	35,667	15,303	64,641	63,319	303,283	9,155
2027-28	36,187	15,719	65,499	64,075	307,197	9,282
2028-29	36,626	15,751	66,188	64,737	310,892	9,395
2029-30	36,859	15,965	66,661	65,257	313,841	9,466

Annual Change

Year	Revenue %	IVA %	Establishments %	Enterprises %	Employment %	Wages %
2011-12	N/A	N/A	N/A	N/A	N/A	N/A
2012-13	-0.4	-3.2	1.2	0.4	-5.4	-8.4
2013-14	-1.1	-5.0	9.3	8.7	-4.8	2.2
2014-15	9.0	16.5	15.3	14.7	-7.7	5.4
2015-16	3.5	7.0	22.6	21.9	14.9	8.6
2016-17	0.4	0.5	15.8	15.2	13.9	-3.1
2017-18	-4.3	-0.2	-2.5	-6.2	-7.7	0.8
2018-19	15.0	-0.9	-4.4	3.7	8.6	7.1
2019-20	3.2	4.1	18.1	17.8	1.0	2.4
2020-21	-11.4	-6.8	4.1	4.2	0.9	-1.6
2021-22	5.5	2.5	-4.8	-5.0	2.4	7.0
2022-23	-3.0	-4.3	2.0	2.2	0.5	-2.1
2023-24	-0.8	-0.1	1.5	1.7	0.6	-1.1
2024-25	2.4	3.0	2.0	2.6	1.3	2.0
2025-26	3.2	4.4	1.7	1.5	2.1	2.8
2026-27	0.7	1.9	0.6	0.5	1.0	1.2
2027-28	1.5	2.7	1.3	1.2	1.3	1.4
2028-29	1.2	0.2	1.1	1.0	1.2	1.2
2029-30	0.6	1.4	0.7	0.8	0.9	0.8

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