

# Pallet networks ask government to suspend VAT on fuel urgently



The Association of  
Pallet Networks

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**The Association of Pallet Networks (APN) is calling for the government to pause VAT on fuel for hauliers in the light of steeply rising diesel costs, and to freeze fuel duty.**

## Key points include:

- Fuel costs are rising steeply following hikes in gas prices, and the phasing out of Russian oil imports
- Fuel represents one-third of total haulage costs
- Hauliers and pallet networks are economically and socially essential to the UK
- A VAT exemption for logistics will help shield consumers and the economy from spiralling inflation and improve hauliers' cashflow

The Association of Pallet Networks (APN) is calling on the government to pause VAT on diesel for hauliers. Diesel prices are rising inexorably, with a **10% increase** on pump prices so far in 2022 and oil prices likely to keep climbing.

Hauliers pay 57.95p per litre fuel duty as well as 20% VAT on fuel purchases. Although VAT can be periodically offset against revenue, an exemption or reduction in VAT would mitigate cashflow pressures for both hauliers and freight customers.

With fuel comprising at least one-third of operating costs, hauliers will not be able to sustain their economically essential activities without passing this rising cost on to freight customers, which in turn will make food and goods much more expensive for the UK consumer.

APN is writing to the Secretary of State for Transport, the Rt Hon Grant Shapps MP, and Chancellor of the Exchequer, the Rt Hon Rishi Sunak MP, to request these interventions on behalf of pallet network members and the wider industry.

During 2021 the government reduced VAT in the hospitality and attraction sector to 5% to help sectoral recovery. By comparison, logistics is not simply an important sector of the economy, it facilitates and supports every other sector by the delivery of essential goods and materials, and employs 2.6m people.

APN also asks that the government freeze fuel duty at its current level for haulage and other essential users. "While we appreciate that fuel duty is important revenue for the Treasury, and a way of incentivising decarbonisation, most haulage operations have no choice but to use diesel for the foreseeable future. Higher fuel duty is therefore not an incentive to change, but a penalty," says APN chairman Paul Sanders.

“If the Chancellor wishes to protect the UK economy and British households from spiralling inflation in the light of current events, sparing the logistics industry some of these price rises is a logical step,” says Sanders.

“Hauliers are already struggling to get freight customers to accept higher pricing, and this could prove the final stress for many haulage firms. However, ultimately it is the consumer that will pay if the government does not ease this burden on our essential keyworker industry.”

Sanders emphasises the plethora of challenges logistics has faced in the past two years and which it continues to pay for, including:

- 18% wage inflation, caused by the driver shortage
- Higher training costs
- Substantial cost increases for and limited availability of vehicles and equipment.

Commentators say that oil prices are likely to continue to increase given the political uncertainty and instability of supply. Oil prices reached \$130 a barrel this week, which affected stock markets around the world amid warnings of possible recession.

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#### **Notes to Editors**

The **Association of Pallet Networks** has a membership of eight pallet networks in the UK: Fortec, Pall-Ex, Pallet-Track, Palletforce, Palletline, Palletways, THE Pallet Network and United Pallet Network. These in turn represent 800 hauliers, more than 24,000 vehicles and over 13 million sq ft of warehouse space collectively.

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