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AIB Transport Outlook

November 2024

AIB supporting the Irish Transport Sector



AIB supporting the Irish transport & haulage sector

Decarbonisation is a top priority for Ireland's transport sector, and AIB is supporting haulage firms on their journey to a greener future.

The Irish transport sector is a key driver and enabler of both domestic and export-led growth which in turn has been a significant factor in the stabilisation and growth of the Irish economy.

The industry has shown remarkable resilience against a backdrop of unprecedented economic conditions over the last few years caused by Brexit, the Covid-19 pandemic associated supply chain disruption, and the ongoing war in Ukraine and its impact on energy prices.

Along with driver shortages, fuel price increases and the increased costs to replace and update fleets, the decarbonisation of the sector is a top priority. There is a consensus in the industry that a coordinated approach will be required to decarbonise the sector.

Truck manufacturers, Government bodies and key stakeholders in the industry all acknowledge the vital role they have to play in working with transport/haulage companies to progress various initiatives to lower emissions within the sector.

There is an increasing number of both electric and gas Heavy Goods Vehicles (HGVs) on the Irish roads, but with targets set out in the Government's Road Haulage Strategy 2022-2031, there is a vast amount of work to be completed to assist the sector to move towards a low carbon future. Currently 99% of inland freight is moved by road in Ireland and 99% of HGVs are diesel.



Nessa Devereux
Head of Transport & Logistics
Business Banking

AIB and its asset finance arm, **AIB Finance & Leasing**, is the leading provider of asset finance to customers in this sector. With its national presence they continue to support the sector for all their finance requirements and on their sustainability journeys.

AIB offers finance through multiple channels – the branch network, business and corporate banking and has a specialist sales team of over 40 mobile sales staff serving customers in the transport sector all around Ireland.

Nessa Devereux, Head of Transport & Logistics Sector, Business Banking, has been collaborating with customers in the transport industry for many years.

“AIB offer a wide range of finance options for customers in the transport and logistics sectors,” says Nessa. “We are the main asset finance provider in the sector, a major supporter of the industry and the organisations and associations that support the industry”.

Though haulage was not impacted as severely as other sectors during the Covid pandemic in 2020, many firms availed of payment breaks and put refresh plans on hold due to uncertainty. The pandemic was a favourable development for the transport & logistics industry as a whole. Increased online retail demand and reconfiguring of supply chains helped to boost the haulage industry throughout lockdown periods.

New registrations of HGVs were buoyant in the first half of 2024, increasing by 18% year-on-year. Haulage firms refresh their fleet every three to five years, and there is confidence to invest in the future.

More recently, the advent of the new Brexit trading relationship with the UK has seen a sharp decline in second-hand HGVs being sourced from Britain.

“Our customers are buying more new trucks as the lower emissions they emit are important,” Nessa explains. “Customers will factor in maintenance costs and warranties when they are updating their fleet, they will also advise us on the reduced emissions when purchasing new trucks and how this is measured.”

“AIB can see the effort customers are putting into their sustainability plans to future proof their businesses. While there are alternative fuels available, diesel remains the dominant engine type for HGVs, with electric vehicles being used for smaller deliveries.” However sales of e-trucks have been picking up very strongly in Europe with an increase of 54% year on year in May 2024.

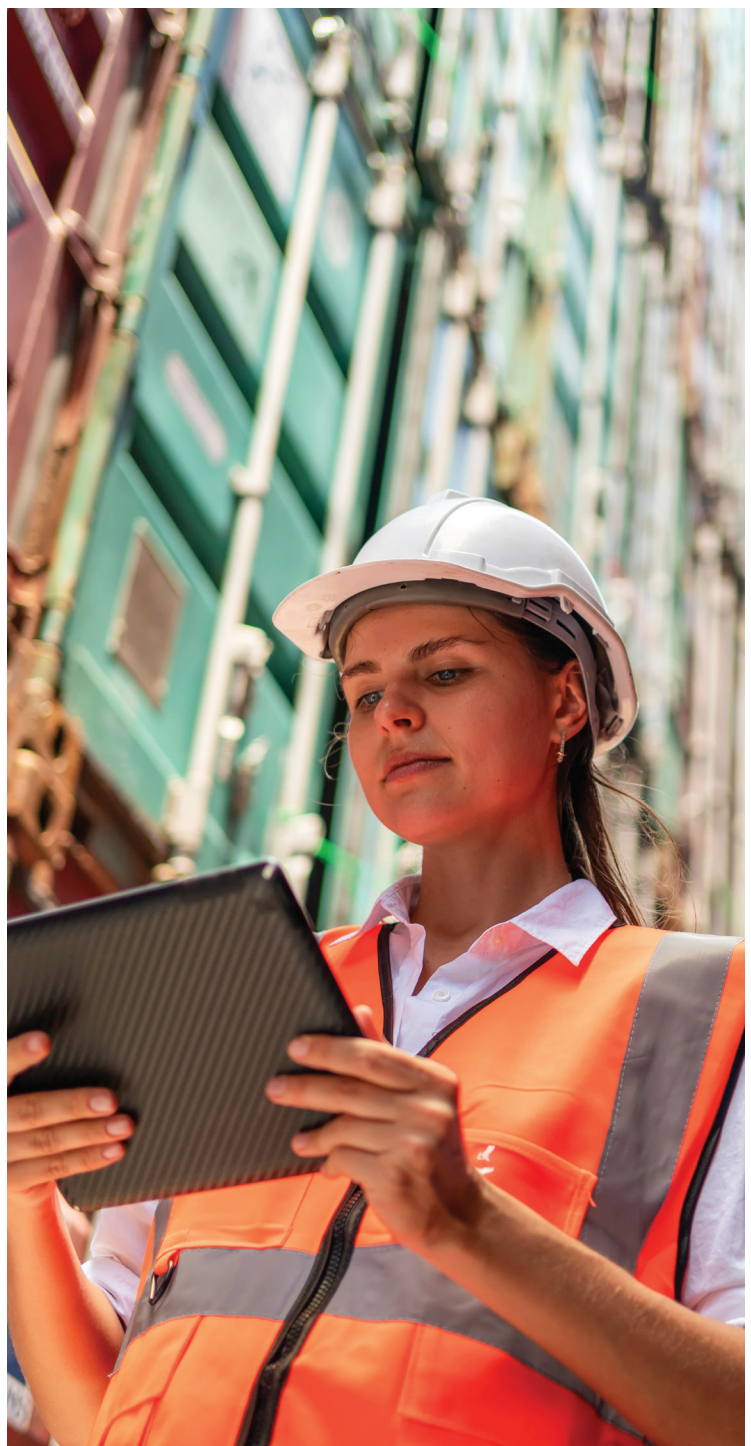
Nessa adds that AIB recognises the role of the State and policy makers in working towards decarbonising road freight, and AIB is keen to support customers to acquire alternative fuel vehicles.

When considering finance requests, AIB factors in issues such as vehicle telematics, operating costs, and driver training at the haulage firm. Because of cost inflation, telematics and new mandatory safety features such as additional cameras, new truck prices have increased over the past two years.

Used trucks and trailers values have remained strong. While some hauliers sell their older trucks into Eastern European and African countries, others hold on to the older EURO IV and EURO V trucks in case of breakdowns or use for shunters in their yard.

All new trucks sold in Ireland match the EURO VI standard, which are lower emissions than their predecessors. The EURO VII standard is expected to arrive in 2027 for HGVs, and until then Nessa expects that hauliers and logistics companies will seek to ensure that most of their fleet is EURO VI compliant, as these vehicles are more fuel efficient.

Diesel engines are still the number one choice for hauliers in Ireland, as the alternatives are not yet able to compete as a viable option. In Nessa's opinion, hauliers are awaiting clearer direction from the EU and truck manufacturers. However, there is increasing optimism about the possibility for battery swapping and this technology is well advanced in China.



"The manufacturers are under pressure due to EU regulations to make electric trucks but they're also under pressure to have diesel trucks with lower emissions," Nessa explains. "All the main truck brands are waiting on clarity on whether to direct investment towards the EURO VII diesel standard or electric, and they don't have the resources to do both."

"AIB has a very loyal customer base in both the transport and logistics sectors, they are keen to share their business progress with us and advise us how they are working towards reducing their carbon footprint in the supply chain. We listen to them, and the insights we obtain from engaging with our customers assist us to tailor our products to support their business," says Nessa.

AIB serves the Transport sector with a team of AIB Finance & Leasing representatives spread around the country. Donal McDonnell, who works in the Midlands area covering Louth up to Cavan, describes the team as a "mobile sales force" who originate deals for the bank's credit teams to consider.

The customer base is diverse, ranging from one unit owner-operators to firms with hundreds of trucks and trailers.

"In terms of acquiring assets the supply chain has eased considerably," says Donal. "During the pandemic, lead times for new trucks were nine months to a year. However, even during the Covid period, people kept buying and in Ireland almost everything must move by road."

Donal notes that the price for new trucks has escalated sharply. He references a popular model with hauliers that cost €112,000 in 2019 and is now priced at €155,000. "Driver shortage, wage inflation and fuel costs are significant issues," Donal adds. "Fuel variations are mitigated by fuel surcharge agreements and forward buying. Passing on the other costs is the challenge."

At the macro level, Donal says post-Brexit switch there has been a shift from using Dublin Port and the UK Landbridge to using Rosslare for direct sailings to the continent.

"Some operators have established in-house customs clearance services, and the M50 corridor around Dublin has seen growth in logistics hubs as some hauliers move to offer a broader suite of service."

Donal anticipates that new EU tachograph rules, due by 2026, will create an additional logistical challenge on the continent for hauliers. On the finance front, Donal says the bad debt experience is excellent. "I haven't had a conversation about late repayments with a single customer over the past three years."

Table 1 Road freight activity by main type of work, 2023

	Tonne-km Million	Tonnes carried Thousand	Vehicle kilometres Million
Import/export work	2,413	13,325	215
Carriage of livestock	123	1,483	35
Carriage of other farm produce from farms	330	5,026	37
Carriage of fertilisers, feeding stuffs, etc. to farms	549	6,899	58
Delivery of goods to road works or building sites	2,468	64,817	303
Delivery of goods to retail outlets	1,701	15,632	383
Delivery of goods to wholesalers	1,590	13,953	245
Delivery of materials and fuels to factories	1,498	17,334	162
Delivery of goods to households	239	3,763	88
Other work	1,685	22,932	296
Total	12,596	165,165	1,823



Electrification will be a slow process



A shortage of drivers is the main operational challenge for hauliers, who also must cope with rising costs and pressure to decarbonise their fleet.

Ireland's haulage and road freight sector is a major employer and an important part of the economy. Sector activity is buoyant, in line with the strong performance of the Irish economy.

The main work undertaken by HGVs is delivering goods to building sites (41%), goods deliveries to retailers (11%), and delivery of materials and fuels to factories (10%). Serving the agriculture sector is an important function too.

The end of the Brexit transition saw a rapid reconfiguration of supply chains in Ireland. Direct EU traffic now represents one-third of all roll on, roll off (RoRo) volume, almost double the volume before Brexit. Demand for warehousing has increased and remains very strong, particularly from pharmaceutical companies and online retailers.

The most recent official data indicates that there were 42,780 operationally active HGVs in December 2023. About half the trucks are operated by c.3,800 licensed road haulage operators, with the balance operated by own account operators.

In 2023, the average annual fuel costs per vehicle for the commercial vehicle fleet was almost €40,000. Excise duty increases and other taxes have increased the price of diesel in 2024, and most haulage companies are passing on fuel surcharges to their customers.

Domestic haulage rates are estimated to have increased by an average of 17% over the past five years, though the rise is below the reported increases in transport operating costs.

Consultants **Indecon**² report that the third-party road haulage industry is fragmented. Half of licensed third-party road haulage operators have a single HGV and 70% have no more than three HGVs. These small family firms must face up to an increasing number of customers demanding green credentials, as well as coping with a shortage of drivers and mechanics across the industry.

There has been evidence of a shortage of HGV drivers in Ireland for many years. According to the **Irish Road Haulage Association (IRHA)**, the position is now so serious that it represents a significant challenge to the effective distribution of goods in Ireland and to export markets.

There are delays around license recognition and work permits for drivers, and finding accommodation for the drivers is difficult too, with some transport companies now offering housing.



Ger Hyland
President of the Irish Road
Haulage Association

2. www.gov.ie/en/publication/a3a09-report-on-current-data-availability-and-quality-in-respect-of-road-freight/

Ger Hyland, President of the IRHA, is the third generation of a family haulage business that commenced trading in 1933. The IRHA speaks for c.80% of Ireland's licensed hauliers, and Ger says that a key issue facing the sector is the sustainability of the sector's small family firms.

The IRHA has been lobbying to make it easier for drivers from countries such as Georgia, Macedonia, and Argentina to work in Ireland, and to speed up the work permits process.

"Drivers from South Africa can work here but it can take six months or more to get them on the road by the time you tick all the boxes," Ger adds. "Anyone who wants to work in our industry is working and there are no temporary drivers out there. Due to driver issues, many transport operators have a truck or two idle, some of them more than others, depending on the type of work they are doing."

Operating from Rosenallis in Co. Laois, **Hyland Transport** specialises in waste electricals transport, and like most IRHA members has a fuel adjustment agreement in place with customers when the price of diesel rises or falls.

"As long as the fuel surcharge is operated fairly, customers don't have an issue with it. Following a 6-cent tax increase in the price of diesel year to date, a further increase of 4 cent will occur by January 2025," Ger adds. "Fuel is only one element of our business. Parts have gone up 30% in the past three years and labour costs have increased too."

Another issue of concern for the IRHA is government-imposed costs relating to sick pay and pensions. "Unless hauliers are recovering these costs they are going to be caught out," says Ger.

Hyland Transport raised haulage rates by 8 per cent last March and retained all his customers. "We are supplying a service to industry, and until such time as the customer does not have that service, they don't really appreciate what they have."

"For too long big industry dictated rates to hauliers and gave them just enough to keep them going. Their sons and daughters are not going to follow them into the business, and when that person retires their truck is gone from the industry."

"Customers will be far better served by keeping the haulier they have and ensuring that they have a proper rate for the job they're doing. Why would any company value us if we don't value ourselves?"

Freight demand is forecast to keep expanding at a time when the Government has set a target of 10 per cent reduction in HGV carbon emissions by 2030, relative to a 2018 baseline. Hauliers are concerned about the cost associated with transitioning to newer fuelling technologies and the infrastructure available to support that shift.



Substituting lower-emission natural gas or HVO fuel for diesel is one way forward. Longer-term, Government is pushing the sector towards electrification, while acknowledging that this will be a slow process.

Targets to have 3,500 low-emission HGVs on the road by 2030 are viewed by Department of Transport (DoT) officials as “ambitious but achievable”, though civil servants concede that the transition will need to be accompanied by suitable policy and regulatory structures.

The DoT view is that even if these targets are reached, a large majority of the heavy goods fleet operating on Irish and European roads in the medium term will continue to be powered by the internal combustion engine.

In a June 2024 report prepared for the Climate Change Advisory Council¹, consultants Transmodal stated that vehicle technology trends in the EU will influence the technologies that are deployed in HGV fleets in Ireland.

The consultants believe that the full impacts of emission reductions for the road freight sector resulting from EU legislative developments may not be felt until close to 2030 and beyond, because of the difficulty of decarbonising heavy road freight.

The Council recently recommended that grants should be made available to road hauliers as well as ports, warehouses, and manufacturers, to reduce the cost of developing depot-based and destination recharging infrastructure.

In addition, large-scale deployment of zero-emission HGVs will require specialist recharging infrastructure skills that are currently lacking. The Council also wants the Department of Transport to prioritise supplies of biofuels for use by large HGVs.



1. www.climatecouncil.ie/councilpublications/councilworkingpaperseries/Working%20Paper%20No%2030%20Research%20to%20assess%20specific%20measures%20for%20road%20freight%20emission%20abatement%20under%20the%20a20ASIF%20framework.pdf



Case Studies

Green Tiger Group



“The car transport sector is a barometer of overall economic well-being”.

Green Tiger Group is the sole distributor for Toyota Ireland and Lexus in the Republic of Ireland, and in the UK the company is the distributor for the IM Group's Isuzu and Subaru vehicles. Director Sandra Dennehy says trading in recent years has been good.

“The car transport sector is a barometer of overall economic well-being,” Sandra explains. “Ireland's current strong economic performance and population growth sees a strong trend in new cars sales now and into the future. Toyota is well positioned in the market with its hybrid models and changes in UK excise duty post-Brexit has reduced importation of second-hand cars.”

Green Tiger has been trading since 1997 and has a fleet of 30 trucks. Imported cars are collected from Dublin Port and taken to the Toyota compound on the Killeen Road. From there, vehicles are transported to various Toyota and Lexus dealerships around the country.

According to Sandra: “Customers are increasingly looking to their transport and logistics provider to cater for multiple functions in the supply chain, including stock control and vehicle modification.”

“Challenges facing all sectors of transport is the availability of drivers and other staff, a massive increase in the cost of units and equipment, and compliance costs. The niche player can still achieve financial and operational success with a service tailored to its specific customers' needs by being an expert within its own sector.”

Sandra has been Deputy President of the Irish Road Haulage Association (IRHA) since 2023. Across IRHA members, she believes the driver shortage issue is the top concern, followed by the greening of the industry.

Sandra notes that while an electric rig might suit runs to and from Dublin Port, they don't suit transport runs from Dublin to Cork and elsewhere in the country.

She is also concerned about the residual value of electric trucks and the cost of replacement batteries. Her preference for reducing emissions is using HVO

biofuel to fuel the Green Tiger fleet – provided that the HVO cost is subsidised.

In Sandra's view, AIB has a deep sectoral knowledge of the transport and logistics sector.

“Their specialised asset finance team knows the industry and know the requirements of their clients,” she explains. “This personal contact has advantages for both the sector and the bank itself. Road transport and logistics is still predominately a family-owned sector, regardless of size, and the personal contact, assistance, and communication by AIB is excellent.”





Case Studies

O'Dwyer Transport & Warehousing

“Our customers were crying out for extra capacity, and we just took a plunge.”

O'Dwyer Transport & Warehousing (ODT) in Thurles does general haulage, mostly for multinational and semi-state customers. The family firm, which has 35 trucks, was established in 1983 and is led by director Brendan O'Dwyer.

ODT operates solely on the island of Ireland and in recent years the business has added warehousing, order processing and order picking to its service.

“In the past three years we have expanded our warehousing from 15,000 square feet to 150,000 square feet and we find it extremely beneficial,” says Brendan. “It’s profitable, it requires less labour and machinery, and it feeds into the transport as well.”

“Your capacity to warehouse will increase your capacity to deliver on the transport end, and it is really working well for us. Our customers were crying out for extra capacity, and we just took a plunge.”

Brendan instances the example of supermarket clients for whom ODT stores and delivers internal fridges for their stores. The fridges are shipped by the manufacturer to ODT’s two premises, and dispatched from Thurles around the country when the need arises.

“We deliver them on site at unearthly hours because that’s the only time the fitters can go in,” Brendan explains. “We get a call and then we order pick, process the paperwork, and dispatch the fridges within 24 hours to the site. Every stage for the process is documented, and with attention to detail you retain your customers and build on that.”

O'Dwyer Transport & Warehousing has moved with the times in terms of the green agenda. Solar panels have been installed at its sites, there are pollination areas too, and electricity for LED lighting is sourced from a green power provider. However, Brendan is more hesitant about investing in battery electric trucks.

“Electric will just not work for me. Our main route is Cork, Dublin, and the North. With an electric truck, you will struggle to get from Dublin to Lisburn and back. For customers who press us on sustainability, we are willing to go with HVO fuel for the trucks, but they need to come on board and cover that 19 cent extra per litre for us.”

O'Dwyer Transport & Warehousing used to source finance with a bank that has left the market and is now with AIB. “There is never an issue securing face-to-face meetings, and AIB have supported us the whole way through, with truck leasing finance and for the warehouse projects. I never knew my previous bank manager and now I have the AIB local bank manager’s mobile number on my phone.”



Brendan O'Dwyer
Director of O'Dwyer Transport
& Warehousing



Case Studies

Strong Growth at Rosslare Europort



“Our ambition is to expand the role of rail in supporting the logistics and supply chain industries.”

Post-Brexit, Rosslare Europort has seen a significant shift in haulage patterns, with many exporters and hauliers opting for direct routes to the continent.

To accommodate the shift, Rosslare Europort has increased its continental offering from six sailings per week to 36 sailings per week, servicing new destinations in Bilbao, Zeebrugge, Dunkirk, and has added additional capacity to Cherbourg. As a result, Rosslare Europort is now the number one port in Ireland for direct RoRo/RoPax sailings to the continent.

“Rosslare Europort has recorded record volumes of growth year-on-year for the past five years, which results in us having increased market share,” says Ben Radford, Commercial Manager at Iarnród Éireann, which operates the port.

Ben adds that the port has invested in infrastructure to expand key areas of RoRo, ConRo, trade freight and passenger transport. This includes the implementation of a smart port system with vehicle recognition and trailer tracking systems, enhancing the port’s efficiency and capacity.

“We have also increased the capacity of the port by purchasing an additional 18 acres of land to support the increase of freight traffic through the port,” he explains. “This year Rosslare Europort has regained additional trailer compounds which have been fully developed as part of our masterplan works.”

The port’s new Terminal Seven development will significantly upgrade the port’s infrastructure, including the construction of a new Border Control Post to comply with post-Brexit requirements. “The project is a multi-year endeavour, with the overall works expected to take c.28 months from commencement,” says Ben.

Rosslare Europort is also planning to develop an Offshore Renewable Energy (ORE) hub. Ben stresses that this development will not negatively affect the haulage and commercial users of the port, he anticipates that construction and operation of the hub will increase demand for logistics services.

“The renewable energy sector’s growth could lead to long-term partnerships and contracts, providing a steady stream of business for hauliers and commercial users,” he says.

Little of Ireland’s freight is currently moved by rail. Iarnród Éireann’s Rail Freight 2040 Strategy supports national decarbonisation objectives and proposes substantial investments to enhance rail freight development.

“Our ambition is to expand the role of rail in supporting the logistics and supply chain industries,” says Ben. “As with other countries, the development of a sustainable rail freight system in Ireland requires collaboration among policymakers, investment funders, transport users, logistics providers, ports, and local authorities.

“Shipping lines and local haulage companies have expressed an interest in future rail freight services and are willing to collaborate when Rosslare Europort is ready to do so.”



Ben Radford
Commercial Manager Irish Rail /
Rosslare Europort

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any branch, or visit
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transport-and-logistics](http://www.aib.ie/business/sector-expertise/transport-and-logistics)**

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