

The Committee Clerk  
Room 242  
Parliament Buildings  
Ballymiscaw  
Stormont  
Belfast  
BT4 3XX  
(by email)

30 April 2021

Dear Clerk of the Committee

**Re: Call for Evidence on the Damages (Return on Investment) (Northern Ireland) Bill**

**Background to the RHA**

1. The RHA is the leading UK trade association representing road haulage and distribution companies who operate HGVs and vans commercially and more recently Coach Operators. Our 7,200 members operate near to 250,000 HGVs out of 10,000 Operating Centres. Members range in size from single vehicle businesses to those with thousands of vehicles. Within Northern Ireland, the RHA represents 200 operators with access to 3500 HGVs including the 10 largest haulage companies within the region.
2. These road transport companies provide the people and businesses of the UK with the goods upon which we all depend - from food and clothing through to medicines, car parts and construction material. The Coach operators are also the backbone of the passenger service sector providing coach travel for tourism, entertainment, sporting and recreational events, the events sector and many other services.
3. Without lorries, vans and coaches delivering services to businesses and consumers, the economic and social wellbeing of the UK would be seriously impacted.
4. The RHA proactively encourages a spirit of entrepreneurialism, compliance, profitability, safety and social responsibility. We do so through a range of services, such as advice, representation, and training.

5. Our response is set within an overall UK context where 54,800 SMEs are involved in haulage and 52% of lorries operate in fleets of less than 20 (source: Traffic Commissioners - 2016/17). The purchase cost of an HGV starts from £85,000 and its life span is typically 12 years. However, depending on the application (e.g. mobile cranes), this can be for much longer (30+ years) and cost considerably more (£200k+). Due to the high efficiency of logistics, operators typically work on a 2% profit margin (source: Statistica 2021), meaning any additional costs incurred cannot be absorbed.
6. During the Covid-19 pandemic, UK policymakers have recognised lorry drivers as “key workers” and the value and critical nature of haulage to keep the economy functioning. The RHA will continue promoting the need for resilient, cost-effective and efficient supply chains and effective and sustainable coach sector.

### **Response**

7. The RHA understands the rationale for the introduction of the changes under this Bill in reforming the methodology for calculating Personal Injury claims in Northern Ireland given that it is currently out of alignment with the remainder of GB and fully supports the principle of the changes.
8. However, the RHA does not support the proposed changes from the previous rate applied within Northern Ireland of 2.5% Discount Rate to -1.75% which is out of alignment with Scotland at -1..25% and England and Wales at -.75%.
9. The majority of road haulage and coach companies within Northern Ireland compete for contracts within a UK national and International marketplace. As a consequence, any increased costs or disparity between the costs of operating a road haulage or coach business within the region places them at a competitive disadvantage when competing with businesses from other jurisdictions.
10. The proposed discount rate will lead to significantly increased insurance premiums for all NI businesses resulting in them having higher operating costs and being less competitive and more expensive to operate a business within the region.
11. This coupled to the significant increase in costs as a consequence of the outworking's of the new trading arrangements between GB and NI adds to business operating costs during a period when they can least afford it.

12. The following table illustrates the potential impact on selected discount rates will have on compensation payments.

Discount rate	Total award	
	40-year-old male with normal life expectancy	10-year-old female with normal life expectancy
2.5%	£2,652,000	£3,475,000
1%	£3,611,000	£5,557,000
-0.25%	£4,876,000	£9,128,000
-0.75%	£5,566,000	£11,470,000
-2%	£8,005,000	£21,931,000

13. Whilst there are no figures to illustrate the increase in premiums it is anticipated they will increase considerably.
14. We are surprised and disappointed with the approach adopted by the Department, which will result in Northern Ireland having the lowest Discount Rate in the world. The Department of Justice is persisting with an outdated and flawed methodology to calculate the Personal Injury Discount Rate. The Department's priority should be continuing its efforts and endeavouring to set a modern fit-for-purpose Discount Rate system for Northern Ireland similar to the rates in GB. This would result in Northern Ireland businesses not having inflated operating costs leaving them at a competitive disadvantage when competing with national and international businesses who have much lower operating costs.
15. We would ask the Department to undertake some market research to identify ball park figures of the potential increase in insurance premiums as a consequence of the proposed new discount rate and publish these to ensure businesses understand the potential costs involved.

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Yours sincerely

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