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Where working capital breaks

UK haulage in 2026: the numbers behind the squeeze, and the four fronts that determine business survival.

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As Head of Haulage and Logistics, Mark's responsibilities encompass both audit and advisory services.

Mark takes a straightforward, personable approach to working with clients. By developing a deep understanding of their business and financial performance, he helps them identify opportunities, make informed decisions, and achieve their goals. Building strong, genuine relationships is at the heart of his approach, enabling him to provide practical advice and tailored support that aligns with each client's business objectives.

In brief

For most of the trade press coverage this year, the story of UK haulage in 2026 has been the price at the pump. It is not the wrong story, but it is the wrong frame. Diesel is a trigger. It is not the mechanism that ends businesses. That mechanism is working capital.

The industry entered 2026 with very little room for error. Non-fuel operating costs were already rising faster than most operators could recover through rates, and typical margins remained thin. The Middle East conflict then triggered a sharp fuel shock, exposing how many contract books had no effective protection built in. The RHA's June survey put numbers to what many operators were already feeling: most respondents reported margin pressure, more than half reported cashflow pressure, and fewer than four in ten were confident they could continue operating under current fuel conditions.

Insolvencies have followed the shape one would expect. There were 2,085 corporate insolvencies in England and Wales in April 2026, 3% higher than a year earlier, before easing to 1,868 in May. Transport and logistics collapses have continued through the spring and summer, and where the details of individual administrations have been published, the language is familiar: fuel, rising overheads, driver costs, pressure on rates, and finally, cashflow.

"And finally, cashflow" is where the actual damage happens. Two hauliers with identical fleets, identical customer books and identical fuel exposure can end the same quarter in very different places, because one has priced its work to the mile, embedded a fuel escalator in its contracts, tightened its invoice-to-cash gap, and sized its bank facility for the shocks it now sees. The other has done one or two of those, and is quietly funding the difference from equity it will not get back.

Section four sets out The Four Fronts of Working Capital Resilience: cost-to-serve visibility, fuel pass-through, the collection gap, and financing headroom. Each front matters on its own. They matter more in combination. Holding three of the four, which was enough to carry most viable operators through 2023 and 2024, is no longer enough in 2026.

Diesel is a trigger. It is not the mechanism that ends businesses. That mechanism is working capital.

Beyond fuel: why working capital is deciding who survives in 2026

Why this paper, and why now?

Haulage has always been a low-margin industry that moves large sums of money through small windows. In stable years, that is a manageable design. 2026 has not been a stable year. A cost base already rising faster than the rates it charges was met, in March, with a fuel shock that most operators had no adequate contractual protection against, and the survival gap between well-run and less-well-run businesses has visibly widened as a result.

This paper is written for owners and finance directors of independent haulage operators, the businesses that carry the majority of the UK's freight, employ the majority of its drivers, and now form the majority of its insolvency statistics. It sets out the 2026 backdrop through the numbers that matter, then offers a framework operators can hold against their own business to see where the working capital is actually breaking.

It does not attempt to predict the fuel price, the pace of cost inflation, or the timing of the next shock. Those are unknowable. It focuses instead on the things owners can control, and on the parts of the commercial model that seem to be doing the real distinguishing work between operators who come out of this year stronger, and operators who do not come out of it at all.

Reading the numbers behind the noise

The Road Haulage Association (RHA)'s most recent cost movement work, published at the end of 2025, showed non-fuel operating costs rising ahead of both general inflation and the rate increases many operators have been able to secure from customers. Employment costs remain a central part of that pressure, but the issue is not simply that wages are rising. Pay growth has been uneven, some firms have not been able to move pay at all, and the driver supply position remains structurally tight. The result is a cost base that is still moving upwards while the labour market gives operators little room to ease the pressure.

Read carefully, that is not a story about wages being too high. It is a story about a workforce ageing out of the industry faster than it can be replaced, in a labour market where the mid-market operator cannot easily match the wages of the largest customers' in-house fleets, and where holding onto the drivers already in the cab increasingly depends on stability the operator itself is finding hard to provide.

Sitting behind all of this is the profitability line. Margins across the road freight sector remain in the region of 2%. That is not new information to anyone running one of these businesses. What is newer, when I look at the management accounts of operators under real pressure this year, is how little the cost work of the last three years has moved the underlying number. Renegotiating supplier terms, running maintenance harder, thinning the general overhead: all of that has been done, in most cases repeatedly. The trouble is that the same operators are being asked to absorb another round of cost inflation on top of a base that was already stripped, and there is only so far that process can be run.

The Logistics UK Logistics Report 2026, published in early June, put the sector's gross value added (GVA) contribution to the UK economy at £175bn, up 3% year on year, and reminded the political conversation that logistics employs around 8% of the UK workforce. Both figures matter, and both are true. But sector totals disguise sector distribution. Logistics UK's GVA figure grows partly because the largest operators grow. Underneath that number is a long tail of independent and family-owned firms whose share of the total is not what it was, and whose ability to bear a shock has narrowed materially even as the headline sector has expanded.

There is also a compounding effect on the workforce side that does not appear directly in the cost survey and matters commercially. Employer National Insurance and minimum wage changes over the past eighteen months have raised the effective floor cost of every driver hour, whether that hour is billed at full utilisation or not. Empty running, waiting time and yard time now cost more per hour than they did on the last rate card review, and the operators who have not repriced against that reality are quietly running a fuller cost base than the customer is paying for.

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The fuel shock and what it exposed

Diesel prices moved sharply from March onwards, as the conflict in the Middle East pushed the oil price above levels the industry had not planned around. The RHA has reported forecourt diesel up around 35% over the three months to early June. The Competition and Markets Authority's road fuel monitoring work makes clear that this is genuine cost pass-through: retailer margins between February and March were broadly in line with the average through 2025, meaning the pump price rise reflects the wholesale price rise rather than any widening of the retailer margin. In other words, this is not a story about profiteering. It is a story about a genuine input cost shock landing on an industry that had not built adequate contractual protection against it.

For the operator, the source of the rise is largely academic. The commercial question is whether the increase is being covered by the customer or funded by the haulier. On that question, the RHA survey painted a stark picture. The impact was not confined to a small group of distressed operators: most respondents reported margin pressure, more than half reported cashflow pressure, and fewer than four in ten were confident they could carry on operating under the fuel conditions described.

Those numbers are worth reading closely, because they say something specific. It is not that 85% of the sector cannot afford diesel at £1.80 a litre. Diesel at that level is a manageable operating cost if the customer is paying for it. What those numbers describe is a contract book that is not passing the rise through, or is passing it through so slowly and so partially that the operator ends up funding weeks or months of the difference from its own cash. That is the working capital story, not the fuel story.

The Insolvency Service data has followed the pattern one would expect from those pressures. Corporate insolvencies across England and Wales remained elevated through the spring, even allowing for some month-to-month movement. The Service does not publish haulage as a distinct Standard Industrial Classification (SIC) section, so any specific claim about "haulier insolvencies" comes with a health warning, but the broader transport and logistics collapses reported through the period have carried a consistent set of factors in their administrator reports: fuel, rising overheads, driver costs, pressure on rates, and cashflow.

Cashflow is almost always at the end of that list, and almost always the actual cause of formal insolvency. The others are pressures. Cashflow is the mechanism through which the pressures become terminal. A haulier that has funded 90 days of a fuel rise from its overdraft, on top of the 60 to 90 days its customers already take to pay, on top of the wage bill that continues to run weekly, does not need any one of those pressures to be catastrophic. It needs only for the combination to outrun the working capital facility. This year, for a rising number of operators, it has.

The right way to read the trade press stories about failed hauliers is not through the fuel line. It is through the question of what the working capital position looked like the week before the fuel spike arrived. Where the facility had headroom, the contract book had escalators and the collection cycle was tight, the shock was absorbable. Where any one of those was weak, and often it was more than one, the shock was terminal.

The four fronts of working capital resilience

The rest of this paper is about what separates the operators for whom 2026 has been hard but survivable from those for whom it has not. The pattern is unusually consistent. Operators who have kept the wheels on this year have not, in general, done anything extraordinary. What they have done is hold four commercial disciplines simultaneously, where operators in real distress have typically held one or two.

That is the framework we are calling the four fronts of working capital resilience.

01 Cost-to-serve visibility

02 Fuel pass-through

03 The collection gap

04 Financing headroom

Each front matters on its own. What matters more is that all four are held together, because they interact. A haulier with a perfectly designed fuel escalator that does not know its actual cost-to-serve by lane is still under-recovering. A haulier with clean cost-to-serve numbers and slow customer collections is still funding the gap from equity. The disciplines are additive individually and multiplicative in combination. Operators who held three of the four could ride out most of 2024 and 2025. In 2026, holding three has stopped being enough.

The four fronts explained

Cost-to-serve visibility

The first discipline is knowing, to a defensible level of precision, what a given piece of work actually costs to deliver. Not the average cost per mile across the fleet, and not the target cost per mile in the rate card, but the loaded cost of a specific job on a specific lane with a specific vehicle and driver combination, including empty running, waiting time, driver overtime, tyres, insurance, licences and the depreciation the accounts are running against that unit.

The reason this matters more in 2026 than it did in 2022 is not that the calculation has changed. It is that the underlying inputs have moved faster than most costing spreadsheets have been rebuilt to reflect. Employment cost rises, insurance rises, tyre and parts inflation, the compounding effect of employer National Insurance changes: the cost base that a rate card was built on is often eighteen or twenty-four months old, and the rate is now under-recovering without anyone in the business having noticed. Under-recovery on marginal work is where operating profit disappears without a visible cause.

The diagnostic question for this front is short. If you were asked, this afternoon, what your fully loaded cost per operating hour is on your three largest customer contracts, would the answer come from your current management accounts, or from an assumption last calibrated in a different year?

Fuel pass-through

The second discipline is contractual. A well-designed fuel escalator has three things: a defensible baseline, an agreed reference index, and a short review cycle. The baseline sets the fuel price at contract inception, expressed either as pence per litre or as a percentage of the rate. The reference index is a publicly published, third-party price, typically a Department for Energy Security and Net Zero (DESNZ) weekly forecourt series or a bulk price index rather than a made-up number that neither side can independently verify. The review cycle sets how often the pass-through is recalculated. Weekly is best where the customer can accept it, monthly is more commonly acceptable, and quarterly is the point at which the mechanism starts to fail its purpose in a market that is moving as it did in March and April.

Where operators are under stress this year, the escalator has usually failed on one of those three points. Either the baseline was set at the low end of the range, so the recovery kicks in later than it should. Or the reference index is a market-wide average rather than a series that reflects the operator's actual bulk purchase economics. Or the review cycle is long enough that a March fuel spike is still being absorbed by the haulier in June. All three can be fixed at contract level, and all three fixes are easier to negotiate now, with the fuel line in the news, than in a calmer year.

The diagnostic question for this front is arithmetic. Across your largest three or five contracts, what percentage of the fuel cost rise since February has been passed through to the customer by the current date? If the answer is materially below 70%, the mechanism is not working, and the working capital consequences are already showing up somewhere on the balance sheet, whether or not they have been named.

The collection gap

The third discipline is invoice-to-cash. The gap between the date the operator commits cash to a job, in the form of fuel, driver pay, tyres and tolls, and the date the customer's payment lands in the bank is working capital the business has to fund from somewhere. Every day added to that gap is a day of overdraft interest or of equity tied up in trade debtors.

Contractual terms in the industry sit in the 30 to 60 day range, with larger customers routinely pushing 60 to 90. The gap that actually matters is not the contractual term but the effective one: the median number of days between job completion and cash receipt across the customer book, weighted by exposure. A 45-day contractual term with a customer that reliably pays on day 55, combined with a slow internal invoicing process that adds a further seven days at the front end, is not a 45-day working capital cycle. It is a 62-day cycle, and the business is funding the difference.

Three actions typically move this number. The first is invoicing discipline: reducing the internal lag between proof of delivery and invoice raised, which is often surprisingly large in operators that have grown quickly through a period of stable trading. The second is terms conversations, not with every customer, but with the ones whose average days-to-pay has drifted materially beyond the contract. The third is selective use of invoice finance on the largest and slowest payers, where the arithmetic of the finance cost is favourable against the alternative of funding the gap from the overdraft, which in most facilities today it is.

The diagnostic question here is how many days sit between proof of delivery and cash in the bank, weighted across the customer book. If that number is not being tracked monthly, it is almost certainly higher than the assumption behind the cashflow forecast, and the gap between the two is the working capital the operator is silently funding.

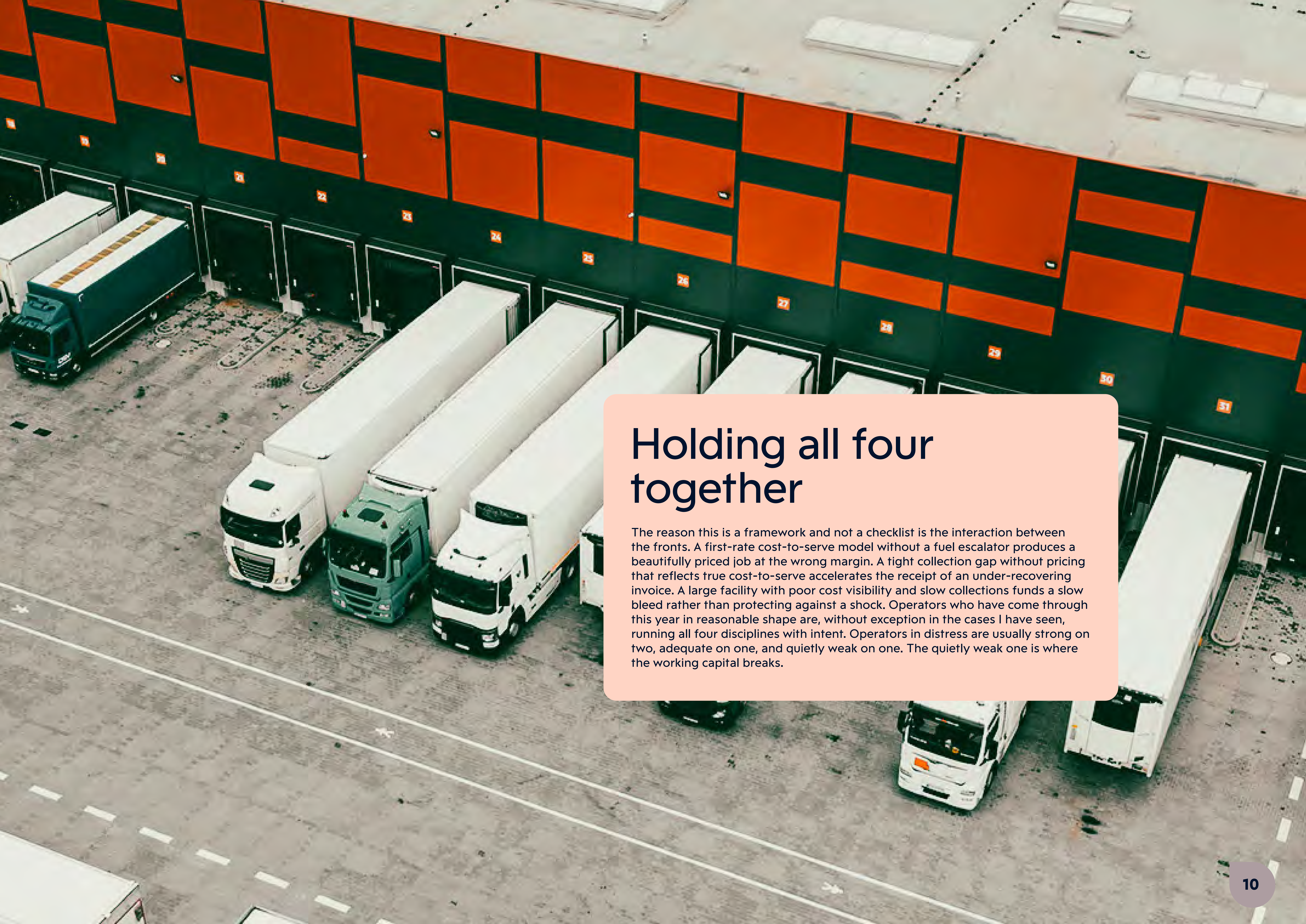
Financing headroom

The fourth discipline is about the bank facility. Working capital facilities set in 2022 or 2023 were, in most cases, sized against a business that no longer exists. The same fleet doing the same work now consumes more cash per week than it did then, because fuel is more expensive, employment costs are higher, and the effective collection gap has usually widened.

The point is not that every operator needs a larger facility. It is that the facility that felt comfortable eighteen months ago may now be sitting closer to its ceiling than the operator realises, and that a further shock, of the kind 2026 has already delivered once, could push it through. Sizing the facility for the business as it is now, and for one further shock of a reasonable magnitude, is a different exercise from sizing it as a routine annual review. It usually requires a fresh forecast, refreshed lender documentation, and an honest conversation about the covenants attached.

There is a timing point here that is easily missed. The window in which a lender is most willing to have this conversation constructively is when the business is visibly under industry stress but is itself demonstrating the other three disciplines.

A facility conversation opened in a month where sector news is unhelpful but the operator's own numbers, escalators and collections tell a coherent story of a business managing itself well is a very different conversation from one opened after a covenant has already been touched. The diagnostic question for this front is whether the current facility, at its current headroom, would carry the business through a repeat of the March to June 2026 fuel move, assuming customer collections behaved as they actually did through that period. If the honest answer is no, the facility is under-sized for the world the operator is now trading in, and the correction is easier now than after another shock has arrived.



Holding all four together

The reason this is a framework and not a checklist is the interaction between the fronts. A first-rate cost-to-serve model without a fuel escalator produces a beautifully priced job at the wrong margin. A tight collection gap without pricing that reflects true cost-to-serve accelerates the receipt of an under-recovering invoice. A large facility with poor cost visibility and slow collections funds a slow bleed rather than protecting against a shock. Operators who have come through this year in reasonable shape are, without exception in the cases I have seen, running all four disciplines with intent. Operators in distress are usually strong on two, adequate on one, and quietly weak on one. The quietly weak one is where the working capital breaks.

Implications and what to watch for

The 2026 picture is unlikely to resolve quickly. The 5p fuel duty cut now runs to the end of December, after which it is due to unwind in stages through to March 2027, with duty then expected to rise with RPI from April 2027. Non-fuel cost inflation is not showing signs of returning to its pre-2022 range. Driver supply remains structurally short. The customer end of the market, where the pressure to hold rates flat sits, is unlikely to soften materially through the second half of the year.

None of that argues for defeatism, and the numbers do not support it either. Logistics UK's GVA figure is up 3% year on year on a base of £175bn. The sector is not shrinking in aggregate. The May insolvency figure was materially below the same month a year earlier. There is genuine capacity for a well-run haulier to take share from operators who cannot hold the four fronts, and there is genuine investment appetite in the buyer market for operators who can demonstrate the disciplines are in place. What the picture does argue for is that "keeping going" has stopped being a strategy that carries a business through by itself, and that the operators who will benefit from the shakeout have already started the commercial work that the ones who are struggling have not.

For owners, the practical work is uncomfortable but familiar. Refresh the cost-to-serve model to current cost inputs. Audit the fuel escalators in the top ten contracts, in order of exposure. Track the effective collection gap monthly, not annually. Have the facility conversation now, while the reasons are visible and lenders are still working within a policy of supporting viable operators through a known industry stress. None of these actions will resolve 2026 by themselves. Taken together, they are the way the operators who came through 2022, 2024 and now 2026 have consistently distinguished themselves.

The fuel headlines will continue for some time. The businesses that survive them will be the ones who understood, before the next spike, that the story was never really about fuel.

'Keeping going' has stopped being a strategy that carries a business through by itself.

Three watchpoints for the second half of the year, in order of near-term importance.

#1

Whether the Budget on 28 October confirms the staged reversal of the 5p cut from January, and whether fuel duty is decoupled from RPI ahead of the planned April 2027 uprating. The difference to the industry cost base into 2027 is significant.

#2

Whether customer payment behaviour deteriorates further; the effective collection gap is a lead indicator for insolvency roughly one quarter ahead.

#3

Whether wholesale diesel prices settle back or spike again. The facility should be sized against a second spike of similar magnitude landing on a position already weakened by the first, not against the base case.

Sources

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About the author

Mark Skellum is Partner and Head of Haulage and Logistics at Ballards. He works with family-owned and regional haulage operators across the Midlands and beyond on margin, capital allowances, working capital and the financial decisions that come up when fleets refinance, expand or change hands.

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If anything in this document has prompted a question about your own business, we would welcome the conversation.

The first conversation costs nothing. We do not ask for accounts, we do not ask for commitments, and we do not assume every conversation will lead to engagement.

We do believe that a structured half hour with an advisor who understands the sector is a more useful way to test your thinking than another six months of working with the same questions on your own.

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