



OXFORD CAMBRIDGE AND RSA EXAMINATIONS

**LEVEL 3 CERTIFICATES OF PROFESSIONAL
COMPETENCE**

05608

UNIT 4 MANAGING NATIONAL ROAD HAULAGE TRANSPORT OPERATIONS

FRIDAY 5 SEPTEMBER 2008

TIME: 2 HOURS

SCENARIO

BACKGROUND

You left school at the age of 17 and took up an engineering apprenticeship with a local company. Five years later, and having completed your apprenticeship, you were made redundant by the company. You used your redundancy payment to buy a new 3.5 tonne box body van and advertised your services as a “man and a van”.

Current operations

Your sole trader business, based in Grays, Essex, has been successful and now, six years after starting up, you operate a total of seven 3.5 tonne box vans. You also provide occasional work for two local owner drivers, one of whom has a 3.5 tonne panel van and the other has a 7.5 tonne box vehicle. Each of these external operators operate as separate businesses and you simply buy in haulage services from them as and when you need them. You still regularly drive one of your vehicles yourself and you employ six other full time drivers and also employ an office manager who looks after administration, accounts and all other paperwork.

Your current work comprises regular contracts for carrying parts for three local engineering firms, the collection of antique furniture from a local auction house for delivery to buyers' premises and the occasional transport of other goods as a result of local advertising.

Future plans and opportunities

You are now ready for further expansion but you recognise that in order to do this you will have to purchase additional vehicles since your own present fleet is fully committed. In particular, you believe that it may be possible to win two contracts for which you intend to produce quotations. Both of these contracts are currently handled by other carriers and so there is no guarantee that you will win them. Details of the two possible contracts are as follows:

Contract one

A weekly (Monday) collection of ten pallets weighing a total of ten tonnes from a factory based 25km from your location and for delivery in Rotherham which is 300km away from the collection point. Loading would take one hour and unloading would take 20 minutes. The driver would be required to assist with both activities.

The same customer would provide a return load of five pallets (weighing a total of five tonnes) from Manchester which is 100km from Rotherham to a factory in Maidstone which is 250km from Manchester and 50km from your location. Loading and unloading of this consignment each take 15 minutes and the driver is required to assist with these operations.

The outward load can be collected from 0800 hrs. The Rotherham consignee is open from 0800 hrs to 1730 hrs and both the Manchester consignor and the Maidstone consignee are open from 0900 hrs to 1700 hrs.

Contract two

Daily (Monday to Friday) collections of two loads from a customer located 50km from your base.

One load consists of one pallet weighing one tonne and destined for High Wycombe which is 160km from your customer. High Wycombe is 120km from your base.

The other load comprises two pallets weighing a total of two tonnes and is destined for Luton which is 60km from High Wycombe, 180km from your customer and 140km from your location.

Loading and unloading each take 10 minutes per pallet and drivers are expected to assist with this.

The outward loads can be collected from 0800 hrs each day. Both consignees are able to receive goods at any time. The contract will operate for 52 weeks each year.

Financial information

You have investigated the costs of acquiring vehicles of various types. You have recognised that these could either be purchased or leased. The relevant information is as follows:

	3.5t box	7.5t box	18t box	26t box
Purchase price (excluding original tyres)	£20,000	£28,000	£45,000	£60,000
Expected life	4 years	5 years	6 years	6 years
Expected residual value	£5,000	£7,000	£10,000	£15,000
Monthly lease charge for 4 year lease	£320	£850	£1250	£1875

You have also researched the operating costs for the various vehicle types which are set out below:

	3.5t box	7.5t box	18t box	26t box
VED	£165pa	£165pa	£650pa	£650pa
Insurance	£800pa	£1000pa	£1500pa	£1500pa
Maintenance	£600pa	£800pa	£1000pa	£1200pa
Fuel	9km/litre	5km/litre	4km/litre	3km/litre

Driver costs for 52 weeks work are estimated at £20,000 for drivers with only category B entitlement, £24,000 for drivers with category C1 entitlement and £30,000 for drivers with category C entitlement.

Fuel costs £0.70 per litre.

You account for depreciation on the indicated purchase price less expected residual value for owned vehicles on a straight line basis over the anticipated vehicle life.

You estimate that the administration costs that you will need to recover in respect of contract one are £20,000 per annum and £36,000 pa in respect of contract two. These figures include all salary costs (although you do not draw a salary for yourself).

You expect to add a mark up of 20% to your total costs.

Operational information

You have calculated that the various types of vehicles would be able to average the following speeds if undertaking either of the new possible contracts:

3.5t box	7.5t box	18t box	26t box
80kph	70kph	50kph	50kph

All drivers need to spend 15 minutes at the beginning of each day for vehicle checking.

Rejected work

A few weeks ago you were asked by a local farmer if you could transport a few sheep to market for him. The market is 110km from the farm. You decided to turn down this possible work as you have no experience in the carriage of livestock and you do not think that your vehicles would be suitable.

Strategic planning

In recent times, you have been providing work more frequently to Dave Morgan who is the external sole trader operator of the 7.5 tonne box vehicle. You are considering how you might work even closer with him in the future to your mutual advantage.

You are very aware that, as your business grows larger, so the financial risk that you are taking increases proportionately. You realise that if you decide to purchase additional vehicles you will only be able to source part of the funds required from your own resources.

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