



OXFORD CAMBRIDGE AND RSA EXAMINATIONS

**LEVEL 3 CERTIFICATES OF PROFESSIONAL
COMPETENCE**

05608

UNIT 4 MANAGING NATIONAL ROAD HAULAGE TRANSPORT OPERATIONS

FRIDAY 3 DECEMBER 2010 12.45pm – 2.45pm

TIME: 2 HOURS

SCENARIO

Case study scenario

Having completed your motor mechanic apprenticeship five years ago, you decided to keep your hands clean in future. With the financial assistance of a rich uncle, you purchase a new 3.5 tonne GVW box van and set yourself up in business as a sole trader based in Stirling.

Initially business is slow and you take the opportunity to gain your LGV Category 'C' driving entitlement. In the next five years, however, your business becomes very successful and you now have a fleet of eight 3.5 tonne GVW box vans which are fully committed.

In addition you have sub-contracted work to a number of local sole traders, especially your cousin John Grainger, who operates a 7.5 tonne GVW box van.

Future Expansion

You are aware that further expansion will only be possible if you:

- invest in larger vehicles
- apply for a Standard National Operator's Licence
- employ additional staff with Category 'C1' and 'C' licences or train your existing staff
- obtain further contracts.

You are currently considering the potential contracts.

Contract One

Two loads per day, Monday to Friday, 52 weeks per year to be collected from a customer in Glasgow, 60 kilometres from Stirling.

One load is destined for Berwick which lies 160 kilometres from Glasgow. The distance from Berwick to Stirling is 140 kilometres. The second load is destined for Carlisle which is 100 kilometres from Berwick, 160 kilometres from Glasgow and 220 kilometres from your base in Stirling.

The contract could be completed using either two 3.5 tonne GVW box vans or one 7.5 tonne GVW box van on a round trip. Each driver will commence work at 06.45 and take 15 minutes to check the vehicle. At the end of his working day the driver will take 15 minutes to complete his paperwork. The loading times for each of the 3.5 tonne vehicles will be 30 minutes, and 60 minutes for the 7.5 tonne vehicle. The drivers will not be expected to assist with the loading.

At the delivery point(s) the unloading will take 60 minutes at Berwick and 45 minutes at Carlisle and the drivers will be expected to assist. The vehicles will return to Stirling unladen.

Contract Two

A weekly collection using, an 18 tonne GVW box van, of flat pack furniture weighing 10 tonnes from a customer located in Motherwell, 75 kilometres from Stirling, for delivery to Aberdeen which is 225 kilometres from Motherwell. The customer will provide a return load from Inverness, which is 150 kilometres from Aberdeen, to Kilmarnock which lies 225 kilometres from Inverness and 75 kilometres from your base in Stirling.

At both Motherwell and Inverness the loading will take 60 minutes and the driver will not be expected to assist. The unloading at Aberdeen and Kilmarnock will each take 30 minutes and the driver will be expected to assist with the unloading.

The driver will commence work at 06.45 and take 15 minutes to check the vehicle at the start of the day. At the end of the working day the driver will take 15 minutes to complete his paperwork. All delivery points will accept goods from 07.00 to 21.00 hours.

Contract Three

A syndicate of local farmers has approached you regarding a weekly movement of sheep to an abattoir in Manchester, 400 kilometres from Stirling. The driver will commence work at 06.45 taking 15 minutes to check the vehicle.

The sheep will be collected from a communal pick-up point which is 60 kilometres north of Stirling and 460 kilometres from Manchester. The loading of the sheep will take 60 minutes and the driver will not be expected to assist.

On arrival at Manchester, the unloading will take 30 minutes and the driver is not expected to assist. The driver will then spend 60 minutes disinfecting the vehicle before returning to Stirling unladen. On arrival in Stirling the driver will take 15 minutes to complete the paperwork.

As your knowledge of EU Regulation 1/2005 and the relevant Welfare of Animals Transport Order is limited, you have asked the syndicate for time to investigate the problems attached to such a contract, especially with regard to modifying a 26 tonne GVW box van, which will be purchased if the quotation is successful. You are particularly concerned about the legal requirements relating to both vehicle specification and driver training.

Contract Four

You have been approached by a multi-national chemical firm based in Grangemouth, 40 kilometres from Stirling, regarding delivery of their product to Newcastle, 280 kilometres from Grangemouth.

The product has been allocated UN Packing Group 2 and is Class 3 Flammable Liquids carried in 210 litre drums. Each consignment will vary in weight from between 10,000 kg and 15,000 kg. A 26 tonne GVW vehicle will meet the requirement. The delivery will be on one day each week. The driver will commence his duty at 06.45 and take 15 minutes to check the vehicle. The driver will not be expected to assist with either the loading or unloading of the vehicle, each of which takes 60 minutes. The vehicle will return unladen to Stirling, which is 240 kilometres from Newcastle. On arrival at Stirling the driver will take 15 minutes to complete the paperwork and 60 minutes to clean the vehicle.

You have consulted with a freelance DGSA to seek advice in complying with the Carriage of Dangerous Goods and the Use of Transportable Pressure Equipment Regulations 2009.

IMPLICATIONS OF THE PROPOSED EXPANSION

Financial Implications

With the possible expansion of your business, you have become aware of the risks of remaining a sole trader. You have arranged to meet your accountant to discuss changing your business status to that of a Partnership or Private Limited Company with your cousin John Grainger. John has indicated that he can give you financial assistance with the purchase/lease of new vehicles, operating centre and maintenance facility.

Staff

New drivers will have to be employed and some existing staff may need to gain additional entitlements and undergo additional training. Additional administrative staff will have to be recruited.

Operator Licensing

As the new vehicles you will be purchasing/leasing will be in excess of 3.5 tonnes, you will have to apply for an 'O' Licence.

Maintenance

Until now, as a trained mechanic, you have serviced your own vehicles in a rented lock-up. With the potential acquisition of new larger vehicles, you will have to decide whether to maintain the vehicles in house, or enter into a contract with a competent garage.

Operating Centre

With the present fleet of 3.5 tonne vehicles you have overcome the parking problem by allowing your drivers to take the vehicles home with them. You will need an operating centre big enough to accommodate the larger vehicles as well as the present fleet. You will also require office accommodation for your administration staff.

Insurance

At present you are running your business with only the minimum legal cover required. In the event of the business expanding, you anticipate that additional insurances may be necessary.

Financial Information

You have researched the costs of purchasing or leasing vehicles of various sizes. The information is set out below.

	3.5 tonne	7.5 tonne	18 tonne	26 tonne
Purchase price (exc. original tyres)	£25,000	£30,000	£48,000	£60,000
Expected life	5 years	6 years	6 years	6 years
Expected residual value	£5,000	£6,000	£8,000	£10,000
Monthly lease charges (excluding maintenance if applicable)	£350	£420	£1,200	£1,800

The operating costs are shown below.

	3.5 tonne	7.5 tonne	18 tonne	26 tonne
VED	£180 pa	£180 pa	£700 pa	£700 pa
Insurance	£900 pa	£1,000 pa	£1,700 pa	£1,700 pa
Maintenance	£600 pa	£800 pa	£1,000 pa	£1,200 pa
Fuel consumption	10 km/litre	6 km/litre	5 km/litre	4 km/litre
Drivers' wages (inc. NI cont.)	£22,000pa	£26,000pa	£32,000pa	£32,000pa

Fuel cost £1.00 per litre

Depreciation

The depreciation of the vehicles will be calculated using the straight line method.

Mark-Up

In each contract you will apply a 20% profit markup, in your calculation.

Administration Costs

You estimate that the administration costs that need to be recovered will be £24,000 per annum for Contract One, £18,000 per annum for Contract Two and £10,000 each per annum for Contracts Three and Four.

Operational Information

The average speed of vehicles is shown below.

3.5 tonne	7.5 tonne	18 tonne	26 tonne
80 kph	80 kph	75 kph	80 kph

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