



OXFORD CAMBRIDGE AND RSA EXAMINATIONS

**LEVEL 3 CERTIFICATES OF PROFESSIONAL
COMPETENCE**

05608

UNIT 4 MANAGING NATIONAL ROAD HAULAGE TRANSPORT OPERATIONS

FRIDAY 4 DECEMBER 2009

12.45 pm – 2.45 pm

TIME: 2 HOURS

SCENARIO

Personal Background

Since leaving school you have worked as a civil servant but have always relished the idea of running your own business. You have recently inherited a substantial sum of money and have agreed to invest in and take part in the running of your uncle's successful transport business – OCR Transport. In preparation for this role you have recently acquired a C+E driving entitlement, an ADR vocational training certificate and a relevant DGSA qualification.

Business Background

Your uncle, John McKenzie, has been trading as OCR Transport, originally as a sole trader since the start of the business in Inverness in 1978. Over the years it has become one of the largest haulage, distribution and storage firms in the North of Scotland. The status of the business changed to that of a partnership when his sons joined the firm in 1993. His sons have now left the partnership to pursue their own business interests and it is envisaged that your investment will be used to create a new business structure with you as transport manager.

Recently, your uncle asked you to meet him to discuss drawing up a partnership agreement and to consider, as an alternative business structure, the creation of a limited liability company. At the meeting he also advised you that the firm had secured two new contracts.

Management Issues

Your uncle has confided that he feels uneasy that certain areas of management of the business have not been carried out well in the past. His key concerns are as follows:

Drivers' Hours and Tachograph Records Infringements

This has been highlighted by the number of warning letters received from the Traffic Commissioner (DoE, NI). The problem relates mainly to tachograph records and is a consequence of the lack of induction training, retraining and disciplinary action.

Poor Maintenance

This has been highlighted by the number of prohibition notices issued by VOSA over the past three years. Your uncle feels three factors have caused this problem: 1) poor maintenance by the firm's outside contractor; 2) the failure of drivers to carry out comprehensive daily vehicle checks; 3) the absence of written driver defect reports. Your uncle has asked you to examine the possibility of bringing maintenance "in-house".

Road Traffic Offences

There have been, of late, noticeable increases in the number of fixed penalty notices received in respect of breaches of loading and unloading restrictions. Also increased have been the number of speeding prosecutions and the number of road traffic accidents.

Accidents within the Premises

There have been a number of accidents occurring within the premises, resulting in injuries to staff. Health and Safety Inspectors have investigated and have issued improvement notices requiring that the firm carries out risk assessments to establish why the accidents have occurred and how to eradicate them.

Lack of Insurance Cover

Your uncle has advised you that the business currently only has two insurances – Comprehensive Motor Insurance to cover the vehicles and trailers and Employer's Liability Insurance for the employees. He feels that such cover might prove inadequate in relation to the risks encountered in the running of the business. He has asked you to investigate all potential risks that could be encountered and the insurance that would have to be put in place to cover these risks. He has told you that you can exclude loss of money or fraud as the company does not deal in cash sales.

Staff Problems

As the business has expanded, staff morale, which was excellent in the early years, has deteriorated. This, it would appear, has been caused by a breakdown in the chain of command. You have been told by some of the longer serving drivers that they believe that the business management structure is top-heavy. The situation has caused resentment and confusion amongst management and staff and has probably had an adverse effect on customer relations.

The situation has been exacerbated by a significant increase in staff turnover in recent years. In particular a number of experienced workers have left recently and your uncle is perplexed as to why this should be happening.

New Contracts

Contract One

Driving from Inverness to Oban, collecting frozen lobsters, prawns, etc. and delivering to Glasgow, Manchester and London, returning to Inverness.

Journey Information

From	To	Distance (kilometres)	Average Speed (kph)
Inverness	Oban	192	64
Oban	Glasgow	160	64
Glasgow	Manchester	360	80
Manchester	London	320	80
London	Inverness	760	80

The driver starts work at 0630. The driver has 30 minutes to do his daily vehicle checks each day and 60 minutes to clean his vehicle and hand in his paperwork on his return to Inverness. The loading time at Oban will be 2 hours 30 minutes.

Unloading at Glasgow, Manchester and London will each take one hour. The driver will be expected to help with both the loading of the vehicle at Oban and unloading at London, but not with the unloading at Glasgow. At Manchester the vehicle will be unloaded whilst the driver takes a daily rest period.

The first trip starts on a Tuesday. Each Monday the driver drives for 10 hours on a separate unconnected contract and takes a regular daily rest period before continuing driving on Contract One the following day. A different driver is used for the second round trip, enabling the first driver to take full advantage of all concessions available under the driver's hours regulations.

Contract One will necessitate the purchase of a 40 tonne, 2 axle unit and a tri-axle refrigerated trailer costing £100,000 in total.

Contract Two

The driver starts work at 0700. Driving from Inverness to Aberdeen, collecting methanol from a chemical factory and delivering it to a paint manufacturer in Newcastle.

Journey Information

From	To	Distance (kilometres)	Average Speed (kph)
Inverness	Aberdeen	160	64
Aberdeen	Newcastle	360	80
Newcastle	Inverness	400	80

The driver has 30 minutes to do his daily vehicle checks and collect his paperwork at the start of his shift and 15 minutes to hand in his paperwork at the end of his working day. The loading and unloading times will both be 60 minutes. The driver will be required to help with the loading of the vehicle at Aberdeen but not with the unloading at Newcastle.

The contract is for three round trips per week and will necessitate the purchase of a 38 tonne 2-axle articulated unit and a tri-axle tank trailer costing £90,000 in total.

Fleet Information

The business holds a Standard Operator's licence (Road Service Licence, NI) issued by the Scottish Traffic Area. The licence currently authorises 32 vehicles and 6 trailers. The current fleet consists of:

4 x 3.5 tonne vans
6 x 7.5 tonne box vans
10 x 17 tonne rigid curtain sided vehicles
10 x 18 tonne rigid box vehicles
4 x tractor units for articulated vehicles
4 x tandem-axle semi trailers
2 x 32 tonne rigid drawbar combinations

Note 1: The two new vehicles for the new contracts are not included in the above list.

Note 2: All company non-LGV drivers passed their tests after 1st January 1997. All LGV drivers passed their tests after 1st April 1991.

Company Personnel

1 General Manager (John McKenzie)
1 Personal Assistant (to General Manager)
1 Transport Manager (You)
1 Distribution/Warehouse Manager
1 Office Manager
2 Traffic Supervisors
2 Warehouse Assistants
1 Forklift Driver
2 Admin Assistants
40 Drivers

Financial Information

Listed below are the key figures regarding the operational costs of both the new refrigerated vehicle and the new tanker.

	Refrigerated Combination	Tanker Combination
Purchase price (inc tyres)	£100,000	£90,000
Cost of original tyres	12 @ £300 each	12 @ £280 each
Vehicle insurance	£5,500	£5,000
VED and 'O' Licence	£1898	£1248
Annual salary of driver (inc National Insurance)	£17,000	£18,000
Cost of fuel	£10,752 pa	£8,280 pa
Cost of maintenance	2.00p per km	2.00p per km
Apportionment of admin costs	£7,600	£7,500
Life expectancy of vehicle	4 years	5 years
Residual value	£15,000	£14,000
Depreciation method	Straight line	Straight Line
% profit markup	15%	15%
Vehicle utilisation	48 weeks per year	48 weeks per year

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