



OXFORD CAMBRIDGE AND RSA EXAMINATIONS

**LEVEL 3 CERTIFICATES OF PROFESSIONAL
COMPETENCE**

05608

UNIT 4 MANAGING NATIONAL ROAD HAULAGE TRANSPORT OPERATIONS

FRIDAY 2 DECEMBER 2011

12.45 PM – 2.45 PM

TIME: 2 HOURS

SCENARIO

Ofqual Qualification Reference Number: R/103/3076

E040 1112

This document consists of 5 printed pages and 3 blank pages

Background

OCR Services Limited is a private limited company, based in Bristol and providing logistics services to a number of customers based in the Greater Bristol area. The company was set up 15 years ago by the current Managing Director, Edward Monk, initially by using a loan provided by his parents. In the intervening years the fleet has expanded from its original five vehicles and today the company has a large, modern operating centre which it owns outright and is located to the south of the city.

Your Background and Role

You have long experience in the transport industry. Edward Monk has recruited you to fill the new role of General Manager of OCR Services Limited. In that role you will report to Edward Monk and supervise all aspects of the current operations.

Current Fleet

The company has a Standard National Operator Licence which authorises the operation of 50 vehicles and 70 trailers. Currently the company is operating 38 vehicles and 58 trailers, comprised as follows:

- 10 x 18 tonne GVW curtainside two axle rigids
- 25 x 44 tonne GVW tractor units
- 3 x 100 tonne GVW Special Types (STGO) tractor units
- 53 x 13.6 metre semi-trailers (some flats, some box vans, some skeletal but the majority curtainsiders)
- 5 x low loader semi-trailers for use on Special Types work

Current Customers

Although the company has a reasonably wide customer base, three customers provide the majority of the regular work. These are:

- ZZK Containers plc

This customer requires vehicles every day to collect 40 foot containers from Avonmouth for deliveries to locations across Great Britain. Sometimes empty containers are collected from the delivery point for return to Avonmouth; at all other times the vehicles return empty.

- Acme Canners plc

This is OCR's largest customer. OCR provides curtainsided articulated vehicles for bulk deliveries to supermarket regional distribution centres (RDCs) and curtainsided rigid vehicles for deliveries to smaller outlets. The loads are palletised, each loaded pallet weighing approximately 750kg. The articulated vehicles carry a maximum of 26 pallets and the rigid vehicles 12 pallets.

OCR will shortly start a new round trip delivery route for Acme. It will involve a loaded start for an 18 tonne rigid from the OCR premises in Bristol with deliveries to:

- Gloucester (50 km from Bristol)
- Coventry (75 km from Gloucester)
- Northampton (100 km from Coventry)
- Watford (75 km from Northampton)
- Swindon (100 km from Watford)

Empty pallets are collected from each delivery point as required. After the completion of the final delivery to Swindon, the vehicle will return with any pallets it has collected during the day to the OCR premises in Bristol. The distance from Swindon to Bristol is 75km.

- **Tonteau-McTavish Fabrications**

This customer specialises in manufacturing steel structures for North Sea oil rigs. The majority of deliveries are made to a rig-building company in the Inverness area. Most deliveries can be accommodated on a 44 tonne articulated vehicle with one of the 13.6 metre flat semi-trailers. Some pieces are particularly heavy and require the use of one of the STGO vehicles using a low loader semi-trailer. Often these deliveries have to be made at short notice where the time taken to deliver is a critical factor. The Inverness delivery point is 920km from the OCR Operating Centre. The pre-loaded vehicles always leave from the OCR Operating Centre.

Potential New Customers

OCR has been in negotiation with two particularly promising potential customers and is confident of being able to finalise contracts with them. The customers involved are:

- **Dietfest Frozen Foods plc**

This company is expanding rapidly, providing frozen, own-brand diet meals to major supermarket chains. The work envisaged is for OCR to supply 44 tonne GVW articulated vehicles with 13.6 metre refrigerated semi-trailers for deliveries from Bristol to supermarket RDCs.

- **Armageddon Chemicals Limited**

This company manufactures a range of chemical substances, principally Class 8 corrosive substances, which are despatched in 1000 litre Intermediate Bulk Containers (IBCs). Depending upon the size of load, it is envisaged that there could be substantial flows of work for both rigid and articulated curtainside vehicles.

OCR has never previously been involved in either of these two business sectors and currently possesses neither specialist equipment nor expertise to carry out the work.

OCR's Maintenance Arrangements

OCR has its own in-house maintenance facility. It is run by a Workshop Manager and four skilled mechanics that carry out all safety inspections, routine servicing and maintenance on company vehicles. Only major repairs are sent out to the local franchised dealer.

Currently the company has an amber rating for maintenance on the VOSA Operator Compliance Risk Score (OCRS).

Potential Business Acquisitions

Edward Monk has discussed with you the possibility of acquiring the business of an existing operator. The operator, Deuce Pallet Deliveries Limited, has been in financial difficulties for some months and has just entered administration. The company has a freehold site in North Bristol and currently operates a fleet of 32 x 40-tonne GVW 5 axle artics and 45 x 13.6 metre semi-trailers. (The company's Operator Licence authorises the operation of 40 vehicles and 60 trailers.) The company also has its own in-house maintenance facility and a transit warehouse on site. You believe that, if a reasonable price can be negotiated with the administrator, the acquisition could be most beneficial for OCR as the vehicles in the fleet are generally quite new and in good condition and the existing Deuce customers would represent a good fit to your existing operations. You envisage that you would keep the existing Deuce premises and continue to run the current fleet either under the current OCR name and Operator Licence or by forming a new limited liability company.

Costing Information for Current OCR Vehicles

	18 tonne GVW rigid	44 tonne tractor unit	3 axle semi-trailer
Initial purchase price	£68,520	£96,000	£12,000
Value of initial tyre equipment	£1,920	£2,400	£1,800
Method of depreciation	Reducing balance	Reducing balance	Straight line
Reducing balance %	20%	20%	Not applicable
Estimated life	5 years	5 years	10 years
Estimated residual value	Not applicable	Not applicable	Nil
VED	£720 pa	£1800 pa	Not applicable
Driver's wages (inc NI and overtime)	£28,800 pa	£31,200 pa	Not applicable
Administration apportionment	£15,600 pa	£18,350 pa	Not applicable
Vehicle insurance	£6,000 pa	£7,200 pa	£1,400 pa
Working pattern	240 days per year	240 days per year	240 days per year
Fuel	£1.20 per litre	£1.20 per litre	Not applicable
Fuel consumption	4km per litre	2.5km per litre	Not applicable
Lubricants	1p per km	1p per km	Not applicable
Maintenance	5p per km	6.15p per km	1p per km
Replacement tyre cost (per set)	£1,920	£2,400	£1,800
Tyre life	80,000km	80,000km	80,000km
Profit mark up on costs	7.5%	7.5%	7.5%
Subsistence per night	£25	£25	Not applicable

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