

**Level 3 Certificate of Professional  
Competence for Transport Managers  
(Road Haulage) Unit R2 Case Study**

**05689**

**Friday 6 December 2019  
1.00 PM – 3.15 PM**

Time Allowed: 2 hours 15 minutes

**Case Study**

**This document consists of 8 pages. Any blank pages are indicated.**

## Background

Oxford Chilled and Frozen PLC (OCF) manufactures and sells substantial quantities of quick frozen ready meals, using recipes from all over the world. Its customers include major supermarket chains and wholesale warehouse operators in the UK. The meals are manufactured at a number of the company's sites, each specialising in particular product areas. The meals are transported between OCF's sites for onward delivery to customers.

OCF's refrigerated vehicle fleet includes 3,500kg GVW vans, 7,500kg GVW and 18,000kg GVW rigid lorries and 44,000kg GVW articulated combinations. The vehicles operate over a number of set routes, designed to place products at OCF sites to enable deliveries to customers.

OCF holds Restricted operator licences covering all sites except Borehamwood. Its sites are described in the following table.

<b>OCF site</b>	<b>Traffic Area</b>	<b>Number of authorised vehicles</b>	<b>Number of authorised trailers</b>	<b>Current vehicles margin</b>
Oxford	West of England	6	1	0
Glasgow	Scottish	3	1	1
Middlesborough	Northeast of England	3	1	1
Swansea	Welsh	4	0	0
Stockport	Northwest of England	9	4	1
Peterborough	East of England	4	1	1
Margate	Southeastern and metropolitan	2	1	1
Borehamwood	Southeastern and metropolitan	Borehamwood is not an authorised operating centre. No vehicles are currently based there.		

## OCF delivery and collection routes

### Route 11

One of OCF's collection and delivery routes (Route 11) transports frozen foodstuffs from Stockport, Peterborough, and Borehamwood to Margate. It also delivers packaging and marketing materials from Oxford to its sites on the route before returning to Oxford at the end of the day. Route 11 operates every weekday (Monday to Friday inclusive) throughout the year.

Details of delivery Route 11 are set out below. The refrigerated articulated combination assigned to this route works only on this route and is the only vehicle to do so. It has two seats in the cab but no sleeping facilities.

#### Oxford

- Vehicle pre-loaded by warehouse staff
- Driver(s) to start shift at 20.00hrs
- Driver(s) vehicle check required (15 minutes)

#### Stockport

- Driver(s) vehicle check required (15 minutes)
- Driver(s) unload and load for one hour

#### Peterborough

- Driver(s) unload and load for one hour. This must start at 06.00hrs

#### Borehamwood (120km from Peterborough)

- Driver(s) unload and load for 1 hour – must start at 09.00hrs

#### Margate (180km from Borehamwood)

- Driver(s) unload for 30 minutes

#### Oxford (270km from Margate)

- Driver(s) to complete paperwork and debrief (15 minutes)
- Vehicle unloaded by warehouse staff

### Proposed vehicle replacements, transfers and additions

OCF's Logistics Director has proposed that the following vehicle changes be made in April 2020.

1. Transfer (permanently) one rigid 18,000kg GVW lorry from Oxford to Borehamwood.
2. Transfer (permanently) one rigid 18,000kg GVW lorry from Oxford to Margate.
3. Add three 3,500kg GVW vans at Stockport.
4. Transfer (permanently) two rigid 18,000kg GVW lorries from Stockport to Peterborough.
5. Add one new tractor unit (purchase price £84,994, excluding tyres) and one new semi-trailer (purchase price £20,800, excluding tyres) at Oxford.

## Delivery Route 6

OCF transports packaging materials which are delivered to the Stockport site every weekday (Monday to Friday inclusive), including any public holidays that fall on weekdays, every week.

Details of the single-manned delivery Route 6 are set out below. It uses a refrigerated 18,000kg GVW lorry.

### Stockport

- Driver vehicle check required (15 minutes)
- Load for 15 minutes (must start by 02.00)

### Oxford (270km from Stockport)

- Unload for 10 minutes
- Load for 15 minutes

### OCF Scheduling rules

- Driver and vehicle schedules for set routes must assume an average speed of 60kph.
- Driver break and rest periods may only be scheduled when they are legally required, for the shortest possible time.
- All drivers assigned to a vehicle are required to assist with vehicle checks. They are also required to assist with all loading and unloading activities away from the Oxford site.
- All drivers have signed an opt-out from the working time limit for night workers.
- OCF operates a car shuttle service to relocate drivers as required. It also provides sleeping facilities for drivers at Oxford.
- The following drivers are available to work on Route 11 and / or Route 6:

At Oxford: Ian, Una, Raj, Dave, Don, Ray

At Stockport: Emma, Kate, Jan, Ken, Will, Pawel, Ron, Bill, Charles, Alex, Tony, Paul

### **Costing information for OCF's vehicle combinations**

<b>Cost item</b>	<b>Costing rule or amount / rate</b>
Vehicle depreciation	20% per year
Semi-trailer depreciation	10% per year
Driver wages	£125 per driver, per day or part day
Other standing costs	£17,511 per year
Fuel price	£1.17 per litre
Fuel consumption	9km per litre
Cost of new tyre set	£2,400
Expected tyre life	60,000km
Maintenance costs	£0.25 per km

## Current Issues

### Drivers' complaint (Oxford operating centre)

The drivers based at OCF's Oxford operating centre have complained that the facilities and resources provided to them for completing daily vehicle checks are inadequate.

### Cash budget

OCF's finance director has submitted a draft budget for the calendar year 2020, including projected trading & profit and loss accounts, a balance sheet and a cash flow forecast.

- The profit and loss account predicts that 2020 will be a profitable year and the balance sheet predicts that the company will be comfortably solvent by 31 December 2020. The directors are satisfied that all sales and costs have been budgeted at reasonable levels and they will not permit these forecasts to be changed.
- The draft cash flow forecast shows figures for each month in 2020. It predicts that the company's overdraft will exceed that agreed with the bank between February and May 2020, inclusive. The shortfall is projected to peak at £15,000.
- Cash receipt and payment line items shown in the cash flow forecast are set out below:

Cash flow item	Receipt / payment terms
Sales receipts from debtors	Payment by 90 days from delivery
Staff wages	Paid monthly in arrears
Fuel card payments	Paid weekly in arrears
Operating centre rents and business rates	Paid annually in advance, in February
Power (electricity and gas)	Paid by direct debit, quarterly in arrears
Vehicle maintenance	Paid to contractor on completion of each job
Vehicle purchases	Paid on delivery of new vehicles and trailers
Corporation tax	Paid nine months after year end, in September
Driver agency	Paid monthly in arrears
All insurances	Paid annually in advance
Vehicle tax	Paid annually in advance

**Future work**

OCF has been approached by Sainsco Supermarkets plc, inviting OCF to supply frozen ready meals to the supermarket's European distribution centre on the outskirts of Paris, France. The customer requires OCF to deliver loads of 20,000kg in on a refrigerated vehicle, to arrive in Paris every Wednesday. The meals are to be manufactured in OCF's UK facilities and delivered from Oxford using one of OCF's vehicles.

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