

Case study scenario

Background

RSA Plastics plc (RSA) has appointed you as its Transport Manager. Your main task will be to set up a National Distribution Centre (NDC) based in Coventry with a scheduled opening date of 30 November 2010. Deliveries from the NDC will begin on 7 December and will initially be completed by sub-contractors until RSA can acquire the necessary vehicles for its own fleet.

RSA has decided to bring all of its distribution activities back in-house following a short-lived, but deeply unsuccessful contract with a third party logistics provider. The NDC will be responsible for the collection of raw materials, some of which are fully regulated dangerous goods, for delivery of finished goods.

National Distribution Centre Information:

The yard is block paved giving hard standing for 75 vehicles. The building is brand new and will be signed over to you on Monday 13 September.

Items that require planning and action before becoming fully operational:

- purchase of vehicles
- recruitment of staff
- the setting of KPIs for both operational and quality issues
- the achievement of ISO 9001 Quality Standard, ISO 14001 Environmental Standard and OHSAS 18000 Health and Safety Standard by the end of this year
- acquisition of the correct Operator's licence (RSA surrendered its previous licence when it handed over its distribution to the third party logistics provider at the beginning of this year)
- route schedules for drivers
- procedures to control tachographs records.

Accounts Information

Over the past two years major discrepancies between the budgeted and actual expenditure for distribution have caused the company to take on extra borrowings. The accountant has already stated he expects you to assist in ensuring all distribution costs are kept within the budgeted figures.

Types of Goods Carried

Dangerous Goods in packages makes up some 30% of all collected loads, particularly:

- glues UN 2752, which are class 3 flammable liquids
- dyes and stains UN 3143 which are class 6.1 toxic

The dangerous goods come within full scope of the ADR Agreement and none of them is listed or mentioned in the CDG Road 2009 Regulations Derogations.

The remainder of the goods carried are finished plastic household products sold in all major supermarkets.

Distribution routes

It is envisaged that initially it will be necessary to sub-contract some routes in the set up stages of the operation.

The first route you will need to operate in house on 7 December is as follows:

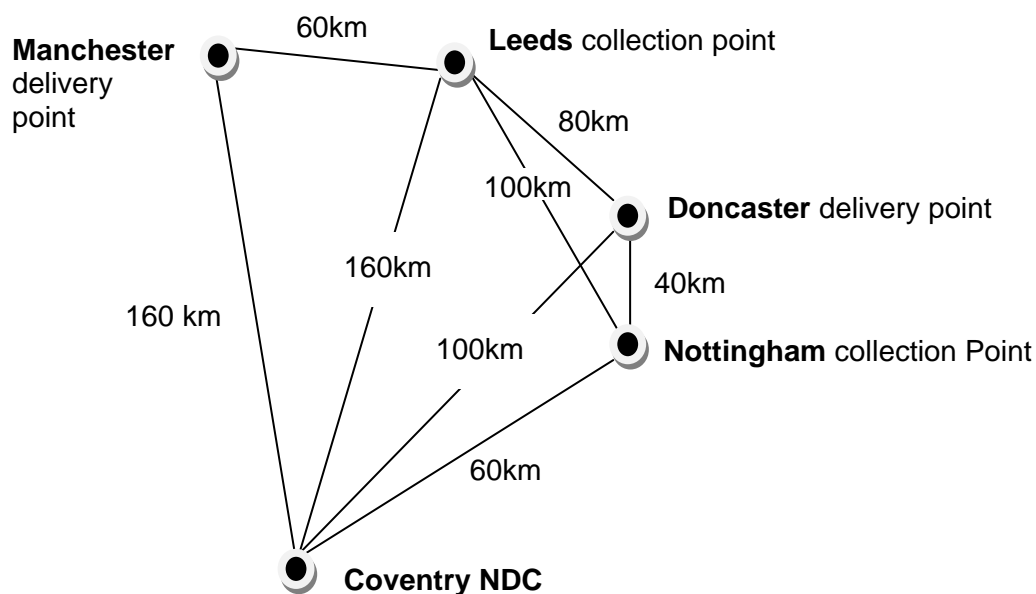
The day starts and ends at the NDC Coventry and involves completing collections and deliveries using an articulated vehicle on a circular route calling at Nottingham, Doncaster, Leeds and Manchester.

Drivers begin work at 0700 and are allowed 30 minutes to check the vehicle, which has been loaded overnight. The trailer is normally only half full when leaving the NDC. At the first call in Nottingham a further two pallets are loaded onto the vehicle. This takes 30 minutes and whilst this loading takes place the driver will take a 30 minute break. At the delivery points at Doncaster and Manchester, the unloading takes 30 minutes each time and the driver must assist with this activity. During the 30 minutes taken to collect goods at Leeds, the driver does not need to assist and will take a further 30 minute break.

On return to Coventry it takes 15 minutes for the driver to be debriefed.

The schedule for the route operates 7 days per week with the only exception of Christmas Day and Good Friday.

The company's Personnel Department have informed you that the shift pattern they have worked out is compliant with the road haulage working time regulations as long as the drivers end their duty by 1730. To ensure the security of the vehicles and the loads, drivers must take a break at only supplier's premises. Drivers are paid on a salary basis dependent on the type of vehicle they drive.



Vehicle speed is averaged at 60km per hour throughout the journey and the accountant has advised you that the budgeted cost figure for this route is £450 per day.

Past experiences of RSA

Before RSA contracted out its distribution out to third parties, it employed its own drivers and operated its own fleet of vehicles. During this period it experienced the following:

- warnings were received from VOSA with regard to drivers' hours infringements
- two drivers were caught selling company goods at a car boot sale
- part of a load fell from the rear of a vehicle injuring a cyclist and damaging the customer's goods
- a vehicle reversing in the yard crushed an RSA warehouse operative
- a strike by drivers took place after the company withdrew from a longstanding and much used arrangement to pay speeding fines when incurred using company vehicles.
- a severe written warning was received from the Commissioner for using more vehicles than the licence covered. (The licence was for 15 vehicles. RSA owned and operated all 15 vehicles authorised but also hired in vehicles on rotation for periods of not more than 28 days at a time)
- a vehicle reversed into a customer's showroom
- a driver took his vehicle under a low bridge, damaging the bridge and RSA's goods
- a company employee suffered a whiplash injury whilst travelling in a company vehicle which was involved in an accident
- ten immediate prohibitions (PG9's) were received on various vehicles.

New vehicle acquisitions

It is envisaged that within 3 months of the NDC opening the following types of vehicles will be required:

- car derived vans operating at 2000kg GVW
- box vans operating at 6000kg GVW, occasionally drawing a trailer 2000kg GVW
- rigid box vans 12000kg GTW
- articulated vehicles operating at 32000kg GVW
- rigid prime movers and draw bar trailer operating at 44000kg GTW

Fleet information

	Car derived Vans	Box van	5 axled articulated vehicle	6 axled draw bar combination
Number of vehicles	6	6	2	2
Unladen Weight	1000kg	2500kg	14000kg	20000kg
Kerbside weight	1200kg	3000kg	15000kg	22000kg
Gross vehicle weight	2000kg	6000kg	32000kg	44000kg
Driver weight allowance	125kg	125kg	125kg	125kg
Drivers wages pa	£18000	£21000	£30500	£32000
Admin costs pa	£2610	£3090	£4545	£4685
Residual value after 5 yrs	£2500	£10000	£20000	£30000
Purchase price	£12000	£34000	£93000	£120000
Insurance pa	£500	£1000	£865	£900
VED pa	£165	£165	£210	£700
Tyre costs each	£120	£140	£300	£450
Tyre average life in km	25000	20000	40000	40000
No. of tyres	4	4	12	12
Fuel Costs per litre	£1.26	£1.26	£1.26	£1.26
Fuel km per litre	10	8	3.5	2.5
Other maintenance costs	25ppk	35ppk	40ppk	45ppk
Average km pa	132000	155000	125000	99000

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