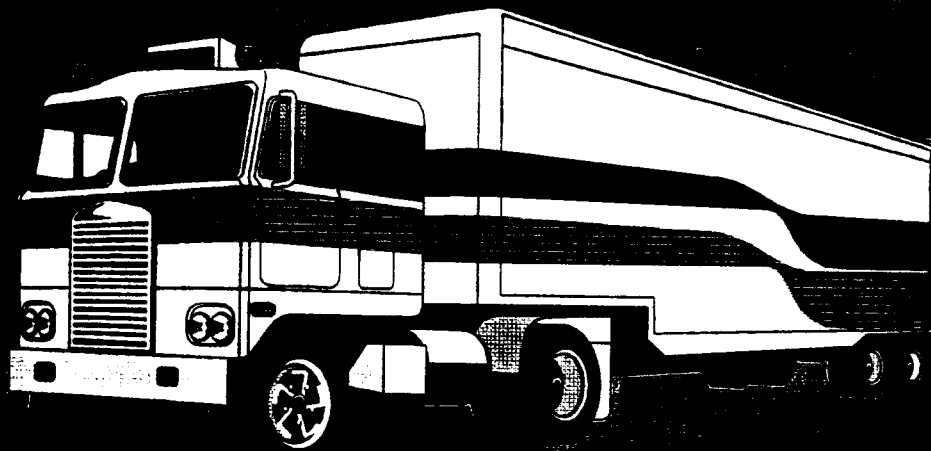


Traceca - Improvement of Road Services Central Asia

**Almaty Seminar
10-14 June 1996**





Трасеса - Улучшение автодорожного обслуживания в ЦА

1. АДМИНИСТРАЦИЯ

- ✓ ПРОГРАММА СЕМИНАРА
- ✓ ИНФОРМАЦИЯ О ПРОЕКТЕ

TRACECA - Improvement of Road Transport Services - Central Asia

Regional Workshop on Transport Regulations and the Management of Transport Operations

June 10 - June 14 1996
at the
Sanatorium Alatau,
Almaty,
Kazakhstan

Course Programme

<u>Group 1</u>	<u>Group 2</u>
Regulations Manager - Ministry of Transport Business Manager - Joint Stock Enterprise Technical Expert - Research Institute	Business Manager - Transport Association Business Manager - Independent Enterprise Training Manager - Transport Association

The purpose of the Workshop is to explore fully the issues involved in regulating road freight transport in Central Asia and to provide technical assistance to independent operators and transport associations in business management. The Transport Business Management stream on Days 2, 3 and 4 will include practical exercises. The content of all discussion sessions will be noted and the main points published as a record of the workshop.

Day 1 Monday June 10 1996

Group 1 and Group 2

- 09.00 Introduction to Workshop and Business Pilots
- 09.30 Regulations in Freight Transport
 - The current European situation
- 10.45 Coffee
- 11.15 Regulations in Freight Transport
 - The current Central Asian situation
- 12.15 Discussion - The need for a Compliance Schedule
- 13.00 Lunch
- 14.00 **Presentation by Iveco-Ford**
 - **Vehicle supply and maintenance in Central Asia**
- 17.00 End of Day 1
- 19.30 **Dinner with Iveco-Ford**

Day 2 Tuesday June 11 1996

Group 1 and Group 2

09.00 Introduction to Regulations
10.00 Coffee

Group 1 - Transport Regulation

10.30 Vehicle Weights & Dimensions
12.00 Construction and Use of Vehicles
13.00 Lunch
14.00 Testing and Plating of Vehicles
15.30 Tea
16.00 Enforcement Regimes

Group 2 - Transport Business Management

10.30 Introduction to Marketing
12.00 Market Research
13.00 Lunch
14.00 Marketing and Quality
15.30 Tea
16.00 The Marketing Action Plan

Group 1 and Group 2

17.00 Discussion
17.30 End of Day 2

Day 3 Wednesday June 12 1996

Group 1 and Group 2

09.00 Introduction to Regulations
10.00 Coffee

Group 1 - Transport Regulation

10.30 Driver Licensing
12.00 Drivers Hours and Tachographs
13.00 Lunch
14.00 Hazardous Cargoes

Group 2 - Transport Business Management

10.30 Introduction to Operations
12.00 Costing and Pricing Services
13.00 Lunch
14.00 Making Assets Work

Group 1 and Group 2

15.00 Discussion
15.30 Tea
16.00 **Presentation by Sealand**
 - Distribution of European goods in Central Asia - the need for reliability

18.00 End of Day 3

19.30 **Dinner with Sealand**

- Consultancy
- Training
- International haulage through the issue of TIR carnets
- Publications
- Representation

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I too have a heavy involvement with IRU through the Training Experts Group, where I am a member of the Management Steering Group as President of EUROTRA, the European Organisation of Training Organisations.

We have a great deal of experience in working with people like yourselves from the Former Soviet Union. We have been involved in helping ASMAP, Moscow to establish their association to be run on Western European lines and to establish their training centre to offer CPC (Access to the Profession) courses and an examination regime. We have established a Transport Training Centre in Kiev in the Ukraine and we have trained 180 people from the Russian Inspection Service of the Ministry of Transport.

Indeed, I think some of you have visited us in England.

Enough about us - we are here to exchange information with you and to provide some practical help and assistance to you so that you too can operate and trade profitably and successfully in the world's markets.

SLIDE

I am going to start by talking about the international institutions which impact and regulate the movement of goods by road.



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2. СПИСКИ ДЕЛЕГАТОВ

СПИСОК ДЕЛЕГАТОВ

No	Имя	Организация	Группа No	Страна
1	Закиров Гафур Zakirov Gafur	Ташкентский Автодорожный Институт Декан экономического факультета	1	Узбекистан
2	Рамазанов Хасан Ramazanov Hasan	АО "Орта Азия Транс" Ведущий специалист отдела перевозок	1	Узбекистан
3	Касымов Бахтияр Kasimov Bakhtiyar	Ассоциация международных авто-перевозок Генеральный секретарь	2	Узбекистан
4	Магай Галина Magay Galina	Корпорация "Узавтотранс" Экономист	1	Узбекистан
5	Абдуллаев Миржалил Abdullaev Mirjalil	Ассоциация международных авто-перевозок Инструктор	2	Узбекистан
6	Ярошевич Yaroshevich	"Узинтранс"	2	Узбекистан
7	Гулов Якуб Gulov Yakub	Минтрансдорхоз, отдел приватизации Начальник отдела	2	Таджикистан
8	Фазлоншоев Бахтовар Fazlonshoev Bakhtovar	"Континент Транс" Президент	2	Таджикистан
9	Рахимов Халим Rahimov Halim	Минтрансдорхоз Начальник автопредприятия No 10	1	Таджикистан
10	Ерибеков Мирали Yoribekov Mirali	Председатель арендного предприятия "Автобус"	1	Таджикистан
11	Джумакулиев Акмурат Junakoliev Akmurat	"Туркменвнештранс" Зам. Генерального директора	1	Туркменистан
12	Джепбаров Сердар Jepbarov Serdar	Министерство Автотранспорта Начальник Управления Внешнеэкономических Связей и Международных Перевозок	1	Туркменистан
13	Ермолаев В Yermolaev V.	ТАСМАП Генеральный секретарь	2	Туркменистан
14	Ялдыров Н. Yaldirov N.	ТАСМАП Инструктор	2	Туркменистан
15	Логунов Александр Logunov Alexander	Министерство Транспорта и Коммуникаций Директор Департамента автомобильного транспорта	1	Казахстан
16	Ибрагимов Сакен Ibragimov Saken	КазАТО Генеральный директор	2	Казахстан
17	Ахметжанов Женис Akhmetzhanov Jenis	КазАТО Зам. Генерального директора	2	Казахстан
18	Алдабергенов Болат Aldabergenov Bolat	НИИАТ Старший научный сотрудник	1	Казахстан
19	Ибрагимов Камиль Ibragimov Kamil	Транспортный отдел "БАЯН-АУЛ" Начальник Транспортного Отдела	2	Казахстан
20	Раисов Ермухан Raisov Yermukhan	"Ер-Керуен", АО Генеральный директор	1	Казахстан
21	Абакиров Сурынбек Abakirov Surinbek	Кыргызский Технический Университет Декан Факультета	2	Кыргызия
22	Ирсалиев Алмазбек Irsaliev Almazbek	Министерство Транспорта Начальник Отдела Внешнеэкономических Связей	1	Кыргызия
23	Шарапов Жолболду Sharapov Zholboldu	КТЭОМП "Кыргызвнештранс" Генеральный директор	1	Кыргызия
24		Министерство Транспорта	1	Кыргызия



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3. СИСТЕМА ТРАНСПОРТНОГО РЕГУЛИРОВАНИЯ

SESSION I - EU TRANSPORT MARKET & INSTITUTIONS

Let me start by introducing myself and telling you a little bit about the organisation I work for.

SLIDE

My name is Keith Taylor and for the past ten years I have worked for the Freight Transport Association.

My position is that of Director of Personnel and Business Services.

The Freight Transport Association is based in Tunbridge Wells, England quite close to London. It was founded in 1889 and has a long history as an employers' organisation representing the transport interests of Britain's trade and industry.

We have 5 offices across the UK, a Management Training College and an office in Brussels.

There are 12,000 member companies in membership of FTA and we cover all modes of transport - road, rail, sea and air.

The FTA itself has 350 employees. We do not operate vehicles ourselves. Our purpose in life is to help those member companies who do, by offering a range of services, such as:

- Legal advice
- Vehicle Inspections
- Tachograph chart analysis

- Consultancy
- Training
- International haulage through the issue of TIR carnets
- Publications
- Representation

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SLIDE

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SLIDE

Firstly, the United Nations. Three UN conventions impact on international transport today:-

- The Paris Convention of 1926
- The Geneva Convention of 1949
- The Vienna Convention of 1968

88 countries have signed the Geneva convention and over 30 are contracting parties to the Vienna convention.

The conventions cover such things as construction and use of motor vehicles, rules of the road, weights and dimensions of vehicles etc.

Other bodies which have and still have an influence on the movement of goods by road are:-

- Economic Commission for Europe (ECE)
which has brought about some order in terms of TIR, pallets, containers
- Inland Transport Committee
which has brought about developments such as the E road system in Europe. CMR uniform road signs. ATP (perishable food stuffs).
- European Conference of Ministers of Transport (ECMT)
comprising 31 countries with 2 observers and 6 associates, including USA, Canada and Japan. They mostly deal with political issues of a non technical nature, e.g. ECMT quotas for tramping permits.

And then there is the EU whose objectives were set out in the Treaty of Rome to be:-

- elimination of Customs duties and quantitative restrictions in trade
- establishing a common tariff against imports
- abolition of obstacles to the free movement of persons, goods, services and capital
- common policies for agriculture and transport
- measures to prevent competition being distorted.

SLIDE

The EU institutions comprise 4 main ones:-

- The Council of Ministers
- The European Commission
- The European Parliament
- The European Court of Justice.

The Council of Ministers is the body which takes all major decisions.

The Commission could be regarded as the EU civil service with it's headquarters in Brussels.

SLIDE

The following chart shows the interaction of the various institutions.

The Parliament consists of 626 members elected from member states and they meet in Strasbourg. It is responsible for approving the EU budget.

The European Court of Justice consists of 15 judges appointed for a 6 year term and sits in Luxembourg. Basically, its role is to sit in judgment to interpret Community Law.

There are 2 types of EU legislative instruments:-

- Regulations - are fully binding on all member states
- Directives - are binding only as to the result to be achieved.
Each country is left to decide the means.

SLIDE

Let's now take a brief look at the nature of the transport market in the EU, the forces of change which are at work and the business strategies being adopted by road transport companies.

SLIDE

I plan to discuss this in terms of:

- Size and Growth of the Sector
- Transport Mode shares and trends
- National and International transport
- Hire & Reward v Own Account

For a variety of reasons, demand for goods transport is showing an increase. Compared with other modes, road transport scores highly because of its ease of availability, flexibility, frequency and speed.

There are normally two indicators used to measure the size of the road transport sector - Transported tons and tonKilometres.

2 SLIDES

The importance of road transport as compared with other modes is shown on the next slide.

SLIDE

The next slide illustrates that the most important part of road transport is national transportation. Just under 21% of all tonKilometres made by EU countries were international journeys. Clearly geographical location plays a very important part in these statistics.

On the subject of Hire & Reward and Own Account, it is important to understand the difference. Own account transport is carried out as a support service to a core business. These companies do not outsource their transport needs but fulfill them in house. Road transport of freight is the core business for companies who are classed as hire and reward.

SLIDE

The next slide shows the proportion of hire & reward transport in each of the EU countries. You will also see that the trend of outsourcing is increasing.

I said earlier that we would look at the forces of change which are shaping the development of the road transport sector across Europe and how these are shaping business strategies.

SLIDE

The next slide summarises these.

Quality issues and customer service in response to increasing customer demands is an area of growing importance.

ISO 9000 (ISO: International Organisation for Standardisation) is a set of generic standards that provide quality assurance requirements. Transport

companies all over Europe are now striving to meet these standards.

SLIDE

The next slide shows the number of certificates issued worldwide up to 1994.

Let me now turn to environmental issues. Some countries are particularly concerned about the issue because of the increase in transit traffic across their road networks. These are:-

SLIDE

There are a number of measures being taken as the following slides show.

Lastly, let me now turn to Business Strategies.

It is possible to group road transport companies on the basis of business strategies they are following. The following slide presents a summary of the typical company profiles for each type of business strategy using 4 company characteristics - size, technology, geography, market.

SLIDE

When we talk about size the following slide gives you a good indication of the size structure of transport companies in the EU.

WEIGHTS & DIMENSIONS OF VEHICLES

EU Directive 85/3 as amended sets common standards for the weight and dimension of motor vehicles, trailers and combinations. Member states have to allow across their borders vehicles meeting these standards.

The upper weight limits of the Directive are:-

SLIDE

You will not be surprised to know that the law on maximum permitted gross weights is a lot more complicated than this, being based on a number of factors, including the distances between the axles and the technical/legal capacity of these axles. Basically these rules exist to spread the load out over the road surface. As a general rule the formula used here calls for an outer axle spread of 1 metre for every 5 tonnes of gross vehicle weight.

Let's now have a brief look at the types of vehicles and their maximum gross weights with various axle configurations.

- | | | |
|-------|----|-------------------------------------|
| SLIDE | 1. | 2 axled rigids |
| SLIDE | 2. | 3 axled rigids |
| SLIDE | 3. | 4 axled rigids |
| SLIDE | 4. | Road Trains |
| SLIDE | 5. | Articulated - 2 axled tractive unit |
| SLIDE | 6. | Articulated - 3 axled tractive unit |

The next area I need to look at is vehicle dimensions. First of all I want to look at the EU regulations covering overall length of the vehicle. You would imagine that this would be easy to define - not so. To illustrate the point - is a tail lift considered to be part of the vehicle or part of the load? Also, the

other complication concerns the case of a tractive unit and semi-trailer combination which "bends" in the middle.

In fact, several items are excluded from the measuring process:-

- a snow plough
- any tailboard which is let down whilst the vehicle is stationary
- any sheeting for covering the load.

In practice the length is determined when the truck and trailer are in line ahead.

SLIDE

The following slide shows the EU maximum permitted lengths of the different types of vehicles.

SLIDE The maximum permitted widths are shown on the next slide. Generally the limit is 2.5 metres. This excludes mirrors and direction indicators.

There is a concession for refrigerated vehicles to go up to 2.6 metres but the sidewalls of the vehicle must be 45mm thick.

So far as height is concerned, never operate a vehicle internationally over 4 metres. You will not pass under the bridges of many countries and you will certainly not get on any of the ferries.

The attached appendix summarises the position in many European countries.

DRIVERS' HOURS

The EU rules on drivers' hours apply to drivers of most goods vehicles over 3.5 tonnes. They apply to any road journey of a goods or passenger vehicle, whether laden or not.

The rules apply to any person who drives the vehicle even for a short period or who is carried in order to be available for driving if necessary. Driving is regarded as any time spent at the driving controls of a vehicle. Rest is defined as any uninterrupted period of **at least an hour** when the driver is free to spend the time as he chooses.

The rules define a week as the period between 00.00 hours on Monday and 24.00 hours on Sunday. A day is generally any 24 hour period.

SLIDE

The EU rules are set out on the following Slides.

The purpose of the regulations is road safety, and any payment schemes/bonus schemes which pay drivers in relation to distance travelled and/or the amount of goods carried are prohibited if such payments are deemed to endanger road safety.

There are a number of exemptions to the rules as shown on the next slide.

SLIDE

TACHOGRAPHS

Vehicles affected

Most goods vehicles over 3.5 tonnes and most large passenger vehicles must be fitted with an EU type approved tachograph.

Drivers must use the tachograph to record their activities. Vehicles of less than 3.5 tonnes and the exemptions listed on my slide do not require tachographs.

Type of Tachograph required

The tachograph must conform to the detailed specification in the regulations.

It must be able to record:-

- distance travelled
- speed
- driving time
- other periods of work or attendance at work by the driver
- breaks and daily rest periods

Calibration and Sealing

The tachograph has to be calibrated and sealed before the vehicle goes into service and after repair.

Tachographs must be checked every two years and re-calibrated every six years.

Drivers' Responsibilities

- Use the chart each day when he takes over the vehicle
- leave chart in vehicle to record rest periods
- chart should not be used for more than 24 hours
- make necessary entries on the chart
- keep charts for current fixed week and the chart for the last day of the previous week - for enforcement
- return charts to employer within 21 days of completion

There are a few other obligations but importantly the driver must ensure that the time recorded agrees with the official time in **the country of registration of the vehicle.**

Enforcement and Inspection

Ministry of Transport staff and police have wide powers to inspect drivers' tachograph charts. In the UK fines are up to £2500 (\$3750) and both operators licences and driver licences can be refused for violations.

DRIVER LICENSING

From 1996 the system in the EU has been changed and harmonised. There are new classes for drivers:-

SLIDE I draw your attention to classes C, D and E

The procedures for licensing are as follows:-

- SLIDE**
- | | | |
|--------------------|---|--|
| Application | - | accompanied with a test pass certificate |
| Renewals | - | expiring licences |
| | - | medical report if aged 45 or over |

Additional requirements

- applicant must not be suspended or disqualified
- hold a full category A or B licence
- be age 21 or over
- be fit

Cost and duration

For goods vehicle drivers, licences last for 5 years or through to 45th birthday.

From age 65 renewal is annually.

Renewal licences cost £21 or \$32.

Medical reports

Are required on first application and on each renewal application from the age of 45. There is a cost for the medical report. In the UK this is circa £55 or \$82.

Certain medical conditions ban applicants from holding goods vehicle licences.

These are:-

- epilepsy
- abnormal sight in one or both eyes
- insulin treated diabetes

Suspension and Revocation

A goods vehicle licence may be suspended or revoked at any time because of misconduct or physical disability. If any diseases mentioned above develop or if the driver suffers from heart problems, these must be notified to the authorities.

LGV Driving Test

The candidate must provide a vehicle of the appropriate category.

Staged testing

New drivers have to be qualified in a lower category of entitlement before seeking entitlement in a higher category. They have to:-

1. Hold a full category B before applying for a provisional entitlement to drive larger vehicles.
2. Pass a category C before taking C + E.
3. Pass a category C1 before taking C1 + E.



In addition to the practical test there is now a theory test of 35 multiple choice questions prior to the practical test.



PLATING & TESTING OF VEHICLES

Most large goods vehicles and trailers are subject to plating and annual testing. How this is done varies across the EU, but the standards are the same. In the UK it is done at a Ministry of Transport Goods Vehicle Testing Station.

At the time of first registration, the vehicle's axle and gross weights are assessed and recorded on a Ministry Plate showing the maximum gross weight at which it may be operated.

A test of roadworthiness must thereafter be carried out every 12 months.

Vehicles covered

All articulated vehicles and other load carrying commercial vehicles over 3.5 tonnes, all semi-trailers and trailers over 1020 kg.

Manufacturers Plate

Is a plate usually fixed to the chassis on the near-side or in the driver's cab on the nearside showing:-

- manufacturers name
- vehicle type
- engine type and power
- chassis or serial number
- number of axles
- maximum axle weight for each axle
- maximum gross weight
- maximum train weight

and similar information for trailers.

Special Types

A vehicle used to carry abnormal, indivisible loads display a plate showing the recommended weights which should not be exceeded.

Annual Testing

After initial testing, vehicles and trailers have to be tested annually. A vehicle must not go more than 12 months without a test.

There are a series of conditions attaching to the appointment, testing procedure and documentation.

There is also a tester's manual which details all of the items covered - SHOW COPY.

When you visit the UK we will ensure that you see the entire process and a visit to a Vehicle Testing Station will be arranged.

Test Certificate

A test certificate is issued by the test station on successful completion and is valid for one year.

If it is not possible to conduct the test before the expiry date a special certificate of temporary exemption is required, which lasts for no more than 3 months.

Mechanical breakdown is not an acceptable reason.

Department of Transport Plate

This is different and additional to the manufacturers plate and takes place at the time of first licensing. The plate is issued to show the maximum weight at which the vehicle/trailer can operate. It also includes the weight limits and certain dimensions not to be exceeded on EU journeys.

Trailers

Tractors and trailers are plated independently. In addition, trailers are issued with a test date disc indicating the date until which the certificate is valid, which must be attached so that it is legible from the nearside of the road.

When one remembers the weight limits talked about earlier, it is relevant to recognise that interchangeability can alter the weights at which tractor - trailer units can operate.

THE TIR CONVENTION

TIR is an international Convention introduced by the Economic Commission for Europe under the auspices of the United Nations. The original Convention was introduced in 1959 although this has now been replaced by the subsequent 1975 Convention. The underlying purpose of the system is to allow goods carrying vehicles to be sealed at their office of departure and to travel generally unhindered, other than for checks on seals and documentation, to the office of destination.

The Convention is in two parts which deal with the approval of vehicles and containers for use under TIR and the documentary rules governing the issue of the TIR carnet. There are 54 countries which are contracting parties to the Convention as at September 1994.

The list includes all EU countries.

The TIR carnet

The carnet is a document containing pairs of vouchers with corresponding counterfoils bound in a cover with one voucher being given up on entry to each country and another on exit. Provided a country has two copies of a sheet from a TIR carnet it can be reasonably certain that the goods have both entered and left their territories and therefore the movement has been satisfactorily completed so far as they are concerned. Where TIR is used to transit EU territory, the whole of the EU is regarded as being a single country for TIR purposes and so one voucher is removed from the carnet on entry to the EU and another on exit or clearance.

The carnet and the goods must be presented at the offices of departure and destination, as well as at Customs offices on the border crossings en route.

The carnet itself is available in two different sizes. The 14 volet carnet is good for journeys involving no more than seven countries including the countries of departure and destination. The 20 volet carnet, which can cover up to 10 countries, is recommended for Middle East traffic and longer journeys to eastern Europe. Both 14 and 20 volet carnets are valid for 45 days and must be presented at the Customs office of departure before the expiry date.

Transport operations under cover of the TIR carnet may involve several Customs offices of departure and destination, but the total number of offices (of departure AND destination) cannot exceed four. Also, the acceptance of the TIR carnet by all the Customs offices of departure must take place before it is presented to a Customs office of destination.

The International Road Transport Union (IRU) is the international issuing body and appoints national member organisations to issue carnets in their own countries. FTA's carnets are only available to members of its international group and a £3,500 or £33,000 (to cover sensitive goods) guarantee must be established and strict criteria met before a company can be issued with TIR carnets.

Approval of vehicles and containers for TIR use

Before a vehicle or container can be used under the TIR scheme, it must be approved by the relevant authority in the operator's home country to ensure compliance with the requirements of the Convention. In the UK this work is carried out in respect of vehicles at testing stations run by the Department of Transport's Traffic Area Offices and, once approved, a certificate of approval

is issued which is valid for two years and which must be carried on the vehicle when it is on a TIR journey.

The purpose of the approval test is to determine whether the vehicle or container is acceptable for international transport under Customs seal. The basic requirements are that:-

1. Customs seals can be simply and effectively applied to the container or load compartment of the vehicle;
2. no goods can be removed from, or introduced into, the container or sealed part of the vehicle without leaving obvious traces of tampering or without breaking the Customs seal;
3. the vehicle or container must contain no concealed spaces where goods could be hidden;
4. all spaces capable of holding goods must be readily accessible for Customs inspection.

Heavy or bulky goods

Because of the approval requirements listed, it is usually possible to use open vehicles for carriage under TIR. There are, however, special arrangements for heavy or bulky goods which cannot easily be dismantled for transport.

Such loads may be carried under what is known as 'open TIR' if the Customs authority in the exporting country is satisfied that:-

1. they cannot readily be carried in approved containers or vehicles;
2. they can be easily identified from the description on the carnet vouchers;

3. the carrying vehicle or container has no concealed spaces where other goods may be hidden.

Additionally the issuing association must make a special endorsement on the carnet, and it is therefore essential that operators advise the issuing association that they require an open carnet at the time that it is ordered.

Tobacco, alcohol and TIR carnets

The special high value carnets required for the carriage of cigarettes or spirits were suspended by the IRU with effect from November 1994.

Carriage of sensitive goods

The IRU introduced rules for the carriage of 'sensitive goods'. These goods are broadly defined as meat of any type or origin, including livestock; milk, including powdered milk; butter and sugar.

Carriers involved in transporting any goods which are within these categories must be registered with their national issuing association for the carriage of sensitive goods and must have lodged an additional guarantee of £33,000. In addition, they must advise the issuing association in advance whether they wish to carry such goods under cover of a TIR in order that the carnet can be clearly identified with a special stamp as being used for sensitive goods.

TIR plates

Vehicles used on a TIR journey must display, at front and rear, a blue plate with the letters 'TIR' in white. The plate must measure 250mm by 400mm and the letters must be 200mm high with stroke widths of at least 20mm. The plate must be clearly visible when the vehicle is engaged on a TIR journey and must be capable of being removed or covered when it is not.

Discharge of TIR carnets

From time to time difficulties arise because drivers do not ensure that Customs clearance of the cargo has taken place prior to final delivery. Often, the driver will accept in good faith assurances by the consignee that the latter will deal with Customs clearance. Clearly this is a dangerous practice which has given rise to a number of Customs claims and which should be avoided. Drivers should be instructed to obtain the proper discharge of the document and to bring it back with them.

CONSTRUCTION & USE OF VEHICLES

In constructing vehicles and trailers, manufacturers are bound by extensive regulations governing:-

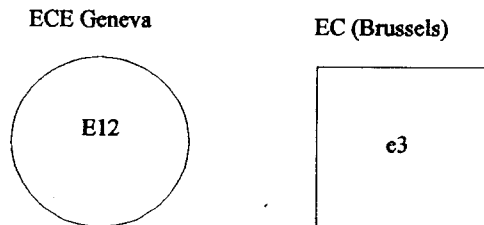
- length and width as we have discussed
- maximum weights
- lighting equipment
- brakes
- tyres
- mirrors
- windscreen wipers and washers
- silencers
- speedometers
- horns
- noise

In operating vehicles and trailers, owners and operators are restricted by further regulations governing their use.

I will first of all talk about what is known as TYPE APPROVAL. This is a term used to describe the system whereby a vehicle or vehicle components such as tyres, safety glass, seat belts, mirrors etc or vehicle system such as brakes, steering or exhaust emission can be tested and approved to prescribed standards.

Historically individual countries had their own schemes, now they are being harmonised across all EU countries.

Components are now being marked by one of two organisations:-



For new goods vehicle, truck manufacturers have to certify conformity on standards for 5 items. These are:-

- power to weight ratio
- noise and silencers
- brakes
- exhaust emissions
- radio interference suppression

No vehicle can be registered without a Certificate of Conformity for Vehicle Type Approval which is issued by the Ministry of Transport.

The following is a brief summary of the main construction and use regulations:-

1. **Audible warning devices**

- all vehicles except works trucks must be fitted with a horn - musical and multi-tone are prohibited.

- Gongs, bells and sirens only permitted on emergency vehicles unless it is an anti-theft device.
- reversing alarms are now permitted

SLIDE 2.

Brakes

All vehicles must meet specified brake requirements and braking efficiency standards.

The braking system must have two means of operation or two efficient braking systems each with its own means of operation.

The following efficiency standards apply:

Service brake	0.5g (or 50%)
Secondary brake	0.25g (or 25%)
Parking brake	capable of holding vehicle on gradient of 1 : 6.25 (16%)

There are also requirements for trailers.

3. **Height markings**

When the vehicle travelling height exceeds 3.66 metres, a cab notice is required stating the actual travelling height.

4. **Mirrors**

Every goods vehicle must have two mirrors fixed to the vehicle - one internal and one external on the off-side. If the internal mirror does not provide adequate vision then a second mirror must be fitted externally to the near side.

There are regulations about the extent of the projection of the mirrors.

5. **Overhang**

The maximum permitted overhang is 60% of the distance between the front axle and the point near the rear of the chassis from which the overhang is to be measured.

6. **Rear under-rim protection**

Is required on vehicles exceeding 3.5 tonnes and trailers with an unladen weight exceeding 1020 kg.

7. **Safety Glass**

Goods vehicles must have safety glass for windscreens and windows in front and on either side of the drivers seat.

8. **Sideguards**

Essentially on artics of more than 32.5 tonnes, the semi-trailer must have sideguards. Also if the semi-trailer itself exceeds 26 tonnes.

Also other vehicles exceeding 3.5 tonnes and trailers with unladen weight exceeding 1,020 kg must have sideguards fitted.

9. **Speedometers**

Must be fitted on all vehicles.

10. **Speed limiters**

Vehicles over 12 tonnes first used after 1.1.88 need a speed limiter set at 90 kph, as do vehicles over 7.5 tonnes used after 1.8.92.

11. **Tyres**

There are various regulations regarding tyres, but for vehicles under 3.5 tonnes the maximum tread depth is 1.6mm and 1mm for other vehicles.

There are many other specific regulations covering lighting and marking, windscreen wipers and washers, long vehicles, reflective signs, seat belts, smoke emission and so on.

THE ADR AGREEMENT

1. Title and standing

The European Agreement concerning the International Carriage of Dangerous Goods by Road.

2. Purpose

The purpose of the Agreement is to ensure that dangerous goods transported by road will be able to cross European frontiers without hindrance provided:-

- a) that the goods are packed and labelled in accordance with the Agreement, and
- b) that the goods are carried in vehicles in accordance with the Agreement.

In addition the Agreement requires that tank vehicles carrying tank containers or demountable tanks and certain vehicles which carry explosives must undergo a technical inspection in their country of origin.

3. Contracting Parties

The following countries are Contracting Parties of ADR:

Austria	Denmark	Luxembourg	Slovakia
Belgium	Finland	Netherlands	Slovenia
Belorussia	France	Norway	Spain
Bosnia - Herzegovina	Germany	Poland	Sweden
Bulgaria	Greece	Portugal	Switzerland
Croatia	Hungary	Romania	United Kingdom
Czech Republic	Italy	Russian Federation	Yugoslavia, Former Territories of

4. **Goods affected**

Under the Agreement, 'Dangerous Substances' include pure chemical products as well as certain types of mixtures and preparations containing them, including wastes. 'Dangerous Articles' include, for example, empty uncleaned receptacles and packages and aerosols.

5. **Classes**

The substances and articles of ADR are divided into nine classes in line with the Recommendations of the UN Committee of Experts on the Transport of Dangerous Goods, as follows:-

- Class 1 Explosive substances and articles
- Class 2 Gases: compressed liquefied or dissolved under pressure
- Class 3 Flammable liquids
- Class 4.1 Flammable solids
- Class 4.2 Substances liable to spontaneous combustion
- Class 4.3 Substances which give off flammable gases on contact with water
- Class 5.1 Oxidising substances
- Class 5.2 Organic peroxides
- Class 6.1 Toxic substances
- Class 6.2 Infectious substances
- Class 7 Radioactive substances
- Class 8 Corrosive substances
- Class 9 Miscellaneous dangerous substances and articles

6. **Transport Documentation**

When dangerous goods are being carried under the terms of the ADR Agreement the consignment must be accompanied by a transport document.

The consignor must advise the carrier in writing of the particulars to be included. The official language of the forwarding country must be used, but where this is not English, French or German, then one of these three languages must also be used.

The transport document should contain:

1. the substance identification number, i.e. UN number (if applicable)
2. the name of the substance as specified in ADR;
3. the hazard class;
4. the ADR item number together with the item letter (if any);
5. the initials ADR (or RID);
Example: UN1868 Decaborane, 4.1, 16° (b), ADR;
6. the number and a description of the packages;
7. the gross mass (also net for explosives) in grams or kilograms;
8. the name and address of the consignor;
9. the name and address of the consignee(s);
10. any other relevant statements, e.g. a declaration that the load does not exceed the exemption limits of ADR.

Written emergency instructions must also be carried. These should be provided to the carrier, at the latest, when the transport order is given. Although the Agreement does not lay down an exact format for the

document containing these instructions many operators provide a TREMCARD, i.e. Transport Emergency Card, to meet this requirement. The instructions must be provided in the language of the country of origin, and (where different) a major language of each country of transit and destination must be carried in the vehicle cab. The following information must be shown in the document(s):

- a) the nature of the danger inherent in the dangerous substances being carried, and the safety measures that need to be taken;
- b) the action to be taken and treatment to be given in the event of persons coming in contact with the goods;
- c) the measures to be taken in case of fire and the fire-fighting equipment not to be used;
- d) the measures to be taken in case of breakage or deterioration of packagings or of the dangerous substances being carried, particularly in respect of spillage over the road;
- e) for aquatic pollutants the measures to be taken in the event of spillage to avoid or minimise damage to the aquatic environment.

In the case of certain tanker vehicles or vehicles carrying tank containers the instructions must contain the following additional information: the substance's name, its class, item number and letter, and its substance identification and hazard identification numbers.

(A number of other documents may have to be carried on a vehicle operating under ADR and are detailed under: 'Annex B - Carriers Responsibilities'.)

7. **Vehicle markings**

Vehicles carrying dangerous substances under ADR in excess of the exempt quantities in Annexes A and B to the Agreement must display rectangular reflectorised orange coloured plates (40cm base x 30cm high with a black border not more than 15mm wide) fixed vertically facing front and rear so as to be clearly visible.

In the case of tank vehicles carrying only one substance, the orange plate displayed front and rear must be divided horizontally in to two halves. The hazard identification code for the substance should be shown in the top half of the plate and the substance identification number (UN Number) in the bottom half.

The hazard identification code (known as the Kemler Code) for the top line of the plate comes from the following list:

- 2 Emission of gas due to pressure
- 3 Flammable liquid vapours and gases
- 4 Flammable solid
- 5 Oxidising substance
- 6 Toxic substance
- 8 Corrosive substance
- 9 Risk of spontaneously violent reaction

Doubling a figure indicates an intensification of the hazard, e.g. 66 means a very dangerous toxic substance. If a one figure number is sufficient then the second digit is 0.

Additionally, 22 indicates that a refrigerated gas is being carried. The addition of the prefix 'X' to the number indicates an absolute prohibition on the application of water to the product, e.g. X423 indicates a flammable solid which may give off a flammable gas on contact with water.

Where several substances are being carried in separate tank compartments, a separate plate containing the above information should be affixed to either side of the vehicle on the relevant individual compartment, and a blank plate should be displayed at the front and rear of the vehicle. The same requirements apply to vehicles carrying tank containers but the plates indicating the hazard identification code and the substance identification number must be affixed to the tank container itself rather than to the vehicle.

In addition to the orange plates tank vehicles and vehicles carrying tank containers must display appropriate hazard class labels (or diamonds). The labels (also known as placards) must be 250mm x 250mm.

Tank vehicles must show labels on both sides and at the rear, tank containers on all four vertical sides.

The orange plates and vehicle labels (placards) must be removed or covered once the vehicle has been unloaded, cleaned and/or degassed.

8. **Driver Training**

Drivers of tank vehicles or vehicles carrying tank containers which exceed 3,000 litres capacity and/or 3.5 tonnes maximum permissible weight (mpw), other drivers carrying packaged dangerous goods in

vehicles exceeding 3.5 tonnes and drivers of vehicles carrying explosives (subject to limited exemptions) have to be in possession of a recognised vocational training certificate.

To obtain a vocational certificate, a driver must attend an approved training course and pass approved examinations. The certificates are valid for five years. Drivers must carry their vocational driver training certificates at all times when ADR regulated loads are carried.

CONDITIONS OF CARRIAGE AND INSURANCE - INTERNATIONAL

This is covered by CMR Convention, derived from the French title "Convention relative au contract de transport international de merchandise par route", produced by the Economic Commission for Europe in 1956.

It concerns the conditions of carriage to most international haulage journeys.

Liability at the rate prescribed by CMR applies to every contract for the carriage of goods by road where the point of collection and delivery are in 2 different countries of which at least one is a contracting country, irrespective of the place of residence and the nationality of the parties.

CMR does not apply to own goods carried in own vehicles.

The contracting countries are:-

Australia	France	Portugal
Austria	Germany	Romania
Belarus	Ghana	Russian Federation
Belgium	Greece	Slovenia
Bosnia-Herzegovina	Hungary	Spain
Bulgaria	Italy	Sweden
CIS	Latvia	Switzerland
Croatia	Lithuania	Tunisia
Czech/Slovakia	Luxembourg	UK
Denmark	Netherlands	Yugoslavia
Estonia	Norway	
Finland	Poland	

Carrier Liabilities

Whilst the convention does not define the carrier, it is normally understood that the carrier is the person who offers and contracts to carry out the transport of goods, whether by his own vehicles or by those of others. (This can cover a freight forwarder).

The convention makes the carrier liable for total or partial loss of and for damage to the goods occurring between the time of taking over the goods and the time of delivery. The carrier is also liable for any delay in delivery.

There are many defences but generally it puts a strict burden of proof on the carrier.

Cash on delivery should be avoided by haulier. Sometimes they are asked to collect COD. Normally insurance against this liability is not possible.

When a carrier is liable under CMR to pay compensation for total or partial loss of or for damage to the goods, the value of these goods is determined as to their value at the place and time at which they were accepted for carriage.

Compensation

The carrier is liable for:-

- Total loss of goods
- Partial loss of goods
- Damage
- Delay in delivery
- Carriage charges
- Customs duties
- Failure to collect COD

Limits of Compensation

For total or partial loss the limit is 8.33SDR per Kg.

SDR = Special Drawing Rights, determined daily by the International Monetary Fund.

e.g.	8.33 SDR PER KG
	1 SDR = £0.958
	1 Kg = £7.98 (£0.958 x 8.33)
	1 tonne = £7,980

Damage is the amount by which the goods have diminished in value but cannot exceed Total or Partial loss calculation above.

CMR Consignment note

CMR requires a consignment note as a confirmation of the contract. It is intended to facilitate transfer of title or payment of goods. It is a means of conveying information and instructions to the parties involved in the contract.

It is made in 3 copies, each signed by the sender (shipper) and the carrier, normally completed by the sender - The sender is responsible for the information contained in it.

Copy 1	-	retained by sender
Copy 2	-	accompanies the consignment and handed to the consignee
Copy 3	-	retained by carrier

There is a standard set of details which must be completed on the note.

The period of limitation for any action arising out of CMR is one year or 3 years in the case of wilful misconduct from the date of delivery.

CMR Insurance

There is no legal requirement for CMR insurance but many companies will ask for evidence of it from any haulier used.

VEHICLE TESTING

There are 4 types of test:-

1. The HGV testing scheme, which is annual testing of goods vehicles over 3500Kg gvw and trailers over 1020Kg unladen.
2. Roadworthiness enforcement tests.
3. Testing of light vehicles.
4. Vehicle defect rectification scheme.

HGV Testing Scheme

This applies to:-

- tractive units of articulated vehicles
- rigids over 3500Kg gvw
- semi-trailers
- other trailers over 1020Kg unladen weight

The tests are carried out by a vehicle testing station chosen by the operator and run by the Ministry of Transport.

It is possible to test vehicles on your own premises but operators must conform to "conditions of appointment" specified by the Ministry.

Normally a strict booking regime is operated. The testing staff work to instructions set out in the Goods vehicle testers manual

- show example copy

There is a scale of charges published annually by the Ministry.

Roadworthiness enforcement tests

Under this type of test a vehicle may only be stopped for inspection by a uniformed police officer. Checks are done by authorised Ministry examiners. They may inspect a vehicle on a road to check that the construction and use regulations are met and that the vehicles condition does not involve danger of injury to any person. An examiner may drive the vehicle or require the driver to comply with reasonable instructions.

Tests carried out include - brakes, silencer, steering, noise, tyres, lights, reflectors, excessive smoke.

28 days are given for rectification and inspection.

Also immediate and deferred prohibition notices can be issued dependant upon the number and severity of defects.

Prohibition notices are placed in 3 bands.

Band A	-	less than 5 defects in non-critical areas
	-	10 days delay
Band B	-	one defect in a safety critical area or 5+ defects
	-	4 - 7 days delay
Band C	-	1+ defects in safety critical areas
	-	no more than 3 day delay

Safety critical is defined as defects that could affect a vehicle's control or directional stability.

Testing of light vehicles

- applies to goods vehicles not exceeding 3500Kg gvw
- This is required annually once the vehicle is 3 years old
- Tests are carried out at authorised testing stations (normally garages)
- Again there is a testers manual which defines the test coverage

Vehicle defect rectification scheme

- covers 25 offences, including:-
 - broken light glass
 - defective speedo
 - inoperative horn
 - defective silencer
 - two-tone horn
 - defective washers/wipers
 - broken or missing mirrors

The scheme applies to cars, car derived vans and light goods vehicles. If stopped the owner has 14 days to remedy the fault without prosecution.

ENFORCEMENT

There are a number of enforcement measures operated for offences. These are:-

- Fixed penalties
- Driver Licence endorsement measures
- Court procedures
- Driving disqualification

There are a number of examples of each of these and starting with the procedures for fixed penalties these are as follows:-

SLIDES

Examples of fixed penalty offences are:-

- waiting parking, loading offences
- speeding
- failure to comply with traffic direction signs etc

Some or all of these could result in driver licence endorsement on a points system. Once 12 points have been accumulated within 3 years there is normally automatic disqualification from driving for not less than 6 months.

Once a period of disqualification has been imposed the points are automatically set at zero.

Driver disqualification can also be imposed for more serious offences, e.g. driving with a high alcohol level or after taking drugs.

Court procedures normally occur after an accident or if a person pleads not guilty to an alleged offence.

For example, if there is a serious accident involving death, then a prosecution may follow. If a driver is found guilty of a road traffic offence this could involve heavy fines, disqualification or even imprisonment.

OPERATOR LICENSING

An operators licence must be held by the operator of goods vehicles used for commercial purposes, both hire and reward and own account.

The licence must be held by the person who uses the vehicle - not necessarily the owner.

The user is the driver of the vehicle if it belongs to him or the person who employs the driver in the case of a company.

SLIDE

There are 3 types of licence:-

- Restricted - allows carriage of goods on own account
- Standard - allows carriage of goods for hire and reward and own account internationally
- International - allows carriage of goods for hire and reward to any country.

Vehicles affected

Those vehicles affected are vehicles over 3.5 tonnes gvw

Exemptions

There are a number. Examples include:-

- tractors which cannot exceed 25mph
- police vehicles, ambulances and fire engines
- rescue vehicles for mines
- Army (service) vehicles
- airport vehicles
- recovery vehicles

In the UK, the country is split into traffic areas. An operator may hold one licence in each area although this may specify several operating centres.

Criteria for obtaining a licence

SLIDE

Licence applicants have to meet a number of detailed requirements. The criteria include fitness to hold a licence, maintenance arrangements, control of drivers' hours records and overloading, suitability of operating centre and financial resources.

The criteria are common throughout the EU albeit the detail varies from country to country.

In the UK, the decision to grant licences is vested in the Traffic Commissioner who answers directly to the Minister of Transport.

Taking the criteria in turn:-

General fitness

The Traffic Commissioner must be satisfied that the applicant is a fit and proper person and will take account of specified convictions during the previous five years concerning the operation of goods vehicles.

The relevant offences cover:

- 1 unroadworthiness of vehicles;
- 2 speed limits;
- 3 loading/overloading;
- 4 drivers' hours and records;
- 5 driver licensing;
- 6 vehicle testing and plating;
- 7 international road haulage permits;
- 8 forgery;
- 9 unlawful use of vehicles;
- 10 unlawful use of rebated fuel oil;
- 11 contravening parking restrictions and prohibitions;
- 12 certain waste related offences.

Details of such convictions must be included on the application form unless they have become 'spent' under the Rehabilitation of Offenders Act 1974. The Traffic Commissioner must also be told of any convictions imposed after the application has been made but before the licence is granted.

Vehicle maintenance arrangements

Effective maintenance is one of the prime objectives of the operator licensing system. The applicant must satisfy the Traffic Commissioner that there are acceptable arrangements for maintaining vehicles in a fit and serviceable condition and that these arrangements will not be prejudiced by a lack of financial resources. A suitable maintenance plan must include daily vehicle checks plus systematic, thoroughly documented safety inspections at programmed intervals, together with proper procedures for dealing effectively with any faults. Records of these activities must be retained and the whole system must be supported by capable and responsible staff and adequate maintenance facilities.

The intensity of the maintenance system will be dictated by, for example, the number and type of vehicle operated, the nature of the loads carried, the operating conditions and the mileages travelled. The DOT's 'Guide to maintaining roadworthiness', written jointly by the VIEA, FTA, RHA and CPT, provides clear advice to operators (particularly those applying for licences for the first time). Maintenance systems following the guide will be accepted by the Traffic Commissioners as meeting the conditions of O-licensing. Operators may depart from the guide's recommendations but will need to convince the Traffic Commissioner that there is no reduction in standards.

The recommended procedures include:

Daily vehicle checks which should normally be carried out by the driver before starting a journey, but may be done by other personnel. Such checks do not remove the driver's responsibilities for the vehicle's condition when on the road. Checks should embrace engine, brakes, tyres and wheels, lights and reflectors, warning devices, windscreen wipers and washers, mirrors and trailer couplings.

The driver should be able to make prompt reports of faults that might adversely affect safe operation. Reports should be recorded in writing by the driver or by someone with responsibility for vehicle condition. There must be procedures for carrying out remedial action and recording it. FTA produces driver report books (C30s) to meet this requirement, available from the Sales Department on (01892) 526171.

Periodic safety inspections which should cover items affecting vehicle safety and be based on the 'VIEA hgv inspection manual'. Inspections should be made at intervals of time and/or mileage. The nature of the business and the type of vehicles will determine the proper intervals.

Staff making safety inspections must be aware of acceptable performance standards, and be able to recognise faults and assess their significance. They must be familiar with permitted limits of wear and tolerance for components and be able to advise on serviceability. **The safe condition of a vehicle returned to service is the responsibility of the operator irrespective of who carried out the repair.**

Documented records for each vehicle which must be kept for at least 15 months and should record all safety inspections and driver's defect reports together with details of remedial work. When a vehicle is sold or disposed of the records should still be kept.

The vehicle operator is responsible for the maintenance of the records even if the work is done by outside agents.

Maintenance facilities needed will depend upon the number, size and type of vehicles and the range of work. It must be possible to properly inspect the vehicles. Ramps, hoists or pits will usually be needed but are not always necessary if the vehicles have sufficient ground clearance.



Equipment for measuring brake efficiency, headlight settings and exhaust smoke levels is not essential although it is obviously an advantage.

The safe condition of hired vehicles and trailers is the direct responsibility of the operator and not the company from which they are hired.

Drivers' hours, records and overloading

The applicant must demonstrate acceptable arrangements for observing drivers' hours, records and tachograph requirements and preventing overloading. This will include careful instruction of drivers, proper scheduling of vehicles and regular checking of tachograph charts.

Arrangements for preventing overloading will vary according to the business. While some applicants might need to show regular access to proper weighing facilities, others involved in, say, the carriage of light but bulky loads are in a more fortunate position. Proper instructions to drivers and the correct selection of vehicles are essential in all cases. The Department of Transport's code of practice on the 'Safety of loads on vehicles' is available from HMSO and contains useful advice.

Suitability of operating centre

The Traffic Commissioner must be satisfied that any proposed operating centre is suitable for that purpose – covering not only environmental factors but also the availability and size of the operating centre and the safety of the access from the public road.

In deciding environmental suitability, the Traffic Commissioner must take into account:

- 1 the nature and use of land in the vicinity of the operating centre and the effect that granting the application would be likely to have on the environment;
- 2 the extent to which granting a licence, which will materially change the use of an existing (or previously used) operating centre, will harm the environment in the vicinity;
- 3 in the case of land not previously used as an operating centre, any planning permission (or planning application) relating to the operating centre or the land in its vicinity;
- 4 the number, type and size of the authorised vehicles which will use the operating centre;
- 5 the parking arrangements for the authorised vehicles which will use the operating centre;
- 6 the nature and times of use of the operating centre;
- 7 the nature and times of use of any equipment at the operating centre; and
- 8 the number and frequency of vehicles which would be entering and leaving the operating centre.

Financial resources

For all types of licence, the Traffic Commissioner has to be satisfied that the applicant has adequate financial resources to keep the vehicles in a fit and serviceable condition. Information will be sought on the financial background of the applicant, and bank references, statements of assets or audited accounts will be relevant.

For standard licences the Commissioner also has to be sure that the applicant has sufficient financial resources to set up and run the business properly. As a broad rule, available funds of £2,000 per vehicle will be looked for. If this is not apparent from information provided, more detailed figures may be sought.

There are specific figures for applicants for standard international licences who must have funds available at least equal to either:



- 1 3,000 European Currency Units for each authorised vehicle; or
- 2 150 European Currency Units per tonne for each authorised vehicle.

At the time of writing 1 ECU = £0.83.

Professional competence

An applicant for a **standard** or **standard international** licence must be professionally competent. In the case of a sole trader or partnership, the applicant can be the professionally competent person provided he is responsible for operating the vehicle(s) covered by the licence. In all other cases, including limited companies and statutory bodies, this requirement can only be satisfied by employing one or more professionally competent person(s).

The number of professionally competent persons required depends on the way the fleet is managed. With the Traffic Commissioner's agreement, an individual could be the nominated person in more than one traffic area provided he is employed by the licence holder. A transport manager need not be in the 'full-time' employment of the licence holder but he will have to satisfy the Traffic Commissioner that he is able to exercise, alone or jointly, continuous and effective responsibility for managing the transport operations. There may be circumstances where a number of qualified persons are required for a single licence. Equally, an individual could be the nominated person for several different licences.

To be professionally competent an individual must either:

- 1 hold a certificate of competence (GV203) issued by a licensing authority before 31 December 1979 stating that the holder was in responsible road transport employment under an operator's licence before 1 January 1975 (known as 'grandfather's rights');
- 2 possess a diploma or qualification issued by a professional institute and recognised by the Secretary of State for Transport. The following are recognised:

For national and international road transport operations

Members and fellows of the Chartered Institute of Transport (CIT) in the road transport mode; associate members, fellows or associates by examination and members of the Institute of Transport Administration in the road transport mode; associate members and members of the Institute of Road Transport Engineers; associates and fellows of the Institute of the Furniture Warehousing and Removing Industry; and those holding a certificate in transport awarded by the CIT.

For national road transport operations only

Associates of the Chartered Institute of Transport (in the road transport mode); associates of the Institute of Road Transport Engineers qualified by examination; holders of the general or ordinary certificate in removals management granted by the Institute of the Furniture Warehousing and Removing Industry; graduates or associates of the Institute of Transport Administration provided they hold the certificate of the National Examinations Board in Supervisory Studies (in the appropriate transport mode), are at least 21 years of age and have a minimum of three years practical experience in transport operations in the appropriate mode; or

- 3 hold the certificate of professional competence (CPC) awarded by the Royal Society of Arts (RSA) on behalf of the Department of Transport. For those requiring a standard national O-licence the examination is split into two sections; the first paper covers business/financial management and employment/company law and the second paper aspects of freight operations including technical standards, road safety and operator licensing.

To hold a standard international O-licence a further examination must be completed which includes Customs procedures, access to the market, law and operational standards.

Good repute

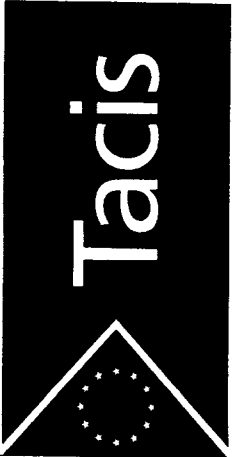
Both the applicant and any nominated professionally competent person, where this is not the same person, must be of good repute. The Traffic Commissioner will take into account all serious convictions and any repeated road transport convictions during the previous five years. He may also consider any other available information about previous conduct. With standard licence applications, therefore, the Traffic Commissioner might seek much wider information on previous convictions of the applicant, its directors or nominated transport managers than for a restricted licence application. But details only have to be given of convictions that have not become 'spent' under the Rehabilitation of Offenders Act 1974. Details must also be given of any convictions imposed after the application has been made but before the licence is granted. A transport manager whose good repute is in question has the right to be heard before the Commissioner at a public inquiry.

Applying for a licence

An application for a licence must be made at least nine weeks before it is needed to allow the Traffic Commissioner time to make the necessary enquiries. The Traffic Commissioner can grant an interim licence in urgent cases at his discretion but this requires detailed support in writing. An application fee must accompany the application. The issue of an interim licence does not indicate that a full licence will be granted in due course. It is not usually considered until the period for representations has expired.

An applicant must complete form GV79 which requires:

- 1 basic information about status including, where relevant, details of directors;
- 2 type of licence requested;
- 3 details of previous experience and relevant convictions;
- 4 information on maintenance arrangements and financial standing;
- 5 names and addresses of the nominated transport managers for standard and standard international licences;
- 6 details and a copy of the newspaper advertisement;
- 7 list of operating centres and numbers of vehicles at each;
- 8 undertakings committing the applicant to fulfil the criteria upon which the licensing system is based.



KEITH TAYLOR

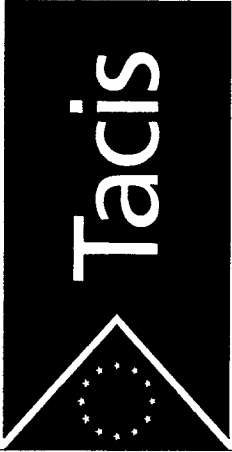
DIRECTOR OF PERSONNEL & BUSINESS SERVICES

FREIGHT TRANSPORT ASSOCIATION



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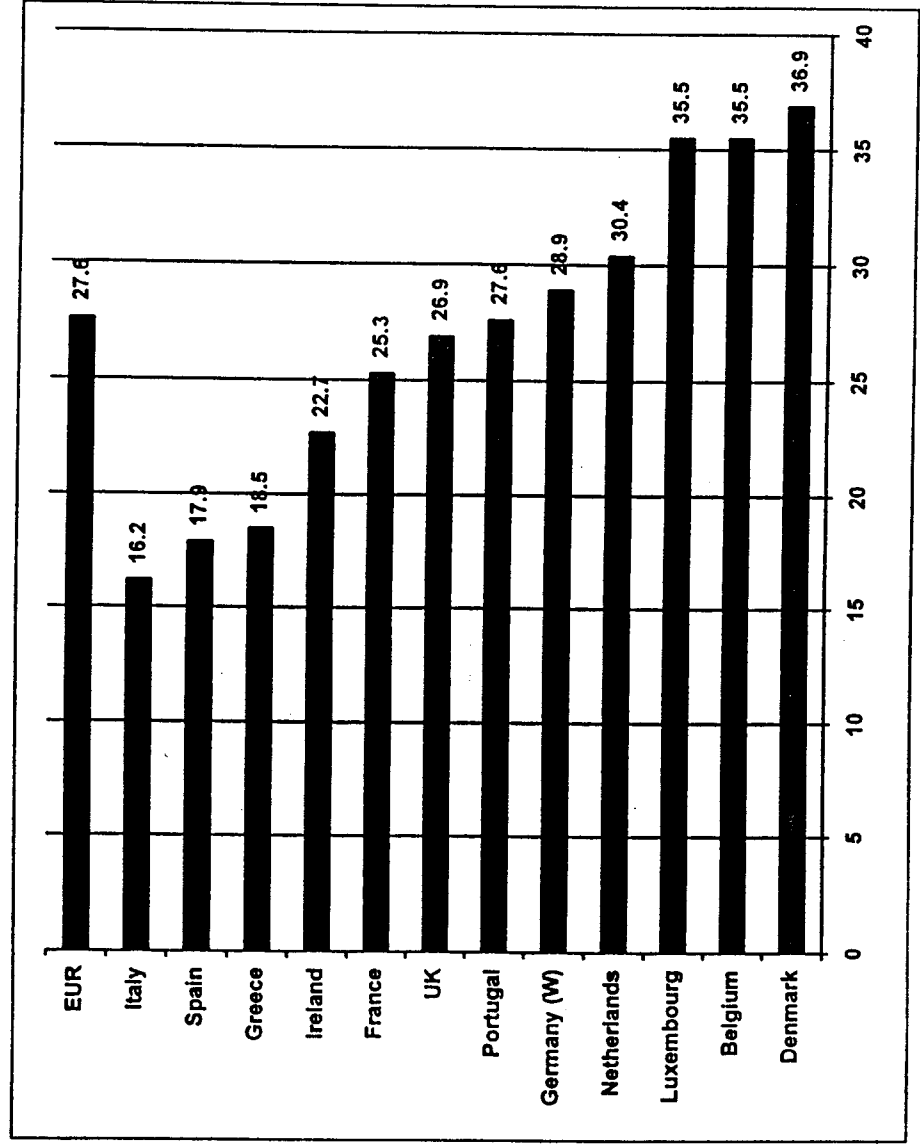
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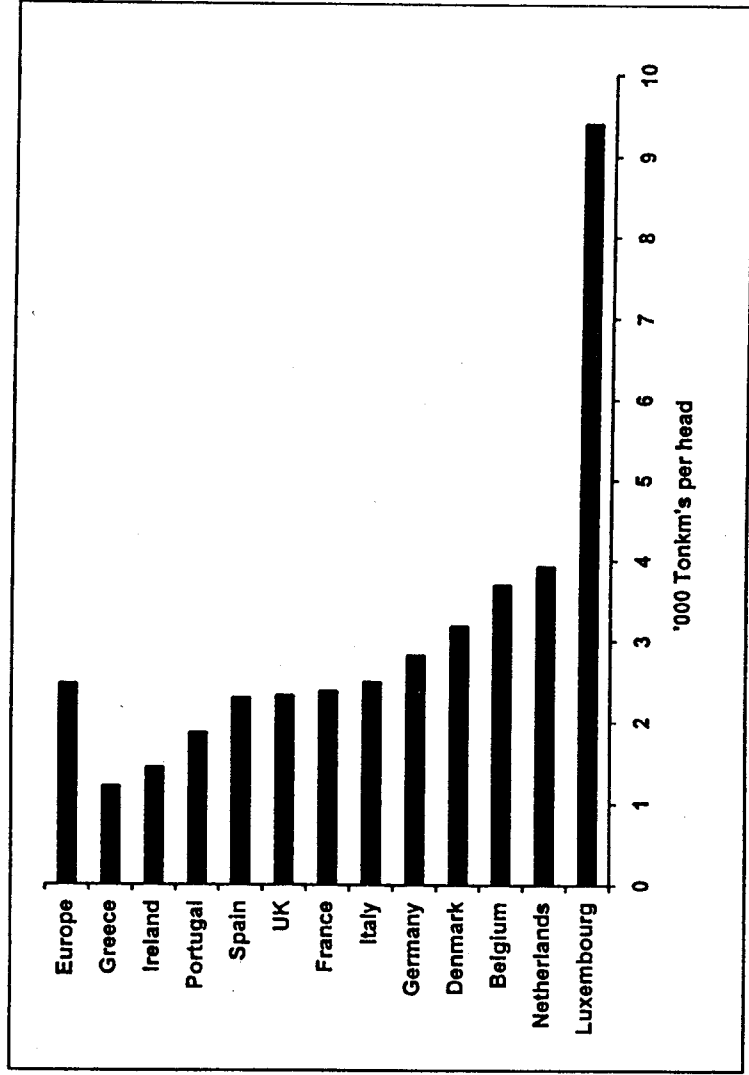
- SIZE & GROWTH OF SECTOR
- TRANSPORT MODE SHARES & TRENDS
- NATIONAL & INTERNATIONAL
- HIRE & REWARD V OWN ACCOUNT

Figure 2.1a Tons carried by road transport per head of population in the separate EU-countries (thousands)



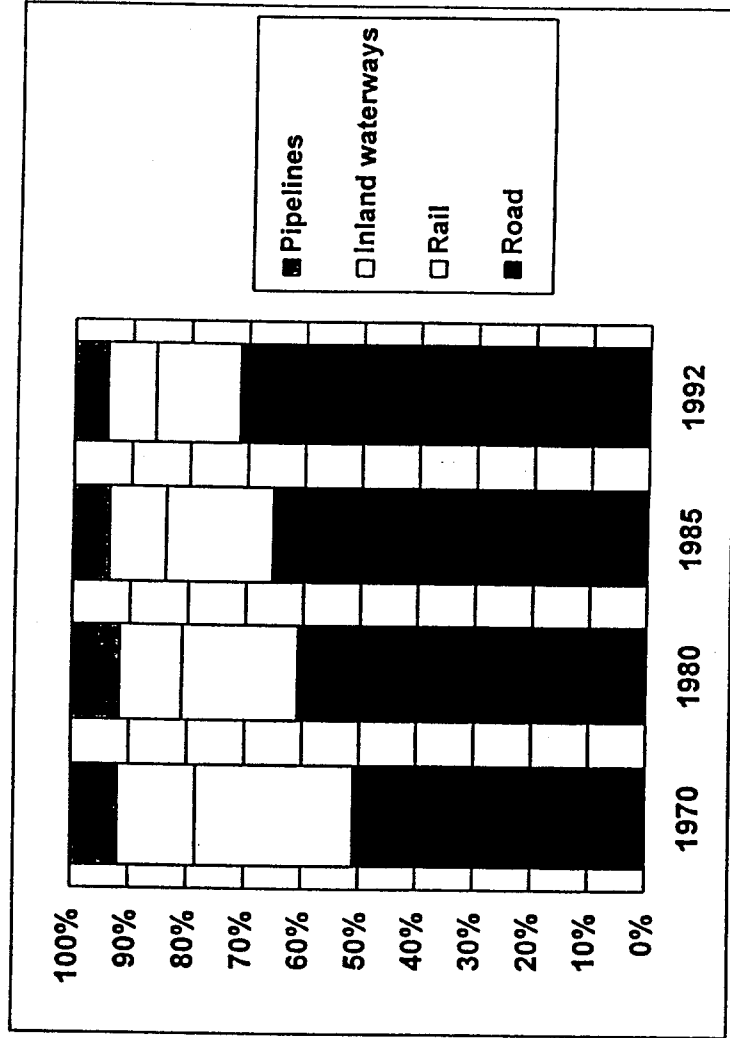
Source tons: Eurostat, carriage of goods, road, 1991

Figure 2.1b Tonkms carried by road transport per head of population
(thousands) in the separate EU-countries



Source tonkms: Road freight transport in the single European market, Report of the committee of enquiry - July 1994
For some countries 1991 figures are used.

Figure 2.3 EU-Trends in the modal split between road, rail, inland waterways and pipelines



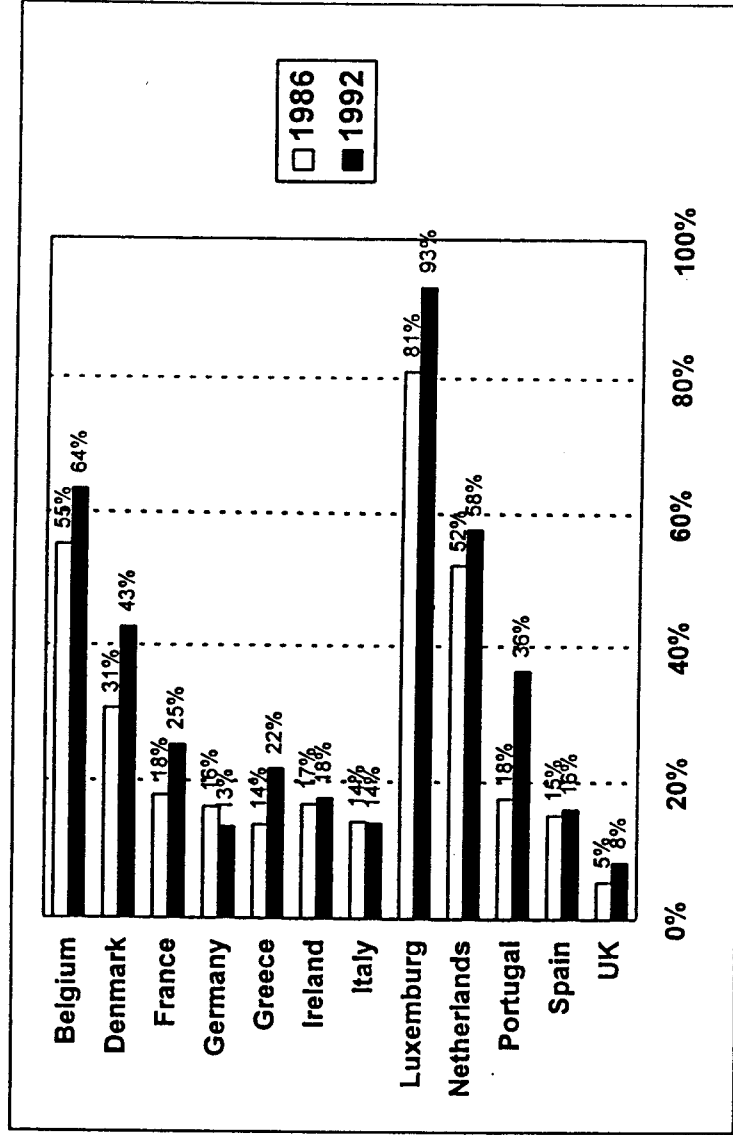
Source: DG VII in co-operation with Eurostat

1970: excluding Portugal, Ireland

1980: excluding Greece

1985: excluding Portugal

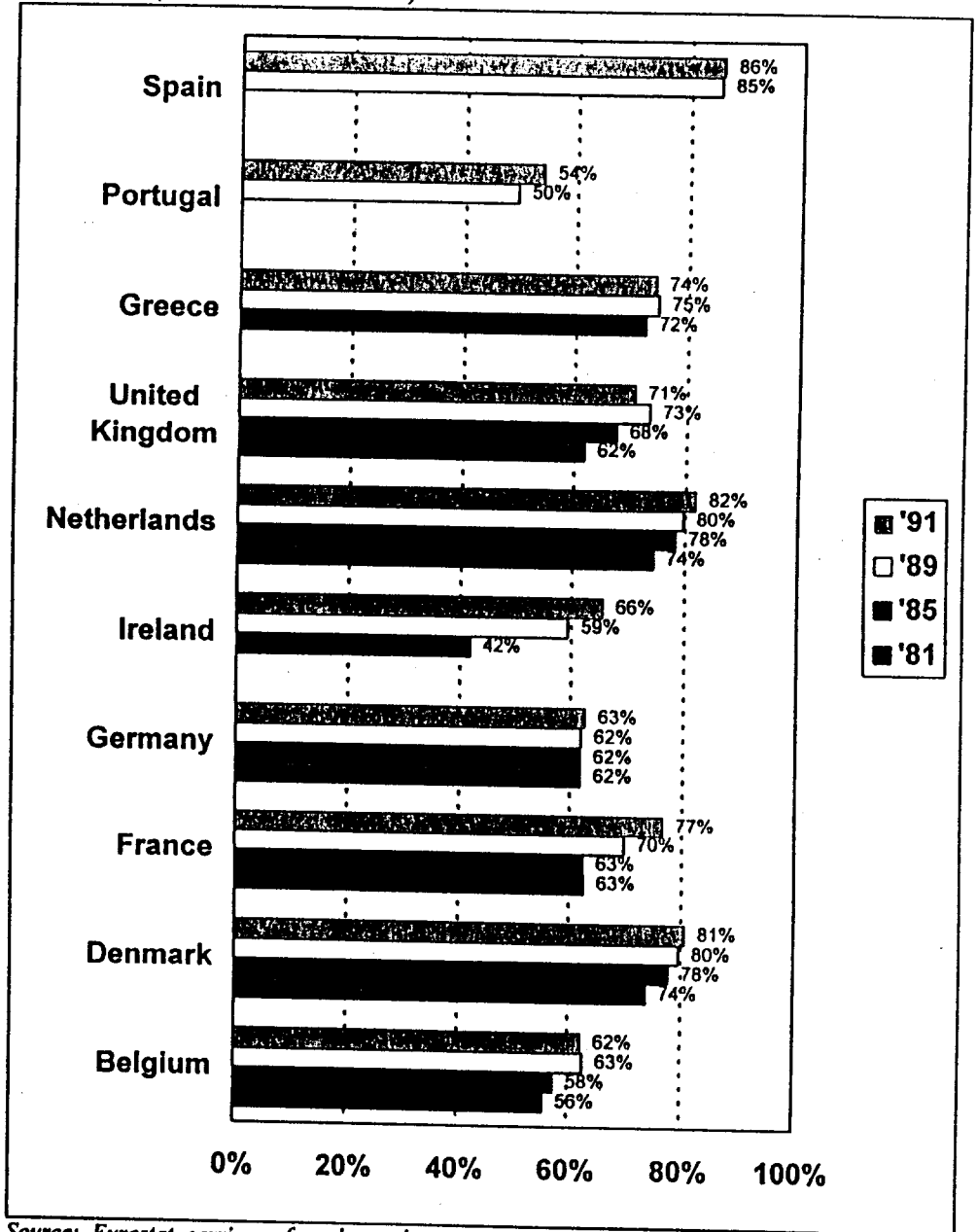
Figure 2.5 Proportion of international transport in total road transport (in tonkms)



Source: Road freight transport in the single European market, Report of the committee of enquiry, July 1994. For some countries 1991 figures are used instead of 1992.

Note: International transport to third countries outside the EU is not taken into account. If these figures had been available, the proportion of international transport would have been (a little bit) higher.

Figure 2.6 Proportion of hire and reward in total road transport in the period 1981-1991 (measured in tonkms)



Source: Eurostat, carriage of goods, road transport, 1991

Note: International transport to third countries outside the EU is not taken into account. If these figures would have been available, the proportion of hire and reward would have been higher.

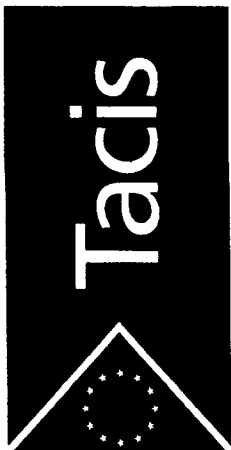


Figure 2.7- Forces of Change in the Road Transport Sector

Safety Issues	-	driving time, speed and distance
	-	vehicle construction and testing
	-	regulations for drivers and road standards
Technology Developments	-	admin & operations, IT & EDI
	-	vehicle technology
	-	road infrastructure
Quality Issues	-	ISO Certification
	-	customer demands and customer care
	-	impact of new technologies
Legal Requirements and Changes		
Flexibility and Customer Demands		
Green Issues	-	transit traffic
	-	pollution
	-	fuel efficiency
	-	alternative transport modes

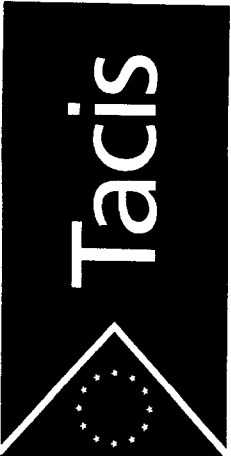


Figure 2.9

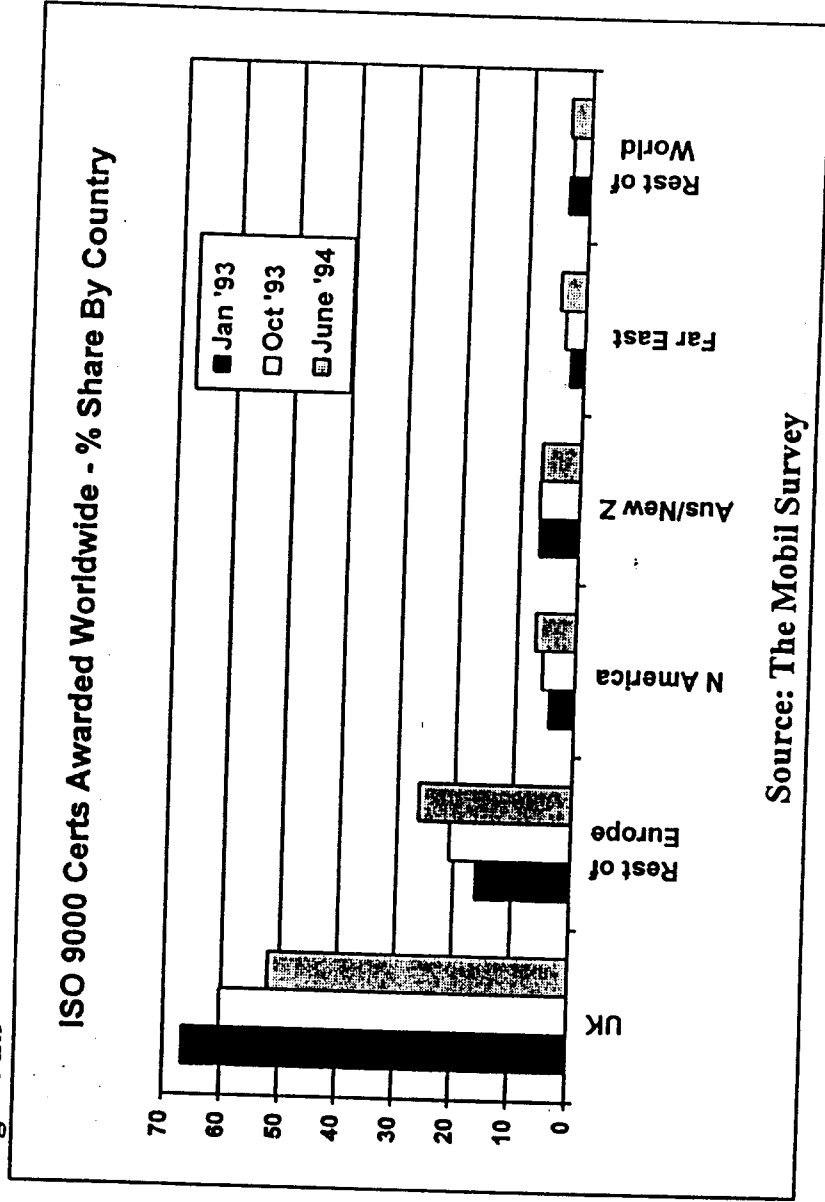
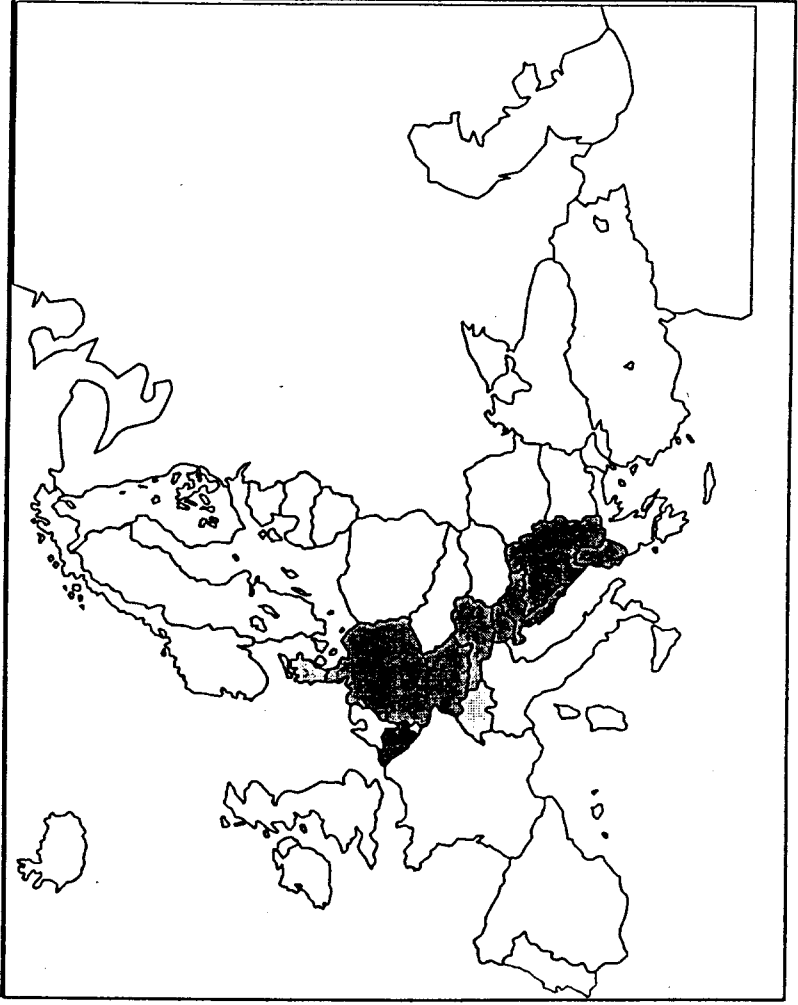
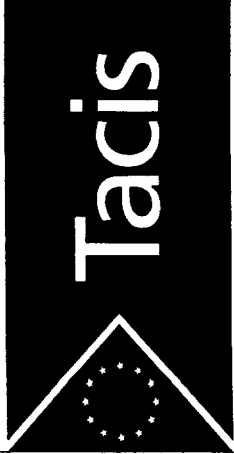


Figure 2.11

Map of Europe Highlighting The Position of the 'Transit' States

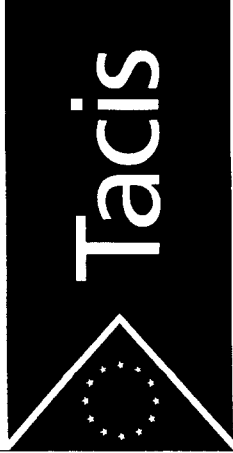




MEASURES TO CONTROL THE ENVIRONMENTAL IMPACT OF ROAD TRANSPORT

Technical Measures

Emission standards on CO, VOCs NOx and particulates for all kinds of motor vehicles (e.g. by the EC and UNECE);
Fuel quality standards concerning for example lead, sulphur, benzene (e.g. by the EC);
Noise standards for motor vehicles (by the EC);
Development of electric cars and fuel cells.

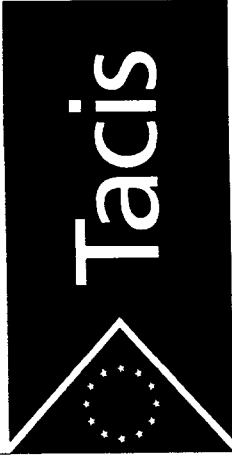


Construction Measures

Noise protection walls along major roads and motorways, low-noise asphalt;

Bridges and tunnels for animal crossings;

Integration of infrastructure into landscape (e.g. via environmental impact assessment).



Transport Planning and Traffic Management

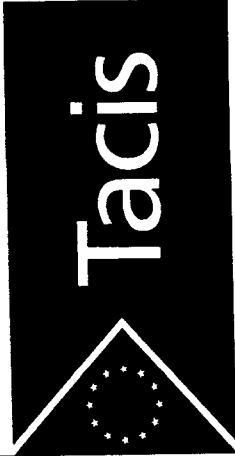
Provision and improvement of public transport facilities;

Provision of separate cycling tracks;

Restriction of car use in inner cities and residential areas via parking restrictions, Pedestrian zones, speed limitations, road safety measures;

Extension of rail, waterway and combined transport;

Bans on through traffic.



Economic Instruments

Internalisation of external costs for all transport modes through taxes and fees (e.g. energy tax, fuel tax, road pricing and parking fees);
Differentiated purchase taxes e.g. between leaded and unleaded petrol;
Scrapage benefits to encourage owners to replace older polluting vehicles with cleaner vehicles fitted with catalytic converters.



Others

Regular in-service test for motor vehicles;

Time restriction on transport movements, especially bans on night and weekend driving for trucks;

Lowering and enforcement of speed limits;

Encouraging smoother driving behaviour;

Educational campaigns;

Car pooling;

Staggered working hours; encouraging working from home;

Carrying through existing resolutions (e.g. ECMT resolutions on Transport and Environment (no 66) and Power and Speed (No 91/5) and conventions (e.g. UNECE Sofia protocol on NOx emissions, 1988).

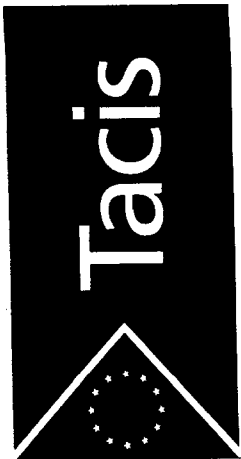


Figure 2.16 Typical Company Profiles per Each Business Strategy

	Size	Technological Capabilities	Geographical Area	Market
Low-Cost	small	lo-tech	focused area	niche
Hi-Quality	small <i>or</i> large	hi-tech <i>or</i> lo-tech	wide <i>or</i> focused	niche <i>or</i> broad
Specialisations	small <i>or</i> large	hi-tech	wide <i>or</i> focused	niche
Integrated logistics	large	hi-tech	wide area	broad

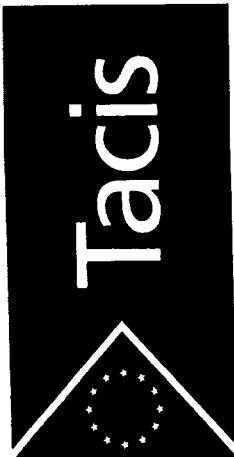


Figure 2.18: Number of Road Haulage Firms and Size Distribution by Member State

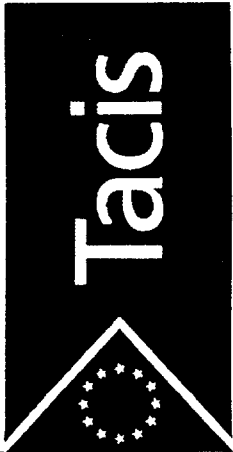
Member State	No of Firms	1-5 Vehicles (%)	6-10 Vehicles (%)	> 10 Vehicles (%)
B	7812	73.5	10.9	15.4
D	44572	88.7	7.7	3.6
GR	26994	98.5	1.5	-
E	164976	98.4	1.4	0.2
F	28895	80.0	7.5	12.5
IRL		79.3	20.7	-
I	204119	95.0	3.1	1.8
NL	7390	70.6	15.9	13.5
UK	40000	85.5	7.8	6.7

Source: *European Economy: Social Europe, Number 3, 1993/IRU*



GOODS TRANSPORT – FREIGHT TRAFFIC TRENDS

TRANSPORT MODE	TRAFFIC VOLUME IN TONNE-KILOMETRES			FORECAST
	1985	1990	1985/1990	
ROAD	711.62	912.72	+28.26%	1442
RAIL	249.85	245.16	-1.88%	247
INLAND WATERWAY	70.00	72.54	+3.63%	118
PIPELINE	94.93	117.28	23.54%	-
TOTAL	1126.40	1347.70	+19.65%	-



GOODS VEHICLE FLEETS

CONTINENT/COUNTRY	1985	1990
EUROPE	15,046,598	18,201,303
12 EC STATES	11,655,452	14,170,778

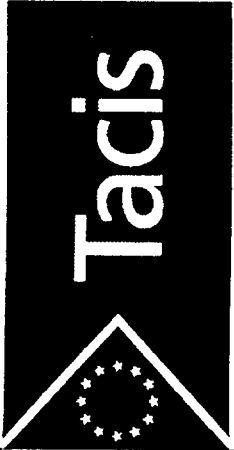


ROAD TRANSPORT UNDERTAKING IN %

COUNTRY	1-5 VEHICLES		6-10 VEHICLES		11+ VEHICLES	
	1985	1990	1985	1990	1985	1990
AUSTRIA	67.6	60.1	23.3	25.8	9.1	14.1
BELGIUM	73.5	68.3	10.9	11.6	15.4	20.1
DENMARK	89.4	83.7	6.1	9.3	4.5	5.3
FINLAND	94.7	95.8	2.4	2.1	0.9	1.1
FRANCE	80.0	81.6	7.5	5.6	12.5	12.8
GERMANY	88.7	83.1	7.7	9.7	3.6	7.2
ITALY	95.0	-	3.1	-	1.8	-
NETHERLANDS	64.5	56.8	19.8	20.9	15.6	21.7
SPAIN	98.4	-	1.4	-	0.2	-
SWEDEN	92.7	91.0	4.3	6.0	3.0	3.0
UNITED KINGDOM	87.0	83.0	7.0	8.0	6.0	9.0



CERTIFICATE OF PROFESSIONAL COMPETENCE



MODULE A – CORE

(Common to Road Haulage & Passenger Transport)

MODULE CONTENT

Part 1: Law

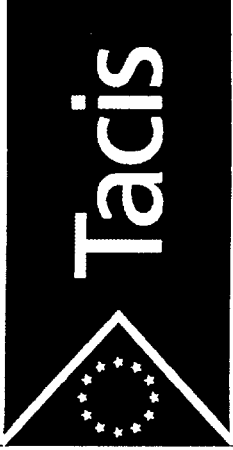
Elements of Law
Business and Company Law
Social Legislation

Part 2: Business and Financial Management

Financial Management Techniques
Commercial Business Conduct
General Insurance

Part 3: Road Safety

Traffic Legislation



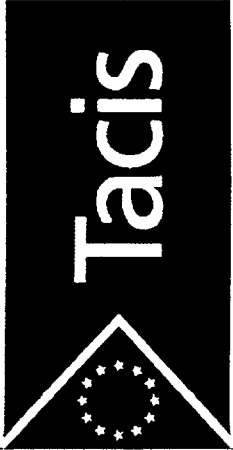
MODULE B – NATIONAL ROAD HAULAGE

MODULE CONTENT

Part 1: Law
Taxation

Part 2: Road Haulage Business and Financial Management
Marketing
Commercial Conduct of the Business
Insurance in respect of Vehicles and Goods in Transit
Methods of Operating

Part 3: Access to the Market
Operating Licensing



MODULE B – NATIONAL ROAD HAULAGE

MODULE CONTENT

Part 4: Technical Standards and Aspects of Operations

Weights and Dimensions of Vehicles and Loads

Vehicle Selection

Vehicle Condition, Fitness and Maintenance

Loading of Vehicles and Transit of Goods

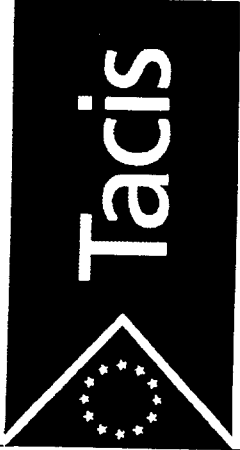
Part 5: Road Safety

Drivers' Hours and Records

Driving Licences

Speed Limits

Procedures in Case of Road Traffic Accidents



MODULE D – INTERNATIONAL ROAD HAULAGE

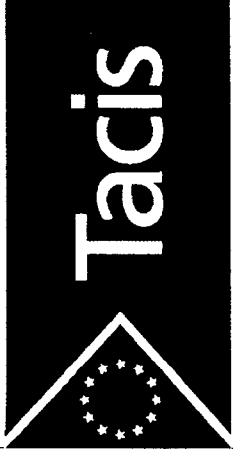
MODULE CONTENT

Part 1: Law

Part 2: Control of Road Haulage Operations

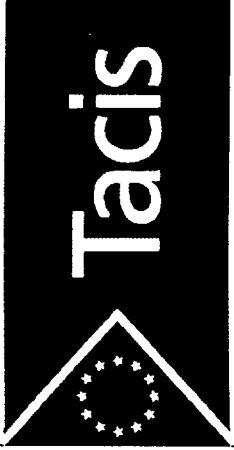
Part 3: Practice and Formalities Connected with International
Movements

Part 4: Operations, Technical Standards and Road Safety



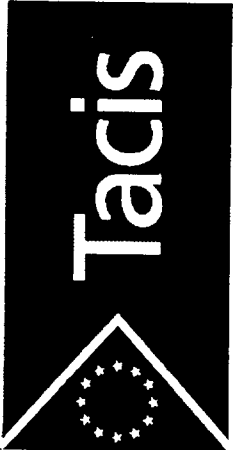
HARZARDOUS CARGO – THE ADR AGREEMENT

- PURPOSE
- JOURNEYS AFFECTED
- CONTRACTING PARTIES
- GOODS AFFECTED
- CLASSES
- CONSIGNOR RESPONSIBILITIES
- CARRIER RESPONSIBILITIES



PLATING AND TESTING OF VEHICLES

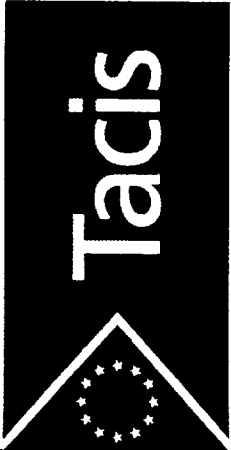
- VEHICLES COVERED
- MANUFACTURERS PLATE
- SPECIAL TYPES
- ANNUAL TESTING
- TEST CERTIFICATES
- DEPARTMENT OF TRANSPORT PLATE
- TRAILERS



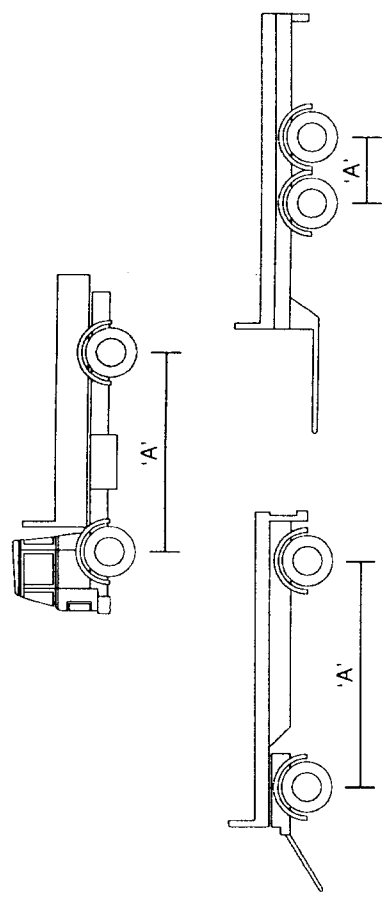
WEIGHTS AND DIMENSIONS

Two-axled rigid motor vehicle	18 tonnes
Three-axled rigid motor vehicle	26 tonnes
Four-axled rigid motor vehicle	32 tonnes
Four-axled articulated vehicle	38 tonnes
Five and six-axled articulated vehicle and drawbar combination	40 tonnes*
The directive also sets limits on individual axle and bogie weights:	
Single-axle	11.5 tonnes
Two-axled bogie (motor vehicle)	19 tonnes
Two-axled bogie (trailer)	20 tonnes
Three-axled bogie (trailer)	24 tonnes

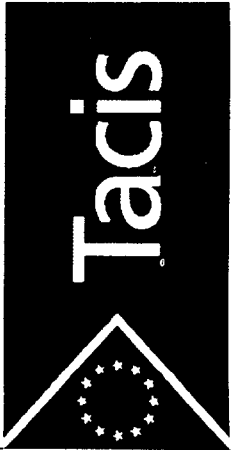
* 44 tonnes on a five or more axled vehicle when a 40ft ISO container is carried as part of a combined transport operation.



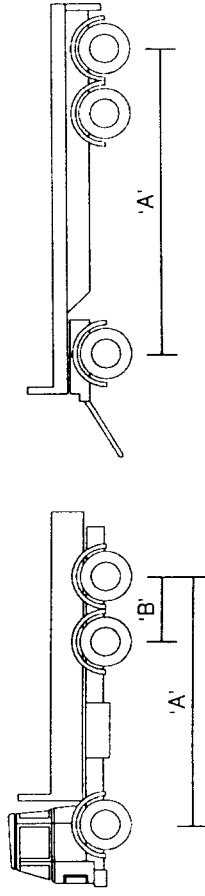
RIGID VEHICLE WEIGHTS – 2 AXLED



Distance 'A'	Maximum gross vehicle/trailer weight
Less than 2.65m	14,230kg
at least 2.65m but less than 3.0m	16,260kg
at least 3.0m	17,000kg
at least 3.0m	18,000kg*
* on a trailer only	



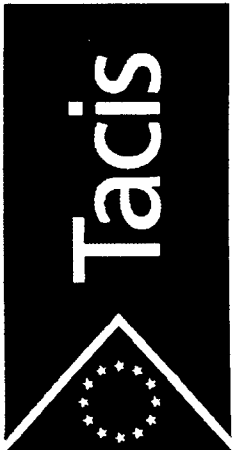
RIGID VEHICLE WEIGHTS – 3 AXLED



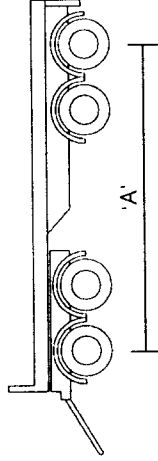
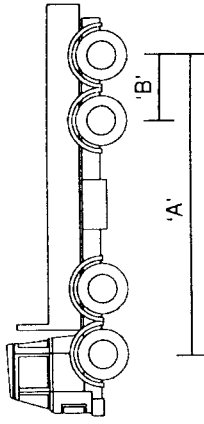
Distance 'A'	Maximum gross vehicle/trailer weight
Less than 3.0m	16,260kg
at least 3.0m but less than 3.2m	18,290kg
at least 3.2m but less than 3.9m	20,330kg
at least 3.9m but less than 4.9m	22,360kg
at least 4.9m	25,000kg
at least 5.2m	26,000kg*

* Only on a motor vehicle and provided:

- 1 every non-steering driving axle has twin tyres; and
- 2 either every driving axle has road friendly suspension or no closely spaced axle ('B') has an axle weight over 9,500kg.



RIGID VEHICLE WEIGHTS – 4 AXLED



Distance 'A'	Maximum gross vehicle/trailer weight
Less than 3.0m	16,260kg
at least 3.0m but less than 3.2m	18,290kg
at least 3.2m but less than 3.9m	20,330kg
at least 3.9m but less than 4.9m	22,360kg
at least 4.9m but less than 5.6m	25,000kg
at least 5.6m but less than 5.9m	26,420kg
at least 5.9m but less than 6.3m	28,450kg
at least 6.3m	30,000kg or 30,490kg* (see overleaf)
at least 5.2m but less than 6.4m	The distance 'A' multiplied by 5,000* (see overleaf) rounded up to the next 10kg
Example: Distance 'A' is 6.255m Calculation: $6.255 \times 5,000$ = 31,275kg Rounded up: 31,280kg	
at least 6.4m	32,000kg* (see overleaf)

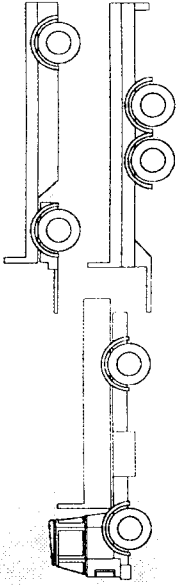
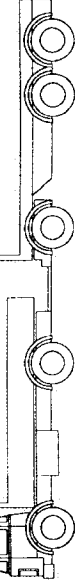
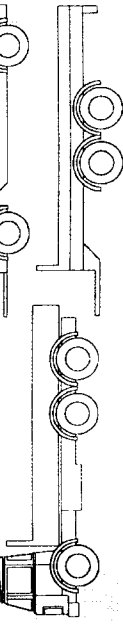
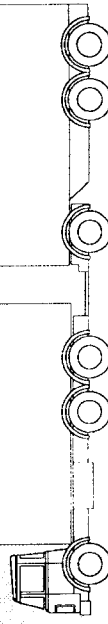
= Provided a plating certificate at this weight was in force before 1 January 1993.

* Only on a motor vehicle and provided:

- 1 every non-steering driving axle has twin tyres; and
- 2 either every driving axle has road friendly suspension or no closely spaced axle ('B') has an axle weight over 9,500kg.

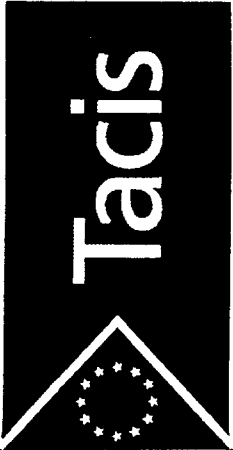


ROAD TRAIN WEIGHTS

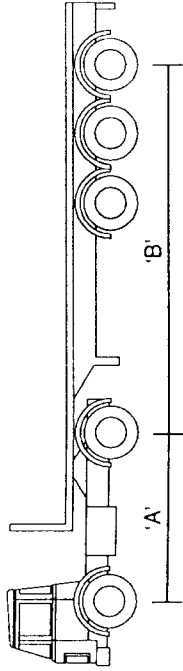
Vehicle configuration	Maximum train weight
	32,520kg 35,000kg*
	32,520kg 38,000kg*
	32,520kg 38,000kg*
	32,520kg 38,000kg* 44,000kg**

* When drive axle/s is fitted with twin tyres and road friendly suspension – or no axle on the drawing vehicle weighs more than 8,500kg.

† When the vehicle is used on a 'combined transport' operation.



ARTICULATED VEHICLES - 2 AXLED TRACTIVE UNIT



Distance 'A'	Tractor gvw	Distance 'B'	Outfit gtw
at least 2.0m	14,230kg	at least 2.0m	20,330kg
at least 2.4m	16,260kg	at least 2.2m	22,360kg
at least 2.7m	17,000kg	at least 2.6m	23,370kg
		at least 2.9m	24,390kg
		at least 3.2m	25,410kg
		at least 3.5m	26,420kg
		at least 3.8m	27,440kg
		at least 4.1m	28,450kg
		at least 4.4m	29,470kg
		at least 4.7m	30,490kg
		at least 5.0m	31,500kg
		at least 5.3m	32,520kg
		at least 5.5m	33,000kg**
		at least 5.8m	34,000kg**
		at least 6.2m	35,000kg* +
		at least 6.5m	36,000kg*
		at least 6.7m	37,000kg*
		at least 6.9m	38,000kg*



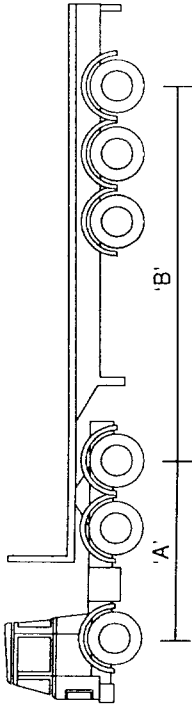
ARTICULATED VEHICLES - 2 AXLED TRACTIVE UNIT

Notes

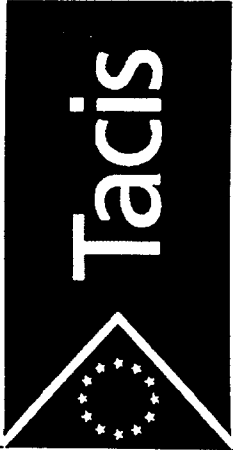
- 1 Weights above 26,000kg only allowed with four or more axled combinations.
 - 2 Weights above 35,000kg only allowed with five or more axled combinations.
 - 3 Weights above 25,000kg on three-axled combinations and above 32,520kg on four-axled combinations(*) are only allowed where:
 - a the tractive unit was first used on or after 1 April 1973;
 - b every non-steering driving axle has twin tyres;
 - c every driving axle has road friendly suspension.
 - 4 A four axled artic is exempt from the road friendly requirements if it is on an international journey.
- * For five or more axled outfits the tractive unit must have been first used on or after 1 April 1973.



ARTICULATED VEHICLES - 3 AXLED TRACTIVE UNIT



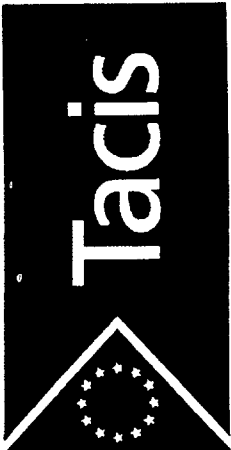
Distance 'A'	Tractor gvw	Distance 'B'	Outfit gtw
at least 3.0m	20,330kg (MIAW 8,390kg)	at least 2.0m	20,330kg
at least 3.8m	22,360kg (MIAW 8,640kg)	at least 2.2m	22,360kg
at least 4.0m	22,500kg (MIAW 10,500kg)	at least 2.6m	23,370kg
at least 4.3m	24,390kg (MIAW 9,150kg)	at least 2.9m	24,390kg
at least 4.9m	24,390kg (MIAW 10,500kg)	at least 3.2m	25,410kg
		at least 3.5m	26,420kg
		at least 3.8m	27,440kg
		at least 4.1m	28,450kg
		at least 4.4m	29,470kg
		at least 4.7m	30,490kg
		at least 5.0m	31,500kg
		at least 5.3m	32,520kg
		at least 5.4m	33,000kg†
		at least 5.6m	34,000kg†
		at least 5.8m	35,000kg†
		at least 6.0m	36,000kg
		at least 6.2m	37,000kg
		at least 6.3m	38,000kg
		at least 6.7m	39,000kg*
		at least 7.1m	40,000kg*
		at least 7.4m	41,000kg*
		at least 7.6m	42,000kg*
		at least 7.8m	43,000kg*
		at least 8.0m	44,000kg*



ARTICULATED VEHICLES - 3 AXLED TRACTIVE UNIT

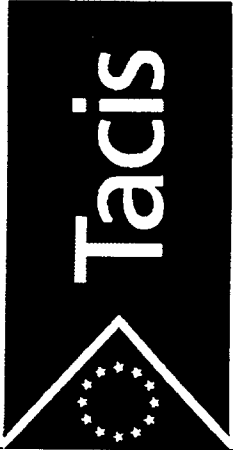
Notes

- 1 Weights above 32,520kg are only allowed when the tractive unit was first used on or after 1 April 1973.
 - 2 Weights above 35,000kg are only allowed with five or more axled outfits.
- † Only allowed on a four-axled articulated vehicle when:
- a it is on an international journey; or
 - b every non-steering driving axle has twin tyres; and
 - c every driving axle has road friendly suspension.
- * Weights above 38,000kg are only possible with six or more axled outfits when:
- a the vehicle is on a 'combined transport' operation;
 - b every non-steering driving axle has twin tyres; and
 - c every driving axle has road friendly suspension or no axle on the tractive unit weighs more than 8,500kg.



OVERALL LENGTH

Length	Maximum permitted
Rigid vehicles	12m
Articulated vehicles	*16.5m
Articulated vehicles with low loader semi-trailer manufactured on or after 1 April 1991 (excluding step-frame low loaders)	18m
Car transporter semi-trailer:	
kingpin to rear	12.5m
kingpin to any point on the front	4.19m
Other semi-trailers:	
kingpin to rear	•12m
kingpin to any point on the front	•2.04m
Composite trailer	14.04m
Drawbar trailers (excluding length of drawbar) provided:	
1 trailer has four or more wheels	*12m
2 drawing vehicle has maximum gross weight over 3,500kg	
Other drawbar trailers (excluding length of drawbar)	7m
Road-trains: one trailer (see note opposite) two trailers	18m †25.9m
* No set limit if designed to carry indivisible loads of exceptional length.	
† Vehicle drawing more than one trailer limited to 9.2m in length.	
• These dimensions include thickness of any front or rear wall, if more than one kingpin position measurement is taken from rearmost.	



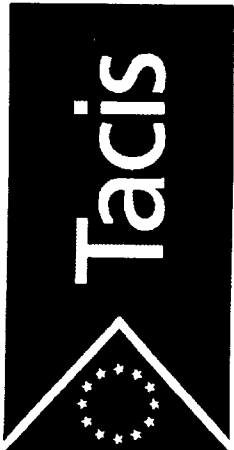
OVERALL LENGTH (CONTD)

Note

Construction and use regulations allow road-trains with a maximum length of 18.35m*. However, vehicles operating at this length must meet two additional dimensional criteria:

- the distance from the foremost point of the loading area behind the cab to the rear of the trailer must not exceed 16m; and
- the above measurement less the distance between the vehicle and trailer must not exceed 15.65m. (This gives a maximum load-carrying space.) This requirement does not apply to road-trains which are car transporters, nor to road-trains not over 18m overall length.

* The European Council of Ministers has agreed an increase in the length of roadtrains to 18.75m. At the time of going to press, however, no firm commitment had been made to produce legislation that would introduce this change.



MAXIMUM PERMITTED WIDTH

Maximum permitted width

Motor cars

2.5m

Heavy motor cars

2.5m*

Trailers – provided:

2.5m*

- 1 every wheel has a pneumatic tyre
- 2 the drawing vehicle has maximum gross weight over 3,500kg
- 3 every wheel of the towing vehicle (other than a locomotive) has a pneumatic tyre

Other trailers

2.3m

Vehicles constructed to carry goods at reduced temperatures with a body side wall thickness of at least 45mm

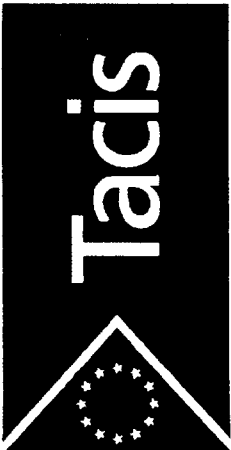
2.6m

Motor tractors

2.5m*

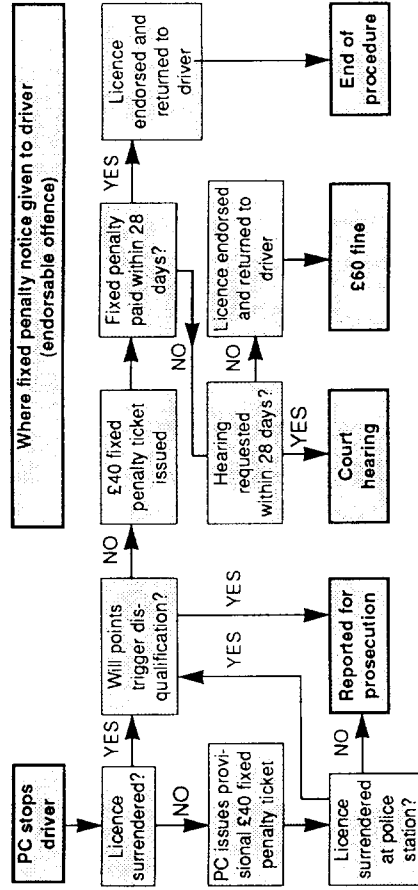
Locomotives

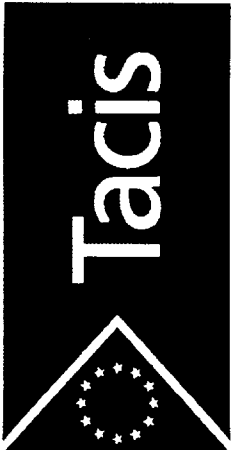
2.75m



ENFORCEMENT

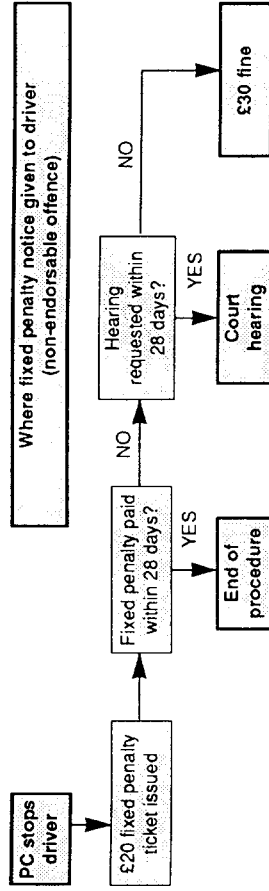
Typical fixed penalty procedures

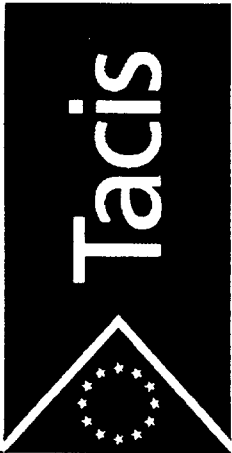




ENFORCEMENT

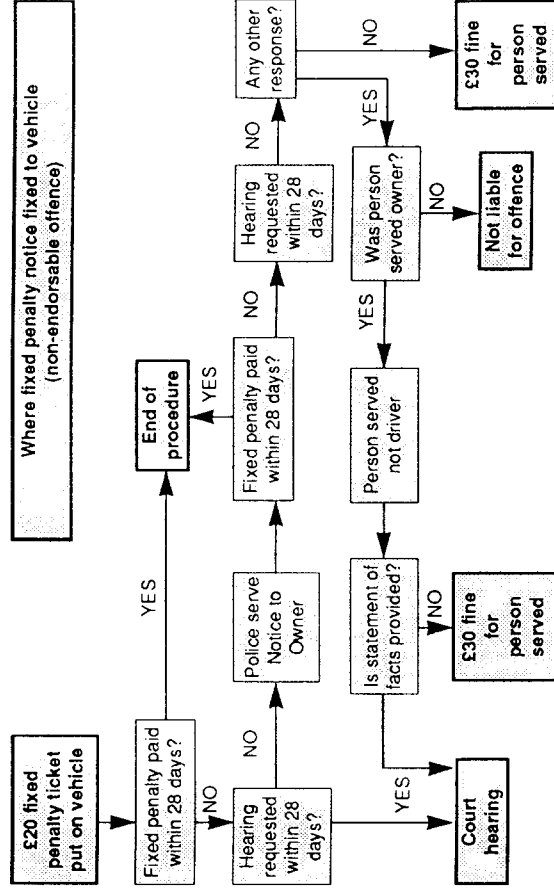
Typical fixed penalty procedures





ENFORCEMENT

Typical fixed penalty procedures



- 1 The procedure for an excess parking charge is similar to a fixed penalty except that payment must be made within seven days. Continuous liability for an unpaid excess parking charge does not apply.
- 2 A Notice to Owner must be served within six months of the penalty ticket.
- 3 Prosecution for a fixed penalty offence can lead to a fine of at least double the fixed penalty.

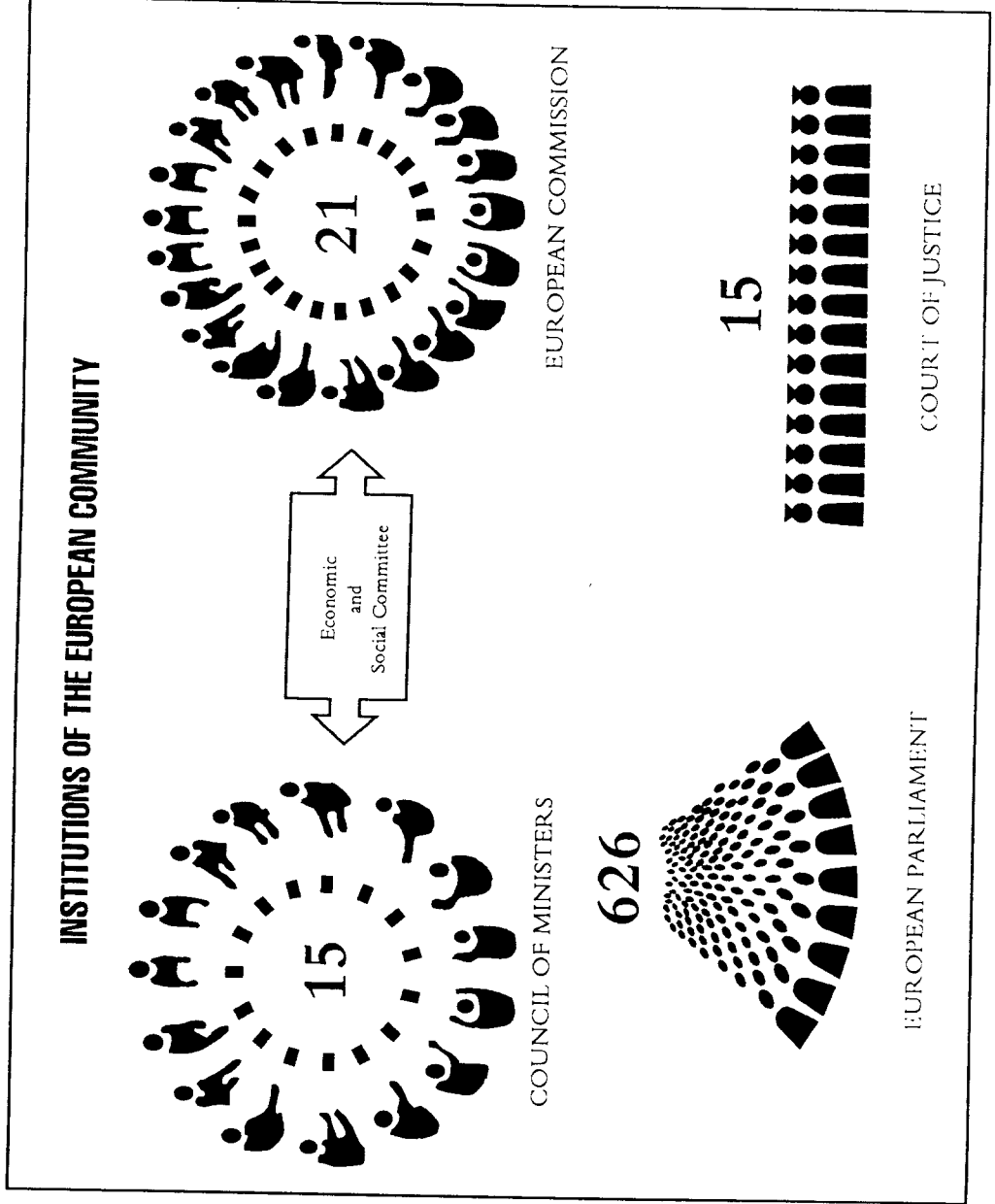


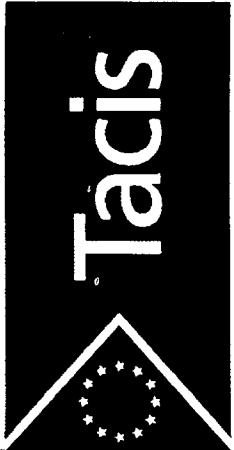
INTERNATIONAL INSTITUTIONS

- 1 UNITED NATIONS
- 2 ECONOMIC COMMISSION FOR EUROPE
- 3 INLAND TRANSPORT COMMITTEE
- 4 EUROPEAN AGREEMENT ON MAIN INTERNATIONAL TRAFFIC ARTERIES
- 5 EUROPEAN CONFERENCE OF MINISTERS OF TRANSPORT
- 6 THE EUROPEAN UNION

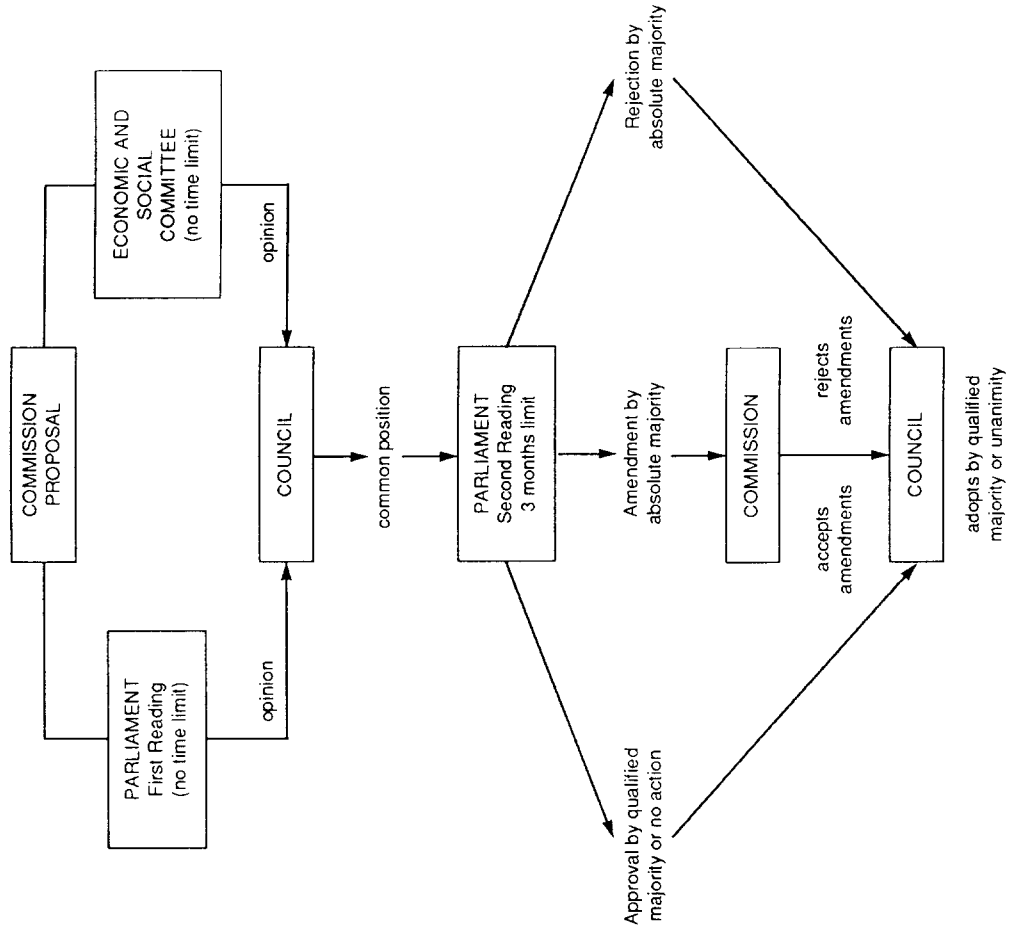


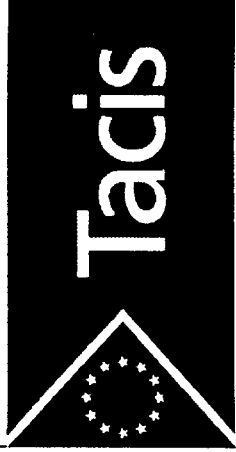
INTERNATIONAL INSTITUTIONS





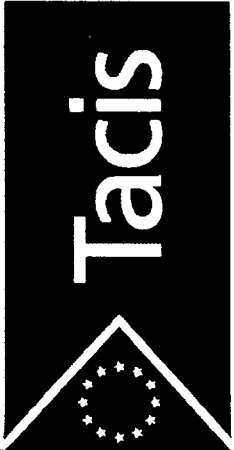
CO-OPERATION PROCEDURE





THE COMMON TRANSPORT POLICY

- APPLICATION OF EU LEGISLATION
- COMMON TRANSPORT POLICY
- COMMUNITY AUTHORISATION
- SCHENGEN AGREEMENT
- WEIGHTS AND DIMENSIONS
- VEHICLE TESTING
- MARKET CONTROL
- EUROPEAN ECONOMIC AREA
- COMMITTEE OF THE REGIONS



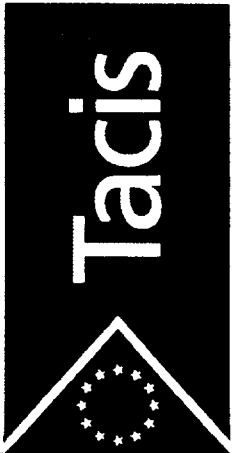
DRIVER LICENSING

Category	Description of vehicles in the category	Old group(s)/ class(es)
A	Motor bicycle (with or without sidecar) but excluding any vehicle in category K or P	D
B	Motor vehicle with maximum authorised mass not exceeding 3.5 tonnes and not more than eight seats in addition to the driver's seat, not included in any other category and including such a vehicle drawing a trailer with maximum authorised mass not exceeding 750kg	A
B1	Motor tricycle with maximum design speed exceeding 50km/h and engine capacity greater than 50cc but excluding any vehicle in category K, L or P	C and J
C	Motor vehicle used for the carriage of goods with permissible maximum weight exceeding 3.5 tonnes including such a vehicle drawing a trailer with maximum authorised mass not exceeding 5 tonnes in the case of a single axle trailer or 750kg for any other	hgv 2 or 3



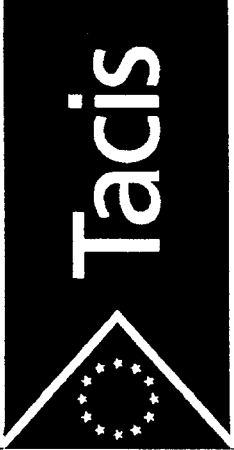
DRIVER LICENSING

Category	Description of vehicles in the category	Old group(s)/ class(es)
C1	Motor vehicle used for the carriage of goods with maximum authorised mass exceeding 3.5 tonnes but not exceeding 7.5 tonnes and including such a vehicle drawing a trailer with maximum authorised mass not exceeding 750kg	A
D	Motor vehicle used for the carriage of passengers with more than eight seats in addition to the driver's seat	psv 1, 2 or 3
D1	Motor vehicle used for the carriage of passengers (but not for hire or reward) with more than eight seats, but not more than 16 seats, in addition to the driver's seat and including such a vehicle drawing a trailer with maximum authorised mass not exceeding 750kg	A
B plus E	Combination of a motor vehicle in category B and a trailer with maximum authorised mass exceeding 750kg	A
C plus E	Combination of a motor vehicle in category C and a trailer with maximum authorised mass exceeding 750kg	hgv 1



DRIVER LICENSING

Category	Description of vehicles in the category	Old group(s)/ class(es)
C1 plus E	Combination of a motor vehicle in category C1 and a trailer with maximum authorised mass exceeding 750kg where the maximum authorised mass of the combination does not exceed 8.25 tonnes	A
D plus E	Combination of a motor vehicle in category D and a trailer with maximum authorised mass exceeding 750kg	psv 1 or 2
D1 plus E	Combination of a motor vehicle in category D1 and a trailer with maximum authorised mass exceeding 750kg	A
F	Agricultural tractor, but excluding any vehicle in category H	F
G	Road roller	G
H	Track-laying vehicle steered by its tracks	H
K	Mowing machine or pedestrian-controlled vehicle	K
L	Vehicle propelled by electrical power but excluding any vehicle in category A, K or P	L
N	Vehicles covered by the former 'six miles a week' or new 'limited use' VED categories	N
P	Moped	E



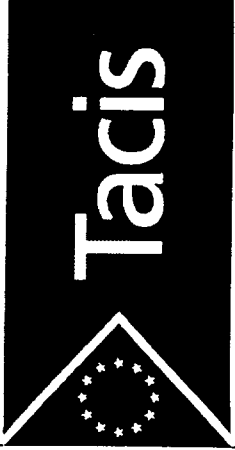
DRIVER LICENSING

- APPLICATION
- RENEWAL
- ADDITIONAL REQUIREMENTS
- COST AND DURATION
- MEDICAL REPORTS
- SUSPENSION AND REVOCATION



OPERATOR LICENSING

- RESTRICTED
- STANDARD
- INTERNATIONAL



OPERATOR LICENSING

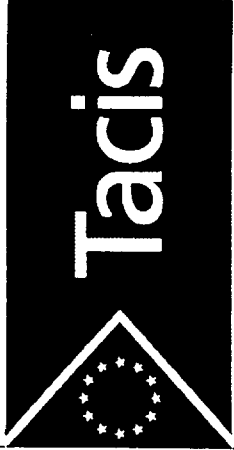
- VEHICLES AFFECTED
- EXEMPTIONS



OPERATOR LICENSING

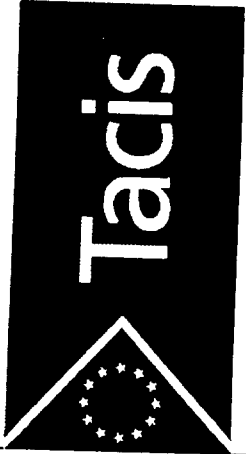
CRITERIA FOR OBTAINING LICENCES

- GENERAL FITNESS
- VEHICLE MAINTENANCE
- DRIVERS HOURS/OVERLOADING
- SUITABILITY OF OPERATING CENTRE
- FINANCIAL RESOURCES
- PROFESSIONAL COMPETENCE



THE TIR CONVENTION

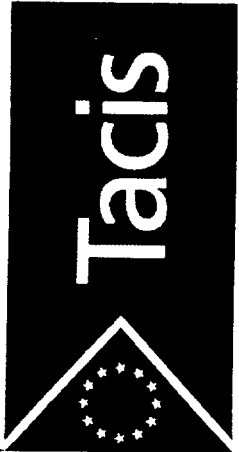
- ISSUING ASSOCIATIONS
- THE CARNET
- GUARANTEES
- CLAIMS
- APPROVALS
- TIR PLATES



Tacis

CONDITIONS OF CARRIAGE AND INSURANCE

- CMR CONVENTION
- CONTRACTING COUNTRIES
- CARRIER LIABILITIES
- COMPENSATION



VEHICLE TESTING

- TYPES OF TEST
- PLATING
- SPECIAL TYPES
- EXEMPTIONS
- ROADWORTHINESS ENFORCEMENT AND PROHIBITIONS



CONSTRUCTION & USE OF VEHICLES

- BRAKES
- MARKINGS
- MIRRORS
- OVERHANG
- REAR UNDER-RUN PROTECTION
- SAFETY GLASS
- SIDEGUARDS
- SPEEDOMETERS
- SPEED LIMITERS
- TYRES
- LIGHTING



Тгасеса - Улучшение автодорожного обслуживания в ЦА

4. ПРАКТИЧЕСКОЕ РУКОВОДСТВО

✓ **ВВЕДЕНИЕ**

1. Introduction

The aims of this manual and the workshop sessions that accompany it are:

- *to identify the key business areas which are common to all businesses;*
- *to instill a culture of plan /act /monitor for each business;*
- *to provide a sound commercial basis for each of the business pilots carried out within the overall project.*

1.1 Key Business Areas

This Business Manual covers three functions which are central to every business regardless of its specialisation and its geographical location: Marketing, Operations and Accounting/Budgeting.

1.1.1 Marketing

For transportation businesses, Marketing is the process of understanding the demand for transport services, how it is changing and how best to service that demand.

1.1.2 Operations

For transportation businesses, Operations covers all the aspects of providing the transport services to the customer including: vehicle provision, maintenance, scheduling, storage and delivery.

This section will also cover a detailed understanding of operational costing and pricing.

1.1.3 Accounting/Budgeting

All businesses require regular information about how they are performing. This section covers both management and financial accounting and includes a detailed examination of budgeting which allows performance to be monitored at regular intervals.

All three of these areas have a high degree of interaction. No transportation business can exist without a market for its services. As more information becomes available about a changing market, then the portfolio of services operated has to change to more adequately serve that market.

Every business needs a supply of finance. Banking institutions will not make money available to invest in your business unless they can see that it will earn them a satisfactory return. To satisfy them they will need to see a plan showing how your services will be sold and operated and how much profit will be made for a number of years.

Once you have money available, you and your management will need to decide what is the best use for that money within your business - for example, should you invest in a new service?

1.2 Plan /act /monitor

For any business to be successful, it has to prepare a plan for the development of the business, carry out a series of actions dictated by that plan and then monitor the effect of those actions and change actions accordingly.

There are two important concepts here:

1. flexibility and
2. minimisation of uncertainty

In a command economy such as those in the Republics under the Soviet system, the economy was highly planned from the centre and actions taken according to those 5 year plans. This was however only part of the necessary system because the actions were not monitored so the plans were not flexible.

In a market economy, such a lack of monitoring and flexibility would result in the organisation going out of business.

1.3 The Business Pilots

The business pilots included in the Traceca project are designed to transfer Western business approaches and skills to transportation businesses in Central Asia.

Each of the three business pilots will:

- use the approach outlined in this Business Manual;
- use the techniques detailed in this Business Manual and demonstrated in the Workshops;
- produce a detailed Business Plan for the pilot in co-operation with the Consultants and the European counterparts;
- produce management accounts which will enable both budgeting and monetary performance.

Experience gained from each individual pilot will be shared with all delegates on both UK study tour and the State seminars.



Трасеса - Улучшение автодорожного обслуживания в ЦА

5. ПРАКТИЧЕСКОЕ РУКОВОДСТВО

✓ МАРКЕТИНГ ТРАНСПОРТНЫХ УСЛУГ

2. Marketing

2.1 Introduction to the module

When you have completed this module, you will be able to:

- understand how marketing fits into your business;
- carry out market research into your markets and competitors;
- examine existing products (services) and decide how to develop them;
- identify key marketing objectives and strategies to achieve them;
- compile a marketing plan for inclusion in the overall business plan.

2.2 Introduction to Marketing

A Definition of Marketing

Marketing is the mix of activities within a business that identify customers and their demand and direct the products (services) towards them.

Understanding your marketplace is vital if your company is to prosper or even survive - without a market you do not have a business.

The pattern that this module follows is :

Market research	the markets for your services. competitors in the market
SWOT analysis	of your company and your competitors
Marketing mix	services offered price promotion customer relations
Marketing plan	marketing objectives and action plan.

2.3 Market Research

The purpose of market research is to :

- know your services;
- know your customers, their needs, their buying habits and how they are changing;
- know who your competitors are and what services they are offering.

In short, the purpose of market research is **to identify and understand your market(s)**.

The main stages of market research are shown in Figure 2.1.

Services Audit

The start point for market research is an audit of current services. In the case of a transport company these may include: unit-load transportation, multi-drop distribution, collection, warehousing and forwarding.

Useful Tip

Product-led versus Market-led

Western economies are littered with companies that have gone out of business because they are product (or service) led rather than market led. It is very tempting to say ' I am a trucker, I have a number of trucks, somebody will want to use them'.

It is much better to say 'the brewing industry in Oblast X has a requirement to collect 500,000 cases of beer per year, store them and distribute them to 300 outlets. My company will provide that service'.

Having established the list of services offered they should then be prioritised in terms of importance to the company.

Market Segmentation

Marketing is about the matching of your current services portfolio or one which you are able to deliver to the needs of your market. You will find it much easier to understand and analyse information if you identify and break down the various markets in which you operate. This process is referred to as **market segmentation**.

There are two main types of market segmentation:

by geographic area and

by customer type (industry)

The reason for market segmentation is that a small company does not have the resources (or the finance) to offer all possible transport-related services to all types of customers in all geographic areas.

There are three rules governing the selection of market segments:

- The segment must be large enough to provide businesses with an adequate financial return on investment.
- The customers within a segment must be located close enough or similar enough to be treated as a single group.
- You must be able to easily reach the market, otherwise, potential customers will not be aware of your services.

Useful Tip

Niche Marketing

It is often tempting to offer as many services as possible over as wide a geographic area as possible in the hope that it will result in more business. This is not necessarily the case.

In western economies, many businesses prosper on niche marketing - that is, serving the needs of a relatively small number of specialist customers. This allows the company to concentrate resources and management in to a very specialised area and to differentiate the skilled service from those services offered by general providers.

Examples of such specialisation in the west are companies specialising in the transportation of computers, powders and even scenery for theatres. Each of these companies has concentrated their investment on equipment specifically to carry out this work.

Form 2.1 Market Segmentation
Service :

Segment Number	Industrial Sector	Geographical Area	Number of Potential Segment Customers Size
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Form 2.2 Customer Analysis
Market Segment:

Customer Name	Location(s)	Size of Business	Special Needs	Current Provider
---------------	-------------	------------------	---------------	------------------

--	--	--	--	--

When looking at market segments for your services you should consider:

- the geographic location of the market and its distance from your current base;
- the total number of customers in that segment;
- the size profile of the customers in the segment (if available).

Form 2.1 can be used to note down the segments of potential interest for your services. Note that there may be different segments for each of your services or you may want to offer more than one service to each segment.

For each market segment that looks attractive you should then identify, initially, the top 20 customers in the sector and list the following for each:

- name of organisation;
- location of main office and branches;
- size in terms of approximate number of loads generated per year;
- any special requirements (for example, seasonal warehousing or collection of raw materials);
- current arrangements (either carrying out their own transportation or using a competitor of yours - if a competitor, note who!).

Form 2.2 can be used for each segment to note down characteristics of the most important customers.

Competition

One of the biggest differences between a command economy under the old Soviet system and a market economy is the presence of competition between alternative suppliers of goods or services.

In practical terms, you will be trying to persuade customers to spend their money with you rather than with your competitors. Customers will be looking to satisfy their needs by using a particular transport service. Both you and your competitors will be able to supply that service, perhaps to varying degrees.

Having identified the customer, in order to beat your competition and win the business you need to know:

- who your competitors are;
- where they are located;
- what products and services they offer;
- who their major customers are;
- if possible, their pricing policies.

Use Form 2.3 to list the main competitors in each of the market segments in which you operate. Remember that in some cases, the customer himself may be a competitor as he may be transporting his own goods - something which you as a transport specialist may be able to do more effectively/cheaply than he can.

Summary

This section of the module has allowed you to analyse the overall markets to establish which segments are likely to be the most suitable for your range of services.

Having established, the market segments and the potential customers within each the module has identified the main competitors that are present in each segment.

These examinations may have revealed that you need to modify your portfolio of services in the light of what the markets require. This modification process has to occur often if you are to behave as a market-led business.

Form 2.3	Competitor Analysis
-----------------	----------------------------

Market Segment:

Competitor Name	Location(s)	Services Offered	Major Customers	Prices Achieved
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2.4 SWOT Analysis

The information gathered in section 2.3 has concentrated on two aspects of your business - the market and your competitors. This section allows you to determine how your business may perform in those market segments.

A technique often used in marketing for western businesses is the SWOT analysis. This analyses the **strengths** and **weaknesses** of your business as it stands and the **opportunities** and **threats** that apply to the business. Examples of all of these are given below.

Strengths

Reputation
Good equipment
Some well-known customers

Weaknesses

Inflexible management structure
No experience in the segment
No national coverage

Opportunities

Increasing privatisation
Other industries concentrating on core businesses
Differentiation through regulation

Threats

Increasing competition
Increasing operating costs
Being unable to meet new standards

Use Form 2.4 to note down the strengths, weaknesses, opportunities and threats for your business. When you have completed this for your business do the same for your more important competitors.

Useful Tip

Strengths and weaknesses apply to your business itself. They are issues which you as the manager of that business can control and change.

Opportunities and threats are things which apply from outside of your business and are things which you cannot directly control.

The same thing can be both a strength and a weakness. For instance, a strength may be that your business has national coverage with a transport depot in each Oblast. The corresponding weakness may be that this makes the business difficult to manage.

The same thing applies to opportunities and threats. General privatisation is an opportunity which will open up many market segments to the transport entrepreneur. However it is also a threat in that it will make it easier for other competitors to set up.

Form 2.4	SWOT Analysis	Your Business
Strengths	Weaknesses	
Opportunities	Threats	

Summary

This section of the module has allowed you to identify the particular characteristics of your business and its marketplace and will allow you to exploit them by developing a marketing strategy which will exploit your strengths and opportunities and defend against your weaknesses and threats.

2.5 Marketing Mix

There are three elements to the marketing mix for your business:

- the features of the services you are offering;
- the price you are demanding for those services;
- the methods used to promote those services.

There is often a fourth element identified, the place at which a product is offered. However, because we in transport are offering a service then the place in which that service is offered is considered as part of market segmentation in 2.2 above.

Services offered

This section examines the services offered by your company and looks at their characteristics prior to making decisions regarding the pricing of those services.

Things that you have to consider in this section for each service offered are:

Service features

How closely does the services offered match the important parts of the customer's need sets.

Differentiation

How is your service different from that offered by your competitors and is that difference something that features high on a customers needs list.

Customer Service

Can each service be improved in terms of quality of delivery. Is quality/reliability an important item on the customer's needs list?

Useful Tip

Customer care and quality of service

Every customer must feel that he is getting value for money from the company that provides his transport service. This value has two elements:

- the price paid;
- the quality of service offered.

The greater the competition in a market segment, the lower the market price will be as competing firms under-cut prices offered. In certain circumstances, a basic service at the lowest possible price will constitute value for money. An example of this may be the transportation of great volumes of coal between a mine and a power station.

However, in many cases, as competition drives the prices down in a market, companies wishing to maintain their profit margins reduce their costs by cutting back on essential expenditure. This may involve not servicing the vehicles frequently enough, expecting drivers to work shifts that are too long, not employing enough men for loading and unloading or not packing goods properly before transporting.

Under these circumstances, vehicles can break down, delays occur and consignments can be damaged or go missing altogether. If any of these happen, there is no customer satisfaction because, although he is getting a low price, he is not getting value for money because his goods are either late arriving, are damaged or have disappeared!

In other words, what the customer wants as value for money is

reliability at a reasonable price.

In western economies, customers are demanding extremely high levels of customer service as a basic requirement. It is not uncommon to have to guarantee to make all deliveries, 100% accurate within 15 minutes of an agreed delivery time. Often the customer will only pay the full bill if those criteria are met.

These western customers are starting to distribute their products in Central Asia, to countries a long way from their existing operations so reliability of service is paramount.

If you are unable to differentiate your service from that of your competitors in terms of reliability and guaranteed high operating standards you will not gain any sustainable business from European customers.

Unique offering

Are any characteristics of the service unique to your company, that is, not offered by any of your competitors? Are they considered important by the customer in his buying decision?

Pricing of the Services

There are four stages involved in pricing a service :

- estimating the value of the service to the customer
- setting the price
- checking the profitability
- convincing the customer

Estimating the value

You need to estimate the value of your service from the customers standpoint because it is that which will determine the price he is willing to pay. The analysis carried out above will be helpful in this.

Things which will determine the value placed by the customer on your service include:

- the urgency of his need to transport the goods (the shorter the time from collection to delivery the higher the price he will pay);
- the value of the shipment to him;
- the quality of service offered, if extra or guaranteed service is required;
- whether he can get the same service elsewhere.

Setting the price

Having estimated the value of your service to the customer the price has to be set. This is inevitably a matter of judgement and may need to set at such an initial level to allow yourself room to be negotiated downwards.

Useful Tip

Do not confuse pricing with costing! Costing is a matter of fact, pricing is a matter of judgement about the market you are in at any particular time.

Checking the profitability

Having set a price but before telling the customer, you need to check on the profitability of offering the service at that price. Section 3 of the business manual covers operational costing so this will enable you to build a detailed and accurate picture of the cost of providing each service. You will also know the minimum levels of profit for you to continue as a profitable business.

These can be added and compared to the price that has been set. If the margins are exceeded and the customer is willing to pay the price then all is okay. It is often the case that the customer is not willing to pay the price needed to make a profit, particularly if the market is a competitive one or the service is no different to that provided by the competitors.

Decisions taken at this stage are a matter of policy. It is sometimes reasonable to accept business which is unprofitable if it will lead to other more profitable business or if it makes use of resources which would otherwise be idle or if the customer will provide work at another time of the year which is sufficiently profitable to compensate for the unprofitable period.

Convincing the customer

Convincing the customer will be much easier if his needs set have been correctly identified in the first place and each shown to have been specifically addressed in your proposal.

The price is likely to be negotiated downwards so it is important to use the above section to identify the lowest price, below which you are unwilling to offer that service.

Convincing the customer is sometimes helped by a good promotional package which is covered in the next section.

Promoting the Service

Promotion constitutes the various activities a business undertakes to communicate the merits of the services it offers and to persuade target customers to purchase its services.

Four major tools are used:

- advertising
- sales promotion
- public relations
- personal selling

A brief definition of each of these is:

Advertising

Any paid form of non-personal presentation of your services by an identified sponsor.

Sales Promotion

Short term incentives to encourage both current and prospective customers to purchase your services.

Public Relations

A variety of programmes designed to improve, maintain, or protect a company or brand image.

Personal Selling

Person-to person involvement where you assist and persuade the potential customer to purchase your services.

Promotion is a cost to your business and the success of specific promotional activities is difficult to prove and justify. It is recommended that you establish some standard by which you measure how much your promotional effort is worth in terms of new business; otherwise your money may be wasted.

Useful Tip

Customer Relations

Promotional activity is an expensive method of gaining new business and its success is difficult to predict. As the provider of a transport service, the most lucrative sources of new business are your current customers so maintaining good relationships with them is critically important.

Good relations can be built and maintained by:

- giving customers the service they want **consistently**;
- deciding on profit margins that give a good return to you but also give the customer perceived **value for money**;
- continually **reviewing the customer's needs** and developing your service through innovation and improvement;
- regular sales calls, contacts and entertainment relevant to the sales potential.

Summary

This section of the module has allowed you to determine the marketing mix for your services having determined in previous modules, the market segments in which you wish to offer the services.

Determining the marketing mix has enabled you to evaluate your portfolio of services, how you will make their existence known to potential customers and what prices you will charge for those services.

2.6 The Marketing Plan

There are three stages to developing the marketing plan:

- setting the objectives
- writing the action plan
- setting a marketing budget

Each of these is now discussed:

Setting the objectives

Having carried out the detailed market research earlier in the module you now have a number of options for developing the business and the range of services. Setting out marketing objectives will:

- give clear direction and purpose to your effort;
- enable your colleagues in the business to see what is expected of them;
- improve your control over the marketing function;
- help improve the profitability of the business.

For the marketing objectives to be useful, they must be:

- measurable;
- bound by time;
- realistic and achievable;
- somebody's clear responsibility.

Some examples of marketing objectives follow:

Market Share

To increase market share of market segment X from 10% to 15% by December 1997.

Range of Services

To identify a new service and to develop it to account for 10% of revenue by March 1998.

Business Growth

To grow the business from an annual turnover of USD500,00 to USD1,500,000 by January 2001.

Development of new markets

To establish an operation in Oblasts X, Y and Z by August 1997.

Pricing

To establish enough differentiation for service A to command a premium of 10% above market price by June 1998.

Form 2.5 can be used to list the marketing objectives for your business.

Writing the Marketing action plan

So far in this module, you have carried out research into your market and analysed the findings. You may have already made some changes based on those findings, especially the services that you offer. Now is the time to translate the plan you have developed into a series of actions.

Take each marketing objective in turn and use form 2.6 to list a series of tasks which will achieve that objective. Each individual task should be given a start date and an end date.

Useful Tip

Setting objectives and action plans

If you are a 'one-man' business you will be involved in all aspects of the business, including marketing. If this is the case it is essential that you have a list of objectives and actions as a constant reminder of what needs to be done.

If you are a larger business you may have people who will specialise in the marketing of the business. If this is the case, the action plan and the objectives will be a useful method of directing and controlling their workload.

If possible, do not complete the objectives and action plan yourself and then hand it out to the people responsible. It is much more effective and motivational to include the people responsible in the process of establishing the objectives and action plan. They will then feel ownership of the targets that are set.

An example of an action plan is shown below:

Form 2.6 Marketing Action Plan and Budget						
Objective : To establish an operation in Oblast X by August 1997.						
Task	Start Date	End Date	By Whom	Budget	Task Done	
1. Identify potential customers in Oblast X	AUG96	SEP96	Mr M.			
2. Survey customers to find needs	SEP96	NOV96	Mr M.			
3. Determine minimum demand levels for current services	DEC96	DEC96	Mr M.			
4. Determine size and scope of operation in Oblast X	JAN97	JAN97	Mr A			
5. Determine opening time for operation	JAN97	JAN97	Mr A.			
6. Compile prioritised list of prospective customers	JAN97	FEB97	Mr M.			
7. Prepare promotional material for services and opening	FEB97	MAR97	Mr M			
8. Run sales calls and presentations to customers	MAR97	JUN97	Mr M.			
9. Start operation	JUL97		Mr A.			

Form 2.5 Marketing Objectives

Objective	By Whom	Budget

Form 2.6 Marketing Action Plan and Budget

Objective :

Task	Start Date	End Date	By Whom	Budget	Task Done
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Setting and allocating the Marketing budget

An important consideration in running any business is to focus the expenditure of time and money to produce the best results. Marketing costs both time and money so the budgeting process is important as a means of prioritising the activities.

Allocate a budgeted cost (including the cost of time) to each task in the action plan. Summing these costs will give an overall projected marketing spend. If this is more than the business can afford to spend, the tasks in the action plan have to be prioritised according to the returns they will generate against the cost.

Summary

By following this module you will have produced a well-researched and considered plan for attacking your market.

Remember that you can offer the best transport service in the world but you are unlikely to see business success unless you have a strategy for promoting them in the right manner to the right people at the right time and at the right price.

Keep monitoring the action plan and do not hesitate to make changes if circumstances change or it is not working.



Трасеса - Улучшение автодорожного обслуживания в ЦА

6. ПРАКТИЧЕСКОЕ РУКОВОДСТВО

✓ ОКАЗАНИЕ ТРАНСПОРТНЫХ УСЛУГ

3. Operations

3.1 Introduction to the module

When you have completed this module, you will be able to:

- understand all the processes involved in transportation as a support to the economy;
- appreciate the full range of services that are offered by operators in a western economy;
- carry out detailed analysis of your operational costs;
- investigate different options for pricing your services;
- understand the importance of regular vehicle maintenance programmes;
- examine different alternatives for making your assets work harder and more profitably.

3.2 Introduction to operations

A Definition of Operations

Operations in a transport business is the mix of processes which enable that business to perform its services for the customer.

In order to successfully manage the operations of a transport business it is necessary to have a good understanding of the processes involved in delivering the whole range of possible freight transport services. These processes can often be combined in slightly different ways to produce new services.

For instance, the addition of a warehouse in a city location to a fleet of small vehicles will enable that business to offer a more profitable logistics operation rather than simply providing trucking.

This section of the module examines the following as a guide to the processes involved in transportation in a western economy:

This section of the module examines the following as a guide to the processes involved in transportation in a western economy:

- the role of transport
- organisations involved in the transport market
- types of transportation

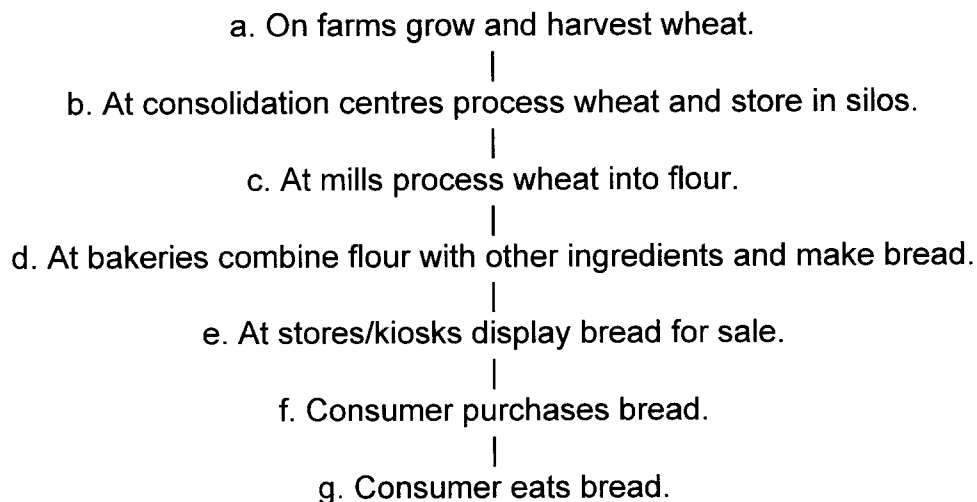
The role of transport

An important concept when discussing the role of transport is the **Supply Chain**. The supply chain for a product is the stages that the product passes through from its production to its consumption. The supply chain for an essential product - bread - is shown below.

Example

The supply chain for bread

The stages which occur before a consumer eats a loaf of bread are:



In most cases each of these 7 stages occur in different locations so between every stage **there is a need for transportation** The only exception to this is between f and g if the consumer eats the bread at the store when he buys it.

In the supply chain example above there are at least 4 different types of transport involved - tractors, large open bulk carriers for the processed wheat, large trucks for moving the flour to the bakeries and small trucks for delivering bread to the stores/kiosks. **Every one of these is an opportunity for the transport operator.**

All products have similar supply chains and all involve the transportation of materials, partly finished or finished products between locations. This means that transportation is an essential part of any economy and a very large source of potential business for the transport operator. Select a few products that are consumed or produced in your local area and work out the supply chain for each, noting where each stage occurs and the type of vehicles needed.

The supply chains for some products and the locations for each stage are very local. For instance, vegetables purchased in a market will have been grown only a few kilometres away. Other supply chains are global with computer parts being manufactured in Japan, assembled in the UK and sold in Russia.

Organisations involved in the transport market

There are five main players in a transport market:

- Shippers
- Freight Forwarders
- Hauliers
- Distributors
- Logistics providers

Shippers

The shipper of a consignment is the organisation on whose behalf the goods are being moved. Often, the shipper is the producer of goods and the transportation service is being used to get his goods to his market. Sometimes however, the shipper may be the person who is selling the goods to the consumer (the retailer). At other points in the supply chain, it may be the manufacturer shipping materials into his factory.

Useful Tip

The shipper's buying decision

When purchasing transport services, shippers will often make their buying decisions according to price because as a cost to them, the lower the price they pay for transport, the more profit they make. This is particularly the case for relatively simple and low-risk local work or high volume bulk transportation between two points (coal from the mine to the power station).

However, increasingly, shippers are buying according to quality of service and reliability as well as price. This is particularly the case for European shippers transporting their goods to Central Asia. In this case, their supply chain is a very long one with ultimate delivery being made thousands of miles away from their home base.

This is made more important by the fact that initially they are not selling enough of their products to justify a full operation in Central Asia so they cannot check on the performance of their transport contractor as they could in their own country.

This means that there is a major opportunity for you to secure this business at good rates by providing a consistently high quality and reliable service.

Freight Forwarders

Forwarders are agents who often work on behalf of the shipper to expedite his consignment. The forwarders role, particularly for international shipments includes :

- selection of transport operators
- selection of shipping lines
- administration of the shipment
- consolidation of shipments into economic loads
- provision of warehousing

The forwarder is in a similar position to the shipper. He is responsible to the shipper for the transportation and delivery of the consignment so he is buying reliability and reputation from you.

Hauliers

Hauliers range in size from a one man operator with one truck up to major European enterprises such as Hungarocamion with many thousands of trucks. These operators specialise just in transporting loads from A to B. The greater the distance over which a load is transported, the more important it is that the truck is full.

Competition in the haulage market is very fierce because there are many operators and the task of moving goods from A to B is very simple without much value added. It is therefore important for hauliers to gain their advantage through efficient scheduling of the trucks and carefully managed maintenance programmes. These are discussed in sections 3.5 and 3.6 below.

Distributors

Hauliers are in business to collect, where possible, a full load from point A, move it to point B and deliver the whole load to that single location.

Distributors are in business to collect a full load from point A and then deliver a part of that load to each of a number of locations.

In the bread supply chain example shown above, the transportation of wheat to the mill from the silo would be carried out as a single load by the haulier.

The transportation of flour from the mill to the bakeries would be carried out by a distributor with as little as one sack of flour being delivered to each of many bakeries.

The potential for adding value in distribution is much greater than it is in haulage. For instance, a service can be offered to warehouse the flour and process the individual orders from each bakery each day and make the deliveries.

Logistics providers

The opportunity to add value at the distribution stage has led, in European economies to the creation of operators who provide all the transportation involved in a supply chain.

For instance, if a transport operator works for a bakery, distributing the bread each day to stores and kiosks, it may be possible for the vehicle to collect the next day's flour requirement from the mill on the way back to the bakery instead of returning empty. In this way the overall supply chain is run more efficiently.

Such an approach would differentiate your services from those offered by your competitors who concentrate on the relatively less attractive haulage service. In Europe, such services provided by logistics companies include order collection and processing, stock control and ownership and even production planning.

Types of transportation

There are three types of freight transportation:

- Haulage
- Primary Distribution
- Secondary Distribution

Haulage

As described above, haulage is the simple movement of full loads between two points and is dependent on its profitability on low costs, efficient scheduling and the ability to secure return loads to minimise empty running.

Primary Distribution

This service also involves the delivery of full loads from A to B but in this case, A is the production point and B is a warehouse from which local distribution is carried out.

In the example above, the mill may cover a large area and have a number of regional warehouses from which local distribution is carried out. The movement of full loads of flour from the mill to the local warehouses is termed primary distribution.

Secondary Distribution

The local distribution of flour from the regional warehouse to bakeries within the area is termed secondary distribution. It is often the case that both primary and secondary distribution is carried out by the same transport operator.

The mill gets a more cost effective service by having both primary and secondary distribution carried out on the most suitable vehicles rather than a large vehicle delivering perhaps one sack of flour to each bakery.

The transport operator can then start to add value by managing (and even owning) the warehouse, order processing and stock control.

Useful Tip

Dedicated versus Common-user Distribution

On a dedicated distribution contract, the transport operator works specifically for a single customer and all vehicles, resources, staff and warehouses are dedicated to that contract. The assets may be owned by either the operator or the customer.

Under common-user distribution all resources are owned by the transport operator and offered to a number of customers at the same time. In the example above, if the secondary distribution warehouse is owned by the transport operator, he can rent space out for secondary distribution to a number of customers.

In this way, the transport operator can run a very efficient transport operation as every vehicle that goes to a bakery to deliver flour may also have a delivery of sugar to the same bakery on behalf of that supplier and some drinks to deliver to the bar next door on behalf of the brewery.

This situation puts the operator in a powerful position as he is able to make all three deliveries much more cheaply than any competitor pricing the individual deliveries. This means differentiation of service and the ability to offer lower prices whilst still maintaining the profit margin.

Summary

By completing this section of the module you will have gained an appreciation of the importance of transportation in the supply chain of all products. You will also have gained an insight into the processes at work in transportation and the relationship between them.

In particular you will appreciate the importance of distribution and how it represents an important and lucrative part of the supply chain. For transport operators in Central Asia, secondary distribution represents a better opportunity to earn hard currency than international transportation as European manufacturers start to sell their products into an area where they desperately need a **reliable, secure, consistently high quality service.**

3.3 Costing Transport Services

This section of the module covers

- Acquiring the Vehicle
- Identifying Fixed Costs
- Identifying Variable Costs

Acquiring the Vehicle

The main methods by which a transport operator may acquire new vehicles are:

- Outright purchase using own money
- Purchase using borrowed funds
- Leasing

Outright purchase using the operator's own money

Here the operator becomes the outright owner of the vehicle immediately. There is no interest to pay on borrowed money. However it may be that capital invested in a truck could obtain a better return elsewhere. The operator will be responsible for vehicle maintenance.

Outright purchase from borrowed capital (bank loan or through vehicle manufacturer/dealer

As above, the operator becomes the owner of the vehicle, but will pay the lender a monthly (or weekly) sum to repay the money borrowed plus interest.

Leasing

This is where the vehicle is owned by a leasing company and the operator pays the leasing company a rental for use of the vehicle over an agreed number of years. It is likely that the leasing company will take responsibility for vehicle maintenance, or at least have a say in where and by whom the vehicle is maintained, so as to maximise the value of the vehicle when they want to sell it at the end of the leasing period. The rental is likely to be a fixed annual or monthly charge plus a variable charge for the distance operated.

Useful Tip

Depreciation

If you own a vehicle (whether acquired using own funds or through a loan), you must remember that eventually the vehicle will become worn out and have to be replaced. Over the vehicle's life, its value will reduce from the price you paid for it until it is only worth its scrap value. This is recognised as expenditure by an annual charge against the accounts and is known as **Depreciation**.

The annual depreciation value is calculated using specific government norms. For example, the latest available figures for Kazakhstan are:

- Trucks of carrying capacity < 0.5 tons - 20% of the cost of the truck per year
- Trucks of carrying capacity 0.5 - 2.0 tons - 14.3% of the cost of the truck per year
- Trucks of carrying capacity > 2.0 tons:
 - < 200,000 kilometres per year - 0.37% of the cost of the truck per 1000kms
 - 200-250,000 kilometres per year - 0.30% of the cost of the truck per 1000kms
 - 250-350,000 kilometres per year - 0.20% of the cost of the truck per 1000kms
 - 350-400,000 kilometres per year - 0.17% of the cost of the truck per 1000kms

In order to calculate the depreciation on the truck, you need to know the initial purchase price, the weight of the truck and the total kilometres run per year.

The reason for charging depreciation as a fixed cost is that it spreads the cost of purchasing the vehicle over the five years life of the vehicle rather than it becoming a 'surprise' to you after five years that you need to purchase another vehicle.

If you lease your vehicle then the leasing company (who own the vehicle) carry out exactly the same calculations as above and charge you a monthly charge for the vehicle. In this case, you are not interested in depreciation, just the monthly lease charge.

Choice of Method

The method of vehicle purchase which is adopted will depend on the operator's financial resources and status. The country's tax regulations may make some methods of purchase more attractive than others.

Identifying Fixed Costs

Many of the costs of running a transport operation do not vary directly with the amount of work undertaken and distances travelled. These are called Fixed Costs.

Examples of Fixed Costs are:

- capital costs (interest on borrowed money or leasing payments)
- road tax
- depreciation
- insurance
- basic cost of employing a driver so that he is available for work.

Other fixed costs are listed on Form 3.1.

Identifying Variable Costs

Other costs change directly with the amount of work undertaken and distance travelled. These are called Variable Costs.

Examples of Variable Costs are:

- fuel and lubricants
- vehicle maintenance (both replacement parts and labour)
- tyres
- some drivers costs
- overnight stays
- parking
- border tolls

A list of Variable Costs is shown on Form 3.1.

Calculating total Operations Costs

Form 3.1 can be used to identify and quantify each individual operational cost, classifying them as either fixed or variable costs.

This analysis can be carried out at a number of different levels in your business:

- for the whole business;
- for an individual operating centre or depot;
- for an individual service (for example haulage);
- for an individual customer;
- for current customers in a market segment in which you are working.

Form 3.1		Operating Costs	
Location :		Customer :	
Main Fixed Costs		Main Variable Costs	
Vehicle Depreciation	_____	Fuel & Lubricants	_____
Vehicle Leases	_____	Servicing Costs & Spare Parts	_____
Space Rental	_____	Overnight Stays	_____
Licences	_____	Parking and Tolls	_____
Basic Employee Costs	_____	Employee bonus	_____
Communications	_____	Communications	_____
Other fixed costs	_____	Other variable costs	_____
Total Fixed Costs	_____	Total Variable Costs	_____
Fixed costs expressed as USDXX per: hour, day, week, month, quarter or year.			
Variable costs expressed as USDX per: kilometre, load, pallet, ton.			
Note : Communication costs have both fixed elements (line rental etc) and variable elements (call charges)			
Basic Employee costs include base salary, social fund contributions and any other statutory contributions made by the employer.			

The level at which you choose to do the analysis must be logical. The services or customers or locations that you include in a costing exercise must all have the same cost pattern. You must not calculate the operating cost for your business as a whole and then set a price for an individual service on that basis without checking whether the cost structure for providing that service is the same as for your overall business.

Summary

By completing this section of the module you will be able to identify the different elements of the costs of your business. It is important to recognise the difference between fixed and variable costs.

Fixed costs are incurred by your business even if your trucks are not working. They are incurred every hour of the day, every day of the year whether you are working or not. It is sometimes necessary to take on unprofitable work which does at least make a contribution to the fixed costs of the business.

3.4 Pricing Transport Services

The elements covered in this section are:

- Unit Costs v Open Book
- Profit Margin
- Market Conditions

Unit (Load) Cost v Open Book

There are several ways in which a transport operator can charge for its services. One is to charge a fully inclusive rate for carriage of a load from A to B. Alternatively, if a number of consignments are being carried to the same destination on behalf of more than one customer, a rate per pallet or box for using the shared user service may be the best way of allocating the costs of the journey between the customers using the service. The customer will have no immediate interest in what the transport operator's actual costs are, only what the customer is being charged.

If a vehicle or vehicles are dedicated to a single customer on a continuous basis, it may be appropriate to use a system of Open Book accounting where the actual costs of operation are shown to the customer. The customer pays the transport operator for the actual costs incurred plus an agreed profit margin to the operator.

Profit Margin

Profit is the amount by which an operator's total income from customers exceeds the total cost of operation. It is considered to be the operator's reward for successfully running the business.

The profit margin gives the operator a return on the money invested in the business, such as the money tied up in trucks.

The profit may be taken out of the business and distributed to the company's owners as a *dividend*, or re-invested in the business, for example to finance expansion such as the purchase of additional trucks.

The amount of profit made will depend on

- market conditions
- the efficiency of the company in meeting its customers requirements

Useful Tip

Open Book Contracts

Conventional contracts are based on a unit rate.

For example:

Unit rate agreed	= USD 100 per pallet
Consignment	= 20 pallets
Price per load	= USD 2000
Costs per load	= USD 1800
Profit	= USD 200

If the operator can reduce his costs from USD 1800 to USD 1600 then his profit for the load increases to USD 400.

In some cases, reduction in costs results in a reduction in customer service and reliability as operators carry out less vehicle maintenance or reduce staff.

To overcome this, some companies enter into “open-book” agreements. For these contracts, the operator allows the customer to have full access to inspect his operating costs and the customer agrees to pay those costs.

A budget is agreed for the operation and the operator’s profit comes as a management fee paid by the customer in addition to meeting the costs of the operation.

That management fee (or profit) will be reduced if the budget is exceeded and the agreed service levels are not met. However if the operation is within budget and the agreed service levels are improved upon, the operator can earn a higher management fee or profit.

So in this case, the size of the management fee (and therefore the size of the profit) is dependent on the operator meeting agreed customer service levels.

If the operator fails to reach the minimum service levels he fails to receive the agreed profit level.

Market Conditions

In a free market economy, the prices that can be obtained from customers for transport services will depend on the **supply and demand** for those services.

High Demand/Short Supply

If there is a high demand for transport services and insufficient vehicles and drivers available to meet this demand, transport operators will be able to increase their charges to customers. In this type of market, customers will be competing with each other for the available transport resources.

Low Demand/High Supply

In this market, there are more vehicles and drivers than there is work available.

Transport operators will be competing with each other to offer customers the lowest charges and best service. Operators may have to reduce their charges to retain their customers in the face of lower prices being offered by other operators for the work.

In these conditions it is essential that transport operators look very carefully at ways of reducing their operating costs and improving the efficiency of their operations, such as through more efficient vehicle scheduling.

In the short term, it may be worthwhile for the operator to undertake work at less than full cost provided that, as a minimum, the income from the work exceeds the variable costs of operation. This will produce a contribution to help to offset the operator's fixed costs.

However, in the longer term, the transport operator that does not cover the full costs of operation (including vehicle depreciation) will go out of business.

Useful Tip

Competing through Quality

It is also necessary under these market conditions to compete on a basis other than price. Differentiation through greatly increased quality of service will provide you with a means of lifting your service out of the spiral of reducing prices and hence reducing profit margins.

However, increasing the quality of service will often result, especially in the short term in increasing your costs. You have to be sure that:

- your current and potential customers need the increased quality;
- they perceive the difference offered by you;
- that they are willing to pay extra for that quality and reliability;
- that your competitors cannot easily copy you at a lower price;

If you get this wrong, you will be increasing your costs in a low price market and you will go out of business.

Understand your market, your capability and your cost base.

Summary

By completing this section of the module you will appreciate that, whilst costing is about the facts of your business, pricing your transport services is a matter of judgement concerning both your knowledge of your own cost base and your understanding of the market.

Your position on pricing will not be the same for all markets and it may not be the same at all times of the year. Pricing has to be flexible and must reflect the market conditions.

3.5 Vehicle Maintenance

Regular preventative vehicle maintenance is essential, especially as spare parts are in short supply. This will enable vehicle breakdowns to be minimised, therefore helping you to provide a reliable service to their customers, which in turn will help retain and acquire new business.

In post-soviet Central Asia, the supply of spare parts for vehicles has become a considerable problem. This means that a good preventative maintenance programme is even more important in Central Asia than it is in Europe.

Your vehicle must be maintained to a rigid schedule. It is always tempting to delay routine servicing because the vehicle is out on the road and earning money. It is almost always wrong to do so and will always result in a higher than necessary spend and a longer period off the road.

Useful Tip		
Driver's Daily Inspection Sheet		
Each driver should be expected to carry out a brief inspection of his vehicle at the beginning of each day. In this way, potential problems can be seen in advance.		
Driver's Daily Inspection Form		
Vehicle Registration Number : _____		
Date : _____		
Brakes _____	Engine _____	Wheel Nuts _____
Handbrake _____	Oil Level _____	Tyres - wear _____
Indicators _____	Hydraulics _____	Tyres - air _____
Headlights _____	Coolant _____	Spare -air _____
Tail Lights _____	Antifreeze _____	Load fixings _____
Brake Lights _____	Other Fluids _____	Locks _____

Permanent maintenance records - a vehicle history file - must be kept on each vehicle and this should show an record of each scheduled service plus any problems with particular parts of the vehicle.

3.6 Making Assets Work

This section of the module covers how the operator's assets can be made to work harder for the business. When the vehicle is not in use it is not making money. However, fixed costs such as capital costs and leasing payments, and the basic cost of a driver are still being incurred. The operator should aim to find as much productive work as possible for the vehicle so as to maximise the return on the money invested in the vehicle.

Examples of where improvements can be made are:

- Scheduling
- Multi-shifting
- Warehousing
- Adding Value

Scheduling

Improvements in the efficiency of vehicle scheduling can be made by:

- Arranging backloads from the destination back to base, rather than return empty.
- Triangular runs, where a return load can be obtained from a point reasonably close to the destination can also significantly improve vehicle productivity.

Multi-shifting

To maximise return on the asset, the vehicle should work as many hours as possible, after allowing for maintenance requirements. This can include night time and weekend work. The vehicle is capable of working more hours than any individual driver, so 2 (or more) drivers per vehicle can be employed.

A high level of vehicle utilisation will allow the fixed costs of operation to be spread over a greater amount of work, therefore causing the unit costs of individual journeys to fall. In turn this will make the transport operator more competitive by being able to offer lower charges to its customers.

Warehousing

Transport operators may be able to offer storage facilities for their customers' goods, in addition to providing transport. This could be of particular interest to the operator's customers where warehousing can be provided close to the point of demand for the goods.

There may be opportunities for the operator to provide both primary transport into the warehouse, and secondary transport from the warehouse to the point of consumer demand.

As discussed in the introduction, secondary transport may require a different type of vehicle to the primary run, and the warehouse may be a suitable transshipment point.

Adding Value

In a simple case of moving a load from A to B, the customer has a choice of many transport operators who are equally capable of undertaking the work at an acceptable price. However, there may well be ways in which an operator can provide a higher level of service to specific market sectors by offering a greater level of understanding of the total needs of a customer's industry and business.

This could include the provision of services which are complementary to transport, such as

- warehousing
- stock management
- labelling of goods prior to delivery to shops

In the West, many transport operators have widened the scope of their business to include warehousing and inventory management for their customers, and/or have specialised in providing services to certain market sectors.



Трасеса - Улучшение автодорожного обслуживания в ЦА

7. ПРАКТИЧЕСКОЕ РУКОВОДСТВО

✓ БУХГАЛТЕРСКИЙ УЧЕТ ТРАНСПОРТНЫХ УСЛУГ

4. Accounting

4.1 Introduction

When you have completed this module, you will be able to:

- know the difference between financial and management accounting;
- understand the importance of budgeting and monitoring the actual performance of the business against the budget
- be able to produce an updated budget for the next period, on the basis of what has actually happened in the last period
- put together a financial plan for your business;

4.2 Financial and Management Accounting

Information is a vital resource for any business. We have already seen how important information is regarding the marketing of your transportation services and the pricing of those services to give you a good profit from your business. Accounting is the formal collation of information regarding the business and as such is a vital element of any business.

Definition

Financial Accounting

Financial Accounting is concerned mainly with:

- reporting on the state of the business to people beyond the management of the company, such as investors and the government;
- reporting on what has happened in the past rather than being used as a base for taking decisions about the future;

Each business has to report on its financial performance, normally once per year. In western economies, the accounts of every business have to be presented in a set format. This ensures that year on year comparisons can be made for each business and also ensures that different businesses can be consistently compared.

The latter point is important because the financial accounts for a business allow the determination of the amount of tax paid to the government and allows investors to decide which businesses to invest their money in to generate the best profit possible.

Financial accounting is examined in more depth in section 4.4.

Definition

Management Accounting

Management Accounting is the process of measuring and monitoring the financial and operational performance of a business so that decisions can be made on future actions. It is an essential tool for managers of a business and is inward looking rather than outward looking.

In western economies, companies do not publish their management accounts - they are confidential and show the true picture of how the business operates. A company that has good management accounts has a good basis on which to make operational, marketing and strategic decisions concerning the direction of the business. Management Accounting is covered in more depth in Section 4.3.

4.3 Management Accounting

The process of management accounting involves:

- budgeting
- phasing the budget
- monitoring the performance of the business
- forecasting cash flows

Budgeting

This involves the use of all available information to produce a financial plan for the business for the year ahead and the monitoring of the actual performance of the business against that plan at regular intervals. The process is basically

- estimate how much business the company will do for each service and each customer for the year ahead.
- calculate the income that will be received as a result of that level of business for each customer
- calculate the costs of providing that service to that level for each customer
- calculate the estimated contribution to profit from each service
- estimate the level of overhead costs and subtract them from the overall contribution level.

Form 4.1a		Operating Budget					
Location :		Year Ending					
		Total					Months
		for Year	1	2	3	4	5 6
<u>1. Income from Customers</u>							
Customer A							
Customer B							
Customer C							
Total income (1)							
<u>2. Variable Costs</u>							
Fuel & Lubricants							
Servicing costs & spares							
Overnight Stays							
Parking & tolls							
Employee bonus							
Communications							
Other variable costs							
Total Variable Costs (2)							
Contribution (1-2)							
<u>3. Fixed Costs</u>							
Depreciation							
Vehicle leases							
Space rental							
Licences							
Employee Costs							
Communications							
Other fixed costs							
Total Fixed Costs (3)							
<u>4. Operating Profit/Loss</u>							
Profit/Loss = 1-2+3							

Form 4.1b		Operating Budget					
Location :	Year Ending						
Total for Year	Months						
	7	8	9	10	11	12	
<u>1. Income from Customers</u>							
Customer A							
Customer B							
Customer C							
Total income (1)							
<u>2. Variable Costs</u>							
Fuel & Lubricants							
Servicing costs & spares							
Overnight Stays							
Parking & tolls							
Employee bonus							
Communications							
Other variable costs							
Total Variable Costs (2)							
Contribution (1-2)							
<u>3. Fixed Costs</u>							
Depreciation							
Vehicle leases							
Space rental							
Licences							
Employee Costs							
Communications							
Other fixed costs							
Total Fixed Costs (3)							
<u>4. Operating Profit/Loss</u>							
Profit/Loss = 1-2+3							

The figures calculated for the above are formalised in a schedule which shows the estimated income, expenditure and profit for the business. An example of this is shown in Form 4.1. Use this form as the basis for your budget.

The headings to be used on Form 4.1 are :

- Income from customers
- Main Variable Costs
- Contribution to Fixed Costs
- Main Fixed Costs
- Profit/Loss

Phasing the budget

The financial plan should be produced for the year but that plan should then be phased to provide monthly estimates of how the business is planned to operate. Each Quarter (every three months) there should then be a formal review of actual against planned performance.

Useful Tip

Getting the phasing right

If your business performs in exactly the same way each month of the year then you can estimate the annual income and costs and simply divide them by 12 to derive your estimate for each month.

Unfortunately, most transport businesses are highly seasonal with peaks of work in some months and troughs of little work in others. For instance, working for some agricultural customers will mean a concentration of work into perhaps only 2 months of the year. Phasing the variable costs for that service over 12 months instead of just those 2 will give a very false picture and any decisions taken on that basis will be wrong.

Under most circumstances, the fixed costs of your operation can be spread equally over each month but the variable costs must closely reflect the spread of the work.

Performance Monitoring

The Quarterly Review process will allow you to regularly monitor the actual performance of your performance compared to what was estimated at the planning stage. Each Quarter, the actual income and expenditure is compared with the budgeted levels and the differences highlighted.

This will allow the prompt identification of any action necessary to put right these differences.

Useful Tip

Interpreting the differences

There are a number of useful rules for interpreting the differences between planned and actual performance during Quarterly Reviews.

- Always try and gain an overall view of your business rather than take important decisions on just a small part.

For instance, a large shortfall in income from one particular service may be compensated for by a corresponding increase in another service.

- The fact that the business has not met the original plan is not necessarily a problem if circumstances have changed since the plan was produced.

Careful analysis must be undertaken to decide whether the differences between the actual and the budget are good or bad and whether they are merely short term or indicative of a long term trend.

For instance, your costs may have exceeded the budget because you were successful in obtaining a large contract requiring additional mileage to be operated, which caused additional fuel, driver and vehicle maintenance costs to be incurred.

In this situation the operator's income will also exceed the budget, because of the revenue from the additional business. Provided that the new business has been priced correctly, profit will also exceed budget, so the overall picture is better than it would have been under the original plan.

Similarly, your income may be less than the budget if a major transport contract was lost during the period under review. However, your costs will also be down as a result of the lost business.

It may be that you will be able to redeploy vehicles and drivers on to a contract which is more profitable than the lost contract. In this case, the picture is brighter than planned even though, on initial examination, there is a loss of business.

Cash Flow Forecasting

A cash flow forecast is a plan of the estimated movements of cash in and out of your transport business on the basis of

- when you will have to pay your own expenses
- when you are paid by your customers

This differs from the budgeting process because the figures in the Quarterly Review are based on the date when the work was done rather than on the date that the operator receives payment from the customer.

For example, if you pay your drivers weekly but the customer does not pay until the end of the month, the operator will have to have enough cash in the business to pay the drivers wages for 4 or 5 weeks until receiving money from the customer.

Useful Tip

The importance of cash

When working for small local companies, it may be possible to receive payments in cash as soon as the job is completed. Even then, you will have incurred expenses such as fuel and drivers costs before you have received payment so you are in a '**negative cash-flow situation**'.

When working with European companies, this situation will be even worse as the payment may be as long as 90 days after the submission of your invoice. It is essential that you give full attention to your cash flow under these circumstances.

Many western transport businesses fail, even though they are actually profitable operations, because they get their cash flow wrong. **They simply run out of cash.**

The format of a Cash Flow Forecast, with examples of what will need to be included, is shown in Form 4.2

Form 4.2a		Cashflow Forecast					
Location :		Year Ending					
	Total for Year	Months					
		1	2	3	4	5	6
1. Cash Inflow							
Opening cash balance							
Cash Income from Customers							
Total Cash available							
2. Cash Outflow							
Variable Costs							
Fuel & Lubricants							
Servicing costs & spares							
Overnight Stays							
Parking & tolls							
Employee bonus							
Communications							
Other variable costs							
Total Variable Cash Outgoings							
Fixed Costs							
Depreciation							
Vehicle leases							
Space rental							
Licences							
Employee Costs							
Communications							
Other fixed costs							
Total Fixed Cash Outgoings							
Capital Expenditure							
Total Cash Outflow							
Net Cash Inflow/ Outflow							

Form 4.2b		Cashflow Forecast					
Location :		Year Ending					
	Total for Year	Months					
		7	8	9	10	11	12
1. Cash Inflow							
Opening cash balance							
Cash Income from Customers							
Total Cash available							
2. Cash Outflow							
Variable Costs							
Fuel & Lubricants							
Servicing costs & spares							
Overnight Stays							
Parking & tolls							
Employee bonus							
Communications							
Other variable costs							
Total Variable Cash Outgoings							
Fixed Costs							
Depreciation							
Vehicle leases							
Space rental							
Licences							
Employee Costs							
Communications							
Other fixed costs							
Total Fixed Cash Outgoings							
Capital Expenditure							
Total Cash Outflow							
Net Cash Inflow/ Outflow							

4.4 Financial Accounting

Whilst Management Accounting has an internal focus for your business in enabling you to monitor performance and take necessary management action, financial accounting has more of an external focus.

Each business must produce a set of financial accounts to enable current and potential investors to determine the return they can expect from that investment compared to other options for investing their money. The financial accounts are also used to enable the government to decide how much taxes your business should pay.

For consistency, each country has set conventions which have to be followed in the preparation of financial accounts. For this reason, this manual is not considering financial accounting in any depth but a brief overview follows.

The main elements of a set of financial accounts are:

- the profit and loss account;
- the balance sheet.

The Profit and Loss Account

The profit and loss account is a summary of the trading activity of your business for the financial year. It comprises all the elements that you have identified in the budgeting and monitoring processes but summarises them for the whole year into a set format.

The profit and loss account will show profits (or losses) before and after taxes have been paid and before and after the payment of interest on loans. This enables the true trading picture to be seen.

For instance, your business could be a profitable one with good operations but show a loss for one year because of the interest payments on a large bank loan. Showing profit before and after interest will show that the true underlying business is profitable even though, in the short term, the interest payments make it appear unprofitable.

The Balance Sheet

The Balance Sheet for a business is a summary of the assets and liabilities that the business has and carries forward from year to year.

The profit and loss account is a summary of the performance of the company over a period of time and so would be described as "Profit and Loss for the year to 31/12/1996".

The Balance Sheet is a snapshot of the strength of the company at a point in time and could be described as "Balance Sheet as at 31/12/1996".

A good business has a strong Balance Sheet with evidence of profits being reinvested into the asset base of the business.

Summary

By completing this module you are now able to produce a detailed budget for your business phased across the year on a monthly basis. More importantly, you will use this phased budget as a basis for monitoring the business by comparing the achieved performance of the business with the planned performance every three months.

Monitoring and checking the variance to this frequency will enable you to control your business tightly and has the flexibility to enable you to change the direction of your business slightly as markets and the economy changes through the year.

Businesses that do not follow the Plan (budget) - Act - Monitor approach are more likely to fail because they have an uncertain direction and are unable to react to changes because they do not realise that change is necessary until it is too late.



Тгасеса - Улучшение автодорожного обслуживания в ЦА

8. ПРАКТИЧЕСКОЕ РУКОВОДСТВО

✓ КОНТРОЛЬ ПЛАНА ДЕЙСТВИЙ

5. Introduction

This manual and the workshops which have accompanied it enable you to:

- systematically consider your market and its main components
- develop a marketing strategy and action plan
- understand the services you are offering and their potential for expansion
- develop a sound basis for costing and pricing your operation
- develop a method of identifying your major cost and profit items
- use that method to track the performance of your enterprise

Plan /Act /Monitor

There are three main reasons for compiling a business plan

- to reduce uncertainty about the future trading of the business
- to present a considered view of future trading to potential investors in the business
- to provide the managers of the business with a working document to control the business

The processes described in this manual enable you to prepare the plan for your business. In order to use the plan as a control document the following needs to occur:

- compile targets or objectives for each part of your business. This procedure is described in detail in section 2.6 of the manual as it relates to marketing. The procedure is the same for each function of the business:
- establish targets that are measurable
- collect information that relates to those targets
- regularly monitor the performance of your operation in respect of those targets.

Establish targets that are measurable.

Examples of this are as follows:

Marketing

- increase the revenue from Customer A by 10% by December 1996

- establish an operation in Oblast X by September 1996

Operations

- reduce empty running by 10% by March 1997
- reduce the number of vehicle breakdowns by 5% by April 1997
- increase the utilisation of vehicles by 2% by December 1996

Collect management account information

There are probably only a few pieces of information that are really important to you concerning your operation. These key indicators should be established for each function in the business and have been discussed in Section 4 of the manual.

Regularly monitor the performance

Plans and targets were a familiar part of business life in the old Soviet planned economies. Under those regimes, the system failed to work because performance against those targets was not regularly monitored.

Once targets have been established and indicators set to measure performance then reviews should occur regularly. The frequency of review will be determined by the nature of the indicators. For instance, the amount of empty running may be measured every week and progress checked towards meeting the target mentioned above.

Summary

The future is uncertain for any business.

Use of this manual will enable you to minimise this uncertainty by considering different options for the future in compiling your business plan. This however is only the start. Because the future is uncertain, the assumptions made in the plan may be wrong and will almost certainly need changing during the course of the plan.

The key difference between managing a business in an open market and managing a business under the old Soviet system is the need to be flexible. Regular monitoring of performance against plan will enable you as managers to take action to ensure that your targets are met and that your business is a success.



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9. ОСТАВШАЯСЯ ЧАСТЬ ПРОЕКТА

- ✓ **ГРАФИК ПРИВЕДЕНИЯ К СООТВЕТствию**
- ✓ **ЭКСПРЕИМЕНТАЛЬНЫЕ ПРОЕКТЫ**
- ✓ **ПОЕЗДКА НА ОБУЧЕНИЕ В АНГЛИЮ**
- ✓ **ГОСУДАРСТВЕННЫЕ СЕМИНАРЫ**



Тгасеса - Улучшение автодорожного обслуживания в ЦА

**10. ЛИСТЫ ПРЕДЛОЖЕНИЙ И
ЗАМЕЧАНИЙ**



Проект Tacis Трасеса "Улучшение автодорожного обслуживания"

Семинар в Алматы 10-14 июня 1996 г.

Название занятия: _____	Дата _____	Время _____
		Лист № _____

Личные замечания / Действия, которые по вашему мнению можно предпринять

Вопросы для обсуждения



Проект Tacis Трасеса “Улучшение автодорожного обслуживания”

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Вопросы для обсуждения

Управление проектом: Sir Alexander Gibb & Partners Ltd.

Адрес Республика Казахстан, 480057 Алматы, пр. Абая 76/109 Тел +7 (3272) 42 84 18



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