

Title	Demonstrate and apply knowledge of costs to the pricing of a road transport service		
Level	5	Credits	7

Purpose	People credited with the unit standard are able to: explain cost control; describe the basic costs of running a road transport operation; explain revenue generation for a road transport operation and develop revenue expectations; compare vehicle cost records with planned revenue; assess driver productivity in terms of work time and vehicle availability; and price transport service assignments for a customer.
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Classification	Commercial Road Transport > Road Transport Operations
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Available grade	Achieved
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Guidance Information

- 1 Legal requirements relevant to this unit standard include:
Health and Safety at Work Act 2015;
Fair Trading Act 1986;
Holidays Act 2003;
Land Transport Act 1998.
- 2 Any new, amended or replacement Acts, regulations, Rules, standards, codes of practice, or Waka Kotahi NZ Transport Agency requirements or conditions affecting this unit standard will take precedence for assessment purposes, pending review of this unit standard.
- 3 Definitions
Organisational requirements include any legal requirements, standards, codes of practice, organisational and/or site requirements, industry best practices, and manufacturers' instructions. These must be available to candidates, providers, and assessors.
A road transport operation may form part of an organisation or it may constitute the whole organisation.
Vehicle may be a single or combination vehicle.
- 4 It is recommended that people seeking credit for this unit standard first hold credit for Unit 1777, *Develop and evaluate a costing system for a road transport service vehicle*.

Outcomes and performance criteria

Outcome 1

Explain cost control.

Performance criteria

- 1.1 The concept of cost control and the reasons for controlling costs are explained.
- Range variable costs, fixed costs, costs within the control of an operator, costs outside the control of an operator.
- 1.2 The contribution of record-keeping to the management of costs is explained.
- 1.3 The use of exception reports in the monitoring of cost components is explained.
- 1.4 The impact of irregular demand for services on the revenue and expenditure of a road transport operation are explained.

Outcome 2

Describe the basic costs of running a road transport operation.

Performance criteria

- 2.1 The resources and assets necessary to run a road transport operation are identified.
- Range staff, vehicles, equipment, land and buildings, power, telecommunications, information technology.
- 2.2 The key factors contributing to the non-vehicle operational costs of a road transport operation are described.
- Range factors include – recruitment, remuneration, attributing personal costs to the business, training, maintenance, insurance, compliance, culture, staff turnover, cleaning, security, finance charges, rent, administration, impact of the Holidays Act 2003.
- 2.3 The advantages and disadvantages of owning and leasing vehicles in terms of cost to a road transport operation are described.
- Range vehicle utilisation, capital outlay, financing of vehicles, depreciation, tax incentives, vehicle replacement.
- 2.4 The impact of down-time of staff, under-utilisation of vehicles, poor vehicle selection, unexpected emergencies, and unnecessary use of vehicles is explained in terms of loss of revenue and additional cost.

Outcome 3

Explain revenue generation for a road transport operation and develop revenue expectations.

Performance criteria

- 3.1 The relationship between costs and revenue is explained in terms of profit and loss.
- 3.2 The concept of return on investment is explained in terms of its relationship to depreciation and finance costs.
- 3.3 The generation of revenue by time, by distance, and by payload is explained.
- Range payload may include – per tonne, per parcel, per kilometre, per cubic metre, a combination of any or all of these.
- 3.4 Revenue expectations are developed for two vehicles for two workdays.

Outcome 4

Compare vehicle cost records with planned revenue.

Range two vehicles with data relating to two workdays.

Performance criteria

- 4.1 Fuel consumption is identified as litres of fuel per hundred kilometres travelled.
- 4.2 Utilisation of cubic load space and of payload capacity is identified as a percentage of available cubic load space and payload capacity respectively.
- 4.3 The variable cost is identified for each workday for each vehicle.
- 4.4 Vehicle costs for each vehicle are compared with planned revenue.

Outcome 5

Assess driver productivity in terms of work time and vehicle availability.

Range two drivers and two vehicles on any two workdays.

Performance criteria

- 5.1 Data which may be analysed to assess driver efficiency is identified.
- Range may include – fuel usage, vehicle maintenance costs, on duty time spent by driver both driving and not driving, accident and incident costs, damage to load and/or injury to passengers.

- 5.2 Collection and analysis of data on driver tasks and vehicle productivity is conducted in an accurate and timely manner.
- 5.3 Examples of driver performance that are cost-efficient and cost-inefficient are identified from data collected.

Range may include – fuel usage, vehicle maintenance costs, on duty time spent by driver both driving and not driving, accident and incident costs, damage to load and/or injury to passengers.

Outcome 6

Price transport service assignments for a customer.

Performance criteria

- 6.1 A cost model is produced and used to determine the price for a transport assignment for a single sector delivery in accordance with organisational requirements.
- 6.2 A cost model is produced and used to determine the price for a transport assignment for a multiple sector delivery in accordance with organisational requirements.
- 6.3 Prices are determined for transport assignments to meet revenue expectations.

Planned review date	31 December 2025
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Status information and last date for assessment for superseded versions

Process	Version	Date	Last Date for Assessment
Registration	1	30 April 2001	31 December 2017
Review	2	27 July 2005	31 December 2017
Review	3	16 April 2015	31 December 2022
Review	4	29 April 2021	N/A

Consent and Moderation Requirements (CMR) reference	0014
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This CMR can be accessed at <http://www.nzqa.govt.nz/framework/search/index.do>.

Comments on this unit standard

Please contact MITO New Zealand Incorporated info@mito.org.nz if you wish to suggest changes to the content of this unit standard.