

Haulage and Transport



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Industry Background

According to Department for Transport (DfT) figures, the number of goods vehicles registered for the first time in a particular year has been fairly consistent at just short of 50,000 in most years and with an overall total also fairly consistent at around 440,000 vehicles. Government statistics included in UK Business: Activity, Size and Location put the number of haulage businesses at 34,000 of which 25,000 had an annual turnover below £250,000.

The industry has many 'cowboy' operators working on cut throat rates which depress rates across the industry. Some firms may not use efficient costing systems to establish the minimum rates which should be charged in order to remain viable based on calculations of standing costs and running costs and as a result may operate at a loss on some jobs.

Although some haulage firms enter into formal contracts with customers, which include a fuel fluctuation element, many others do not and are unable to increase rates to reflect increases in prices. The freight transport industry is highly competitive and influenced by low barriers of entry, particularly with hauliers running five or fewer vehicles, making up 67% of all operators.

Although there are some large national haulage contractors, very many businesses are family run concerns, operating only a few vehicles. According to DfT statistics, 41,300 licences (out of the 95,400 licences in issue) specified only one vehicle on the licence. A further 14,400 licences specified only two vehicles.

Although many goods are hauled for long distances both within the UK and overseas, very many freight journeys are made over relatively short distances. Approximately 70% of the total volume of goods lifted is carried less than 100 kms and according to the DfT approximately 52% of goods carried are hauled less than fifty kilometres.

Smaller haulage firms, operating on a more local basis, are able by the use of Information Technology undercut the large national companies on short, local journeys. As a result, competition for the smaller firms comes primarily from similar sized haulage businesses in the area rather than from the major national transport companies. However, all haulage concerns may have lost business to foreign registered hauliers undertaking domestic work in the UK since the enlargement of the EU which resulted in a huge increase in the number of lorries from eastern Europe journeying to and from the UK.



Some Industry specific areas of advice from our experience

VAT: Is the cash accounting scheme of advantage or disadvantage?

Might performance bonuses motivate more economic driving?

There can be annual tax/NI savings to be had by operating the trade from within a limited company but with the premises being owned personally.

Is the ownership of the business correctly set up such as to minimise the various taxes and maximise tax reliefs?

What are your future plans? Exit strategy or next generation involved? Plan in place to achieve this?

Wills: are they tax efficient particularly as regards the business?

Are profit shares/extraction of profits made in the most tax/Ni efficient way?

Can tax efficient wages be legitimately paid and justified to family members?

Are owners and staff arrangements of vehicles maximising tax reliefs etc.?

Where practical, part time workers can be considerably more cost effective due to employers NI savings compared to full timers.

Is a change of accounting date a good idea?

Are any loans (both business and personal) arranged in such a way as to maximise tax relief and minimise costs?

Some Industry specific areas of advice from our experience (cont'd)

Has the strategy on owners' company cars been reviewed in the light of taxable benefits and capital allowances now being driven by CO2 emissions. It can now even make sense for a company to provide low emission cars to non-employee family members such as children!



Use of Information Technology

How are you maintaining your books and records?

Are you reconciling cash and bank accounts regularly?

Do you know how much you owe or how much you are owed at any time?

The proper use of IT can provide you with regular and meaningful management information and save time and cost.

Would outsourcing your payroll and pension obligations be of benefit?

Would you welcome us maintaining or training you or your staff to operate a computerised accounting system, providing key financial and management information in a timely and understandable form?

Hauliers are having to cope with many factors, such as:

- The high cost of fuel and the difficulty in passing increases on to the customer.
- The expense of compliance with stringent regulation.
- The cost of meeting quality standards which are increasingly demanded by customers.
- A trend away from general haulage towards specialist activities requiring dedicated vehicles.
- The effect of the provisions of the Working Time Directive.
- The cost of complying with measures to improve ventilation, heating and so forth on livestock transport vehicles.
- Increasing congestion on roads throughout the UK and the roll-out of provincial congestion charging schemes.
- The cost of compliance with exhaust emissions regulations.
- The cost of complying with compulsory vocational training for all lorry drivers.
- The industry has also suffered from a shortage of skilled drivers.



Important trends in the industry also seem to include:

- A growing emphasis on the training of drivers in order to ensure a quality service offered. New professional lorry drivers now being obliged to obtain the Driver Certificate of Professional Competence (Driver CPC).
- The increasing use of information technology (IT) to achieve greater operating efficiency.
- The need to identify niche markets where possible.
- The growing importance of working in partnership with major customers to develop long term relationships.
- The need use technology to accurately monitor fuel consumption.

Key Performance Indicators

Performance in the haulage sector is often assessed in terms of the fuel:takings ratio achieved. The actual fuel:takings ratio achieved by individual haulage firms will be affected by, among other factors, the nature of the work done. The relationship between fuel costs and takings is also affected by:

- The price paid for fuel.
- Fuel losses caused by careless filling, spillages or driver theft
- The fuel consumption of the vehicles operated. Influenced by technology and economy training of drivers.
- Efficient route scheduling.
- The number of journeys which are made empty.
- The effect of increasing congestion on the roads.
- The rates that can be charged by the haulage firm.

As noted by the Road Haulage Association (RHA), "The difference between achieving 7.9 mpg and 8.2 mpg can be the difference between profit and loss."

It is an arithmetical fact that the higher the gross profit percentage that can be achieved the less turnover is needed to cover overheads and a reasonable level of profit.

Ask about our own award winning "tax tools" software including "business profitability analyst" based on key information.



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Tax Investigations

Approximately 10% of all investigations carried out by HM Revenue & Customs (HMRC) will be selected at random but these random selections will be targeted at trade sectors where tax is thought to be at risk. HMRC's stated aim is to spread the investigation net to cover all sectors, including hauliers. Additionally, HMRC may have their own program of investigations targeted at this sector because of local knowledge, often the result of information obtained in the course of successful investigations into the same or a related type of business in the area.

When a business is selected for investigation other than at random, the most common reasons are:

- Information provided to HMRC by a third party.
- Low and/or fluctuating Gross Profit Rate, or some other inconsistency in the accounts.
- Low and/or fluctuating Drawings.
- Unexplained introductions of cash into the business.
- Technical offences, including failure or late notification of liability.

Since HMRC is allowed only one enquiry into a return, added to the above reasons for selection for investigation will be an enquiry into a technical matter (e.g. the capital/revenue repairs argument).

You can pay a small premium to ensure your professional fees are covered in the event of an investigation – be VAT, PAYE or tax affairs generally.