

February 2016

## Member Brief No 150 The Cost of Transporting Workers

### Introduction

This Brief updates and replaces ALP Brief 131 and provides indicative examples of the cost of providing transport to work and guidance on calculating costs.

The cost of transporting workers has risen significantly in recent years due to fuel prices and regulations such as licensing, tachographs and drivers' hours' rules. Transport services often operate at a net loss and are a cost that must be covered in client charge rates.

Transport to work is most often an optional service offered by labour providers, providing a cost effective and convenient solution for workers. Workers are usually free to and often do make their own arrangements for travel to work.

### Transport Cost Breakdown Example

#### LABOUR PROVIDER - OVERHEAD AND TRANSPORT COST ANALYSIS - FEBRUARY 2016

**N.B. These are example costings. To obtain an accurate cost analysis each labour provider will need to calculate their own actual cost of providing transport in each individual case.**

**Example 1: 9 seater mini bus (8 passengers); driver works with team; 1 trip per day:**

Description	Cost	Per	Per Annum
1. Annual Lease (9 seater)	£ 380	month	£ 4,560
2. Insurance & Tax		year	£ 2,250
3. Maintenance		year	£ 3,500
4. Fuel (average 50 mile round trip; 5 miles/litre; £1 litre)			£ 2,805
6. Driver's wage (2 hours driving day)	£ 17	day	£ 4,335
7. Total			£ 17,450
8. Average 6 passengers + driver; 5.5 days per week; 51 weeks; single shift 8 hours		17,952 hours	
9. Cost to labour provider per day per worker for transport			£ 8.89
10. Cost per hour per worker for transport where provided free of charge			£ 1.27
11. Cost per hour per worker for transport where each worker is charged £6 per day			£ 0.56

**Example 2: 17 seater mini bus; dedicated PCV drivers; 2 trips per day:**

Description	Cost	Per	Per Annum
1. Annual Lease (17 seater)	£ 600	month	£ 7,200
2. Insurance & Tax		year	£ 2,750
3. Maintenance		year	£ 5,000
4. Fuel (average 2 x 50 mile trips; 4 miles/litre; £1 litre)			£ 7,013
5. PSV/O/PCV Licences and Transport management			£ 2,500
6. Driver's wage (8 hours day - driver does not work with team)	£ 84	day	£ 25,410
7. Total			£ 49,873
8. Average 13 passengers; 5.5 days per week; 51 weeks; two shifts 8 hours		58,344 hours	
9. Cost per day (exc driver) per worker for transport			£ 6.84
10. Cost per hour per worker for transport where provided free of charge			£ 0.85
11. Cost per hour per worker for transport where each worker is charged £6 per day			£ 0.10

## Definitions and Explanations

**N.B. The numbering below refers to the numbers in the tables on the previous page:**

1. The annual lease cost will vary in each individual case dependent on the price and terms agreed for the vehicle in question. Where vehicles are rented on a weekly basis the cost will generally be higher than a lease cost. Where vehicles are owned this cost will need to be replaced with depreciation cost.
2. Insurance and Tax will vary with the terms agreed in each individual case.
3. Maintenance cost will vary dependent on cost of garage services, damage sustained, frequency of servicing, age and type of vehicle and other variables.
4. Fuel cost will vary dependent on fuel efficiency of vehicles, number of trips per day, cost of diesel and length of journeys.
5. This is an estimated figure for the cost per vehicle of obtaining the various licences required including: Operator's Licence; Vehicle PSV Licences; Driver PSV Licences and CPC training. Also included is a cost for the management time in obtaining these licences and route planning and managing driver's hours and tachographs. Each labour provider will need to calculate their own costs for these services.
6. Driver's wages will depend on whether the driver works as part of the team or is a dedicated driver, whether a PCV licence is required and the actual rate paid. Driver's time spent driving must be included in working time for minimum wage purposes.
7. This is the total annual cost to supply and maintain that vehicle and driver fully licensed.
8. This is the number of chargeable hours across which you can spread the cost of the vehicle. The more utilised the vehicle is, the lower the cost. Plainly, a half full bus will cost twice as much per worker transported than a full bus. As well as being paid, the driver will not usually be charged for transport to work.

Vehicles not operating at full passenger capacity impacts hugely on the cost. Many harvest or planting field work teams consist of 6 workers i.e. only 5 passengers plus the driver per vehicle meaning most transport will not operate at full capacity.

9. This is the cost per day per worker transported.
10. This is the cost per hour per worker for transport where the transport is provided free of charge.
11. This is the cost per hour per worker for transport where each worker is charged £6 per day for transport.

VAT zero rating is allowed for public passenger transport in any vehicle designed or adapted to carry not less than 10 passengers. For vehicles designed or adapted to carry less than 10 passengers VAT is at standard rate. This means that if you charge workers for transport to work in a vehicle designed or adapted to carry less than 10 passengers then you must pay VAT on the charge. The rules on VAT for Passenger Transport are contained in [Public Notice 744](#).