



NFU/BRITISH SUGAR

INDUSTRY HAULAGE
SCHEME

INDEPENDENT OBSERVER

FINAL REPORT

CONFIDENTIAL

JANUARY 2018

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Date: January 2018

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1

EXECUTIVE SUMMARY

1.1 BACKGROUND AND WORK UNDERTAKEN

WSP (specifically Technical Director for Logistics, Chris Douglas) was commissioned in January 2017 to take on the role of Independent Observer for the upcoming process to be run by British Sugar to assess, select and contract hauliers (including grower/hauliers) to the British Sugar Industry Harvesting and Haulage Scheme (IHHS – hereafter the ‘Scheme’).

The primary objectives of the work were to gain a better understanding of each of the stages of the haulier appointment process and to identify aspects where greater transparency would be of benefit to growers, grower/hauliers and hauliers.

Work commenced in February 2017 and comprised:

- Factory visits
- Grower, grower/haulier and haulier face-to-face meetings, determined by NFU and British Sugar, covering a selection of those active in the Scheme, those not having used/operated within it and those who no longer use/operate within it.
- Liaison with key British Sugar staff responsible for management of the haulier selection and appointment process
- Observing the key stages undertaken for haulier selection and appointment
- Interim and final reporting of findings and recommendations

Work concluded in October 2017 with the development and submission of this report.

British Sugar staff assisted our Independent Observer at each stage of the process and gave access to all relevant information requested and facilitated his attendance at negotiation meetings.

1.2 FINDINGS

- Our consultant found no evidence of wrongdoing within the Scheme’s operation and any allegations of such appeared to be anecdotal only and without factual evidence
- there is a lack of understanding among the wider community of growers, grower/hauliers and hauliers in relation to the role of the tender portal
- The initial stages of negotiations are consultative, giving operators the chance to select areas and to include specific growers or not – this consultative approach is a real positive and should be explained clearly to the wider community
- there is a lack of awareness among the wider community and a weakness in promoting the option of multi-year haulage contracts
- backloading within/outside the scheme is perceived to be contentious and leads to accusations (without firm evidence) of the Transport Allowance being suppressed through ‘side agreements’ between British Sugar and selected hauliers

- the contractual rebate process is misunderstood
- there is a perception of cost being the sole assessment criterion used during negotiations
- emotional reasons often outweigh financial benefits in growers' choices to use their own contracted haulier, rather than the Scheme
- there is a lack of follow-up with operators taken to initial and subsequent negotiation stages but not appointed
- 'groomed' operators have allegedly been encouraged to grow capacity in previous campaigns and are then being allocated low or no tonnage as rates are deemed too high
- The resulting bad feeling appears to repeat annually, with each new cycle of selection negotiations
- broken relationships clearly affect the way selected operators view the role of the British Sugar co-ordinator in both operations and commercial discussions
- numerous parties suggested that they had had offline discussions with British Sugar staff to discuss rates for co-product haulage to be at a premium if inbound beet haulage rates were to be suppressed. No party could provide meaningful written evidence that this actually occurred and no party was willing to sign an affidavit. Those raising these allegations did not do so at the time of receiving high volumes, rather when they lost out on tonnage in later campaigns
- there may be a risk of fragmentation, rather than coordination, in appointing separate harvesters, cleaner/loaders and hauliers for geographical areas, based largely on price.

1.3 INDEPENDENT CONSULTANT'S CONCLUSIONS

Independent Observer - Areas of Concern

Grooming – where selected operators claim to have been encouraged to invest significantly and to grow their capacity, without guarantees of tonnage.

Relationships – fractured relationships exist between selected operators and British Sugar staff, affecting wider community perceptions of the Scheme and its transparency

Fragmentation – alleged appointment of separate harvester, cleaner/loader and haulage contractors potentially risks resource inefficiency and would go against the core aims of the Scheme

Co-ordinator role – the role of the British Sugar coordinator running both the campaign and the haulier negotiations creates a target for ill-feeling and mistrust.

Independent Observer – Risks Identified for the Future

A lack of security of tonnages for hauliers over multiple years leads to either a reluctance to invest in resources for the future or potential over-exposure by those having invested, then not securing high tonnages in subsequent Campaigns (whether through reluctance to reduce rates or through British Sugar selecting competitors for other reasons).

The annual round of negotiations appears to leave numerous operators unclear as to their role until close to the Campaign period commencing. This then allegedly creates bad feeling towards British Sugar and a perception among those unsuccessful of having been played off against local competitors (clearly those appointed benefit from beating local competition). It is important that British Sugar has adequate haulier resource for future campaigns and there is a risk, especially with some major operators having left the Scheme, of a quality haulier pool reducing in size.

Annual negotiations require significant time and resource input from British Sugar and also from potential haulage operators working through the process. Multi-year contracts (which do, in theory, already exist) would help to reduce the effort required on an annual basis.

1.4 INDEPENDENT CONSULTANT'S RECOMMENDATIONS

This consultant's opinion is that the annual process of appointment of contracted hauliers could be simplified by extending the duration of the contract appointments, appointing dedicated hauliers working in close partnerships with harvesters and cleaner loaders (as was recommended in the original Sugar Beet Transport Efficiency Study, 2009). That would be an interim measure.

This consultant would strongly suggest a move to a 100% ex-farm contracts with all growers, in the belief that the 'hybrid' operation currently used (giving freedom of haulier selection to growers, in parallel to the Scheme) and the fleet deployed do not maximise overall potential efficiency. Many of the trucks operated are general bulk haulage vehicles, not ideally specified 'fit for purpose' beet haulage fleets. Grower/hauliers are important in the current process but the future focus should be on selecting professional hauliers and hauliers who grow, rather than growers who also 'play at' haulage using relatively small fleets (less than 10 vehicles). A move to 100% ex-farm contracts would remove less professional hauliers selected by growers for solely emotional reasons.

Exploration of the appointment of a single third or fourth party logistics (3PL or 4PL) provider to carry out all of the ex-farm haulage for 100% of the movements should be considered. This would clearly create a difficulty for those growers wanting to pay above the Transport Allowance for their own contractor, which I believe is inherently inefficient in terms of an overall beet haulage cost. The concession to allow growers to choose their own contractors and potentially pay more to the same haulier on a direct contract, than to the same haulier through IHHS, is simply not efficient and ultimately leads to additional beet transport cost.

Fixing the current structure

The recommendations to improve transparency and understanding of the current haulier selection and appointment process are:

- provide greater clarity about the role of the portal and the important request for information stage before it
- provide greater clarity about the process of negotiation after the portal closes
- provide clarity about the negotiation stages covering more than just rates as the assessment criteria.

- greater clarity about backloads/additional volumes/co-products and the rebate process – and the links from all of those to the calculation of the Transport Allowance – is required, to prevent speculation and what are unsubstantiated accusations of wrongdoing
- there needs to be greater promotion of multi-year haulage contracts – to avoid the annual round of resource-intensive negotiations and inevitable fallout between some parties
- earlier notification to those successful/unsuccessful in the negotiation process would help to remove some of the uncertainty among the haulier community and the risk of over/under committing resource
- consider splitting the role of the British Sugar Co-ordinator, to remove them from the final negotiation phase, leaving that to a dedicated commercial negotiation team from elsewhere in the British Sugar Group, to avoid personal bad feeling being carried over into the operational Campaign (as many of the unsuccessful hauliers will carry beet for their direct customers outside of the Scheme) and therefore still interact with the key British Sugar staff members
- reconciliation with ‘groomed’ hauliers is necessary to prevent the perception of British Sugar ditching operators solely on price, even after significant investment to grow their fleet capacity
- exemplar beet truck and operations could be defined and showcased to all involved, to show what best practice looks like at all stages. Many discussions revealed operational practices which cannot be described as optimal
- fleet efficiency assessments of a sample of grower/hauliers to identify potential improvement areas across the five truck fleet efficiency pillars of
 - o fuel management programme
 - o driver skills development
 - o vehicle specification and preventive maintenance
 - o use of IT support systems
 - o performance management techniques

Also carry out assessments of the larger, more dedicated hauliers (or hauliers who also grow but with haulage their primary function) to provide a comparison with the efficiency results from the grower/haulier assessments. This would help to prove which operator types are the most efficient.

- develop a Programme of Work to disseminate material designed to help all operators introduce robust fuel management programmes, develop driver skills, specify the right vehicles for beet haulage, use basic IT support and track performance. This would build on the existing British Sugar KPI monitoring process and reporting for all haulage contractors – but, in addition to telling them their current level of performance, it would involve actually helping hauliers to make meaningful improvements to practices to continually improve.
- an Annual Campaign Haulage Report should be produced to highlight the issues and successes of the past Campaign and the plans for the next – how operating standards will be continually improved etc.

A more permanent solution

Recommendations for the future of the IHHS are to push for 100% ex-farm contracts, removing the choice of haulier from the grower and reducing/removing the role of the small grower/haulier and focus solely on more professional, dedicated 3PLs or 4PLs on a longer term contract, to drive out the inefficiencies and unnecessary extra costs incorporated in the current structure. Clearly there is a risk with this in terms of growers deciding not to continue to grow if they don't have choice over their hauliers. However, in my opinion, which is focused exclusively on truck fleet efficiency, appointment of a single haulage contractor with a dedicated fleet resource would only help coordination and drive down costs. There needs to be a clear business case created to show how much extra cost is involved in the current 'hybrid' situation, compared to the ultimate fleet efficiency model of single fleet coordination with links to harvesting and cleaning/loading.

The way forward, in my opinion, is to avoid repeatedly negotiating year-after-year with multiple haulage contractors. This creates conflict, particularly with those who have been deeply involved in the past, only to be later eliminated from contracts.

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BACKGROUND

WSP (specifically Technical Director for Logistics, Chris Douglas) was commissioned in January 2017 to take on the role of Independent Observer for the upcoming process to be run by British Sugar to assess, select and contract hauliers (including grower/hauliers) to the British Sugar Industry Harvesting and Haulage Scheme (IHHS – hereafter the ‘Scheme’).

The primary objectives of the work were to gain a better understanding of each of the stages of the haulier appointment process and to identify aspects where greater transparency would be of benefit to growers, grower/hauliers and hauliers.

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METHODOLOGY

Work commenced in February 2017 and comprised:

- Factory visits
- Grower, grower/haulier and haulier face-to-face meetings, covering a selection of those active in the Scheme, those not having used/operated within it and those who no longer use/operate within it. These visits did not form a representative scientifically robust sample, rather those parties were recommended for meetings by NFU and British Sugar. It should be noted that British Sugar provided names for those no longer servicing the scheme, as well as those within it for the last Campaign.
- Liaison with key British Sugar staff responsible for management of the haulier selection and appointment process, as well as logistics during Campaigns.
- Observing the key stages undertaken:
 - o Requests for Information from hauliers
 - o Use of the tender portal and traffic light system for haulier commercial submissions
 - o Initial face-to-face meetings with those selected to move forward from the portal tender process
 - o Follow-up discussions with the short-listed hauliers to revise commercial offers
 - o Appointment of successful hauliers and agreement of contracts
 - o Discussions with a selection of hauliers unsuccessful in the process
- Summaries of visits and meetings provided to NFU
- Interim and final reporting of findings and recommendations

Work concluded in October 2017 with the development and submission of this report.

Below is an outline of the approximate typical timings of key stages during the IHHS haulier appointment process:

IHHS Haulier Appointment Process									
Approximate Typical Timeline									
Activities/Month	January	February	March	April	May	June	July	August	September
Grower contracts signed	Yellow								
Requests for information (RFI) from hauliers		Green	Green						
RFI reviews			Blue						
Tender portal active for rounds				Purple	Purple				
Initial negotiations						Yellow			
Follow-up negotiations						Grey	Grey		
Contract agreement							Blue		
Appointed hauliers visit allocated growers								Red	
Campaign commences									Red

British Sugar staff assisted our Independent Observer at each stage of the process and gave access to all relevant information requested and willingly facilitated his attendance at negotiation meetings.

Brief summaries of the key meetings and discussions held follow below. These are in addition to numerous calls, NFU email updates, presentations to NFU Sugar Board and NFU/British Sugar Beet Group, progress meetings with NFU staff and with selected NFU Sugar Board members and immediate/interim reporting undertaken on an ongoing basis from the outset:

- **NFU/British Sugar Initial Briefing Session, 3rd February 2017**

Agreed scope of project, key tasks, reporting lines, reporting processes and development of initial matrix of grower, grower/haulier and haulier contacts.

- **NFU Selected Grower, 3rd February 2017**

Discussed reasons for not participating in IHHS. Loyalty to long-term haulier who had repeatedly helped out in difficult times. Brings contracted harvester from Ipswich to Cambridgeshire for same loyalty reasons. Admitted that there was no logical reason not to join IHHS and that cost savings could be made. The previous £1 per tonne incentive to join IHHS had been very tempting but still a concern about giving everything away to British Sugar, regardless of the obvious financial arguments to do so.

- **British Sugar IHHS Briefing, 3rd February 2017**

IHHS update since 2009 launch. 21-25% total beet tonnage now moved within the Scheme. Walked through haulier appointment process from requests for information to portal to face-to-face discussions. Aggregation of Scheme 25% rates help to determine Transport Allowance. Haulage costs now around £40 million per Campaign. Hauliers offered trackers at reduced rates. Haulier data collected for determination of KPIs to check performance. British Sugar pay clean tonnes, grower will pay haulier for dirty tonnes moved. Some processing sites have adopted extended hours. Sugar beet specific driver CPC component has been developed and introduced.

- **British Sugar Newark Site Visit, 10th February 2017**

Field visit to watch Maus loading of final loads for that Campaign. Factory walkaround to refresh memory of on-site processes at weighbridge, sampling, tipping. Agreement of need for non-disclosure agreement to keep commercially sensitive information solely within the project group.

- **NFU Selected Grower/Haulier, 20th March 2017**

Grower/haulier who had previously operated within IHHS. Left because of over-investment and lack of guarantee of tonnages. Felt used and discarded and therefore left Scheme voluntarily before financial situation became untenable. Negotiation of rates became difficult with alleged relentless, repeated

requests to reduce rates round after round, heading to the point of making a loss, despite huge level of investment and unfulfilled guarantees of future tonnages. Felt cornered and compromised and decided to leave, despite his remaining loan liabilities on equipment which would then not be put to use.

- **British Sugar Briefing Session, 21st March 2017**

Discussed list of operators to be engaged and timings of each stage of the process for the remainder of the year. British Sugar agreed access to all stages. Discussed role of tender portal and colour coding of rates submitted. Discussed preliminary data collated from request for information (RFI) stage to identify viable haulage applicants. Discussed each detailed step following portal rounds completion. Invitations to face-to-face negotiations, then repeat meetings, then appointment, contracts, notification to grower, grower visits by haulier to agree loading points and admin processes to be followed.

- **NFU Selected Grower/Haulier, 30th March 2017**

Previously operated within IHHS and also with own haulage group of 35-40 growers. Grain haulage is primary activity, with beet filling the quiet period. Made no money from IHHS. Rates became too low. Decided to leave IHHS last year and would not consider rejoining. Promised tonnages didn't materialise and allegedly was continually asked for favours to help British Sugar during the Campaign, which were then forgotten shortly after and at rate negotiation time. They were allegedly encouraged to invest capital in their whole operation, to deliver a full service. Then not enough work at respectable rates arrives through the Scheme. Operator is left high and dry with debt still owing on new equipment. Expensive specialist equipment has too much down-time to make economic sense, as it can't be used for other work outside of Campaign. The role of Wareham Gravel is very murky. No-one really understands its position and many see it as a smokescreen behind which British Sugar can operate to undermine others. British Sugar staff enjoy the rate negotiations process and continually push for lower prices, time and time again. Comes to a point where rates go too low to breakeven and that compromises quality, safety and potentially legal compliance. There are alleged 'cowboys' involved across the IHHS, in harvesting, cleaning/loading and haulage. That's why some big haulier names have left in recent years. British Sugar are arrogant and selfish – and bully operators into a corner to accept low rates with no real guarantees in return.

- **British Sugar Selected Grower, 30th March 2017**

Use their own haulier. Strong relationship developed over years of working together. They know he will give them a good price and will help them out when necessary, including lifting over Christmas and shunting the short distance to factory. They also coordinate with the separate harvester. Haulier will speak to the harvester directly to make sure all parties are clear what will be lifted and when. Was livid about the previous £1 benefit for those joining the Scheme. Thought that was a PR disaster and turned many against the Scheme. Believes the Scheme can't compete on flexibility. There is uncertainty as to who will lift beet and when – and it gives too much control away to British Sugar. Fundamentally disagrees with British Sugar's approach to hauliers. They have no loyalty to haulage contractors in the Scheme. As a grower he's willing to pay extra for the assurance and peace of mind of having direct contact with the haulier and harvester, rather than relying on British Sugar to coordinate. What's the role of the NFU moving forward? Feels like the same old problems arise year-after-year, without any solutions. The grower should be paid a premium for added value at the field, increasing yield, so the factory gets greater efficiency. Bad growers who don't use modern techniques should be ditched.

- **British Sugar Haulier Selection Session, 24th April 2017**

Talked through RFI questionnaire, the upcoming online tendering process and each aspect of using the portal for bidding 'rounds', the structure of negotiations which follow the closure of the portal, how hauliers are selected to move on to next steps. Reviewed the beet haulage agreement and its individual clauses, payment process and appointed haulier performance monitoring. More than 100

hauliers expressed an interest in being involved in the upcoming Campaign. Portal gets discussions to a point where haulier capability, capacity and quality of service are understood, prior to moving on to the face-to-face discussions.

- **British Sugar Haulier (incl. Grower/Haulier) Face-to-Face Negotiations, 31st May 2017**

Initial individual face-to-face discussions with hauliers selected to move forward from the online portal phase. The portal's red/amber/green function on submitted rates had been found to be confusing operators/putting them off resubmitting, so British Sugar had decided to stop the online system early and move straight to individual face-to-face discussions. Haulier collection areas and destination factory sites were discussed with each and boundaries drawn on-screen, encompassing marked grower locations (only those growers within IHHS, not including the haulier's own grower group). Total tonnages were then calculated to check that area would be feasible, based on haulier capacity. Then discussed each grower individually to give haulier the option of saying yes, no or maybe to including them in their allocation. That gave the chance to flag any historic sensitivities or other reasons to exclude them. It was a consultative process to refine the boundary for that haulier, rather than simply imposing growers on the operator. Potential backloads/'extra tonnage' (British Sugar term) were mentioned but no commitments given from either side. One party indicated that backloads were not of interest as they reduce the number of inbound loads achievable per day over longer stem distances from beet loading point to factory. Each haulier talked about their levels of investment for the preceding year and for that ahead – predominantly in cleaner/loader equipment, rather than truck fleet investment. Longer term haulage deals would give security and increase willingness to invest. Talked about new truck technology which could help increase payload above average 29 tonnes, including mesh tailboard. Surprising that operators routinely fill (400+ litres) tanks to full at the end of each day, when less than half a tank used daily in some cases. Unnecessary weight carried on trips. Other examples of inefficient operational practices were also quoted. Hauliers all confirmed that big improvements had been made through IHHS in ensuring safe and effective access to locations for beet loading. Rates for cleaning/loading and haulage were discussed with each haulier. An indication was given by British Sugar of haulier rates in relation to others competing for tonnages. Each haulier was given the opportunity to go back to base and respond with revised rates to be considered, to progress to the next stage of negotiations. British Sugar asked each haulier what it could do to help them. Extended opening hours had been considered a success, especially at the more constrained sites. Dynamic load allocation, rather than flat, had worked well. Parking vehicles on-site at factories could help some operators. British Sugar asked for ideas to improve the specification of trucks used for beet haulage.

- **British Sugar Haulier Follow-up Negotiations, 29th June 2017**

These discussions were subsequent follow-up sessions with hauliers who had made it through from earlier stages. Those hauliers invited to attend had further individual negotiations about the growers to be included in their areas and methods of loading (conventional or Maus). Some additional growers were offered (including in outlying areas) with invitations to quote separately for those growers not fixed in an existing haulier allocation. Factory sites to be serviced were agreed and confirmations given that extra mileages would be paid for diversions of tonnages to other sites, when required. Backloads of pellets and pulp would need to be agreed with British Sugar colleagues, not specifically with the Beet Transport Team. Details would be provided as to with whom those discussions should be held. Plans were secured for hauliers to receive Toughbooks and to go out and see their allocated growers, to get loading points logged by the end of August, 2017, enabling contracted mileages to be confirmed. Contracts were issued for review, with main clauses highlighted to ensure haulier understood commitments. Safe working practices were covered – what's acceptable and what's not acceptable at the loading point (with particular reminders about overhead power lines and the risks of loading nearby). Agreement reached on part loads and British Sugar reimbursement for same. Highlighted the processes for dealing with any complaints, accidents and/or damage caused by the haulier, mud on roads, as well as for rejected loads. British Sugar requests to see Employer and Public Liability Insurances. Hauliers take contracts away for review, signature and return.

- **British Sugar Selected Harvester Haulier, 28th July 2017**

Operator had made significant investment in equipment since the beginning of the IHHS. He had been eager to grow the business and suggests he had been repeatedly encouraged to do so by British Sugar. His volumes had dropped dramatically to the point where he was now unable to cover costs. He suggested that he had been continually driven down on price by British Sugar Transport Team, to the point where his business had been put at risk. He alleged that he had been encouraged to overextend his operation and financial commitment, only to be dropped when he would not agree to lower rates. He had received support from British Sugar when his operation first experienced financial management difficulties. He had not, however, made it through negotiations to secure significant tonnage for the upcoming Campaign, was unaware at this late stage what, if anything, he might receive as an allocation of tonnage and the indication was that this would result in the need to make redundancies and consider closure of the business. His (standard) haulage contract terms were reviewed and the British Sugar rebate clause for co-products was found and explained, as the operator had been unaware of its existence within the contract. Operator discussed the demise of his business and the growth of other local competition, supported, in his opinion, by preferential treatment given by British Sugar staff. He suggested that harvesting, cleaning/loading and haulage was being fragmented, rather than coordinated, as had been the main objective of IHHS following the efficiency review undertaken in 2009.

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FINDINGS

Our findings from the engagement phase of the commission are:

- there is a lack of understanding among the wider community of growers, grower/hauliers and hauliers in relation to the role of the tender portal and its position within the full selection process
- there is a lack of awareness among the wider community and a weakness in promoting the option of multi-year haulage contracts
- backloading within/outside the scheme is perceived to be contentious and leads to accusations (without any firm evidence) of the Transport Allowance being suppressed through 'side agreements' between British Sugar and selected hauliers
- the contractual rebate process, based on moving co-product tonnages, is misunderstood and its purpose is unclear, given what appears to be the small percentage return for the levels of confusion and tension generated
- there is a perception of cost being the sole assessment criterion used during negotiations
- emotional reasons often outweigh obvious indisputable financial benefits in growers' choices to use their own contracted haulier and to remain out of the Scheme
- there appears to be a lack of follow-up with operators taken to initial and subsequent negotiation stages but not appointed, leading to last minute uncertainty of whether or not fleet resources will be required
- 'groomed' operators (those who allegedly have been encouraged to grow capacity in previous Campaigns and invest in equipment and resources) then being allocated low or no tonnage – generates bad feeling

- this bad feeling among 'groomed' operators appears (at least in the most recent Campaigns) to repeat annually, with each new round of selection negotiations
- personal relationships (both positive and negative) clearly exist between British Sugar staff and potential/previous contractors. Personality clashes and broken relationships clearly affect the way selected operators view the role of the co-ordinator in both operations and commercial discussions
- allegations of wrongdoing within the Scheme's operation appeared to the Independent Observer to be anecdotal only and without any evidence
- numerous parties suggested that they had had offline discussions with British Sugar staff to discuss rates for co-product haulage to be at a premium if inbound beet haulage rates were suppressed. No party could provide meaningful written evidence that this occurred and no party was willing to sign an affidavit. This also begs the question as to why the issue wasn't raised at the time of the alleged discussion and then only came to light when those suggesting these discussions lost volumes as a result of new Campaign negotiations. Again, therefore, allegations of wrongdoing remain completely unsubstantiated.
- there may be a risk of fragmentation in appointing separate harvesters, cleaner/loaders and hauliers for geographical areas, based largely on price. Anecdotal comments from those appointed and not appointed to the Scheme suggest that multiple parties have been appointed for specific areas, going against the principles of the Scheme to better coordinate and optimise use of assets.

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INDEPENDENT CONSULTANT'S CONCLUSIONS

The conclusions of our Independent Observer are:

Independent Observer - Areas of Concern

Grooming – where selected operators have been encouraged to invest significantly and grow their capacity, without guarantees of tonnage.

Relationships – fractured relationships exist between selected operators and British Sugar staff, affecting wider community perceptions of the Scheme and its transparency.

Fragmentation – alleged appointment of separate harvester, cleaner/loader and haulage contractors potentially risks resource efficiency and the core aims of the Scheme.

Co-ordinator role – the role of the British Sugar coordinator running both the campaign and the haulier negotiations creates a target for perpetuating ill-feeling and mistrust.

Independent Observer – Risks Identified for the Future

A lack of security of tonnages for hauliers over multiple years leads to either a reluctance to invest in resources for the future or potential over-exposure by those having invested, then not securing high tonnages (whether through reluctance to reduce rates or through British Sugar selecting competitors for other reasons).

The annual round of negotiations appears to leave numerous operators unclear as to their role until close to Campaign period commencing. This then allegedly creates bad feeling towards British Sugar and a perception among those unsuccessful of having been played off against local competitors (clearly those appointed do benefit from beating local competition). It is important that British Sugar has adequate haulier resource for future campaigns and there is a risk, especially with some major operators having left the Scheme, of a quality haulier pool reducing in size.

Annual negotiations require significant time and resource input from British Sugar and also from potential haulage operators working through the process. Multi-year contracts (which do, in theory, already exist) would help to reduce the effort required on an annual basis.

6

INDEPENDENT CONSULTANT'S RECOMMENDATIONS

6.1 IMPROVING THE CURRENT SCHEME

This consultant's opinion is that the annual process of appointment of contracted hauliers could be simplified by extending the duration of the contract appointments, appointing dedicated hauliers working in close partnerships with harvesters and cleaner loaders (as was recommended in the original Sugar Beet Transport Efficiency Study from 2009). That would be an interim measure.

Our recommendations to improve transparency and understanding of the current haulier selection and appointment process are:

- provide greater clarity about the role of the portal and the important request for information stage before it
- provide greater clarity about the process of negotiation after the portal closes
- provide clarity about the negotiation stages covering more than just rates as the assessment criteria. The initial stages of negotiations are consultative, giving operators the chance to select areas and to include specific growers or not – this consultative approach is a real positive and should be explained clearly to the wider community
- greater clarity about backloads/additional volumes/co-products and the rebate process – and the links from all of those to the calculation of the Transport Allowance – is required, to prevent speculation and accusations of wrongdoing
- there needs to be greater promotion of multi-year haulage contracts – to avoid the annual round of resource-intensive negotiations and inevitable fallout between parties
- earlier notification to those successful/unsuccessful in the negotiation process would help to remove some of the uncertainty among the haulier community and the risk of over/under committing resource

- consider splitting the role of the British Sugar Co-ordinator, to remove them from the final negotiation phase, leaving that to a dedicated commercial negotiation team from elsewhere in the British Sugar Group, to avoid personal bad feeling being carried over into the operational Campaign (as many of the unsuccessful hauliers will carry beet for their direct customers outside of the Scheme) and therefore still interact with the key British Sugar staff members
- reconciliation with 'groomed' hauliers is necessary to prevent the perception of British Sugar ditching operators solely on price, even after significant investment to grow their fleet capacity
- exemplar beet truck specification and operations could be defined and showcased to all involved, to show what best practice looks like at all stages
- fleet efficiency assessments of a sample of grower/hauliers to identify potential improvement areas across the five truck fleet efficiency pillars of
 - o fuel management programme
 - o driver skills development
 - o vehicle specification and preventive maintenance
 - o use of IT support systems
 - o performance management techniques

Also carry out assessments of the larger, more dedicated hauliers (or hauliers who also grow but with haulage their primary function) to provide a comparison with the efficiency results from the grower/haulier assessments.

- develop a Programme of Work to disseminate material designed to help all operators introduce robust fuel management programmes, develop driver skills, specify the right vehicles best suited for beet haulage, use basic IT support and track performance. This would build on the existing British Sugar KPI monitoring process and reporting for all haulage contractors – but, in addition to telling them their current level of performance, it would involve helping hauliers to actually change practices to continually improve.
- an Annual Campaign Haulage Report should be produced to highlight the issues and successes of the past Campaign and the plans for the next – how operating standards will be continually improved etc.

6.2 A MORE PERMANENT SOLUTION

I would strongly recommend a move to 100% ex-farm contracts with growers. I believe the current operation used and the fleet deployed do not maximise overall potential efficiency. Many of the trucks operated are general bulk haulage vehicles, not ideally specified 'fit for purpose' beet haulage fleets.

I appreciate that grower/hauliers are important in the current process but the focus should be on dedicated professional hauliers and hauliers who grow, rather than growers who also 'play at' haulage using relatively small fleets (less than 20 vehicles), with generic vehicles.

We would also recommend exploration of the appointment of a single third or fourth party logistics provider (3PL or 4PL) to carry out all of the ex-farm haulage for 100% of the movements. This would clearly create a difficulty for those growers wanting to pay above the Transport Allowance (which we believe is inherently inefficient in terms of an overall beet haulage cost) but the

concession to allow growers to choose their own contractors and potentially pay more to the same haulier on a direct contract, than to the same haulier through IHHS, is simply not efficient.

Our recommendations for the future of the IHHS is to push for 100% ex-farm contracts, removing the choice of haulier from the grower and reducing/removing the role of the small grower/haulier and focus on professional, dedicated third (or fourth) party logistics providers on a longer-term contract, to drive out the inefficiencies and unnecessary extra costs incorporated in the current structure.

Clearly there is a risk with this in terms of growers deciding not to continue to grow if they don't have choice over their hauliers. However, in my opinion, which is focused primarily on truck fleet efficiency, appointment of a single haulage contractor with a dedicated fleet resource would help coordination and drive down costs. There needs to be a clear business case created to show how much extra cost is involved in the current 'hybrid' situation, compared to the ultimate fleet efficiency model of single fleet coordination with links to harvesting and cleaning/loading.

We do not believe that the way forward is to repeatedly negotiate year after year with multiple haulage contractors. This creates conflict, particularly with those who have been deeply involved in the past, only to be eliminated from contracts.