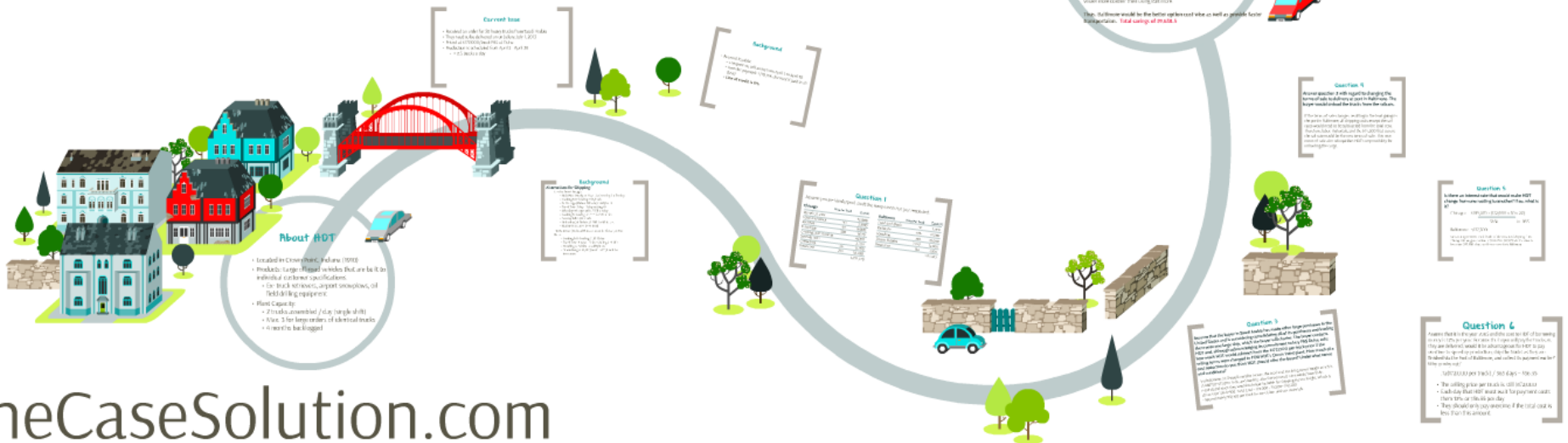




HDT Truck Company

Case 12.1

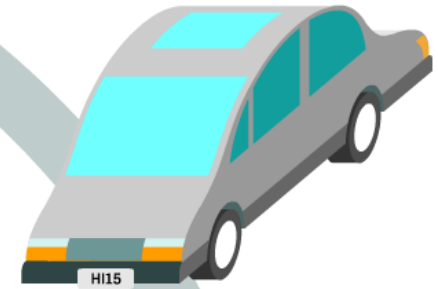
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About HDT



- Located in Crown Point, Indiana (1910)
- Products: Large off-road vehicles that are built to individual customer specifications.
 - Ex- truck retrievers, airport snowplows, oil field drilling equipment
- Plant Capacity:
 - 2 trucks assembled / day (single shift)
 - Max. 3 for large orders of identical trucks
 - 4 months backlogged

Current Issue

- Received an order for 50 heavy trucks from Saudi Arabia
- They need to be delivered on or before July 1, 2013
- Priced at \$172,000/truck FAS at Doha
- Production is scheduled from April 2 - April 29
 - = 2.5 trucks a day

Background

- Account Payable:
 - Components will arrive from April 1 to April 10
 - Term for payment: 1/10 (1% discount if paid in 10 days)
 - **Line of Credit is 8%**

Background

Alternatives for Shipping:

- Charter from Chicago:

- Nola Pino, Ready on May 1, \$2,400/day for 30 days
- Loading & Unloading: \$40/truck
- To Chicago (Railroad Flatcar): \$180/truck
- Travel Time: 1 day + 1 day waiting (L)
- Wharfage Charge: \$2ft x 535ft x 1 day
- Loading & stowing: \$4,000 for 50 trucks
- Seaway Tolls: \$54/truck
- Unloading (at Doha): \$4,200 for 50 trucks
- Marine Insurance: \$210/truck

- To Baltimore (Railroad Flatcar): 2 trucks/flatcar, \$1,792/flatcar

- Loading & Unloading: \$120/flatcar
- Travel Time: 4 days + 3 days waiting (L & UL)
- Handling at Baltimore: \$200/truck
- Ocean Freight: \$1,440/truck + \$150/truck for insurance

Question 1

Assume you are Vanderpool. Draft the comparison Pon just requested.

Chicago	Price Per Truck	Cost (\$)
Vessel Charter		72,000
Load and Block	40	2,000
Rail Rate	40	9,000
Wharfage	180	1,070
Loading and Stowing		4,000
Seaway Tolls		2,700
Unloading	54	4,200
Insurance	210	10,500
		\$105,470

Baltimore	Price Per Truck	Cost (\$)
Load and Block	60	3,000
Rail Rate	896	44,800
Handling	200	10,000
Ocean Freight	1,440	72,000
Insurance	150	7,500
		\$137,300



Question 2

Which of the two routing alternatives would you recommend? Why?

Traditional Cost for chartering

- Considers transportation cost only
- Savings of \$31,830

Total Cost for chartering

- Considers cash flow
- Current rate at 8% per annum
 - $(172,000 \times 0.08 \times 22) / 365 = \829.37
 - $\$829.37 \times 50 = \$41,468.50$
 - $\$105,470 + \$41,468.50 = \$146,938.50$

While it may seem as though chartering a vessel would be the best alternative at first, when adding cost for credit as well as the extra days for transportation, there would be an additional cost of \$41,468 which would ultimately make chartering a vessel more costlier than using Baltimore.

Thus, Baltimore would be the better option cost wise as well as provide faster transportation. Total savings of \$9,638.5

