

Jackey Larkin, Galeb Said, David Alvarez, Mary Gorgy, Anusha Arif



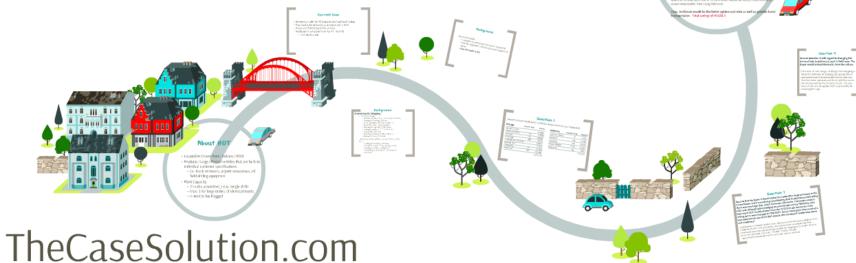
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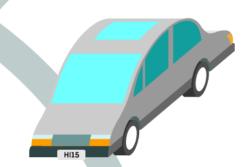


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About HDT



- 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 wiaitng (L & UL)
 - Handling at Baltimore: \$200/truck
 - Ocean Freight: \$1,440/truck + \$150/truck for insurance

Question I

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 your 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 x 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 transporation, there would be an additional cost of \$41,468 which would ultimately make chartering a vessel more costlier then using Baltimore.

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

