

## Assignment 2 - Sunburn Trucking

Linda Shearer, the pricing manager for Sunburn, has been asked by a sales representative for a price quote on a move of suntan lotion from State College, PA to Ocean City, NJ. Each shipment would weigh 42,000 pounds and shipments would be made once per week. Since this is a headhaul move, Linda wants to be sure to cover Sunburn's fully allocated costs as well as provide a 12% profit margin. Linda has the following costs and statistics at her disposal:

- driver wages are \$32.50 per hour (includes fringes) one way trip takes 6 hours of driving time
- one way trip is 250 miles
- diesel fuel is \$1.05 per gallon
- linehaul tractors average 6 miles per gallon
- depreciation per tractor per hour is \$1.14
- depreciation per trailer per hour is \$.33
- interest expense per tractor per hour is \$.57
- interest expense per trailer per hour is \$ .23

Linda quotes a price of \$1.13 per mile to the sales representative. This is satisfactory to the rep and he is confident that the shipment will move under this price. What bothers Linda about this move is the high probability that there might be an empty backhaul from Ocean City to State College since Ocean City is known as an "inbound town" (which is typical of tourist locations). However, she is aware of a regular movement of sand from Ocean City to State College for the purpose of building an artificial beach on the outskirts of the borough. Unfortunately, the going price for this move is \$.96 per mile, well under the \$1.13 per mile on the headhaul. Her only other alternative is to bring the driver back empty.

### Helpful Hints:

Your goal is to identify the cost on a per trip basis. You MUST set up a spreadsheet with the costs separated by tractor and trailer. Also, you know what your total cost should be based on 250 miles at \$1.13 per mile according to Linda.

### Case Questions

1. How did Linda arrive at the headhaul price of \$1.13 per mile? Be sure to show the work. If I don't clearly understand your costs/calculations then it is **WRONG!**
2. Should Sunburn accept the backhaul price of \$.96 per mile?  
Can it make money from this price?  
Justify your answer to this question.
3. If Sunburn accepts the lotion and sand shipments, will they make or lose money on the total round trip? How much?

### Requirements:

Answers will only be accepted if they are TYPED. Also, an Excel worksheet print out will be attached to the typed written answers. This is the only acceptable standard for this assignment.