Topics

- 1. Introduction
- 2. Facility location
- 3. Freight transport
 - Exam 1 (take home)
- 4. Network models
- 5. Routing
 - Exam 2 (take home)
- 6. Warehousing
 - Final exam (in class)

Logistics Engineering Design Constants

- 1. Circuity Factor: 1.2 (g)
 - $1.2 \times GC$ distance \approx actual road distance
- 2. Local vs. Intercity Transport:
 - Local: $< 50 \text{ mi} \Rightarrow$ use actual road distances
 - Intercity: > 50 mi \Rightarrow can estimate road distances
 - 50-250 mi \Rightarrow return possible (11 HOS)
 - > 250 mi \Rightarrow always one-way transport
 - > 500-750 mi \Rightarrow intermodal rail possible
- 3. Inventory Carrying Cost (*h*) = funds + storage + obsolescence
 - 16% average (no product information, per U.S. Total Logistics Costs)
 - (16% \approx 5% funds + 6% storage + 5% obsolescence)
 - 5-10% low-value product (construction)
 - 25-30% general durable manufactured goods
 - 50+% computer/electronic equipment
 - >> 100% perishable goods (produce)

Logistics Engineering Design Constants

4. Value Transport Cost $\gg 1$: $\$1 \text{ ft}^3 \approx \frac{\$2,620 \text{ Shanghai-LA/LB shipping cost}}{2,400 \text{ ft}^3 40' \text{ ISO container capacity}}$

- 5. TL Weight Capacity: 25 tons (K_{wt})
 - (40 ton max per regulation) –
 (15 ton tare for tractor-trailer)
 = 25 ton max payload



- Weight capacity = 100% of physical capacity
- 6. TL Cube Capacity: 2,750 ft³ (K_{cu})
 - Trailer physical capacity = 3,332 ft³
 - Effective capacity = $3,332 \times 0.80 \approx 2,750 \text{ ft}^3$
 - Cube capacity = 80% of physical capacity



Logistics Engineering Design Constants

- 7. TL Revenue per Loaded Truck-Mile: \$2/mi in 2004 (*r*)
 - TL revenue for the carrier is your TL cost as a shipper



One-Time vs Periodic Shipments

- **One-Time Shipments** (*operational* decision): know shipment size *q*
 - Know when and how much to ship, need to determine if TL and/or LTL to be used
 - Must contact carrier or have agreement to know charge
 - Can/should estimate charge before contacting carrier
- **Periodic Shipments** (*tactical* decision): know demand rate *f*, must determine size *q*
 - Need to determine how often and how much to ship
 - Analytical transport charge formula allow "optimal" size (and shipment frequency) to be estimated
 - U.S. Bureau of Labor Statistic's *Producer Price Index* (PPI) for TL and LTL used to estimate transport charges

Truck Shipment Example

- Product shipped in cartons from Raleigh, NC (27606) to Gainesville, FL (32606)
- Each identical unit weighs 40 lb and occupies 9 ft³ (its *cube*)
 - Don't know linear dimensions of each unit for TL and LTL
- Units can be stacked on top of each other in a trailer
- Additional info/data is presented only when it is needed to determine answer



1. Assuming that the product is to be shipped P2P TL, what is the maximum payload for each trailer used for the shipment?

$$q_{\max}^{wt} = K_{wt} = 25 \text{ ton}$$

$$K_{cu} = 2750 \text{ ft}^{3}$$

$$s = \frac{40 \text{ lb/unit}}{9 \text{ ft}^{3}/\text{unit}} = 4.4444 \text{ lb/ft}^{3}$$

$$K_{cu} = \frac{q_{\max}^{cu}}{\left(\frac{s}{2000}\right)} \Rightarrow q_{\max}^{cu} = \frac{sK_{cu}}{2000}$$

$$q_{\max} = \min\left\{q_{\max}^{wt}, q_{\max}^{cu}\right\} = \min\left\{K_{wt}, \frac{sK_{cu}}{2000}\right\}$$

$$= \min\left\{25, \frac{4.4444(2750)}{2000}\right\} = 6.1111 \text{ ton}$$

2. On Jan 10, 2018, 320 units of the product were shipped. How many truckloads were required for this shipment?

$$q = 320 \frac{40}{2000} = 6.4 \text{ ton}, \quad \left\lceil \frac{q}{q_{\text{max}}} \right\rceil = \left\lceil \frac{6.4}{6.1111} \right\rceil = 2 \text{ truckloads}$$

3. Before contacting the carrier (and using Jan 2018 PPI), what is the estimated TL transport charge for this shipment?

$$d = 532 \text{ mi}$$

$$r_{TL} = \frac{PPI_{TL}^{Jan \ 2018}}{PPI_{TL}^{2004}} \times r_{2004} = \frac{PPI_{TL}}{102.7} \times \$2.00 \,/ \,\mathrm{mi}$$
$$= \frac{131.0}{102.7} \times \$2.00 \,/ \,\mathrm{mi} = \$2.5511 \,/ \,\mathrm{mi}$$
$$c_{TL} = \left[\frac{q}{q_{\mathrm{max}}}\right] r_{TL} d = \left[\frac{6.4}{6.1111}\right] (2.5511)(532) = \$2,714.39$$



Databases, Tables & Calculators by Subject

Change Output Options:	From: 2008 T o:	2018 🔻
	🔲 include graphs 🛛 include annua	l averages

Data extracted on: September 5, 2018 (4:22:19 PM)

PPI Industry Data

Series Id: Series Title:	PCU484121484121 PPI industry data for General freight trucking, long-distance TL, not seasonally adjusted
Industry:	General freight trucking, long-distance TL
Product:	General freight trucking, long-distance TL
Base Date:	200312

Download: 🕅 xisx

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2008	116.0	115.9	116.5	117.8	120.5	123.0	124.0	124.0	121.8	121.3	117.8	115.1
2009	113.2	112.1	110.4	109.7	109.8	110.1	111.4	111.0	111.7	110.8	111.5	110.9
2010	110.8	111.0	111.9	112.2	113.2	113.5	113.4	113.7	113.8	114.4	115.8	116.1
2011	116.5	117.4	119.3	121.0	121.7	121.4	121.3	121.2	122.0	122.0	123.2	123.3
2012	124.0	124.6	126.2	126.7	127.0	125.8	125.6	126.8	127.4	127.2	126.9	127.0
2013	126.7	127.2	128.0	127.5	127.8	127.6	127.6	127.6	127.1	127.2	127.6	127.4
2014	127.9	128.2	128.7	129.5	130.6	130.8	130.3	130.4	130.4	129.7	129.8	128.9
2015	126.7	126.0	126.0	126.2	126.3	127.1	126.9	126.2	125.9	125.5	125.8	124.8
2016	124.6	123.4	123.2	123.6	122.8	122.7	123.0	123.0	123.3	124.1	124.1	124.2
2017	124.4	124.7	124.2	124.3	124.0	124.2	124.2	125.9	126.6	126.6	128.5	130.3
2018	131.0	132.0	132.0	132.6(P)	133.6(P)	135.9(P)	138.6(P)					
P: Preli	P : Preliminary. All indexes are subject to revision four months after original publication.											

4. Using the Jan 2018 PPI LTL rate estimate, what was the transport charge to ship the fractional portion of the shipment LTL (i.e., the last partially full truckload portion)?

$$q_{\text{frac}} = q - q_{\text{max}} = 6.4 - 6.1111 = 0.2889 \text{ ton}$$

$$r_{LTL} = PPI_{LTL} \left[\frac{\frac{s^2}{8} + 14}{\left(\frac{1}{q_{\text{frac}}^7} d^{\frac{15}{29}} - \frac{7}{2}\right) (s^2 + 2s + 14)} \right]$$

$$= 177.4 \left[\frac{\frac{4.44^2}{8} + 14}{\left(0.2889^{\frac{1}{7}} 532^{\frac{15}{29}} - \frac{7}{2}\right) (4.44^2 + 2(4.44) + 14)} \right] = \$3.8014 / \text{ton-min}$$

 $c_{LTL} = r_{LTL} q_{\text{frac}} d = 3.8014(0.2889)(532) = \584.23

5. What is the change in total charge associated with the combining TL and LTL as compared to just using TL?

$$\Delta c = c_{TL} - (c_{TL-1} + c_{LTL})$$
$$= \left\lceil \frac{q}{q_{\text{max}}} \right\rceil r_{TL} d - \left(\left\lfloor \frac{q}{q_{\text{max}}} \right\rfloor r_{TL} d + r_{LTL} q_{\text{frac}} d \right)$$
$$= \$772.96$$

6. What would the fractional portion have to be so that the TL and LTL charges are equal?



7. What are the TL and LTL minimum charges?



- Why do these charges not depend on the size of the shipment?
- Why does only the LTL minimum charge depend of the distance of the shipment?

• Independent Transport Charge (\$):

$$c_0(q) = \min\left\{\max\left\{c_{TL}(q), MC_{TL}\right\}, \max\left\{c_{LTL}(q), MC_{LTL}\right\}\right\}$$



8. Using the same LTL shipment, find online one-time (spot) LTL rate quotes using the FedEx LTL website

 $q_{\rm frac} = 0.2889$ ton

$$= 0.2889(2000) = 578 \, \text{lb}$$

no.
units
$$= \left[\frac{0.2889(2000)}{40} \right] = 15$$
 cartons

• Most likely freight class:

$$s = \frac{40 \text{ lb/unit}}{9 \text{ ft}^3/\text{unit}} = 4.4444 \text{ lb/ft}^3$$

\Rightarrow Class 200

 What is the rate quote for the reverse trip from Gainesville (32606) to Raleigh (27606)?

	Load Dens	ity (<u>lb</u> /ft ³)	Max Physical	Max Effective
Class	Minimum	Average	Weight (tons)	Cube (ft ³)
500	_	0.52	0.72	2,750
400	1	1.49	2.06	2,750
300	2	2.49	3.43	2,750
250	3	3.49	4.80	2,750
200	4	4.49	6.17	2,750
175	5	5.49	7.55	2,750
150	6	6.49	8.92	2,750
125	7	7.49	10.30	2,750
110	8	8.49	11.67	2,750
100	9	9.72	13.37	2,750
92.5	10.5	11.22	15.43	2,750
85	12	12.72	17.49	2,750
77.5	13.5	14.22	19.55	2,750
70	15	18.01	24.76	2,750
65	22.5	25.50	25	1,961
60	30	32.16	25	1,555
55	35	39.68	25	1,260
50	50	56.18	25	890

Class-Density Relationship

- The National Motor Freight Classification (NMFC) can be used to determine the product class
- Based on:
 - 1. Load density
 - 2. Special handling
 - 3. Stowability
 - 4. Liability



ltem	Description	Class	NMFC	Sub
Abietic Acid	Abietic Acid, in drums	55	42605	-
Accordions	Accordions, in boxes	125	138820	-
Acetonitrile	Acetonitrile, in boxes or drums. See item 60000 for class dependent upon released value	85	42645	-
Acetylene	in steel cylinders	70	85520	-
Acid Fish Scrap	Fish Scrap, NOI, dry, not ground, pulverized nor screened, or Acid Fish Scrap, in bags	77.5	69980	-
Aircraft Parts	metal, struts, skins, panels	200	11790	01
Aluminum Channel	U channel	60	13340	-
Aluminum Table Set	aluminum table SU	200	82105	01
Ambulance Stretcher	stretcher	200	56920	06
Arches Support	Iron Steel	60	52460	-
Architectural Details	6 - 8 lbs per cubic foot	125	56290	05
Architectural Details	2 - 4 lbs per cubic ft	250	56290	03
Assembled Furniture	Bathroom cabinet set up	300	39220	01
Assembled Furniture	Highboys, dressers, wooden set up	125	80120	01
Assembled Furniture	Wood furniture 4-6 Lbs per cu ft	150	82270	04
Assembled Furniture	Chairs wooden setup w/out upholstery	300	80770	01
Assembled Furniture	Chairs wooden setup w/out upholstery KD	125	80770	03
Assembled Furniture	Couch w/ back & arms put together	175	80865	03
Assembled Furniture	Chairs put together w/ upholstery	200	79255	01
Assembled Furniture	Metal cabinets in boxes	110	39270	06
Assembled Furniture	18 gauge steel cabinet	70	39340	-
Assembled Furniture	Benches, cabinets, tables for workstations	125	23410	-
Assembled Furniture	Buffets, china cabinets put together	125	80080	-
Assembled Furniture	Cabinets of metal or plastic for storage	92.5	39235	-
Assembled Furniture	Tanning bed	150	109050	-
Assembled Furniture	Mattresses, in packages or boxes	200	79550	-
Athletic / Sporting Goods	Gym equipment, playground, sports items. Density Item			
Attachments: Backhoe	NOI: Attachments, backhoe (Backhoes), tractor or truck, on lift truck skids or pallets:	175	114217	01
Attachments: Backhoe	Attachments, backhoe (Backhoes), tractor or truck, on lift truck skids or pallets: Each shipped with all components secured to a single pallet, platform or skid, weighing 1100 pounds or more and having a density of 8 pounds or greater per cubic foot	100	114217	02

• CzarLite tariff table for O-D pair 27606-32606

 $cwt = \text{hundredweight} = 100 \text{ lb} = \frac{100}{2000} = \frac{1}{20} \text{ ton}$

Tariff (in \$/cwt) from Raleigh, NC (27606) to Gainesville, FL (32606) (532 mi, CzarLite DEMOCZ02 04-01-2000, minimum charge = \$95.23)

Freight	Rate Breaks (i)									-		T	1	I	I I
Class	1	2	3	4	5	6	7	8	9&10						
500	341.42	314.14	245.80	201.48	158.60	112.37	55.66	55.66	55.66	_					
400	273.88	251.99	197.19	161.61	127.22	91.12	45.10	45.10	45.10	4719	-				
300	206.34	189.85	148.56	121.76	95.85	69.47	34.43	34.43	34.43						
250	172.56	158.77	124.23	101.83	80.15	58.03	28.79	28.79	28.79	3224	-				-
200	138.78	127.69	99.92	81.89	64.47	47.19	23.40	23.40	23.40						
175	121.37	111.68	87.39	71.62	56.38	41.27	20.39	20.39	20.39					« / · · · · ·	
150	104.49	96.13	75.22	61.66	48.53	35.96	17.75	17.75	17.75	1638	-			<i>.</i>	-
125	87.59	80.60	63.07	51.69	40.69	30.24	15.00	15.00	15.00				~ /		
110	77.57	71.37	55.85	45.77	36.04	28.61	14.40	14.40	14.40	<u>م</u> ۵۵۵	_	منبع			_
100	71.23	65.55	51.29	42.04	33.09	27.58	14.03	10.80	9.90	07 999					
92	66.48	61.18	47.88	39.24	30.89	25.75	13.68	10.52	9.66						
85	61.74	56.80	44.45	36.43	28.68	23.91	13.20	10.15	9.32	638	- /				-
77	56.99	52.44	41.04	33.63	26.48	22.07	12.60	9.68	8.89						
70	52.77	48.55	37.99	31.14	24.51	20.43	12.00	9.23	8.47						
65	50.07	46.08	36.05	29.56	23.04	19.39	11.87	9.14	8.39						
60	47.44	43.64	34.15	28.00	21.82	18.37	11.76	9.04	8.30						
55	44.75	41.17	32.22	26.40	20.59	17.32	11.64	8.96	8.22						
50	41.57	38.26	29.94	24.54	19.12	16.10	11.52	8.85	8.14	_				<i>TC</i> _{ta}	w/o Break
Tons $(q_i^{\mathcal{B}})$	0.25	0.5	1	2.5	5	10	15	20	∞	_				<i>TC</i> _{tar}	riff
												1	1	1	<u> </u>
											C	.25 (0.5 1	2.	.5 5
												te	on		

9. Using the same LTL shipment, what is the transport cost found using the undiscounted CzarLite tariff?

	Freight	Rate Breaks (i)									
q = 0.2889, class = 200	Class	1	2	3	4	5	6	7	8	9&10	
	500	341.42	314.14	245.80	201.48	158.60	112.37	55.66	55.66	55.66	
disc = 0, MC = 95.23	400	273.88	251.99	197.19	161.61	127.22	91.12	45.10	45.10	45.10	
,	300	206.34	189.85	148.56	121.76	95.85	69.47	34.43	34.43	34.43	
	250	172.56	158.77	124.23	101.83	80.15	58.03	28.79	28.79	28.79	
$i - \arg \left\{ a_{i}^{B} \right\} a_{i}^{B} \leq a \leq a_{i}^{B} \left\}$	200	138.78	127.69	99.92	81.89	64.47	47.19	23.40	23.40	23.40	
$i = \arg \left(q_i \mid q_{i-1} = q < q_i \right)$	175	121.37	111.68	87.39	71.62	56.38	41.27	20.39	20.39	20.39	
$(B \mid B \prec B)$	50	41.57	38.26	29.94	24.54	19.12	16.10	11.52	8.85	8.14	
$= \arg \left\{ q_2 \mid q_1^{\scriptscriptstyle D} \le q < q_2 \right\}$	Tons $(q_i^{\mathcal{B}})$	0.25	0.5	1	2.5	5	10	15	20	∞	

$$= \arg \left\{ q_2^B \mid 0.25 \le 0.2889 < 0.5 \right\} = 2$$

 $c_{\text{tariff}} = (1 - disc) \max\left\{MC, \min\left\{OD(class, i) \ 20q, OD(class, i+1) \ 20q_i^B\right\}\right\}$

 $= (1-0) \max \{95.23, \min \{OD(200, 2) \ 20(0.2889), OD(200, 3) \ 20(0.5)\}\}$

 $= \max\left\{95.23, \min\left\{(127.69)\,20(0.2889), (99.92)20(0.5)\right\}\right\}$

$$= \max\{95.23, \min\{737.76, 999.20\}\} = \$737.76$$

10. What is the implied discount of the estimated charge from the CzarLite tariff cost?



• PX: Package Express

- (Undiscounted) charge c_{PX} based rate tables, R, for each service (2day ground, overnight, etc.)
- Rate determined by on *chargeable* weight, wt_{chrg}, and *zone*
- All PX carriers (FedEX, UPS, USPS, DHL) use *dimensional weight*, *wt*_{dim}
- wt_{dim} > 150 lb is prorated per-lb rate
- Actual weight 1–70 lb (UPS, FedEx home), 1–150 lb (FedEx commercial)
- Carrier sets a *shipping factor*, which is min cubic volume per pound
- Zone usually determined by O-D distance of shipment
- Supplemental charges for home delivery, excess declared value, etc.

$$c_{PX} = R(wt_{chrg}, zone)$$

$$wt_{chrg} = \left\lceil \max\left\{wt_{act}, wt_{dim}\right\} \right\rceil (lb)$$

 wt_{act} = actual weight (1 to 150 lb)

$$wt_{\text{dim}} = \frac{l \times w \times d \text{ (in}^3)}{sf \text{ (in}^3/\text{lb)}} \text{ (lb)}$$

l, w, d =length, width, depth (in)

 $l \ge w$, $l \times w \times d \ge$ actual cube

 $sf = shipping factor (in^3/lb)$

 $=12^3/s$, inverse of density

- =139 FedEx (2019)
- \Rightarrow s = 12.43 lb/ft³ (Class 85)
- =194 USPS \Rightarrow s = 8.9 lb/ft³

• (Undisc.) charge to ship a single carton via FedEx?

$$wt_{act} = 40 \text{ lb}, cu = 9 \text{ ft}^3$$

$$d = 532 \text{ mi} \Rightarrow zone = 4$$

carton $\Rightarrow l \times w \times d$ = actual cube \Rightarrow

$$l \times w \times d = 9 \times 12^3 = 15,552 \text{ in}^3 = 32 \times 27 \times 18$$

$$wt_{\rm dim} = \frac{l \times w \times d}{sf} = \frac{15,552}{139} = 111.9 \text{ lb}$$

$$wt_{chrg} = \left\lceil \max\left\{wt_{act}, wt_{dim}\right\}\right\rceil$$
$$= \left\lceil \max\left\{40, 111.9\right\}\right\rceil = 112 \text{ lb}$$

$$c_{PX} = R(wt_{chrg}, zone)$$
$$= R(112, 4) = $64.27$$

FedEx Standard List Rates (eff. Jan. 7, 2019)

Ser	vice	FedEx Ground® and FedEx Home Delivery® (up to 70 lbs.)								
Deli Con	very mitment		1–5 da	ys based	on distanc	e to desti	nation			
7	- 1	2	3	4	5	6	7	8		
Zon	es'	0—150 miles	0–150 151–300 miles miles		301–600 601–1,000 miles miles		1,401—1,800 miles	1,801-plus miles		
ŝ	1 lb.	\$ 7.85	\$ 8.23	\$ 8.96	\$ 9.36	\$ 9.68	\$ 9.80	\$ 9.96		
3	2 lbs.	9.52	9.48	10.15	10.37	10.82	11.24	11.43		
ц. Н	3	8.87	9,89	10.70	11.14	11.59	11.98	12.57		
/e ig	4	9.13	10	11.04	11.75	12.08	12.87	13.47		
E E	5	9.37		to: No		1	13.46	14.22		
	6	9.68			20116		13.81	14.48		
Лах	7	10.23	l (us	ually <	< 50 m	i local	14.18	15.18		
~	8	10.43	11.24	12.32	13.20	13.74	14.61	15.69		
	9	10.59	11.40	12.48	13.39	14.04	15.21	16.52		
	10	10.84	11.51	12.60	13.76	14.33	16.10	17.62		
	111	59.41	59.89	64.26	67.20	75.20	82.60	92.25		
	112	60.62	61.13	64.27	67.21	75.84	83.31	92.36		
	113	60.68	61.18	64.98	67.83	76.52	84.00	94.04		
	114	61.32	62.45	66.33	69.15	77.81	85.41	94.65		
	115 61.99		63.16	66.34	69.33	77.82	85.42	94.66		
	146	82.51	84.98	88.95	89.15	98.04	105.96	118.85		
	147	83.66	85.00	89.66	89.86	98.74	106.69	119.66		
	148	84.68	85.63	90.61	90.62	100.20	107.40	120.46		
	149	84.84	86.38	91.26	91.28	100.42	108.08	121.81		
	150 ²	84.85	87.16	92.76	94.33	100.95	108.83	122.60		