**Smith Transportation**

[Name of the Writer]

[Name of the Institution]

**Back ground of the problem**

The fuel prices have been rising constantly and the transportation businesses have practical concerns over the increasing costs or the decreasing profits as a result. The companies are coming up with various solutions to the stated problem. One option is to find the routes where there is lesser rush and congestion. Second option is to adjust the schedules of the travelling in accordance with the rush hours. The fleet can be readjusted with those machines that are the most fuel efficient. The other option is that the company resells the vehicles on a more frequent basis. This would allow the company to take advantage of the good resale value of the vehicles. In this regard however the company should take into account the resale value while purchasing the vehicle. The company can use the various soft wares to develop a system that allows tracking of schedules and routes. This will help the company to be more environment friendly as well as to be more efficient in the operations. This will also allow the company to assign the job to vehicles in advance and to reduce the time taken to come back to the office. Both these things help reducing costs. Another option is to analyze the fleet in a strategic manner. This would help the company to analyze the costs of various options such as whether the similar routes be assigned to specific vehicles? What size of vehicles have to be used for specific orders or works?

The company under consideration is Smith transportation which provides truckload services, expedition services, dedicated services, logistics and brokerage, oil and gas well services and warehouse services.

The company owns 1000 tractors and 2700 trailers. Along with the huge number of machines, the technical team at the headquarter provides round the clock services to the clients to track the shipment sent. The company has more than 1000 experienced drivers to offer their services.

The company operates the warehouse that provides all the logistics support required.

The central place for taking all the orders is the central operations hub of the company. This place provides a variety of charts and other supporting materials to help the employees guide the clients in a proper way. The setup is provided with the latest set of satellite phone that allows the tracking of the vehicles all the time. It also ensures that the trucks are following the specified routes properly.

The safety department ensures that we can test the drivers under different circumstances without them being directly prone to the dangers. This is achieved by using 2 and 3d technologies.

**Research Question**

What are the factors that affect the cost of transportation in a company running a fleet of trucks and how can we control them?

This question will be answered by finding the various factors affecting the cost of running the fleet of trucks. An analytical method will be adopted to ascertain the relative importance of each of the factors.

**MEMORANDUM**

**To:**

**Cc:**

**From:**

**Date:**

**Subject: Reduction of transportation cost for the delivery trucks**

Sir,

The current scenario in the business environment is very competitive as well as tight. This demands from the company that every aspect of the operations is analyzed rigorously. The transportation cost of the fleet of trucks used by our company has been on a continuous increase. I and my team are taking up a task of studying this particular problem from every angle possible. Thus the purpose of our study will be to ascertain the different factors affecting the transportation cost for the delivery trucks. The research will focus on “what are the factors that affect the cost of transportation in a company running a fleet of trucks and how can we control them?”

**Purpose of the study**

The availability of an accurate and in time set of data that can ascertain the transportation cost for the company is an essential part of successful operations. We at the Smith transportation need the relevant set of data so that we can run our operations better. The purpose of the study will be to identify the factors that affect the cost of transportation related to a truck fleet. The costs can either be fixed or variable. The fixed costs are the ones that have to be paid even if the operations have been abandoned. The variable costs are the ones that are directly related to the operations. The more are the operations, the more will be the variable costs. The factors like fuel, mileage, spare parts, engine oil, repair frequency, battery, and latest mile can all be considered in this regard. (Fatin Amirah Ahmed Shukri R. M., 2013). The average cost of managing a fleet of trucks can range from $22 per hour to $ 370 per hour. The key operational costs borne by the fleet owners can be studied according to the sizes of their fleets, the sector they are catering and the region where they are operating. (http://atri-online.org/wp-content, 2017).

**Rationale of the study**

The study will provide the company with various aspects of the information. We will conduct a survey on the part of the transport fleet owners that will allow us to know about the size of operations. This will allow us to know what would be the appropriate size of fleet to maintain a minimum level of costs. The descriptive statistics would help us to analyze the industry in detail.

The operations in this regard can be divided into long haul and short haul fleet. We will study both the aspects to ascertain whether the economies of scale can be achieved if the operations are long haul.

We will also analyze whether the type of equipment used does have any effect on the cost of transportation. In this regard the aspects to be analyzed are the miles driven and the number of years. The aim can be to attain maximum revenue from a certain transport machine. The older equipment can be considered more cost inefficient as compared to the new ones. Another related aspect is the amounts paid to the drivers of the vehicles. We pay competitive salary at our country. The overall trend in the industry for the pay of the drivers is on an increase (http://atri-online.org/wp-content, 2017).

The consideration to use the vehicles that run on alternate fuel sources is also important. This includes the vehicles run on LNG and CNG. These sources will save us a considerable amount on the fuel costs. Other factors that have to be considered are the price of diesel and the fuel consumption of various kinds of vehicles. The fuel aspects are affected by the speed at which the vehicle is run and the way it is driven.

The last consideration is the differentiation between the bought and leased equipment. Since leased equipment helps the firm because the firm can deduct full value of VAT in this case. (Mihai CIOC, 2013)

# References

Fatin Amirah Ahmed Shukri, R. M. (2013). An overview of teh fleet maintenance and operating cost: Key components and methods. *International journal of commerce,business and management*.

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