

Project Due Date: see Syllabus

Please answer the questions that are attached to the following case and where applicable show in detail how you arrive at your answer.

Your answers should be typed using 12 font and be double spaced.

The project should be submitted with a cover page and clearly showing the student's Name and ID number.

It is expected that the input for this project will be an individual effort made by each student.

LaFleur Export Co. Ltd.

The LaFleur Export Co of Quebec City was appointed to be the manufacturer's export agent for the Rialto Tractor Company Ltd. of Edmonton, Alberta.

The tractor company was best known for its snow blowers, but the same 4 ½ horsepower engine and frame were modified to become a garden tractor.

The LaFleur Company specialized in agricultural implements sold in Central and South America, and its agreement with Rialto covered only sales in that area.

LaFleur's sales force was aggressive and after only two weeks got the chance to bid on a large shipment of garden tractors to be delivered to Porto de Vitorio (a Brazilian port near the mouth of the Amazon). The customer was a charitable organization, and the only quantities mentioned were somewhere between 40 and 100 units of the Rialto Speedwagon model. It was understood, that after the shipment arrived in Porto de Vitorio, the tractors would be distributed by the charity to various settlements in the Amazon basin. LaFleurs' sales representative advised his home office that he thought price per unit would be an important criterion that the buyer would use in evaluating bids. He also said that two U.S. firms and a Korean firm were submitting bids. All bids would be FAS (free alongside) vessel in Porto de Vitorio

He said that Rialto should quote prices for a) 40 units, b) 100 units and c) whatever quantity between 40 and 100 that had the lowest cost per tractor. In case either 40 units or 100 units happened to have the lowest cost per unit, quotes would only be needed for a) and b). LaFleurs' staff with help from people working for Rialto began gathering facts. Following are some of them:

1. no import duties, permits, or licenses are required.
2. documentation costs would be Can\$250 per shipment
3. Rialto would sell LaFleur any quantity of tractors up to 500 at Can \$2200. each, FOB (free on board) plant in Edmonton. This price would include packaging for export and a separate, related bar code for each carton in the shipment. The packaging material consisted of at least 40 percent recycled contents. Rialto

- would load the packaged tractors into 20 foot inter modal containers and deliver them to the railroad's Edmonton container station.
4. Rialto had to select a port. Canada has two major east coast ports, Montreal and Halifax. Montreal is positioned better to handle traffic to and from Europe, whereas Halifax is the northerly stop used by vessel lines calling along the Atlantic Coast. Rialto decided to use the port of Halifax. Combined rail and ocean costs through this port were the lowest. Sailing services were less frequent than at some U.S. North Atlantic ports, but time savings did not appear to be an issue. Two scheduled liner operators – Frota Amazonica, S.A. Ivaran Lines both quoted similar rates. Their rates included port charges in Halifax and unloading in Porto de Vitorio. Port charges in Porto de Vitorio would be separate (but would be assumed by the buyer of the tractors).
 5. Rail charges from Edmonton to the container terminal in Halifax were Can\$400 per 20 foot container. This was cheaper than using a truck.
 6. The exterior dimensions of each packaged tractor were 1 meter by 1 meter by 1 meter. The weight of each tractor was 200 kilos and the package weighed 20 kilos for a total of 220 kilos per tractor. (shipping charges by weight include both the tractor and its package).
 7. The interior dimensions of the 20 foot containers are 2.35 meters wide, 6.12 meters long and 2.50 meters high.
 8. Ocean rates from Halifax to Porto de Vitorio for loaded containers carrying cargo of this type are Can\$110 per ton (of 2200 pounds). However, the ocean lines also use the rule of the measurement ton, which means that if a cubic meter weighs less than 1000 kilograms, the cubic meter shall be considered as weighing 1000 kilograms. Freight charges would have to be paid just before the cargo was loaded aboard ship. Rail transit time from Edmonton to Halifax was five days.
 9. Insurance charges were 1 percent of the shipments value while the goods were in Canada and 2 percent while they were at sea.
 10. Rialto expected to be paid the day the loaded containers were delivered to the railroad in Edmonton. The Brazilian buyer would pay for the tractors as they were unloaded from the ship in Porto de Vitorio. LaFleur would own the tractors for an estimated 25 days: 5 from Edmonton to Halifax, 19 at sea, and 1 in Porto de Vitorio. LaFleur's line of credit at the Bank of Montreal was currently costing 6% interest annually.
 11. LaFleur wanted to mark up all costs by 10 percent to cover its overhead and profit.

Questions

1. Rialto's export packaging materials consisted of at least 40% recycled contents. Should this be mentioned in the quotation given to the potential Brazilian buyer? Why or why not? (3 marks)
2. Each package in this shipment will be bar coded. Is this an example of supply chain integration? Why or why not? (3 marks)
3. What price should be quoted for 40 tractors? (10 marks)
4. What price should be quoted for 100 tractors? (10 marks)
5. Is there another quantity between 40 and 100 where the costs per tractor are lower? If so, what is it? What are its costs per tractor? (10 marks)
6. For how long into the future should the price quote be made (i.e. for how long should Rialto agree to deliver at a certain price? Why? (3 marks)
7. In what currency should Rialto ask to be paid? Why? (2 marks)
8. After preparing the bid, Rialto calls LaFleur and says they are thinking of redesigning the tractor frame so that it can be disassembled taking up half of the space. A Rialto Speedwagon could now fit into an export package measuring 1 meter by 1 meter by 0.5 meter. The weight of the newly packaged tractor would continue to be 220 kilos.
 - a) By how much, if at all would this new package size reduce the answers to questions 3 and 4? (10 marks)
 - b) How many tractors could each container now hold? (10 marks)
9. How many containers would you use to complete the shipment of Fully Assembled tractors:
 - a) 40 tractors
 - b) 100 tractors
 - c) qty selected between 40 and 100 (9 marks)
10. How many containers would you use for each quantity if shipping the Unassembled Tractors (6 marks)
11. Given the interior dimensions of the 20 foot container, illustrate 3 views (preferably using computer generated drawings) top, side, and end views of the arrangement necessary to fill the 20 foot container with the disassembled tractors (9 marks)

TOTAL

85 Marks