**Transportation Systems**

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**Decision**

* We decided to close the 50% business of container division which requires gensets, by doing that we no longer need to pay for genset maintenance and fuel, also we can avoid purchase of new gensets in upcoming financial year.
* Since, we are reducing the container business to half we no longer need 4 outside brokers & individual dispatchers so decided to fire them.
* With reduction in container division business, we need to realign 17-line haul brokers and 20 chassis which are related to this department.
* Out of 17 Line haul brokers we further decide to keep 15 and fire the rest (2-line haul brokers).
* Among 20 chassis which we have in container division we decide to keep 10 and get rid of the rest (10 chassis).
* This will result into making the overall container division business half which also reduces its overall loss.
* Further we decided to combine 2 divisions of our business which are intermodal and container and the reason behind that is they are using same equipment for operations.
* So, this new combined department we call it as **Intermodal -Container Division.**
* This new department consists of 1 dispatcher ,1 customer service representative (CRS), 23-line haul brokers, 30 chassis and 5 company trucks which are operated by 5 company drivers.
* Now, we are going to fire 4 outside brokers which where originally aligned with intermodal division.
* This all alteration across 3 departments results into having 2 departments i.e., City division and Intermodal-Container Division which further gains 31% & 8% of profit individually.
* By doing that Consolidated profit increased from 16% to 39%.

**Criteria**

* The combined total for 23-line haul brokers will be $3,350,000.
* The 23-line haul brokers get bifurcated as follows
  + 8-line haul brokers from intermodal division keep working the same
  + 4-outside brokers from the intermodal divisions will get replaced by line haul brokers who were previously working for container division. The reason behind firing them as they are being high in cost i.e., $165,000 /year/broker.
  + By using Line haul broker, we are saving $60,000 in total as Line haul broker only cost us $150,000 /year/broker
  + The combined expense over brokers including both line haul and outside reduce from $5,181,000 to $3,350,000 which resulted into a saving of $1,831,000 in total.
* Payroll other increased to $43000 due to the merger of Intermodal and Container Division.
* The staff pay roll for each department increased from $89,000 to $112,500.
* Few things remain same which includes fuel for company trucks, company trucks leasing and company truck maintenance.
* There are 2 factors which got doubled due to the merger are as follows: -
  + Professional fees
  + Yard Office rent
* Genset Maintenance & fuel cost becomes zero as we discontinued frozen products business which requires gensets.
* Merger of 2 Departments and getting rid of 10 chassis will result into reduction of cost for below factors such as: -
  + Trailer maintenance - $600,000 to $450,000
  + Trailer leasing - $864,000 to $ 648,000
  + Licensing - $66,000 to $61,600
  + Casual workers - $1,372,800 to $ 1,029,600
  + Port/Rail charges - $347,000 to $211,000
  + Corporate overhead - $2,921,000 to $2,208,000
* Total Expenses for intermodal and container division was $12,193,300 which is now reduced to $8,785,500 which resulted into a saving of total $3,407,800.
* The combined net profit before taxes for this merged department is $814500 (i.e., 8.48%).
* The new consolidated revenue is $20,600,000, its net profit before taxes is $4,157,100 (i.e., 38.87%).
* We are keeping the corporate over head to 23% only as we are not closing any department.

**Weighted Criteria**

The merger of 2 departments is based on below 4 factors.

* Profitability – it’s a vital part in any business and that’s why we keep it as our first priority
* Broker-Vendor Relation – its essential to maintain healthy business relation with your key stake holders
* Owner Product Loyalty – mandatory to carry Mr. Irving’s product as he is the Boss!
* Impact on Organization – We are firing few people dis-heartedly for the sake of achieving bigger goal which is been proved right in the new financial statement.

You

Safety Manager

5 Company drivers

30 Chassis

5 Company Trucks

Dispatcher

Intermodal -Container Division

10 company Drivers

3 outside Brokers

5 Company Trucks

Dispatcher

Dispatch Clerk

23 Brokers

17 Brokers

CSR

City Division

CSR