

#28: private transport

Private Transportation

Private Transportation - not for hire transport of goods owned by the firm that also owns (leases) and operates the transport equipment for the furtherance of its primary business.

Arguments for Private Transportation

1. The firm may reduce its transportation cost if it has the following characteristics:
 - (a) large volume shipments
 - (b) regular, predictable shipments
 - (c) high value/weight ratio goods
 - (d) balanced loads
2. The firm may be able to reduce transit times and make transit times more dependable which will reduce inventory and stockout costs and improve customer service.
3. The firm may be able to reduce lost and damaged goods.
4. The firm can achieve more flexibility in pick-up and delivery schedules.
5. The firm can ensure an adequate supply of equipment

Arguments Against Private Transportation

1. The firm will not reduce its transportation cost if it has the following characteristics:
 - (a) seasonal product demand
 - (b) small shipments to dispersed locations
 - (c) low value/weight ratio goods
 - (d) no backhauls
2. Since capital is scarce, other investments may have a higher rate of return than private transportation.
3. The firm should not incur the costs and risks of private transportation if it is getting good service from for-hire carriers.