Lecture 8
Transportation Model and Algorithm

Balancing the transportation model
Determination of the starting solution
Iterative computations of the transportation algorithm

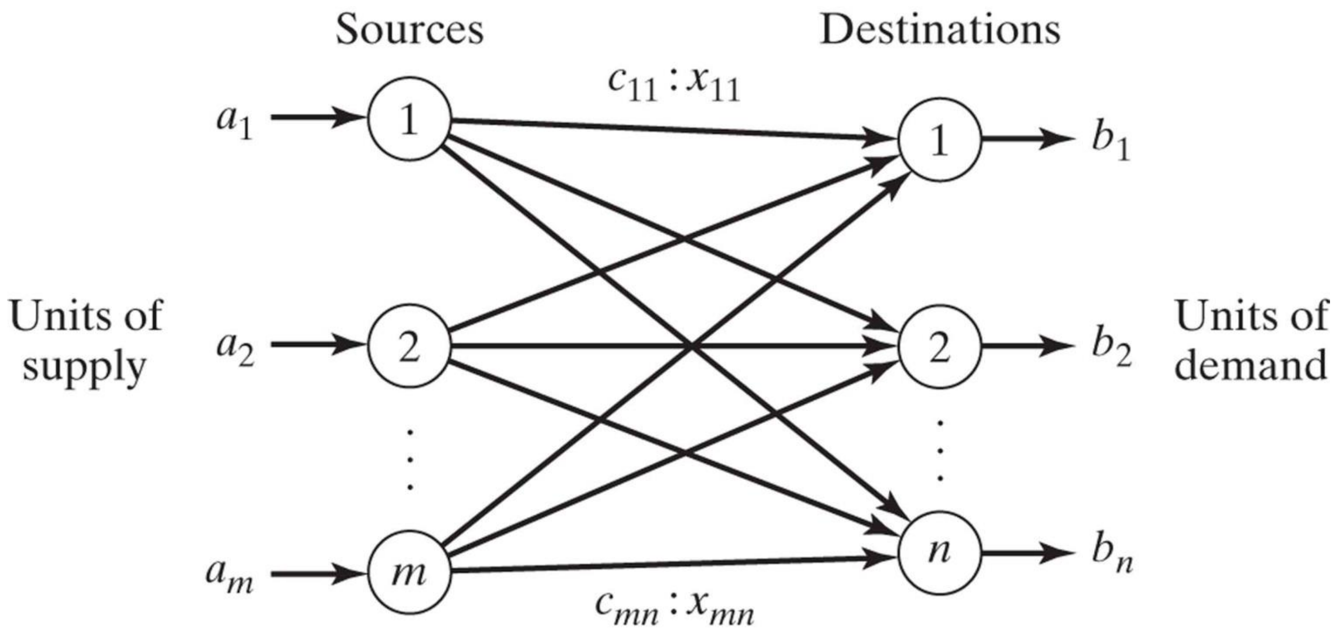
Transportation Model

The transportation model is a special class of linear programs that deals with shipping a commodity from *sources* (e.g., factories) to *destinations* (e.g., warehouses). The objective is to determine the shipping schedule that minimizes the total shipping cost while satisfying supply and demand limits. The application of the transportation model can be extended to other areas of operation, including inventory control, employment scheduling, and personnel assignment.

5.1 DEFINITION OF THE TRANSPORTATION MODEL

The general problem is represented by the network in Figure 5.1. There are m sources and n destinations, each represented by a **node**. The **arcs** represent the routes linking the sources and the destinations. Arc (i, j) joining source i to destination j carries two pieces of information: the transportation cost per unit, c_{ij}, and the amount shipped, x_{ij}. The amount of supply at source i is a_i and the amount of demand at destination j is b_j. The objective of the model is to determine the unknowns x_{ij} that will minimize the total transportation cost while satisfying all the supply and demand restrictions.

Figure 5.1 Representation of the transportation model with nodes and arcs



Example 5.1-1

MG Auto has three plants in Los Angeles, Detroit, and New Orleans, and two major distribution centers in Denver and Miami. The capacities of the three plants during the next quarter are 1000, 1500, and 1200 cars. The quarterly demands at the two distribution centers are 2300 and 1400 cars. The mileage chart between the plants and the distribution centers is given in Table 5.1.

The trucking company in charge of transporting the cars charges 8 cents per mile per car. The transportation costs per car on the different routes, rounded to the closest dollar, are given in Table 5.2.

TABLE 5.1 Mileage Chart

	Denver	Miami
Los Angeles	1000	2690
Detroit	1250	1350
New Orleans	1275	850

TABLE 5.2 Transportation Cost per Car

	Denver (1)	Miami (2)
Los Angeles (1)	$80	$215
Detroit (2)	$100	$108
New Orleans (3)	$102	$68

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The LP model of the problem is given as

Minimize $z = 80x_{11} + 215x_{12} + 100x_{21} + 108x_{22} + 102x_{31} + 68x_{32}$

subject to

$$\begin{aligned}
x_{11} + x_{12} \qquad\qquad\qquad\qquad &= 1000 \quad \text{(Los Angeles)} \\
x_{21} + x_{22} \qquad\qquad &= 1500 \quad \text{(Detroit)} \\
+ x_{31} + x_{32} &= 1200 \quad \text{(New Oreleans)} \\
x_{11} \qquad + x_{21} + \qquad x_{31} &= 2300 \quad \text{(Denver)} \\
x_{12} + \qquad x_{22} \qquad + x_{32} &= 1400 \quad \text{(Miami)} \\
x_{ij} \geq 0, i = 1, 2, 3, j &= 1, 2
\end{aligned}$$

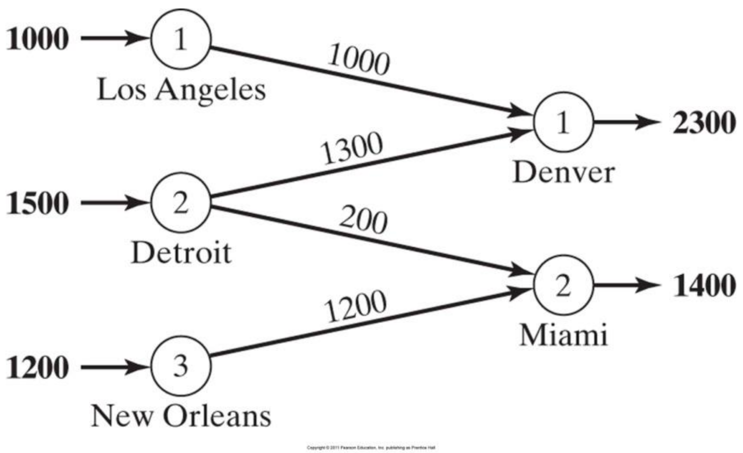
These constraints are all equations because the total supply from the three sources (= 1000 + 1500 + 1200 = 3700 cars) equals the total demand at the two destinations (= 2300 + 1400 = 3700 cars).

The LP model can be solved by the simplex method. However, with the special structure of the constraints we can solve the problem more conveniently using the **transportation tableau** shown in Table 5.3.

TABLE 5.3 MG Transportation Model

	Denver	Miami	Supply
Los Angeles	80 x_{11}	215 x_{12}	**1000**
Detroit	100 x_{21}	108 x_{22}	**1500**
New Orleans	102 x_{31}	68 x_{32}	**1200**
Demand	**2300**	**1400**	

Figure 5.2 Optimal solution of MG Auto model



The optimal solution in Figure 5.2 (obtained by TORA[1]) calls for shipping 1000 cars from Los Angeles to Denver, 1300 from Detroit to Denver, 200 from Detroit to Miami, and 1200 from New Orleans to Miami. The associated minimum transportation cost is computed as 1000 × \$80 + 1300 × \$100 + 200 × \$108 + 1200 × \$68 = \$313,200.

Balancing the Transportation Model. The transportation algorithm is based on the assumption that the model is balanced, meaning that the total demand equals the total supply. If the model is unbalanced, we can always add a dummy source or a dummy destination to restore balance.

Example 5.1-2

In the MG model, suppose that the Detroit plant capacity is 1300 cars (instead of 1500). The total supply (= 3500 cars) is less than the total demand (= 3700 cars), meaning that part of the demand at Denver and Miami will not be satisfied.

Because the demand exceeds the supply, a dummy source (plant) with a capacity of 200 cars (= 3700 − 3500) is added to balance the transportation model. The unit transportation costs from the dummy plant to the two destinations are zero because the plant does not exist.

Table 5.4 gives the balanced model together with its optimum solution. The solution shows that the dummy plant ships 200 cars to Miami, which means that Miami will be 200 cars short of satisfying its demand of 1400 cars.

We can make sure that a specific destination does not experience shortage by assigning a very high unit transportation cost from the dummy source to that destination. For example, a penalty of $1000 in the dummy-Miami cell will prevent shortage at Miami. Of course, we cannot use this "trick" with all the destinations, because shortage must occur somewhere in the system.

TABLE 5.4 MG Model with Dummy Plant

	Denver	Miami	Supply
Los Angeles	80 **1000**	215	**1000**
Detroit	100 **1300**	108	**1300**
New Orleans	102	68 **1200**	**1200**
Dummy Plant	0	0 **200**	**200**
Demand	**2300**	**1400**	

TABLE 5.5 MG Model with Dummy Destination

	Denver	Miami	Dummy	
Los Angeles	80 **1000**	215	0	**1000**
Detroit	100 **900**	108 **200**	0 **400**	**1500**
New Orleans	102	68 **1200**	0	**1200**
Demand	**1900**	**1400**	**400**	

The case where the supply exceeds the demand can be demonstrated by assuming that the demand at Denver is 1900 cars only. In this case, we need to add a dummy distribution center to "receive" the surplus supply. Again, the unit transportation costs to the dummy distribution center are zero, unless we require a factory to "ship out" completely. In this case, we must assign a high unit transportation cost from the designated factory to the dummy destination.

Table 5.5 gives the new model and its optimal solution (obtained by TORA). The solution shows that the Detroit plant will have a surplus of 400 cars.

PROBLEM SET 5.1A[2]

1. True or False?
   (a) To balance a transportation model, it may be necessary to add both a dummy source and a dummy destination.
   (b) The amounts shipped to a dummy destination represent surplus at the shipping source.
   (c) The amounts shipped from a dummy source represent shortages at the receiving destinations.

2. In each of the following cases, determine whether a dummy source or a dummy destination must be added to balance the model.
   (a) Supply: $a_1 = 10, a_2 = 5, a_3 = 4, a_4 = 6$
   Demand: $b_1 = 10, b_2 = 5, b_3 = 7, b_4 = 9$
   (b) Supply: $a_1 = 30, a_2 = 44$
   Demand: $b_1 = 25, b_2 = 30, b_3 = 10$

3. In Table 5.4 of Example 5.1-2, where a dummy plant is added, what does the solution mean when the dummy plant "ships" 150 cars to Denver and 50 cars to Miami?

*4. In Table 5.5 of Example 5.1-2, where a dummy destination is added, suppose that the Detroit plant must ship out *all* its production. How can this restriction be implemented in the model?

*6. Three electric power plants with capacities of 25, 40, and 30 million kWh supply electricity to three cities. The maximum demands at the three cities are estimated at 30, 35, and 25 million kWh. The price per million kWh at the three cities is given in Table 5.6.

During the month of August, there is a 20% increase in demand at each of the three cities, which can be met by purchasing electricity from another network at a premium rate of $1000 per million kWh. The network is not linked to city 3, however. The utility company wishes to determine the most economical plan for the distribution and purchase of additional energy.

(a) Formulate the problem as a transportation model.

(b) Determine an optimal distribution plan for the utility company.

(c) Determine the cost of the additional power purchased by each of the three cities.

7. Solve Problem 6, assuming that there is a 10% power transmission loss through the network.

TABLE 5.6 Price/Million kWh for Problem 6

	City 1	City 2	City 3
Plant 1	$600	$700	$400
Plant 2	$320	$300	$350
Plant 3	$500	$480	$450

5.3 THE TRANSPORTATION ALGORITHM

The transportation algorithm follows the *exact steps* of the simplex method (Chapter 3). However, instead of using the regular simplex tableau, we take advantage of the special structure of the transportation model to organize the computations in a more convenient form.

Summary of the Transportation Algorithm. The steps of the transportation algorithm are exact parallels of the simplex algorithm.

Step 1. Determine a *starting* basic feasible solution, and go to step 2.

Step 2. Use the optimality condition of the simplex method to determine the *entering variable* from among all the nonbasic variables. If the optimality condition is satisfied, stop. Otherwise, go to step 3.

Step 3. Use the feasibility condition of the simplex method to determine the *leaving variable* from among all the current basic variables, and find the new basic solution. Return to step 2.

Example 5.3-1 (SunRay Transport)

SunRay Transport Company ships truckloads of grain from three silos to four mills. The supply (in truckloads) and the demand (also in truckloads) together with the unit transportation costs per truckload on the different routes are summarized in the transportation model in Table 5.16. The unit transportation costs, c_{ij}, (shown in the northeast corner of each box) are in hundreds of dollars. The model seeks the minimum-cost shipping schedule x_{ij} between silo i and mill j ($i = 1, 2, 3; j = 1, 2, 3, 4$).

TABLE 5.16 SunRay Transportation Model

	Mill 1	Mill 2	Mill 3	Mill 4	Supply
Silo 1	10 x_{11}	2 x_{12}	20 x_{13}	11 x_{14}	**15**
Silo 2	12 x_{21}	7 x_{22}	9 x_{23}	20 x_{24}	**25**
Silo 3	4 x_{31}	14 x_{32}	16 x_{33}	18 x_{34}	**10**
Demand	**5**	**15**	**15**	**15**	

5.3.1 Determination of the Starting Solution

A general transportation model with m sources and n destinations has $m + n$ constraint equations, one for each source and each destination. However, because the transportation model is always balanced (sum of the supply = sum of the demand), one of these equations is redundant. Thus, the model has $m + n - 1$ independent constraint equations, which means that the starting basic solution consists of $m + n - 1$ basic variables. Thus, in Example 5.3-1, the starting solution has $3 + 4 - 1 = 6$ basic variables.

The special structure of the transportation problem allows securing a nonartificial starting basic solution using one of three methods:[5]

1. Northwest-corner method
2. Least-cost method
3. Vogel approximation method

The three methods differ in the "quality" of the starting basic solution they produce, in the sense that a better starting solution yields a smaller objective value. In general, though not always, the Vogel method yields the best starting basic solution, and the northwest-corner method yields the worst. The tradeoff is that the northwest-corner method involves the least amount of computations.

Northwest-Corner Method. The method starts at the northwest-corner cell (route) of the tableau (variable x_{11}).

Step 1. Allocate as much as possible to the selected cell, and adjust the associated amounts of supply and demand by subtracting the allocated amount.

Step 2. Cross out the row or column with zero supply or demand to indicate that no further assignments can be made in that row or column. If both a row and a column net to zero simultaneously, *cross out one only*, and leave a zero supply (demand) in the uncrossed-out row (column).

Step 3. If *exactly one* row or column is left uncrossed out, stop. Otherwise, move to the cell to the right if a column has just been crossed out or below if a row has been crossed out. Go to step 1.

TABLE 5.17 North-West Corner Starting Solution

	1	2	3	4	Supply
1	10 **5**	2 **10**	20	11	**15**
2	12	7 **5**	9 **15**	20 **5**	**25**
3	4	14	16	18 **10**	**10**
Demand	**5**	**15**	**15**	**15**	

Example 5.3-2

The application of the procedure to the model of Example 5.3-1 gives the starting basic solution in Table 5.17. The arrows show the order in which the allocated amounts are generated.

The starting basic solution is

$$x_{11} = 5, x_{12} = 10$$

$$x_{22} = 5, x_{23} = 15, x_{24} = 5$$

$$x_{34} = 10$$

The associated cost of the schedule is

$$z = 5 \times 10 + 10 \times 2 + 5 \times 7 + 15 \times 9 + 5 \times 20 + 10 \times 18 = \$520$$

Least-Cost Method. The least-cost method finds a better starting solution by concentrating on the cheapest routes. The method assigns as much as possible to the cell with the smallest unit cost (ties are broken arbitrarily). Next, the satisfied row or column is crossed out and the amounts of supply and demand are adjusted accordingly. If both a row and a column are satisfied simultaneously, *only one is crossed out*, the same as in the northwest-corner method. Next, look for the uncrossed-out cell with the smallest unit cost and repeat the process until exactly one row or column is left uncrossed out.

TABLE 5.18 Least-Cost Starting Solution

	1	2	3	4	Supply
1	10	(start) 2 **15**	20	11 **0**	**15**
2	12	7	9 **15**	(end) 20 **10**	**25**
3	4 **5**	14	16	18 **5**	**10**
Demand	**5**	**15**	**15**	**15**	

Example 5.3-3

The least-cost method is applied to Example 5.3-1 in the following manner:

1. Cell (1, 2) has the least unit cost in the tableau (= \$2). The most that can be shipped through (1, 2) is $x_{12} = 15$ truckloads, which happens to satisfy both row 1 and column 2 simultaneously. We arbitrarily cross out column 2 and adjust the supply in row 1 to 0.
2. Cell (3, 1) has the smallest uncrossed-out unit cost (= \$4). Assign $x_{31} = 5$, and cross out column 1 because it is satisfied, and adjust the demand of row 3 to 10 − 5 = 5 truckloads.
3. Continuing in the same manner, we successively assign 15 truckloads to cell (2, 3), 0 truckloads to cell (1, 4), 5 truckloads to cell (3, 4), and 10 truckloads to cell (2, 4) (verify!).

The resulting starting solution is summarized in Table 5.18. The arrows show the order in which the allocations are made. The starting solution (consisting of 6 basic variables) is $x_{12} = 15$, $x_{14} = 0$, $x_{23} = 15$, $x_{24} = 10$, $x_{31} = 5$, $x_{34} = 5$. The associated objective value is

$$z = 15 \times 2 + 0 \times 11 + 15 \times 9 + 10 \times 20 + 5 \times 4 + 5 \times 18 = \$475$$

The quality of the least-cost starting solution is better than that of the northwest-corner method (Example 5.3-2) because it yields a smaller value of z (\$475 versus \$520 in the northwest-corner method).

Vogel Approximation Method (VAM). VAM is an improved version of the least-cost method that generally, but not always, produces better starting solutions.

Step 1. For each row (column), determine a penalty measure by subtracting the *smallest* unit cost element in the row (column) from the *next smallest* unit cost element in the same row (column).

Step 2. Identify the row or column with the largest penalty. Break ties arbitrarily. Allocate as much as possible to the variable with the least unit cost in the selected row or column. Adjust the supply and demand, and cross out the satisfied row *or* column. If a row and a column are satisfied simultaneously, only one of the two is crossed out, and the remaining row (column) is assigned zero supply (demand).

Step 3.
- **(a)** If exactly one row or column with zero supply or demand remains uncrossed out, stop.
- **(b)** If one row (column) with *positive* supply (demand) remains uncrossed out, determine the basic variables in the row (column) by the least-cost method. Stop.
- **(c)** If all the uncrossed out rows and columns have (remaining) zero supply and demand, determine the *zero* basic variables by the least-cost method. Stop.
- **(d)** Otherwise, go to step 1.

Example 5.3-4

VAM is applied to Example 5.3-1. Table 5.19 computes the first set of penalties.

Because row 3 has the largest penalty (= 10) and cell (3, 1) has the smallest unit cost in that row, the amount 5 is assigned to x_{31}. Column 1 is now satisfied and must be crossed out. Next, new penalties are recomputed as in Table 5.20.

Table 5.20 shows that row 1 has the highest penalty (= 9). Hence, we assign the maximum amount possible to cell (1, 2), which yields $x_{12} = 15$ and simultaneously satisfies both row 1 and column 2. We arbitrarily cross out column 2 and adjust the supply in row 1 to zero.

Continuing in the same manner, row 2 will produce the highest penalty (= 11), and we assign $x_{23} = 15$, which crosses out column 3 and leaves 10 units in row 2. Only column 4 is left, and it has a positive supply of 15 units. Applying the least-cost method to that column, we successively assign $x_{14} = 0$, $x_{34} = 5$, and $x_{24} = 10$ (verify!). The associated objective value for this solution is

$$z = 15 \times 2 + 0 \times 11 + 15 \times 9 + 10 \times 20 + 5 \times 4 + 5 \times 18 = \$475$$

This solution happens to have the same objective value as in the least-cost method.

TABLE 5.19 Row and Column Penalties in VAM

	1	2	3	4		Row penalty
1	10	2	20	11	**15**	10 − 2 = 8
2	12	7	9	20	**25**	9 − 7 = 2
3	4 **5**	14	16	18	**10**	14 − 4 = 10
	5	**15**	**15**	**15**		
Column penalty	10 − 4 = 6	7 − 2 = 5	16 − 9 = 7	18 − 11 = 7		

TABLE 5.20 First Assignment in VAM ($x_{31} = 5$)

	1	2	3	4		Row penalty
1	10	2	20	11	**15**	9
2	12	7	9	20	**25**	2
3	4 **5**	14	16	18	**10**	2
	5	**15**	**15**	**15**		
Column penalty	—	5	7	7		

PROBLEM SET 5.3A

1. Compare the starting solutions obtained by the northwest-corner, least-cost, and Vogel methods for each of the following models:

*(a)

0	2	1	6
2	1	5	7
2	4	3	7
5	5	10	

(b)

1	2	6	7
0	4	2	12
3	1	5	11
10	10	10	

(c)

5	1	8	12
2	4	0	14
3	6	7	4
9	10	11	

5.3.2 Iterative Computations of the Transportation Algorithm

After determining the starting solution (using any of the three methods in Section 5.3.1), we use the following algorithm to determine the optimum solution:

Step 1. Use the simplex *optimality condition* to determine the *entering variable* as the current nonbasic variable that can improve the solution. If the optimality condition is satisfied, stop. Otherwise, go to step 2.

Step 2. Determine the *leaving variable* using the simplex *feasibility condition*. Change the basis, and return to step 1.

The optimality and feasibility conditions do not involve the familiar row operations used in the simplex method. Instead, the special structure of the transportation model allows simpler computations.

Example 5.3-5

Solve the transportation model of Example 5.3-1, starting with the northwest-corner solution.

Table 5.21 gives the northwest-corner starting solution as determined in Table 5.17, Example 5.3-2.

TABLE 5.21 Starting Iteration

	1	2	3	4	Supply
1	10 **5**	2 **10**	20	11	**15**
2	12	7 **5**	9 **15**	20 **5**	**25**
3	4	14	16	18 **10**	**10**
Demand	**5**	**15**	**15**	**15**	

The determination of the entering variable from among the current nonbasic variables (those that are not part of the starting basic solution) is done by computing the nonbasic coefficients in the z-row, using the **method of multipliers** (which, as we show in Section 5.3.4, is rooted in LP duality theory).

In the method of multipliers, we associate the multipliers u_i and v_j with row i and column j of the transportation tableau. For each current *basic* variable x_{ij}, these multipliers are shown in Section 5.3.4 to satisfy the following equations:

$$u_i + v_j = c_{ij}, \text{ for each } basic\ x_{ij}$$

As Table 5.21 shows, the starting solution has 6 basic variables, which leads to 6 equations in 7 unknowns. To solve these equations, the method of multipliers calls for arbitrarily setting any $u_i = 0$, and then solving for the remaining variables as shown below.

Basic variable	(u, v) Equation	Solution
x_{11}	$u_1 + v_1 = 10$	Set $u_1 = 0 \rightarrow v_1 = 10$
x_{12}	$u_1 + v_2 = 2$	$u_1 = 0 \rightarrow v_2 = 2$
x_{22}	$u_2 + v_2 = 7$	$v_2 = 2 \rightarrow u_2 = 5$
x_{23}	$u_2 + v_3 = 9$	$u_2 = 5 \rightarrow v_3 = 4$
x_{24}	$u_2 + v_4 = 20$	$u_2 = 5 \rightarrow v_4 = 15$
x_{34}	$u_3 + v_4 = 18$	$v_4 = 15 \rightarrow u_3 = 3$

To summarize, we have

$$u_1 = 0, u_2 = 5, u_3 = 3$$

$$v_1 = 10, v_2 = 2, v_3 = 4, v_4 = 15$$

Next, we use u_i and v_j to evaluate the nonbasic variables by computing

$$u_i + v_j - c_{ij}, \text{ for each } nonbasic\ x_{ij}$$

The results of these evaluations are shown in the following table:

Nonbasic variable	$u_i + v_j - c_{ij}$
x_{13}	$u_1 + v_3 - c_{13} = 0 + 4 - 20 = -16$
x_{14}	$u_1 + v_4 - c_{14} = 0 + 15 - 11 = 4$
x_{21}	$u_2 + v_1 - c_{21} = 5 + 10 - 12 = 3$
x_{31}	$u_3 + v_1 - c_{31} = 3 + 10 - 4 = 9$
x_{32}	$u_3 + v_2 - c_{32} = 3 + 2 - 14 = -9$
x_{33}	$u_3 + v_3 - c_{33} = 3 + 4 - 16 = -9$

The preceding information, together with the fact that $u_i + v_j - c_{ij} = 0$ for each basic x_{ij}, is actually equivalent to computing the z-row of the simplex tableau, as the following summary shows.

Basic	x_{11}	x_{12}	x_{13}	x_{14}	x_{21}	x_{22}	x_{23}	x_{24}	↓ x_{31}	x_{32}	x_{33}	x_{34}
z	0	0	−16	4	3	0	0	0	9	−9	−9	0

Because the transportation model seeks to *minimize* cost, the entering variable is the one having the *most positive* coefficient in the z-row. Thus, x_{31} is the entering variable.

The preceding computations are usually done directly on the transportation tableau as shown in Table 5.22, meaning that it is not necessary really to write the (u, v)-equations explicitly. Instead, we start by setting $u_1 = 0$.[6] Then we can compute the v-values of all the columns that have *basic* variables in row 1—namely, v_1 and v_2. Next, we compute u_2 based on the (u, v)-equation of basic x_{22}. Now, given u_2, we can compute v_3 and v_4. Finally, we determine u_3 using the basic equation of x_{33}. Once all the u's and v's have been determined, we can evaluate the nonbasic variables by computing $u_i + v_j - c_{ij}$ for each nonbasic x_{ij}. These evaluations are shown in Table 5.22 in the boxed southeast corner of each cell.

TABLE 5.22 Iteration 1 Calculations

	$v_1 = 10$	$v_2 = 2$	$v_3 = 4$	$v_4 = 15$	Supply
$u_1 = 0$	cost 10; **5**	cost 2; **10**	cost 20; [−16]	cost 11; [4]	**15**
$u_2 = 5$	cost 12; [3]	cost 7; **5**	cost 9; **15**	cost 20; **5**	**25**
$u_3 = 3$	cost 4; [9] (shaded)	cost 14; [−9]	cost 16; [−9]	cost 18; **10**	**10**
Demand	**5**	**15**	**15**	**15**	

Having identified x_{31} as the entering variable, we need to determine the leaving variable. Remember that if x_{31} enters the solution to become basic, one of the current basic variables must leave as nonbasic (at zero level).

The selection of x_{31} as the entering variable means that we want to ship through this route because it reduces the total shipping cost. What is the most that we can ship through the new route? Observe in Table 5.22 that if route (3, 1) ships θ units (i.e., $x_{31} = \theta$), then the maximum value of θ is determined based on two conditions.

1. Supply limits and demand requirements remain satisfied.
2. Shipments through all routes remain nonnegative.

These two conditions determine the maximum value of θ and the leaving variable in the following manner. First, construct a *closed loop* that starts and ends at the entering variable cell, (3, 1). The loop consists of *connected horizontal* and *vertical* segments only (no diagonals are allowed).[7] Except for the entering variable cell, each corner of the closed loop must coincide with a basic variable. Table 5.23 shows the loop for x_{31}. Exactly one loop exists for a given entering variable.

Next, we assign the amount θ to the entering variable cell (3, 1). For the supply and demand limits to remain satisfied, we must alternate between subtracting and adding the amount θ at the successive *corners* of the loop as shown in Table 5.23 (it is immaterial whether the loop is traced in a clockwise or counterclockwise direction). For $\theta \geq 0$, the new values of the variables then remain nonnegative if

TABLE 5.23 Determination of Closed Loop for x_{31}

	$v_1 = 10$	$v_2 = 4$	$v_3 = 15$	$v_4 = 15$	Supply
$u_1 = 0$	cost 10; **$5 - \theta$**; (−)	cost 2; **$10 + \theta$**; (+)	cost 20; −16	cost 11; 4	**15**
$u_2 = 5$	cost 12; 3	cost 7; **$5 - \theta$**; (−)	cost 9; **15**	cost 20; **$5 + \theta$**; (+)	**25**
$u_3 = 3$	cost 4; θ; 9; (+)	cost 14; 9	cost 16; −9	cost 18; **$10 - \theta$**; −9	**10**
Demand	**5**	**15**	**15**	**15**	

$$x_{11} = 5 - \theta \geq 0 \qquad x_{22} = 5 - \theta \geq 0 \qquad x_{34} = 10 - \theta \geq 0$$

The corresponding maximum value of θ is 5, which occurs when both x_{11} and x_{22} reach zero level. Because only one current basic variable must leave the basic solution, we can choose either x_{11} or x_{22} as the leaving variable. We arbitrarily choose x_{11} to leave the solution.

The selection of x_{31} (= 5) as the entering variable and x_{11} as the leaving variable requires adjusting the values of the basic variables at the corners of the closed loop as Table 5.24 shows. Because each unit shipped through route (3, 1) reduces the shipping cost by \$9 ($= u_3 + v_1 - c_{31}$), the total cost associated with the new schedule is \$9 × 5 = \$45 less than in the previous schedule. Thus, the new cost is \$520 − \$45 = \$475.

TABLE 5.24 Iteration 2 Calculations

	$v_1 = 1$	$v_2 = 2$	$v_3 = 4$	$v_4 = 15$	Supply
$u_1 \equiv 0$	10 −9	2 − **15 − θ**	20 −16	11 + **θ** 4	**15**
$u_2 = 5$	12 −6	7 + **0 + θ**	9 **15**	20 − **10 − θ**	**25**
$u_3 = 3$	4 **5**	14 −9	16 −9	18 **5**	**10**
Demand	**5**	**15**	**15**	**15**	

Given the new basic solution, we repeat the computation of the multipliers u and v, as Table 5.24 shows. The entering variable is x_{14}. The closed loop shows that $x_{14} = 10$ and that the leaving variable is x_{24}.

TABLE 5.25 Iteration 3 Calculations (Optimal)

	$v_1 = -3$	$v_2 = 2$	$v_3 = 4$	$v_4 = 11$	Supply
$u_1 \equiv 0$	10 −13	2 **5**	20 −16	11 **10**	**15**
$u_2 = 5$	12 −10	7 **10**	9 **15**	20 −4	**25**
$u_3 = 7$	4 **5**	14 −5	16 −5	18 **5**	**10**
Demand	**5**	**15**	**15**	**15**	

The new solution, shown in Table 5.25, costs $4 × 10 = $40 less than the preceding one, thus yielding the new cost $475 − $40 = $435. The new $u_i + v_j - c_{ij}$ are now negative for all nonbasic x_{ij}. Thus, the solution in Table 5.25 is optimal.

From silo	To mill	Number of truckloads	From silo	To mill	Number of truckloads
1	2	5	2	3	15
1	4	10	3	1	5
2	2	10	3	4	5

Optimal cost = $435

PROBLEM SET 5.3B

1. Consider the transportation models in Table 5.26.
   (a) Use the northwest-corner method to find the starting solution.
   (b) Develop the iterations that lead to the optimum solution.

TABLE 5.26 Transportation Models for Problem 1

(i)

\$0	\$2	\$1	**6**
\$2	\$1	\$5	**9**
\$2	\$4	\$3	**5**
5	**5**	**10**	

(ii)

\$10	\$4	\$2	**8**
\$2	\$3	\$4	**5**
\$1	\$2	\$0	**6**
7	**6**	**6**	

(iii)

—	\$3	\$5	**4**
\$7	\$4	\$9	**7**
\$1	\$8	\$6	**19**
5	**6**	**19**	

TABLE 5.27 Data for Problem 2

\$5	\$1	\$7	**10**
\$6	\$4	\$6	**80**
\$3	\$2	\$5	**15**
75	**20**	**50**	

Develop the iterations that lead to the optimum solution.

Reference: *H.A.Taha, Operations Research: An Introduction,* Prentice Hall; 9th edition, *Singapore, 2010.*