

Scheduled Cargo Service 21st July 2012

Launch a company that operates a scheduled cargo service from villages to towns with reliable trucks run on a strict schedule like buses. The company sells reservations for cargo and the trucks pick up and drop off cargo instead of passengers.

1. Background

Transport has turned out to be one of the major bottlenecks in TSS, critically damaging the reputation of TSS in Tanzania (and also to some extent in other countries). For instance we shipped 5 truckloads of potatoes from southern highlands to Daressalaam but none managed to get through without a problem and not make a delay in delivery. The trucks develop either mechanical problems or problems with their papers on the road, or usually both.

The causes of this problem are yet to be understood in more detail. But discussing with transporters it appears that trucks that shuttle between villages and the main tarmac roads are those that are in the last phase of their life. Usually trucks begin their life in Africa as second hand trucks imported from Asia or Britain. Then they used on the main roads for long distance hauls. As they age they are sold downstream to start-up trucking companies who push these trucks up to when they can no longer reliably do long distance hauls. At that time they are sold to transporters who ply the villages to pick up produce and haul it to the traders in main towns where the goods are then switched to the long haulers.

However, in TSS a truck ideally picks up produce in the village and takes it straight to the end buyer, as for instance potatoes from Ihomasa village in the southern highlands straight to the chips sellers in Daressalaam, bypassing even Kariakoo or Tandale main markets in Daressalaam (double loop deals). This straight shipment is essential to reduce the middle costs, an effect which is at the core of the TSS business concept.

A further set of problems is that for each single truckload a lot of negotiations have to take place to make sure a truck is indeed available at the required time at the right place. This is a big hassle, as from experience truckers tend to be wary of their clients, and vice versa. The negotiations, check-backs and continuous monitoring to make sure it works for each single load take up a lot of time and cost.

Finally, most villages have problems to regularly bulk up 10 or 15 tons for a full truckload. But they can manage lower tonnages at regular intervals. For smaller cargoes they depend on busses which are actually not allowed to transport cargo and often refuse to take it along. Shipping small cargo with buses is unpredictable.

This all means that transport of goods from villages is unreliable, unpredictable, and therefore expensive to ensure. And yet, reliable and predictable transport is a critically important requirement for TSS.

Frances Tweve is a young (30) and experienced truck driver. Together with his nephew Rajan Tweve (22) he is saving for buying his first truck. We have talked with him how he might do something about the above problem. Both are related to Bahat Tweve who is the TSS network manager for southern highlands and the Tanzanian shareholder of TruTrade.

2. Business Idea

Sales:

A transport company shall be launched that operates a scheduled cargo service with reliable trucks. This means that trucks run on a schedule like buses, eg. every Tuesday at 10am the truck stops at the road point near the village and continues at 1015 on to Makambako and then to Daressalaam. It returns every Friday around noon. People can book space on a truck in advance for their goods, ie. "buy a ticket for my 5 bags to Daressalaam on next Tuesday's truck". And on the return trip of the

truck village shops can book space for goods from Daressalaam or Makambako to the village. The critical thing to achieve is strict schedules and reliable advance booking of space.

Unique selling proposition:

So far there is no scheduled cargo service available in rural Tanzania. Sending goods will be as reliable as buying a ticket on a bus. The service would directly compete with buses providing the same service but at high risk of “no space available” and not at tonnages that would interest a major buyer in town.

3. Operations:

- Trucks must run with schedules they can easily make, allowing also for flexibility in case of problems. Schedules must be such that they do not allow for any speeding.
- GPS controlling of locations of trucks
- Regular advance servicing of the trucks, ie. not repairs when things break
- Regular and clear loading points with infrastructures to prepare and hold goods for picking up by the truck or clients.
- Booking office at each loading point. Bookings can also be done via SMS with confirmation by SMS.
- Space and bookings are coordinated through a central databank that is fed through SMS.
- Cargo parcels are tracked

4. Legal

Start with a simple registration for a one-truck company, then adapt the registration as and when it expands.

5. Launching

- TruTrade purchases a good 15 ton second hand imported Scania truck in Dar (about 30'000 USD).
- TruTrade then provides it in a purchase-lease arrangement to Frances and Rajan to operate it as a cargo schedule service, with priority for TSS deals from southern highlands, ie. “repeat deals”.
- It is estimated that a truck of 30'000 USD would be lease-purchased within 2 years.

6. Scaling-up

Further vehicles can then be added (also pickups or similar) and/or further transport companies spun off via purchase lease from TruTrade. Care must be taken to avoid conflict of interest of TruTrade, whereby TruTrade is interested to keep middle costs (ie. including transport) low while at the same time having an interest in keeping the transport companies viable. The transport companies shall try to get their own funding to purchase the vehicles. It is only a temporary measure for TruTrade to step in to get the funding to manage the purchase and operations for the start-up transport companies. The transport companies are distinctly separate from TruTrade.

7. Role of RAVI

RAVI will assist the start-up transport companies in getting established and coach them to break-even and access further financing. RAVI also ensures that these companies can be useful to TSS. RAVI will earn a commission on any financing that RAVI could leverage for the transport companies. Also RAVI may opt to hold shares in the transport companies through converting into shares the hours it spends on coaching the companies to economic viability.

8. Next steps

- a. Ueli and Bahat propose this to the board of TruTrade. Question: Shall TruTrade work this out further and search for financing for the first pilot launch?
- b. Make detailed plans for operations of the service, along with Frances and Rajan