



Trucking Industry: East Africa

SSATP Annual Meeting

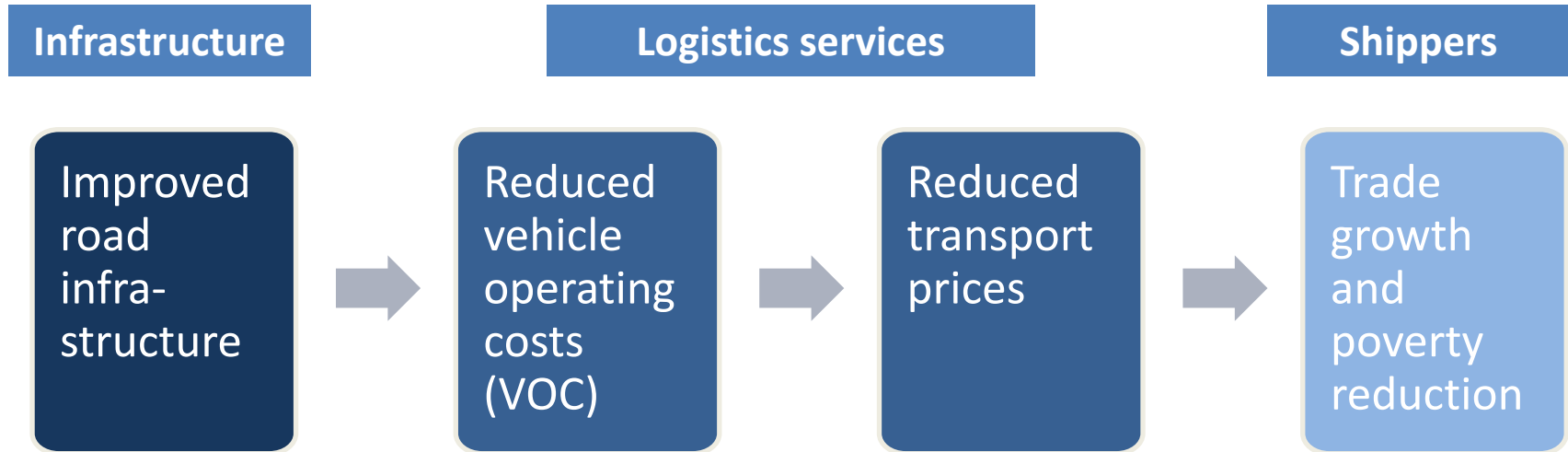
Dakar, Senegal

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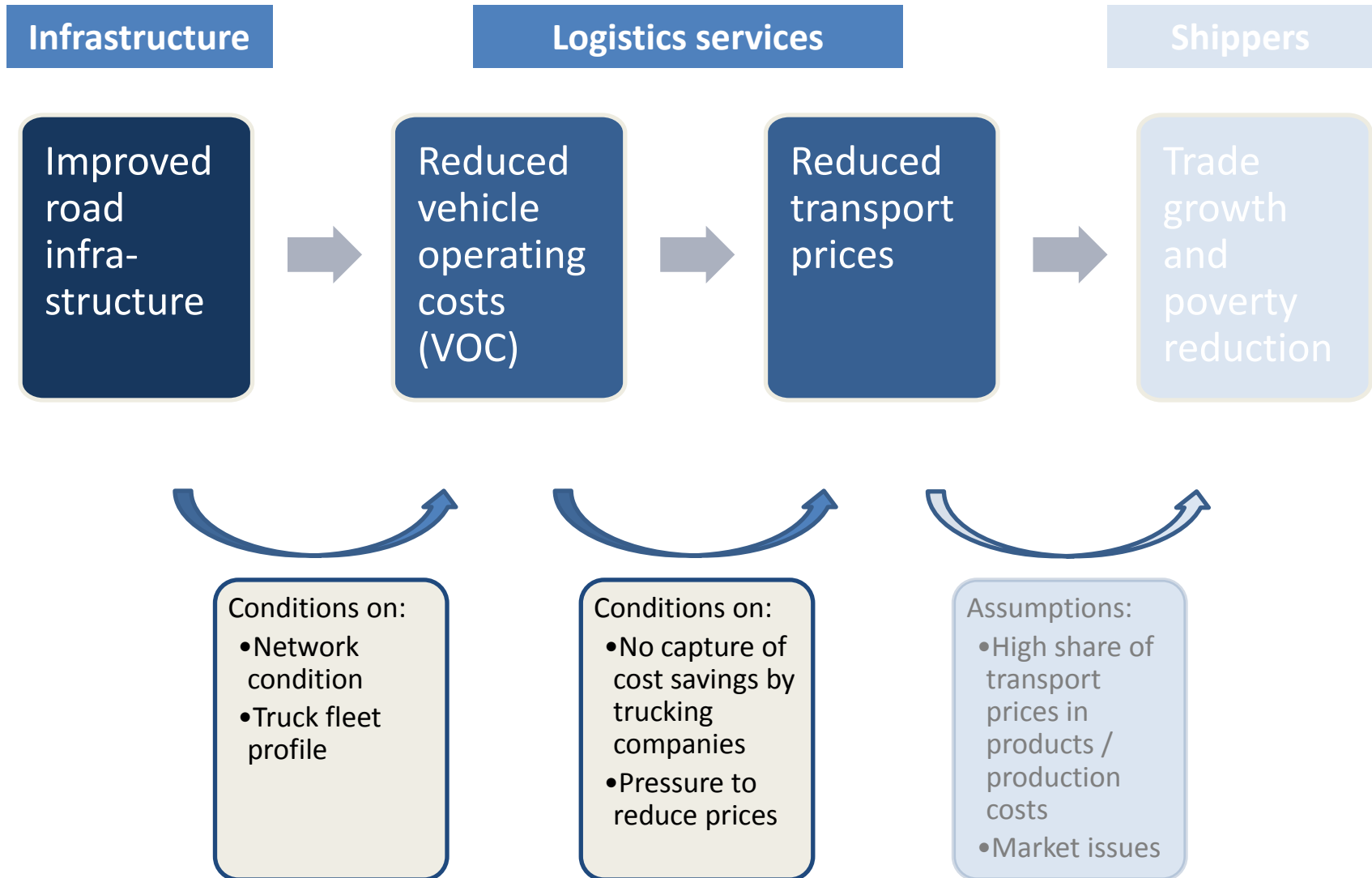
Content

- Hypothesis and assumptions on transport costs and prices
- Industry surveys in East Africa
- Main results and lessons

Transport and poverty reduction as we all know it



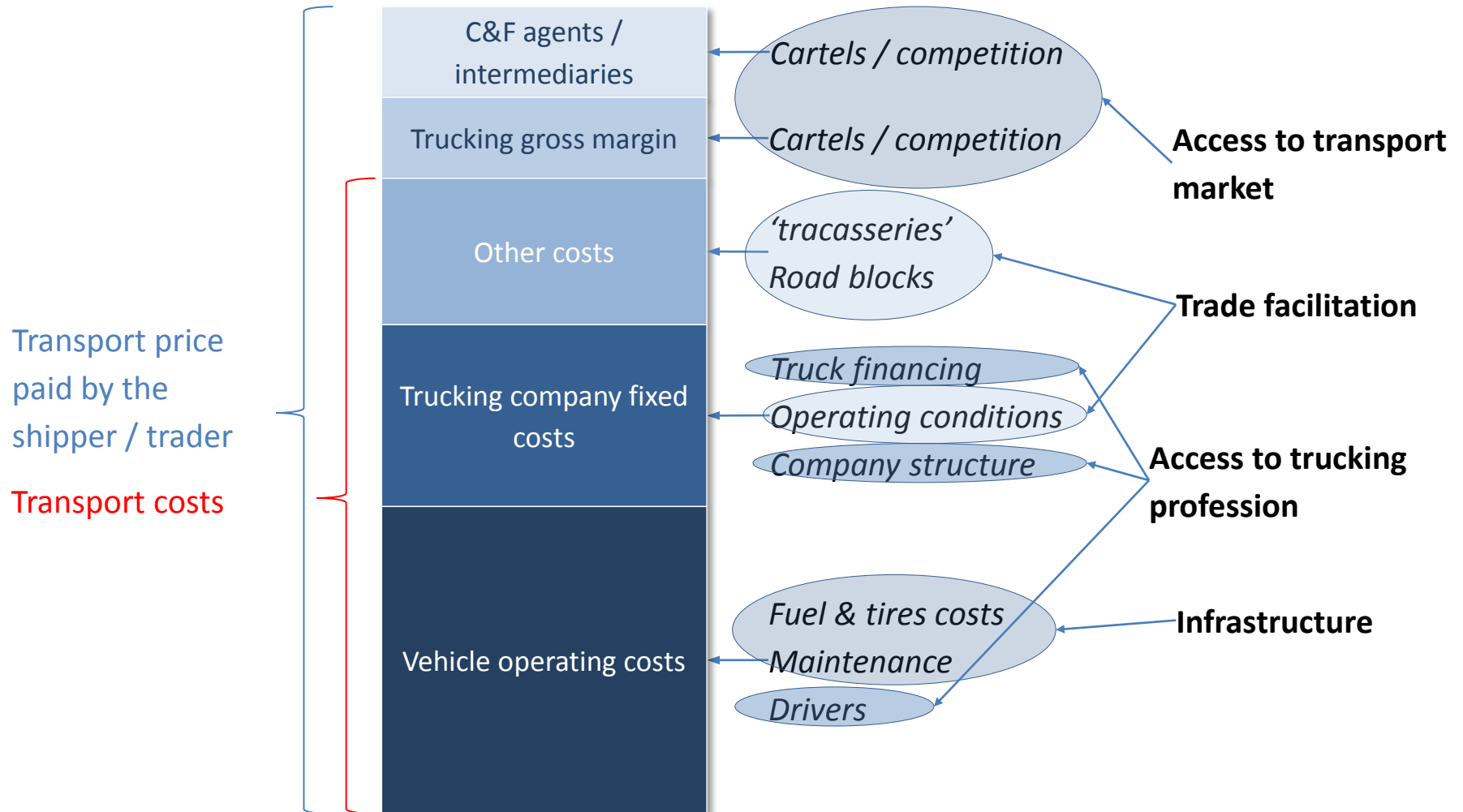
Focus on road transport prices and costs



Messages

- In 2008, 'Transport Costs and Prices in Africa: A Review of the Main Corridors' (TCP) compared trucking services along corridors in West, Central, East, and Southern Africa
- Key lessons:
 - In dysfunctional markets (West and Central Africa) reduction in VOC do not automatically translate into lower prices to shippers
 - In functioning markets (East and Southern Africa), trade facilitation (notably reduction of delays) is equally important

Factors influencing transport costs and prices

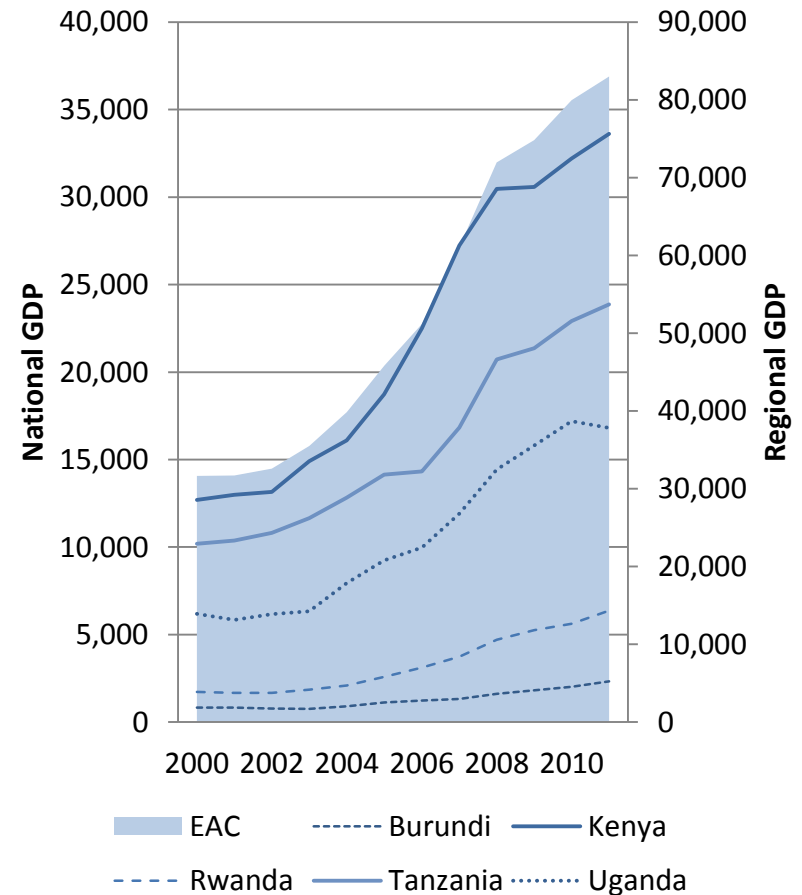


Trucking industry in East Africa

- The Transport Observatory program of the TTCA is a comprehensive effort to monitor performances along the Northern Corridor to define facilitation interventions aiming at enhancing the economic competitiveness of the region
- Information on the trucking industry in East Africa was scarce, and trucking companies surveys were under consideration to fill that knowledge gap
- Trucking associations were supportive of the effort to generate information on the industry

Background

- A conducive economic outlook for the trucking industry:
 - High economic growth despite the international crisis of 2008
 - An increasing sophistication of logistics chains (dry ports and ICDs, growth of containerized trade)
 - No competition from rail transport



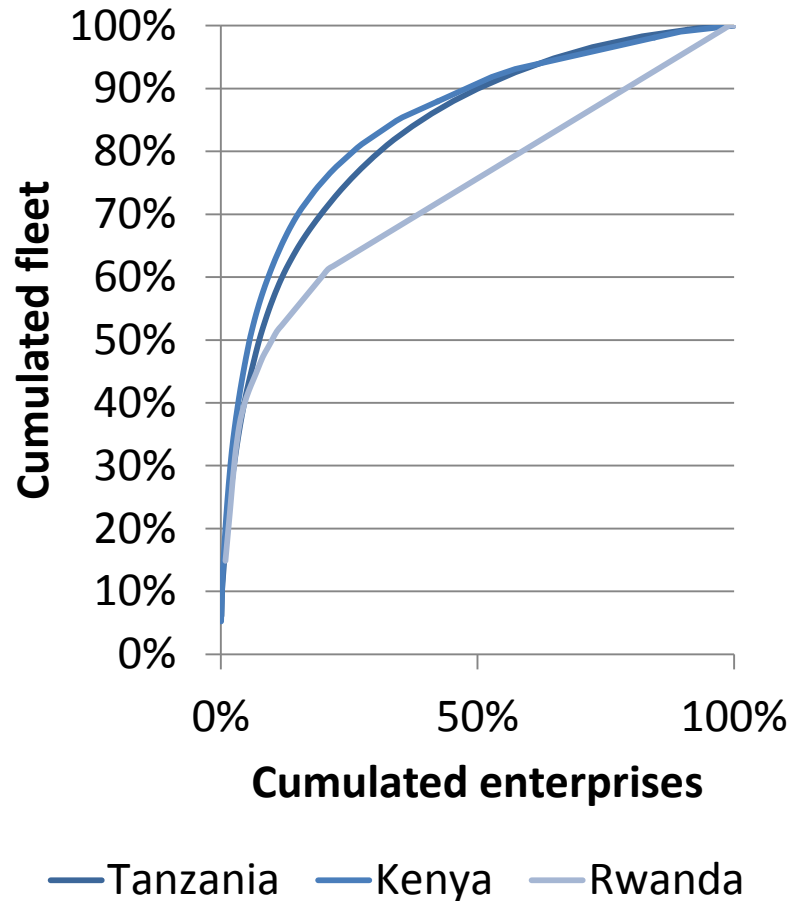
Organization of the surveys

- Partnership formed with national trucking associations, corridor authorities and universities:
 - CCTTFA, TATOA, RTA, KIST and DIT for Tanzania and Rwanda
 - TTCA-NC, MPUC, KTA for Kenya
- Surveys conducted in March – April 2012

	Kenya	Tanzania	Rwanda
Registered companies	1,574	732	220
Truck Fleet	17,066	12,356	444
Companies surveyed	101	117	19
Fleet of surveyed companies	4,531	4,393	133
% of companies	6%	16%	9%
% of truck fleet	27%	36%	30%

Results: a concentrated industry

- Large and small companies coexist and compete:
 - The largest 5% control:
 - 45% of the Kenya truck fleet
 - 40% in Tanzania
 - At the other end of the spectrum, the smallest 50% control:
 - 7 trucks or less in Tanzania
 - 4 or less in Kenya
 - In Rwanda, 80% of the trucking companies operate only one truck



Controlled by the region

- The vast majority of the trucking companies is owned by individuals or families
- The shareholding company form is rare, but when it is the case, shareholders are regional
- Subsidiaries of international logistics groups are medium size players in East Africa

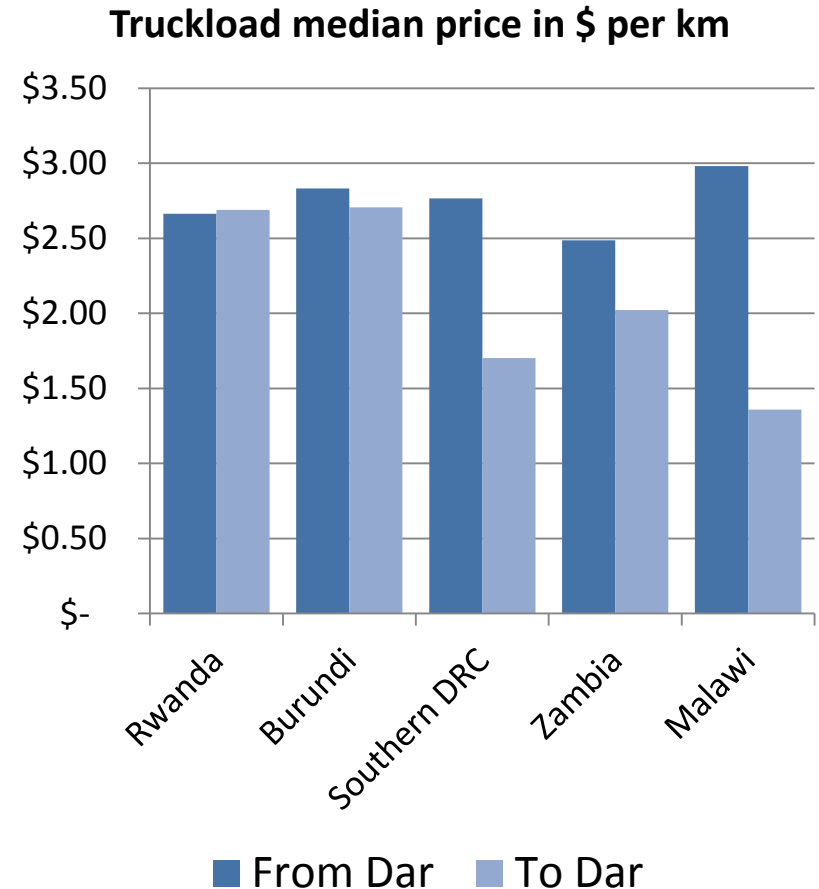
	Kenya	Tanzania	Rwanda
Individual / Family owned	71%	89%	74%
Local shareholding	16%	2%	16%
Foreign shareholding	3%	2%	0%
Publicly owned	1%	0%	0%
Others	6%	1%	0%
Not specified	3%	7%	11%

With nuances across countries

- Kenya is overall more modern and advanced, with more recent truck fleet, driven by a preference for acquisition of new trucks:
 - In Kenya, 2 trucks out of three are acquired new
 - In Tanzania, 1 out of 5
- Trucks are mostly financed from company cash flow, or short bank loans (3 yrs.)
- Tanzania overall lags behind, while Rwanda has mixed characteristics
- Average age of the truck fleet:
 - Kenya 7.5
 - Rwanda 12.6
 - Tanzania 16.2
- Use of GPS for fleet management:
 - In Kenya and Rwanda over 50% of companies, all size, rely on GPS systems for fleet management
 - In Tanzania, only 20% of the companies overall

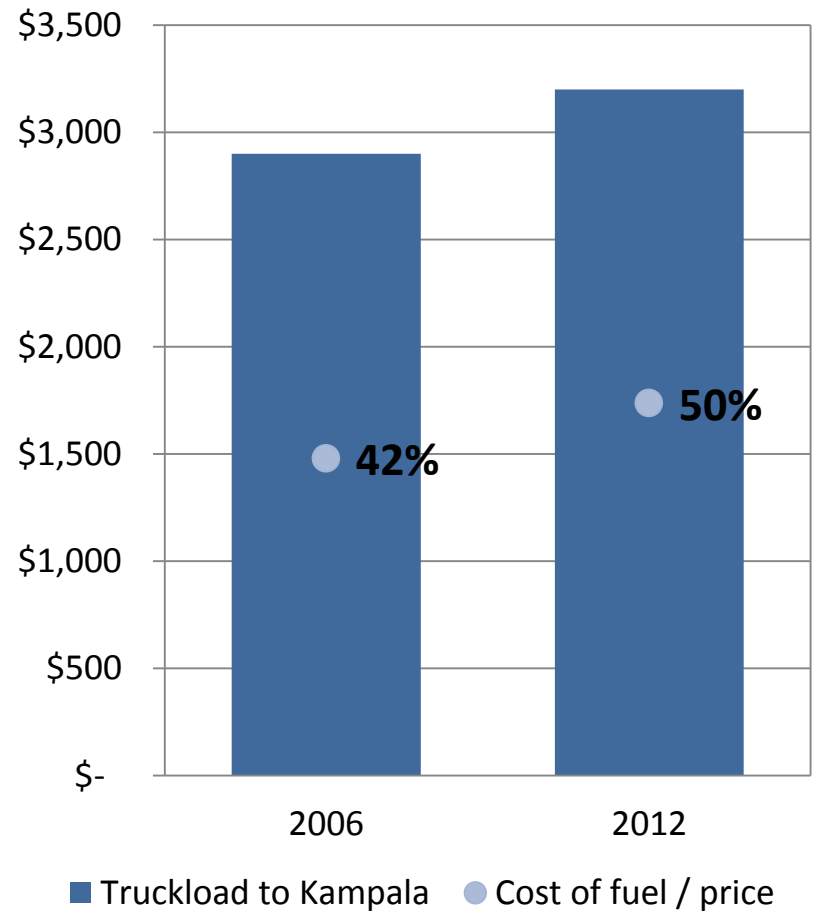
Tanzania corridors transport prices

- Different price levels according to different corridor conditions:
 - Balanced prices in Rwanda and Burundi despite high imbalance in volumes
 - High volume / competition routes have lower prices (Zambia / DRC)
 - Greater variance of prices for high competition routes



Mombasa corridor transport prices

- Different price structure:
 - High competition routes more stable ('market rate')
 - Comparison with 2006 surveys show actual decrease:
 - CPI doubled between 2006 and 2012
 - Fuel prices increased 25%
 - Transport prices increase only by 10%
 - But infrastructure development and facilitation programs transformed the Northern Corridor during that period: shows that lessons from TCP are valid



Possible lessons for other regions

- The East Africa Trade and Transport Facilitation Program rehabilitated road infrastructure and contributed to reduce delays, which translated into higher utilization of trucks and contained price increases
- Competitive environment do not necessarily advantage foreign controlled logistics operators
- In a growth context, trucking generates sufficient revenue to enable truck financing from cash flow

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Thank you for your attention