

TRANSPORT CO-OPERATIVES AND ORGANISATIONAL INTEGRATION IN TANZANIA

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Abstract

Co-operatives are both democratic business enterprises and defensive organizational mechanisms for the poor against capitalist exploitation in the market. They are also institutional mechanisms for facilitating access to livelihood assets against poverty. Although there is ample evidence of the historical performance of co-operatives in Tanzania, such history has been biased on the internationally-tradable commodities, such as cotton, coffee and tobacco. This bias marginalized other types of co-operatives which would have equally touched poor peoples' economic lives.

One of the marginalized co-operative enterprises in Tanzania is the transport business organised in a co-operative form. Although there were isolated historical antecedents of transport co-operatives in Tanzania, they did not flourish. What we have, currently, are transport co-operatives organized behind Savings and Credit Co-operative Societies.

The challenges posed by national and global market liberalization and competition policies, demand organizational innovations by the co-operative enterprise. In that context, transport co-operatives offer a real opportunity for enhancing co-operative integration as an upfront innovation, to harness the co-operative effect against poverty and marginalization in Tanzania.

This paper examines the various scenarios and experiences in Tanzania, and beyond, which would make transport co-operatives an integral component in the fruitful functioning of all other types of co-operative organisations. After the introduction, this presentation has the following issues: First, we look at the theoretical aspects of co-operation. This is followed by an outline of basic organisational designs of transport co-operatives. Thirdly, we look at three international experiences of transport co-operatives in Africa; mainly Kenya, Rwanda and South Africa. Then we look at a brief history of transport co-operatives in Tanzania. Finally, we introduce a discussion on transport co-operatives in the context of the integrated co-operative model (IDRC/CCA, 2015).

Key words: transport co-operative, integration, livelihood assets, co-operative effect

1. Introduction

A Co-operative is an autonomous association of persons, united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise (ICA, 1995). Compared to other forms of enterprises, therefore, the co-operative organisation is uniquely distinguished by joint ownership, the control by members and the long-term need for self-help promotion by the members (Münkner, 2007).

It has always been recognized that co-operatives can be formed in many areas of economic life; including agriculture, housing, fishing, financial services, transport services, minerals, industrial production and agricultural input supplies.

From the point of view of an individual household, joining a co-operative is an external development strategy, geared towards improving the household members' conditions of life at the household level. When they move out of the household, individuals seek joint ownership of an enterprise and through it, they can access livelihood promoting assets such as physical and finance capital, natural resources, human capital and social capital (Wanyama *et al*, 2008 and Teodosio, 2008).

The co-operative enterprise migrated to Tanzania from Britain in 1920s (Maghimbi, 2008). While the establishment of co-operatives in Tanzania, and Africa in general, had congruent relationships with the demand for specific agricultural raw materials, the demand created three biases on the future development of co-operatives in Africa. First, co-operation is associated with narrow export commodities. Second, promotion of co-operatives is associated with government. Third, we note that the British government was more interested in the economies of raw materials collection and not necessarily co-operation. It is this historical context that all other types of co-operatives such as savings and credit co-operative societies (SACCOS) and transport co-operatives came as marginalized institutions and, hence, their promotion in Tanzania is both an innovative and a design question.

2. Co-operation Theory and Freedom

Two theories are important when discussing transport co-operatives in Africa. First is the economic organizations theory as demonstrated by Marxist scholars such as Singh (2000). The express need for an economic organization comes when small and weak producers such as farmers and urban producers need an organization in order to mitigate exploitative tendencies in capitalist-dominated

markets. In such circumstances, the poor need an economic organization to insulate them against exploitation. The second is the organizational relational power theory as put forward by Rokholdt (1999). The organizational relational power theory postulates that weak individuals need to build horizontal and vertical power in which they build loyalty and trust with each other through a co-operative institution. Vertically, the co-operative organization provides members with the capacity to harness better markets, prices, upstream value chain and opening lines of communication with policy makers and other business players; thus, achieving the co-operative effect (Helm, 1968). The co-operative effect is the extra advantages gained by co-operative members as a result of co-operative action.

Both small famers and marginalized communities in urban areas need co-operatives as enabling organizational mechanisms for marshalling competitive business in capitalist-dominated markets. For small producers in rural and urban communities, the co-operative organization will give them sustenance, self-esteem and freedom from servitude (Todaro and Smith, 2006) because the organization starts with the identification of economic, social and cultural needs and aspirations of the group forming it. Sustenance is the ability to create the basic means of subsistence such as food, shelter, clothing, basic health care, education and basic means of transport. Self-esteem is the human behaviour to be recognized as an important person in the community. Freedom from servitude is the rejection of external control. This rejection enables an individual (or a co-operative organisation) to cultivate a wide range of life choices without external influence or control. These qualities of development can be made available when individuals join a co-operative organization as members.

3. Designs of Transport Co-operatives

As pointed out earlier, co-operatives can be established in any type of economic activity where members can establish a need to be satisfied such as transport needs. But the history of co-operation confirms that one of the first ICA Congresses, held in London in 1897 (Rhodes, 1995), had one important declaration among others. The declaration lay emphasis on substituting capitalist enterprises with co-operative organizations. It stated that where there was a capitalists shop, there should be a co-operative shop as well. Where there was a capitalist bus company, there should be a bus transport co-operative organization and where there was a capitalist bank, co-operators should organize their own co-operative bank. Transport co-operatives, like other types of co-operative organisations, were logically needed for the marginalized groups to be able to mitigate the evils of capitalism in the transport sector.

Given the foregoing justification of transport co-operatives, the following are the basic designs of transport co-operatives tested with different levels of organizational flexibility:

3.1 Consumer-Based Transport Co-operative

In this type of transport co-operative, individuals organize transport services for their own use and family members. In this context, the members are themselves in need of collective transport (Helm, 1968) in order to minimize transport costs as well as searching for efficiency. The consumer transport co-operatives can also offer public transport services to enhance income generation to the members. An example of consumer transport co-operatives is where workers of an organization live in a distant location from their work-place. They can organize a consumer transport co-operative where they buy a mini-bus to take them to and from their work-place.

3.2 Productive-Based Transport Co-operative

This type of co-operative is the most common design of transport co-operatives, organizations, where taxi drivers, motor bike owners, mini-bus owners and even bicycle owners, offer transport services to the public. They are organized in a framework of building central service points where they operate from. The main common bond is the transport asset they own and the architecture of the operation of the co-operative organization is a commitment to pay entry fees and share contribution built on daily subscriptions, aiming at building a fund for repair, maintenance and replacement of assets owned by the members. Apart from centres of operation, the co-operative may own central maintenance and repair points owned or organized on contract.

3.3 Independent Transporter-Based Co-operatives

These are usually large-scale transporters forming transport co-operatives for the purpose of increasing efficiency of their business. The main areas of activities are in the private bus transport and lorries for long distance haulage. The owners would have fleets of buses or lorries which they cannot individually manage. They identify specific services which can be organized through co-operation. The areas which are common for such co-operatives are common freight bureau for contracting the members into the market, economic organization of return loads, establishing loading stations to harmonize large and small loads, and creating centres for bulky supply of transport inputs such as oil, petrol, tyres, repair and maintenance service facilities.

3.4 Hybrid Transport and Financial Services Co-operatives

These are transport operators who do not identify a common bond inside the transport activity, but think their primary needs are financial and insurance services. Such members form a Savings and Credit Co-operative to access financial services in terms of savings and credit products. Primarily, they form a savings and credit co-operative to meet replacement of assets objective.

4. International Experience

For the purpose of this presentation, we have transport co-operative cases from Kenya, Rwanda and South Africa.

4.1 Kenya: The Hybrid Transport-SACCOS Co-operative Combination

In Kenya, mini-bus operators have formed a number of SACCOS to sustain their transport operations (Gicheru *et al*, 2011). The mini-bus operators, commonly known as *matatu*, are a transport group, working under a hybrid mode where joint transport services are united under the savings and credit co-operative mode. A study carried out by Gicheru *et al (ibid)* concluded that the SACCOS, based on the mini-buses, was on the decline due to the fact that the transport common bond was running down due to weak capital bases. There could be three reasons for the conclusion. First, the collective transport undertaking needed its own co-operative organization. The mini-bus operators needed the transport co-operative identity, because it had its own specific needs such as operational centres, logistics management and affordable repair and maintenance service centres owned by the transport co-operatives only.

The second reason related to lack of technically-qualified transport human resource capacity. The mini-bus operators expected the SACCOS would possibly provide the required management capacity. But to the contrary, the SACCOS provide financial services only. Thirdly, it could be that the SACCOS investment policies were too wide and thinly distributed to a wider membership, thus, failing to subscribe to the capital needs for repair maintenance and replacement of the transport group of members.

4.2 Rwanda and Producer Transport Co-operatives

Rwanda government has a co-operative development policy of 2006 which covers a wide landscape; allowing the formation of co-operatives in all formal and informal sectors of the economy (Musahara, 2011). While critics, like Rollason (2012), would have argued that the formalization of traditionally-driven informal institutions ran the risk of killing sustainable initiatives, in a post conflict situation facing the country, the government role cannot be escaped.

A policy environment conducive for co-operative development, in Rwanda, has made its urban youth population to promote mini-bus and motor bike producer co-operatives; thus, offering transport services to the public. The comprehensive policy coverage has generated a stream of 11 mini-bus transport co-operative federations and 10,486 motor bike members of motor-bike taxi co-operatives. Both the mini-bus and motor-bike members of their transport co-operatives operate registered owned bus service centres. They also maintain centralized input supply centres. The capital base architecture is built on entry fees and share contribution of up to 1 mil. Rwandan francs built on daily basis. Both mini-bus and motor bike co-operatives are supported to access credit facilities from the Rwandan Development Bank.

Apart from offering employment to the youth, motor bike taxis can manage complex transport into peri-urban areas and distant rural areas with poor transport infrastructure (Rollason, 2012). Another critical outcome for Rwanda motor bike co-operatives is the stabilization of security as those motor bike owners used to be victims or perpetrators of insecurity and lawlessness.

The comprehensive development policy for Rwanda is an important foundation for the development of the integrated co-operative model as we shall see in section six of this paper.

4.3 Producer Transport Co-operatives and Joint Venture Capital

South Africa marshals producer type of transport co-operatives uniting taxi and mini-bus operators such as the Western Cape Bus Operators' Transport Co-operative Society.

The South African Market is highly structured and controlled by the traditional white-dominated corporate transport system. Under the Black Economic Empowerment Policy, transport co-operative societies have to operate under strict structured contract conditions in order for the co-operatives to access subsidized tender transport jobs, negotiate collectively and access the allocation of profitable routes in cities.

Transport co-operatives such as the Western Cape Bus transport co-operative has 54 members owning small buses. In order to enter the transport market, a co-operative is required to buy shares in a holding company called **Sibanye** – a private Investor-owned company. While **Sibanye** offers the co-operative to operate in lucrative routes, the contracts are controlled by the holding company. The co-operative receives monthly dividends of Rands 300,000 sufficient for wages, reinvestment and expansion.

The co-operative has employed a competent manager with qualifications to manage a transport company and offers training for drivers in transport and business matters. In that way, a small operators' co-operative, like Western Cape Transport Co-operative, can collectively compete with large operators with members' confidence. On top of all these, Western Cape can access credit to purchase new buses.

The producer joint venture mode of transport co-operatives is a mode that fits into highly structured competitive markets like those in South Africa and many other industrialized countries. While the model has limited space for expansion, it has been reported to be sustainable, especially when the 54 members of the co-operative are people with little education and training but working with a committed and competent manager, who is paid by the holding company.

5. Transport Co-operative Experience in Tanzania

5.1 History

The history of transport co-operatives in Tanzania is weak and with scanty documentation. It is, however, noted that transport co-operatives were promoted after independence and were urban centric. The government, assuming its promotional obligation, registered transport co-operatives in Dar es Salaam city for taxi owners known as Co-Cabs, and trans-national bus co-operative society known as Tanganyika Transport Co-operative (TTCO), serving the southern regions of Ruvuma, Mtwara and Lindi.

The Coast Region had also registered a crop transport co-operative known as Coast Region Transport Co-operative (CORETCO). The Crop Marketing Co-operative Unions, such as Kagera Co-operative Union, maintained a transport wing serving the transportation of crops from the primary societies to designated processing centres before the crops were exported.

The marginal development of transport co-operatives in Tanzania could be a result of three operating factors. First, transport co-operatives are capital intensive. As such, if one is to become a member he/she must own a transport asset in the form of a mini-bus, motor bike, a bus or a lorry. Given the low credit environment in Tanzania, most people could not afford setting up transport co-operatives. Secondly, the overall co-operative development in Tanzania suffers from a punctuated organizational equilibrium (Chambo *et al*, 2014) due to continued negative government-co-operative relations. Emerging transport co-operatives may have been victims of punctuated equilibrium market situation in Tanzania and, consequently, died on the way. Thirdly, union transport services could be organized outside co-operative union arrangements. A separate transport co-operative would have operated jointly with the crop

marketing union in an integrated manner. This did not happen because the credibility of a union was only demonstrated by the provision of crop haulage.

In an analysis that was carried out after liberalization (MEMCOOP, 1995), it was found that union transport services were more costly than privately offered transport services. While transport service by the union was not dropped, ironically, input supply to primary co-operatives and member education were dropped as costly activities. It would be interesting to compare the cost of services offered by a separate transport co-operative with the cost of transport services offered in-house by the crop marketing co-operative union.

5.2 Current Context

General information available, indicate the existence of attempts to establish two forms of transport co-operatives in Tanzania. The first is the consumer type of transport co-operative organization, tested by Mruwia Agricultural Marketing Co-operative Society, in Moshi Rural District. Mruwia is a coffee marketing co-operative society which 'ran away' from trading coffee through the traditional co-operative union. When it disengaged from the union, it became apparently clear that the primary co-operative society would not access co-operative union transport services. As a result of this vacuum, Mruwia members formed Mruwia Transport Co-operative society. The co-operative, however, could not operate successfully due to management, leadership and technical complexities. Yet, the need for a transport co-operative organization continues to be felt by the members.

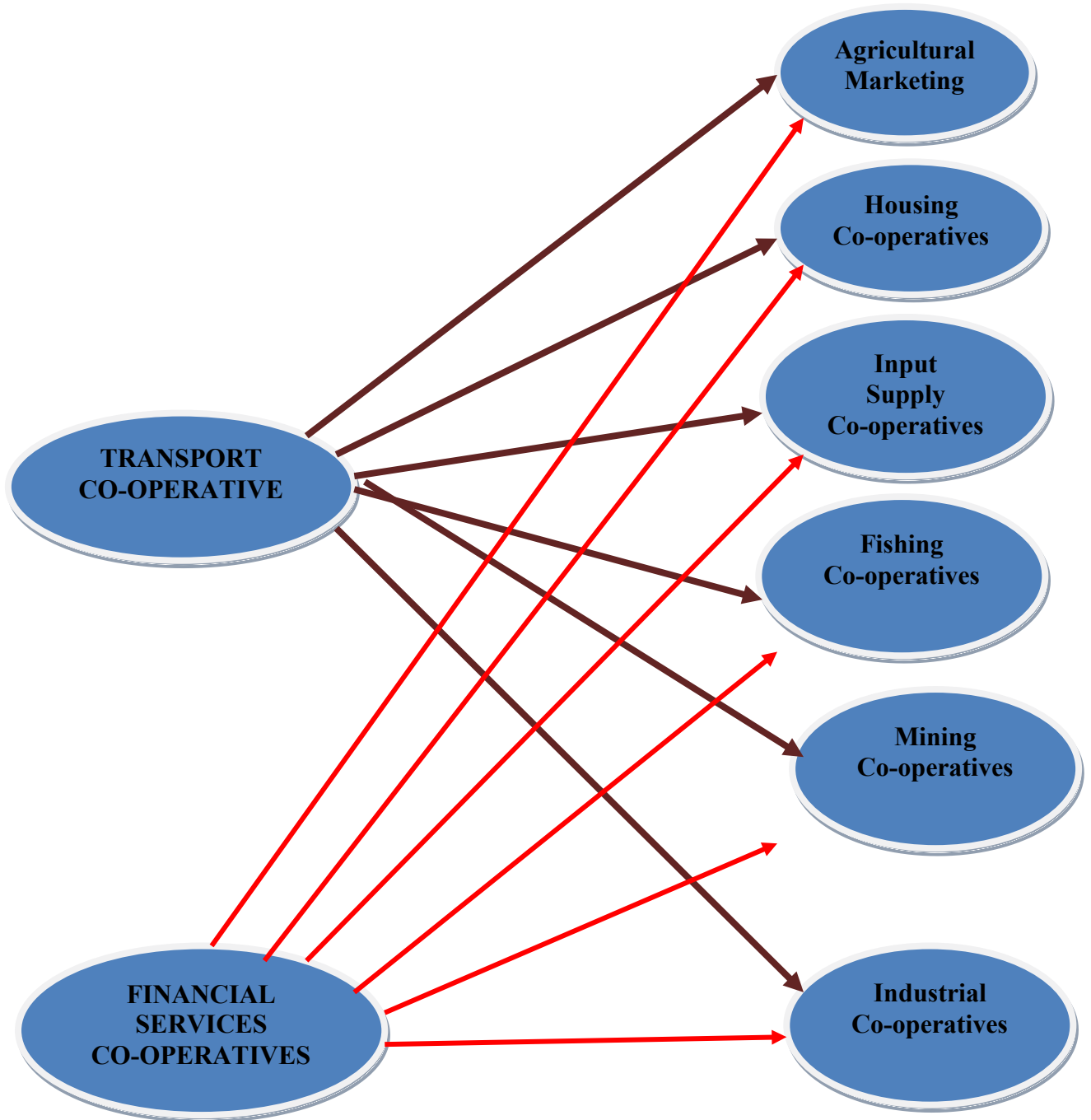
The second form is the hybrid-transport-SACCOS formation of taxi operators at Julius Nyerere International Airport in Dar es Salaam. Taxi operators have formed a savings and credit co-operative society (SACCOS). The SACCOS, according to one interviewed driver, has done a good job because it has facilitated car loans for ownership rather than being employed by a private car owner. While the SACCOS has been successful in creating the freedom to own cars by the drivers, the need to register a separate transport co-operative is still valid for taxi operators at the Dar Airport. As a transport co-operative, it will deal with specific needs of transportation which may not be addressed by the SACCOS

6. Transport Co-operation, Organisational Integration and the Future

A critical analysis of inter-organizational collaboration or integration in the co-operative movement would indicate that there are two types of co-operatives whose services are required as inputs of activities for all other types of co-operatives. These co-operatives are financial co-operatives and transport co-operative services as seen in the diagram below:

**SERVICE OUT PUT
REQUIREMENT**

INPUTS



Financial and transport services, as indicated above, are needed by every other type of co-operative. This means that the two types of co-operative organizations are instrumental to advancement of the co-operative integration model. The Integrated model here is defined as a structure of co-operative

operations which are based on Principle No. 6 of co-operatives working together.

Data from recent research carried out by Moshi Co-operative University (MoCU) in collaboration with other universities in Uganda, Rwanda and Canada, funded by the International Development Research Centre (IDRC) of Canada and organised by the Canadian Co-operative Association (CCA), indicate that the integrated co-operative model (ICM) has been effective in bringing about a positive co-operative effect (Helm, 1968) to the members who have double co-operative affiliations. The integrated model is anchored at the co-operative member level, where individual persons become members of more than one co-operative society.

When the integrated model was tested in Kilimanjaro and Ruvuma regions, the results for double membership showed positive economic and social results in terms of access to credit, higher degrees of savings, access to commodity markets and access to extension services. Also, there was more food security in the double membership affiliation, membership access to health and education services than in single membership or non-membership category (IDRC/CCA, 2015).

With such positive results, the following are our propositions:-

- Transport service structure, should be separated from the hybrid transport-SACCOS and involve the members in a process of integration. In the urban areas, taxi operators may become double members to both a registered transport co-operative and the SACCOS.
- Secondly, rural primary co-operative societies' members could hold triple-member integration where commodity marketing co-operative members could become members of SACCOS as well as members of a well-managed consumer type transport co-operative.
- The process of co-operative integration, is an innovative and design initiative which can be supported through education and training carried out by MoCU's Institute for Continuing Co-operative Education (ICCE).

Rwanda is ready for integration because there are co-operatives in each sector of the economy. At the level of the primary society, integration is possible where in urban areas, existing transport co-operative operators could also at the sometime become members of SACCOS. Likewise, in the rural areas of Rwanda, triple membership to co-operatives in financial services, crop marketing and transport co-operatives, is a real possibility.

In South Africa, the Western Cape Members can form a SACCO where all of the members could become affiliated. This kind of integration will ensure expansion of their transport fleet as well as enabling them to expand their areas of operation. In Kenya, the mini-bus transporters should be encouraged to establish a separate transport co-operative and maintain their membership in their SACCOS. Such organizational innovative integration will enable the *matatu* operators to see their common bond in transport, in a new light.

7. Conclusion

Transport co-operative services are needed by all other type of co-operatives. As such, the integrated co-operative model is possible when we take transport co-operatives as separate organizations and not as diffused organizational structures as they are in Kenya and Tanzania.

Secondly, co-operative integration should start at the members' level, where members articulate the advantages of becoming double or triple membership, accessing the integrated co-operative effect. Thirdly, Co-operative unions should hive off the transport service but encourage their primaries to undergo a process of co-operative integration by forming transport co-operatives as well as input supply co-operatives through an integration process.

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