

## CHAPTER V

### The Kampong Di-Pantai Beserah Cooperative's Transport Business

The Kampong Di-Pantai Cooperative's van plays a major role in the transportation of local produce to the marketing centre in Kuantan, but it plays only a minor part in the haulage of "imported" goods, except coconut, into the mukim. In this chapter the major aspects of the van operation will be discussed, especially the costs and returns and the problems facing the cooperative in the transport business.

#### A. Costs and Returns From Van Operation.

In 1953, the cooperative decided to buy a vehicle in order to facilitate the marketing of its fresh fish to Kuantan. Besides it also decided to carry goods for hire in order to obtain sufficient income to maintain the transport business. In September 1953, the cooperative bought an Austin 70 van for \$65,400.00 out of the loan of \$150,000.00 from R.I.D.A. (Rural and Industrial Development Authority) which granted the sum in order to help the cooperative in its business undertakings. The van was granted a class "B" haulage permit, i.e. it could be operated as a private-~~car~~-public carrier vehicle.

After three years of operation it was found out that the standing charges and running costs in operating the van were very high. Table 6 below shows that the van was actually run at a loss between July 1955 and June 1956.

TABLE 6  
STANDING CHARGES, RUNNING COSTS AND GROSS  
RECEIPTS OF THE COOPERATIVE VAN  
JULY 1955 TO JUNE 1956

Items	Amount
<b><u>COSTS</u></b>	
<b>A. <u>Standing charges</u></b>	
Driver's salary	\$1,800.00
Insurance	214.00
Haulage permit	540.00
Depreciation (never provided for)	1,208.00
<b>B. <u>Running costs</u></b>	
Petrol	1,892.00
Repairs and replacements	1,267.00
<b>Total</b>	<b>\$6,927.00</b>
<b><u>RECEIPTS</u></b>	
Freight charges	\$6,802.00
<b>Net loss</b>	<b>\$ 119.00</b>

The cooperative never provided for depreciation charges. In the above table the term "depreciation" is used by the writer, not according to the technical calculation of insurance companies,

but as an average sum to have been set aside every year for five years - the expected economic life of the van - in order to recover the purchase value of the van (\$6,540.00) minus \$500.00 of estimated salvage value.

Finding it very costly to run the Austin van, the cooperative bought a new Volkswagen pick-up van in June 1957. It was purchased with the \$4,424.00 borrowed from the Overseas Assurance Corporation in addition to the value of the old van traded back to the sellers for \$2,100.00. The new van cost \$6,524.00 (all inclusive) and had an expected economic life of five years. It has a greater loading capacity (maximum load: 13 piculs) and, since its body weight is less than 20 cwt., the haulage permit fee is only \$300.00 per year, compared with \$540.00 for the heavier old van. Thus there was a reduction of \$240.00 per year on the standing charges. Moreover, the running costs were very much reduced because of the lower petrol consumption and lower repair and replacement costs. This was largely due, however, to the new condition of the van.

The new van was being operated at a profit as shown in Table 7 below.

TABLE 7STANDING CHARGES, RUNNING COSTS AND GROSS  
RECEIPTS OF THE NEW COOPERATIVE VANJULY 1957 TO JUNE 1958

Items	Amount
<b><u>COSTS</u></b>	
<b>A. <u>Standing charges</u></b>	
Driver's salary	\$1,800.00
Insurance	246.00
License permit	300.00
Depreciation (never provided for)	1,205.00
<b>B. <u>Running costs</u></b>	
Fuel	1,240.00
Repairs and replacements	663.00
<b>Total</b>	<b>\$5,454.00</b>
<b><u>RECEIPTS</u></b>	
Freight charges	\$7,031.00
<b>Net profit</b>	<b>\$1,577.00</b>

During the period there was a net profit of \$1,577.00 even if the depreciation charges had been included in the costs of operation, which in reality had never been set aside by the cooperative. Thus without the provision for depreciation there was a balance of \$2,782.00 which it could use to repay the loan from the Overseas Assurance Corporation.

Naturally, with increasing age the van will have to be operated at higher running costs, but it has been estimated that the costs will not be so high as to incur losses as in the case of the old van.

B. Turnover of Transport Business.

The cooperative van's receipts in freight charges have increased appreciably since the inception of the transport undertaking. In 1954, the total freight charges realized amounted to \$5,965.00, but after the new van was purchased total receipts between July 1957 and June 1958 amounted to \$7,031.00. This shows an increase of 23 per cent in business turnover. This increase is a result of the larger tonnage carried by the cooperative van, the freight rates remaining the same or even being lowered. This is a considerable improvement which is enhanced by the fact that the new van is operated at lower costs.

C. Commodities and Customers.

The relative importance of the haulage of various commodities in the cooperative van's transport operation is shown in Table 8 below.

TABLE 8  
GROSS RECEIPTS FOR CARRYING VARIOUS  
COMMODITIES BY THE COOPERATIVE VAN  
JULY 1957 TO JUNE 1958

Commodities	Gross Receipts	Percentage of total
Fish	\$2,368.00	34
Rubber	1,861.00	27
Copra	965.00	14
Coconut	923.00	13
Fruit (durian)	395.00	5
Miscellaneous	519.00	7
<b>Total</b>	<b>\$7,031.00</b>	<b>100</b>

It can be seen from the above table that the most important commodity carried by the cooperative van in terms of freight charges was fish followed by rubber, copra, coconuts and fruit. The five commodities accounted for 83 per cent of the receipts derived from the van's transport operation. The miscellaneous items consisting mostly of "imported" goods formed only an insignificant 7 per cent of total receipts.

These facts indicate that the cooperative van depends on the producers of the above-mentioned five commodities to stay in business.

The ledger of the cooperative van shows that rubber farmers and dealers, copra-makers and fish-dealers (peraihs) are the principal customers of the van, and collectively provide, as mentioned above, 83 per cent of patronage.

TABLE 9

REGULAR CUSTOMERS OF THE COOPERATIVE VAN

Customers	Number
Plum-dealers (including cooperatives)	11
Rubber farmers and dealers	15
Copra-dealers	3
Shopskeepers	2
Total	31

D. Major Problems.

1. Inefficient Management of the Transport

Business: The cooperative van business is not operated as a separate undertaking. The van's accounts are intermingled with the general accounts of the cooperative, and as a result there are many accounting difficulties confronted by the cooperative.

From the gross receipts from freight charges, only the driver's salary, petrol, repair and replacement costs are set aside every month. The rest is regarded as a balance and entered as such in the cooperative cash-book.

TABLE 10

RECEIPT AND PAYMENT ACCOUNTS OF  
THE COOPERATIVE VAN  
JULY 1957 TO JUNE 1958

<b>Year and Month</b>	<b>Receipts</b>	<b>Payments</b>
<b>1957:</b> July.	\$333.00	\$235.00
Aug.	659.00	212.00
Sept.	743.00	292.00
Oct.	675.00	365.00
Nov.	591.00	346.00
Dec.	274.00	352.00
<b>1958:</b> Jan.	839.00	233.00
Feb.	510.00	186.00
Mar.	580.00	445.00
Apr.	690.00	301.00
May	679.00	306.00
Jun.	518.00	330.00
<b>Total</b>	<b>\$7,031.00</b>	<b>\$3,606.00</b>

The balance after the various running costs and the driver's salary had been paid amounted to \$3,427.00. The cooperative did not further deduct the standing charges in the form of:-

- a. Haulage permit fee
- b. Insurance
- c. Depreciation

The difficulty materialised when it came to paying the standing charges (a and b at least, since payments had to be made to another party) because the above-mentioned balance had been



spent on other activities. In June 1958, the van stopped operating for two weeks, there being no cash to pay the haulage permit and insurance fees. Adding to the difficulty, the Overseas Assurance Corporation threatened to take possession of the van, which was pledged to it as a security, because the cooperative was unable to pay the monthly instalments on the \$4,424.00 loan previously mentioned. R.I.D.A. and the Corporation were the creditors which caused a crisis in the financial position of the cooperative.

R.I.D.A., realizing the impossible position of the cooperative, lent it another \$1,700.00 loan in order to let it settle its whole debts to the Corporation at one payment, and also to pay the insurance and haulage permit fees which were in arrears. Thus the cooperative was indebted only to R.I.D.A. and the van was pledged to the Authority as a security.

The cooperative, which has incurred losses in its other business activities,<sup>1</sup> depends largely on the transport business to provide it with surpluses in order to settle its debts. This is too much to expect from the van operation, even though it has earned more than before.

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1. Inche Yahaya bin Haji Talib, A Comparative Study of Ten Cooperative Marketing Societies in Pasir, Pahang, an Academic Exercise Presented as Part of the Requirements for the Degree of Bachelor of Arts with Honours in Economics, Session 1958/59.

2. Competition and Rivalry.

Despite the fact that the cooperative van provides efficient transport services, there are present certain elements which are ready to break into the van's "monopoly". This is a normal economic process, though there are factors deterring competition. For example, one of the Chinese fish-dealers, who has given quite a substantial patronage to the cooperative van, has applied for a haulage permit to operate a van for his private use.

The Seberang Che' Let Cooperative does not want to make extensive use of the cooperative van because - not having developed any spirit of "kindredship for other cooperatives - it regards the Kempong Di-Pantai Cooperative as a business rival. That being the case, it believes that patronage of the van would help to strengthen its competitor. The cooperative van could benefit more if the Seberang Che' Let Cooperative patronised it for the haulage of all its fish sent to Kuantan, which are now mainly carried by two cyclists who are not even members of the said cooperative.

3. Future of the Cooperative Transport Business.

Despite rivalry and would-be competitors, it seems that in the foreseeable future it is unlikely that the customers of the cooperative van will shift their patronage to other transport operators because the freight rates charged by the van allow only a small

average profit, and new competitors will have to lower the rates in order to attract business. This they seem unlikely to be able to do without making the operation unprofitable.

In conclusion, if the cooperative van is run on a sound basis and its earnings are first deducted not only for running costs but also for standing charges before being turned over to the cooperative as balances, it will operate without difficulty.

