Ghazalah: Because every Tunisian deserves to travel in comfort

Business Plan for the Tufts 100K Competition

Shashank Pasrija, The Fletcher School
Ravi Kaneriya, The Fletcher School
Amogh Basavaraj, The Fletcher School
Laura Thompson, Harvard University
Dominick Tribone, MIT
Executive Summary

Brief introduction and description of the opportunity

We propose to offer a transportation solution in Tunis to help address the demand for additional public transportation options across the city and to do so at a price point that is competitive with low-cost public buses. We intend to provide an urban transport solution for commuters that provides a comfortable, secure ride at very competitive prices. Our idea is backed by our on the ground research, including focus groups and interacting with various stakeholders, which pointed to a gap in the transport market that we intend to bridge.

Company overview

’Ghazalah’ is envisoned as an auto rickshaw company that purchases and maintains a fleet of auto rickshaws in Tunis, Tunisia and rents them out to drivers who operate the vehicles and make profit on fares collected in excess of the rental fee and fuel expenses.

Service description

We would provide rickshaws that would ply routes that are frequented by working class Tunisians and are currently underserved by the existing bus and tram network. This We believe that consumers will be willing to accept rides which take slightly longer than cabs in exchange for more affordable fares. We also believe that issues of overcrowding and sexual harassment on public transportation, specifically for women, will be addressed making this service more appealing to Tunisian women who want to travel free of groping or rude comments by men on crowded buses and trams but cannot afford to pay regular taxi rates.

Industry overview

The Tunis public transport industry has a mix of public and private operations, with the publicly owned Société des transports de Tunis running the city bus network, tramways, and suburban rail services and private operators operating additional bus services and taxis. The public transportation agency alone serves more than 1.2 million trips each day. Entry to the capital intensive public transportation industry is not easy. However small transport services such as taxis find it comparably easier. National trends impact the industry more than international trends. In Tunisia, economic growth is expected to raise incomes. This may cause a shift from public to private transport but the equilibrium would swing back towards private transport in the face of increased traffic and road congestion. The auto rickshaws fall at the intersection of the two which provides the business an ideal atmosphere to grow. We are in the right place at the right time.

Marketplace and Target Market

The two primary determinants of transit mode choice are travel time and cost, with comfort and convenience as secondary factors. The proximity of a customer’s origin and destination to a route and the number of transfers required affects choice for buses and
Tramways. Publicly run buses and the metro are the cheapest alternative due to government subsidies, but suffer from over-crowding and longer travel times. Privately run buses are slightly more expensive and less crowded, but run less frequently and on fewer routes. Taxis, the most convenient option, are also the most expensive mode of public transport. They provide more comfortable and convenient point-to-point service. The price difference between the bus and tramway service and taxi service is significant, particularly for longer trips where transit fares rise slowly while taxi fares rise quickly.

**Competitive Advantage**

The business aims to establish a new submarket within the Tunis transport sector. The existing market has buses and taxis. Autorickshaws would be attractive to customers as they offer a half-way solution between these two: they reduce travel time compared to a bus for comfort and security which is comparable to a taxi, but at a lower price. Further, autorickshaws being smaller can navigate traffic and smaller streets better than a taxi, offering potential improvements upon taxi service. In future, however, competing companies which look to emulate our business may emerge. We plan to distinguish our service based on low price and a visible brand identity associated with quality.

**Business model and Summary of Financials**

The rickshaws, manufactured by Chinese and Indian exporters to Africa, will be purchased through Alibaba.com companies. Three local Tunisian employees will handle administrative, logistical and other operational tasks. The rickshaws would be rented out on a daily basis to two separate licensed drivers on shifts at the price of $9 for the right to drive for 9 hours. The drivers will be responsible for fuel expenses and can pocket any earnings in excess of the rental fee and fuel costs. Each vehicle will be assigned to a predetermined fixed route. They can take a maximum of 3 passengers. Passengers can hail a rickshaw and request to be dropped off at any point on the fixed route. Fares will be flat and will depend on the length of the route served.

This mode of transport which would be novel to Tunisia. It provide a profitable “common man’s taxi experience”. Based on our projection of the financials for the rickshaw business, the project appears to be highly profitable both for our company and for the drivers to whom we would rent the vehicles. We project Year 1 net income profitability at $28,030 (42.7% net income margin), achieving a 140% Return on Assets. Over a 5 year period we expect net income margin to grow to just shy of 50% and Return on Assets to grow to 157% as a result of economies of scale from the corporate labor force. Based on our projections, this is a very attractive and profitable opportunity for the company as well as the investors.

**Management**

Our management team is comprised of five students from Tufts University, Harvard University, and the Massachusetts Institute of Technology.
- Dominick Tribone, a Master in City Planning/Master of Science in Transportation (Dual Degree Candidate) from MIT, USA. His current research involves improving system performance for the MBTA rail and bus lines. His undergrad degree is in economics.

- Ravi Kaneriya is a Master of International Business student at The Fletcher School at Tufts University from the USA. Prior to Fletcher, Ravi worked as a management consultant with Business Training Systems in Manhattan. Subsequently, he worked for a year with the US State Department and AMIDEAST in Tunis, Tunisia, where he worked on public diplomacy and youth development initiatives.

- Shashank Pasrija is a Master of International Business student at The Fletcher School at Tufts University from India. Prior to starting at Fletcher, Shashank was an IT consultant for Tata Consulting. His undergraduate degree is in Computer Engineering.

- Amogh Basavaraj is a Master of Arts in Law and Diplomacy student at The Fletcher School at Tufts University. Amogh hails from India and worked as a lawyer at Clifford Chance LLP.

- Laura Thompson is a Master of Divinity Studies student at Harvard University, where she studies world religions. She is from the USA but has been living in Tunisia for the past 2 years. She is also pursuing a FLAS Arabic fellowship in Tunis.

**Offering**

The initial cost of setting up the business is estimated to be $35,000. This includes the cost of acquiring ten rickshaws at $2000 per vehicle and other start-up costs. The break-even period for the business is forecasted to be less than one year. The net present value of our future cash flows discounted at a conservative 15% cost of capital is approximately $616,000 at the end of five years. We expect to raise $20,000 of the initial cost by offering equity to venture capitalists and institutional investors, particularly Tunisian private investors by offloading 3.25% equity stake. We hope to raise the rest through prize money and services awarded as part of winning the competition.
Our business idea is a company called Ghazalah. Ghazalah is an auto rickshaw company that purchases and maintains a fleet of rickshaws in Tunis, Tunisia and rents them out to drivers who then operate the vehicles and make profit on fares collected in excess of the rental fee and fuel expenses. The primary objective of our business is to make profit by offering a transportation solution to Tunis to help address the demand for additional public transportation options across the city and to do so at a price point that is competitive with low-cost public buses. We hope to position the rickshaw as the ideal option for people who want the comfort and sense of security that comes with traveling in a taxi where they are free from the overcrowded conditions but don’t necessary want to pay as much as having a regular taxi. The rickshaws would thus be priced between the price of a yellow bus (cheapest option) and that of a taxi (higher end cost-wise). The rickshaws would be marketed as something of a “common man’s taxi”, and we expect that it would concentrate on routes that are more frequented by working class Tunisians and are currently underserved by the existing bus and tram network. The rickshaws would not be as fast as regular taxis, but we believe that consumers will be willing to accept longer rides, in exchange for lower fares that are more affordable based on their disposable income.

In addition to appealing to consumers who want a cheaper ride, we also believe that given issues of overcrowding and sexual harassment on public transportation, specifically for women, that this service will appeal especially to Tunisian women who want to travel free of groping or rude comments by men on crowded buses and trams but can’t afford to pay regular taxi rates to do so. We also believe that rickshaws are the most politically acceptable option in the Tunisian context. Initially, our team had been researching the possibility of launching a women-only bus service to address sexual harassment problems on buses. Similar models already exist in several other countries like Guatemala, Mexico, Indonesia, and Japan. However, due to fears from secularists that such a service would cater to extremist Islamist objectives of segregating women in public life and fears from moderate Islamic elites (who are currently in power) that supporting such a project would be polarizing for Tunisian society and be a public relations hazard for them, we have determined that adapting our approach towards launching a rickshaw company that would de facto help solve the dual problems of lack of transportation and sexual harassment would be more politically acceptable than launching a service that explicitly only allowed a certain segment of society to use it.

Our research on the ground in Tunis through a grant provided by the Institute for Business in the Global Context has led us to the conclusion that such a company would solve a pressing market need and would be very profitable. Furthermore, we believe the business is easily scalable, and we have encountered enthusiasm for such a solution in other countries in the Arab world, most of which currently do not have rickshaws. Therefore, we believe that the growth potential in this business is huge. Also, the business has the potential to create lots of new jobs in Tunisia and someday across the Arab world. As unemployment is a big problem in the Arab world, we believe this project helps to solve that problem. Finally, we have a strong team in place to execute this project. 2 of our team members have lived in Tunis and have an extensive network of contacts there. Another member has been there for research and has met many stakeholders at different layers of Tunisian society. We also have a technical expert in
public transportation from MIT and a member with a law background to help us navigate the legal dimensions of setting up this business.

Industry, Marketplace, and Competitor Analysis

The Tunis Public Transport Industry

The public transportation industry in Tunis consists of many modes of transportation that serve the transport needs of much of the population. The industry is a mix of public and private operations, with the publicly owned Société des transports de Tunis running the city bus network, tramways, and suburban rail services and private operators operating additional bus services and taxis. The industry provides a vital service that keeps the city operating, and is thus well established, and the public transportation agency alone serves more than 1.2 million trips each day. Public transportation, particularly bus and metro operations and taxis to a lesser degree, is a capital-intensive industry due to the costs of the vehicles. Thus entry to the industry is difficult and there are relatively few big players in the bus market. Public operations are supported by government subsidy, while private operations fill in where demand is great enough to overcome large fixed capital costs and yield a return. The taxi market is less capital intensive, and thus entry and exit are easier. Public transportation is inherently a local industry, so demand in the market is not very sensitive to international events, but is affected by national trends. Economic growth in Tunisia is expected to raise incomes, which is likely to increase car ownership rates, potentially decreasing demand for public transport in the long term. Conversely, the urbanization of Tunisia and urban congestion tend to increase demand for public transport.

The Market for Public Transport in Tunis

The urban public transport market serves to move people between places. Transport demand is derived from people's travel needs, and thus changes as origins and destination flows change. Each of the different modes listed above has inherent characteristics that affect its attractiveness to customers. In general, the two primary determinants of transit mode choice are travel time and cost, with comfort and convenience as secondary factors. Buses and the tramway run on predefined routes, so the proximity of a customer's origin and destination to a route and the number of transfers s/he will have to make will impact his/her travel time. Publicly run buses and the metro are the cheapest alternative due to their government subsidy, but suffer from overcrowding, which also leads to longer travel times. Privately run buses are slightly more expensive than their public counterparts, but run less frequently and on fewer routes. They tend to be less crowded, however. Taxis are the most expensive mode of public transport, but are also the most convenient. They provide more comfortable and convenient point-to-point service that is almost always faster than public transport as well. The price difference between the bus and tramway service and taxi service is significant, particularly for longer trips where transit fares rise slowly while taxi fares rise quickly. There is not an option for customers who would like to purchase slightly more comfort, convenience, and speed but not enough to pay taxi fare.
Competitors

As there isn’t any auto rickshaw service in Tunis, our company would be creating its own submarket at the outset. However, if the service is successful we expect that other auto rickshaw companies may emerge, potentially from current taxi drivers or individual entrepreneurs. Auto rickshaw service is a relatively uniform good, but we plan to distinguish our service based on excellent value for a low price and create a visible brand identity that customers can associate with this quality.

The existing taxi service is a direct competitor to the auto rickshaw, offering more comfortable service but at a higher price. We believe auto rickshaw service will attract current taxi customers who are willing to accept slightly less comfort for a lower fare. Modern auto rickshaws can travel with ranges similar to taxis, so an auto rickshaw can serve any taxi trip. Additionally, the smaller auto rickshaw vehicles can navigate traffic and smaller streets better than a taxi, offering potential improvements upon taxi service.

Bus and tramway service are indirect competitors to the auto rickshaw, providing a lower-price ride, but longer travel times and lower levels of comfort for many customers. We believe auto rickshaws could attract a significant number of bus and tram passengers who are willing to pay for a more convenient and comfortable service, but not enough to pay for a taxi. Auto rickshaws directly serve a practically unlimited set of origin-destination pairs, while buses and trams require most passengers to walk to and from the service. Rickshaws will compete most effectively for mid distance trips of 3-10 kilometers where the time savings over taking public transportation are more significant than the difference in price. The vehicles will also compete for trips where passengers have parcels, which can be unwieldy on a bus or tram but are easily handled in an auto rickshaw.

Marketing Plan

Our product will address the following challenges in Tunisia:

- Provide an alternate means of transportation in an under-serviced sector.
- Address the issue of harassment of vulnerable sections of the society like women, elderly and handicapped face while using public transportation.
- Create jobs for local Tunisians.
- Identify and address inefficiencies in the public transportation system.

In order to understand and formulate our strategy and identify the needs of our end users, we used the following tools:

- Conduct focus groups across various demographics. These sessions were used to glean information about the issues faced during commuting and to gauge reactions about our proposed service.
- Engaging with key institutions ranging from various political and government institutions, NGOs and investors. These interviews were used to solicit feedback.
on the idea as well as understand the macro-economic and investment environment in Tunisia.

- Interact with local commuters and people associated with the public transportation industry to better understand the industry and identify areas of improvement.

Using the inputs received from each of these methodologies we fine-tuned our offering.

We will begin operations in Tunis, which is the capital of Tunisia and the largest city in the country. It has a population of over two million people and a public transportation system that suffers from acute structural challenges in terms of frequency, coverage, reliability and revenue leakage. A large part of the population is dependent on this system for their commuting needs thus offering excellent expansion opportunities.

Our service will target those section of commuters who seek a safer, dependable and more convenient means of public transportation at a slight premium to public buses but deep discounts to cabs. While our direct customers would be the drivers who lease the vehicles from us on a daily basis, the end user of our service would be the commuters.

Our marketing plan is centered around the commuters as we believe that sufficient demand for our tuk-tuk service will automatically lead to demand from drivers willing to lease from us. This assertion is further bolstered by the high profit margins that the drivers are likely to earn, as indicated in our financial projections later, making it an attractive proposition for them.

At present auto-rickshaws do not exist in Tunisia. Thus we will have the first mover advantage as we introduce a new vehicle and a business model that has been tried and tested in other countries across the world that have similar public transportation environment.

As discussed in greater detail in the operations section, we will follow a leasing model in which we will lease out the vehicles at a fixed daily charge to eligible drivers. This will guarantee a constant revenue stream for our business. The auto-rickshaws will ply of a fixed route and will charge a fixed amount from each commuter, similar to a bus. Depending on the route, this price will be at a 20-30% mark-up to the yellow public buses. This will put our prices at par with the rates charged by private buses and at deep discounts to a cab. Considering the significant demand for private buses in Tunis we believe our price point represents a suitable entry point. Commuters will be able to enjoy a comfortable and hassle-free experience at the same price point, representing a very unique value proposition. Also because our services would be modeled on the line of a buses, there would be no switching costs for the consumers, providing a greater incentive for them.

Auto-rickshaws represent a new market in Tunisia. However, they will compete with buses and to some extent cabs for potential customers. In our analysis, we do not see a significant threat from these competitors. The rationale is as follows:

1) Buses: Public buses are highly subsidized by the government in Tunis. They are also over-utilized and suffer from acute overcrowding, especially during peak hours.
Thus we do not see them as taking any adverse steps, either in terms of pricing or restructuring, in response to our venture. Furthermore, the Ministry of Transportation has expressed interest in our proposal and should government support come through it will represent an attractive opportunity to cooperate as opposed to compete to alleviate the problems faced by Tunisians.

2) Cabs: Cabs provide door to door metered service which differentiates them from our offering which will be fixed route, fixed price. However, cabs have a significantly higher price point compared to our service. While this may cause some of their customers to switch to our service, we see enough service differentiation here for the two services to co-exist.

3) Louages: Louages are shared mini-vans that operate on fixed routes at a fixed cost. These vehicles follow a similar business model as ours. However, they are much bigger in size, seating up to 8 people, and often operate on inter-city routes. Variable route selection will ensure that we service different markets than the Louages.

4) Overall we see enough growth potential in this industry to ensure that not only will our service be profitable, it will also preclude the incentives for threats from competitor in the initial stages.

**Promotion strategy**

We envision using a number of different channels to promote our offering, as follows:

1) Media: We hope to engage different mediums like television, radio, press as well as online channels to promote our service. During our research trip we were invited on Tunisian National Radio to talk about our proposal and we have made arrangements for a follow-up interview at the time of launching our service. This will be one of the many ways we will promote our service. We will also use our existing contacts and part of our budget for promotional activities.

2) Corporations and NGOs: We will tie-up with various NGOs and corporations to promote our idea offering them the opportunity to advertise on our vehicles in return. The advertisement can also serve as a potential source of additional revenue, as needed.

3) Vehicle: Our biggest promotional source will be the product itself. As auto-rickshaws don’t exist in Tunisia, the new vehicles will help create a buzz around our service. We intend to use well-design and tastefully decorated vehicle that offer excellent service to create a strong brand name.
Operations Plan

The two general components of executing this business plan are purchasing, day-to-day operations.

On the purchasing side, we would be purchasing the rickshaws through Alibaba.com. The rickshaws are manufactured by established Chinese and Indian companies who regularly export their rickshaws to markets in Africa and are thus able to arrange for the delivery of the vehicles to Tunisia. The vehicles would be delivered by cargo ships that would unload the vehicles at the port of Tunis. From there, the vehicles would either be driven or transported by local trucking companies to the selected garage at Bab Alioua in Tunis from where the initial business would be based.

In terms of day-to-day operations, we have budgeted for the hiring of three local Tunisian employees in our first year of operation to handle administrative, logistical, and other operational tasks. The rickshaws would be housed at a taxi and bus garage in Bab Alioua. These rickshaws would be rented on a daily basis to licensed drivers at the price of $9 for the right to drive for 9 hours; the drivers who drive the vehicles will be responsible for fuel expenses as well and can pocket any earnings in excess of the rental fee and fuel costs. Each vehicle will be assigned to a fixed route. It will go back and forth on that route and pick up and drop off passengers until it is full. The rickshaw will take a maximum of 3 passengers who can hail the rickshaw at any point on the road and request to be dropped off at any point on the fixed route. Fares will be flat rate and will depend on the length of the route served. We have identified the following routes for initial launch:

<table>
<thead>
<tr>
<th>Routes #</th>
<th>Route</th>
<th># Rickshaws</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Downtown Tunis to Marsa</td>
<td>4</td>
</tr>
<tr>
<td>2</td>
<td>Tadhamen City to Downtown Tunis</td>
<td>4</td>
</tr>
<tr>
<td>3</td>
<td>Bardo to Downtown Tunis</td>
<td>2</td>
</tr>
</tbody>
</table>

The rickshaws would be taken from the garage at the beginning and end of each driver's shift. Each vehicle will be rented out to 2 separate drivers each day with the first shift from 6AM-3PM and the second shift from 3PM-12AM. The company staff will be responsible for keeping track of who has the vehicles and for signing them in and out. Drivers will have to wear company uniforms during their shifts and will be trained on customer service and proper standards of conduct. Phone numbers will be posted on each rickshaw that customers can call to provide any complements or concerns about vehicle drivers or general service feedback. Also, each driver will have to leave an additional security deposit that will be returned in full each day, assuming the rickshaw is returned in good condition. The 2 corporate staff will be in charge of managing this process of renting out vehicles, collecting and depositing revenues, tracking who is operating them, checking vehicle condition, and other operational needs as they arise. These 2 staff will also be charged with handling any maintenance that needs to be done and also to reaching out to local businesses and civil society organizations to sell advertisements of public announcements to be featured on the rickshaws. For maintenance, maintenance staff are located near the major garages and for more
advanced repairs, local Tunisian staff would be tasked with finding the appropriate repair locations. Rickshaws are fairly simple mechanically, and we therefore expect that maintenance facilities that currently deal with buses and taxis would be able to handle rickshaws as well.

To see forecasted operational expenses, please refer to the Financial Plan section of this business plan.

Through this operational model, we aim to provide a “common man's taxi experience”. Our service will not be a luxury service, and it will be no frills. It will cater to lower and middle income consumers who desire the security, convenience, and privacy of a taxi ride but don’t want to pay a lot for a regular taxi. We hope to offer a riding experience that will be somewhere between that of a public bus and a taxi in terms of both cost and quality. By offering low-cost rickshaws into the Tunisian market, we believe that we can compete successfully on price. We also believe that our model of renting out the rickshaws to licensed drivers also allows us to keep our cost structure low by essentially reducing the need for our business to be involved in the time-consuming and costly business of determining which routes to drive and investing in training and salaries of rickshaw drivers to try to ensure a consistent customer experience. It also reduces the need for our business to bear the brunt of fuel expenses, and it incentivizes drivers to use their own knowledge of the local market and transportation corridors and to offer service to those routes, thereby improving efficiencies and fulfilling unmet needs in the transportation sector at minimal cost to our business.

**Development Plan**

**Development strategy**

The business believes it can capture gap that exists in the Tunis transport market between buses which are not too expensive, but not very convenient either and taxis which are very expensive though convenient. Our research and analysis has indicated that the introduction of the service even if only with a few rickshaws along fixed routes would be warmly received by commuters. We believe that we can capture this niche by moving into the market first. Developing close and meaningful relationships with local partners would give us a strong ties to the Tunis community. We plan to build on this to create a positive brand image where the business is committed to making our auto rickshaws a safe and enjoyable experience for commuters. The profitability of the venture and the goodwill earned would enable to expand our network to other parts of Tunis, Tunisia and the middle-eastern region in the medium to long term.

**Development timeline (milestones)**

- **Launch**: We plan to launch the business with the first set of auto rickshaws after completing the preparatory work in terms of obtaining required permissions and licences, purchasing and importing the auto rickshaws and identifying a set of suitable franchisees.
- **First year**: We expect to break even within the first year with a projected Year 1 net income profitability of $20,890 (33.2% net income margin), and a 104% Return on Assets.

- **Fifth year**: Additional plans for next generation products and services include rent to own options for our drivers. Introduction of the company's next generation product and services is expected to be within 12 months.

- **Long term plan**: In the long term, the plan is to expand beyond Tunis to the rest of Tunisia and then to other suitable countries in the middle-eastern region.

**Development expenses**

- Procuring and importing auto rickshaws will be the most important initial expenditure. This would be repeated as we look to expand the existing fleet in the medium to long term.

- Training and business development: Training drivers and creating a brand for the entire set of rickshaws would incur ongoing expenditure. As we expand greater coordination in training as well as branding would be required to portray a common network.

**Management**

Our management team is comprised of 5 team members who have helped to develop the business plan for this project. Our team includes 5 students from Tufts University, Harvard University, and the Massachusetts Institute of Technology. Our team is strong and each person brings a specific skill set and expertise that will contribute to the successful execution of our project. Below is an overview of the backgrounds of our team:

- **Dominick Tribone** is a Master in City Planning/Master of Science in Transportation Dual Degree Candidate from MIT, USA. He is fundamentally interested in improving public transportation in cities to better serve the city and its residents. His current research involves improving system performance for the MBTA rail and bus lines, giving him technical experience in public transportation system planning. His undergrad degree is in economics.

- **Ravi Kaneriya** is a Master of International Business student at The Fletcher School at Tufts University from the USA. He is concentrating on Strategic Management and Development Economics with a focus on business in the Islamic world. Prior to Fletcher, Ravi worked as a management consultant with Business Training Systems in Manhattan. Subsequently, he worked for a year with the US State Department and AMIDEAST in Tunis, Tunisia, where he worked on public diplomacy and youth development initiatives. Ravi lived through the Tunisian Revolution of January 14 and is passionate about economic development and entrepreneurship in the Arab world.

- **Shashank Pasrija** is a Master of International Business student at The Fletcher School at Tufts University from India. Prior to starting at Fletcher, Shashank was
an IT consultant for Tata Consulting. Shashank is deeply interested in entrepreneurship and private sector development in emerging markets.

- Amogh Basavaraj is a Master of Arts in Law and Diplomacy student at The Fletcher School at Tufts University. Amogh hails from India where he studied law. He worked as a lawyer for a few years at Clifford Chance LLP in London and Prague. Thereafter, Amogh helped to set up a BPO in rural India. Amogh is interested in issues of economic development in emerging markets.

- Laura Thompson is a Master of Divinity Studies student at Harvard University, where she studies world religions. She is originally from the USA but has been living in Tunisia for the past 2 years as a FLAS Arabic student. Laura is intimately familiar with Tunisian society and speaks fluent French and Arabic.

Each of the team members will obtain an equity stake in the company as their compensation. The day-to-day operations of the company will be managed by local Tunisian who would be recruited based on requirements.

**Critical Risks**

**Socio-Political risks**

At the macroscopic level, the social and political situation in Tunisia is currently stable. However a number of crucial changes are expected over the next few months. An interim government is in place at least till October 2012 at which point it is anticipated that a new constitution which is being drafted will be brought into effect. It is expected that the interim government will be replaced by a democratically elected government once elections are conducted in accordance with the new constitution. The transitory phase in the model of government and the likely changes in the personnel at the helm of affairs would be expected to create an environment which is more conducive to entrepreneurship and business. However, it is important to protect the business in the unexpected event of an unstable or unfavourable environment. This can be achieved by reaching out to all sections of the society and building relationships across the political spectrum.

** Strikes**

Further, strikes are a very common feature in the current environment particularly in Tunis, where the business will be launched. There is a movement within the labour force towards increased unionization with demands which commonly include better conditions of work and higher wages. However, the business is well placed to minimise any risks arising from such issues as it plans to adopt a franchising model where the drivers are not employees of the business. They operate independently with the support of the business.

**Market interest and growth potential**
Our research has indicated that the market interest and scope for growth is high as the business offers a new mode of transport which fills a gap that currently exists. However, there might be a point where interest wanes and growth slows down due to a number of factors such as other convenient methods of transport being offered or road congestion. The business plans to guard against this by being prepared to expand beyond Tunis to all parts of Tunisia and later on to other countries in the middle-east.

**Time and cost of development**

Developing the business is time consuming and will require considerable time and expense as it entails importing a fleet of rickshaws and hiring trustworthy and reliable personnel to implement the plan. The plan hence takes a long term view where our steps are sure even if slow and gradual. We intend to develop deep roots in the Tunisian society with the help of local partners.

**Operating expenses**

Operating expenses can go up depending on the market situation. To deal with the risk arising from fluctuating expenses, we have budgeted cautiously for operating expenses such as fuel, maintenance (including repairs), garaging costs and insurance.

**Availability and timing of financing**

It is important that the business is supported by adequate financing for its launch. However, the business plan enjoys flexibility in terms of timing as well as size. While entering the market as soon as possible would be desirable, there is no urgency and a calculated and well-planned approach to the Tunisian market can be made backed by adequate financing. Further, the project can be scaled down depending on the resources that are available.

**Competitor retaliation**

The existing competition consists of buses and taxis. It is unlikely that there would be any significant competitor retaliation against a rickshaw service as it slots within a gap in the transport market between the buses and taxis and fills a gap. The rickshaw service is not intended to compete directly with the taxi service as it operates along bus routes. Further as the business starts with a limited number of rickshaws, the impact on existing competition is negligible.

However, there is a real possibility of new services which ape our business plan once they see the rickshaws operating as barriers to entry are not significant. The first movers’ advantage protects us to a considerable extent. It would enable us to expand quickly while potential competitors are still studying and understanding the dynamics of the industry. Further, the business will formulate a branding strategy which will be difficult to emulate for newer players. We would also consider diversifying to other routes as well as modes of transport to avoid having all our eggs in one basket as we
already have the required market research and local partnerships that would enable us to do so with ease.

**Legal and Regulatory Risks**

As the business is introducing an innovation to the urban transport system of Tunis as well as the Tunisian people, we expect lacunae in the legal and regulatory systems. These lacunae could operate as hurdles in the path of the business unless carefully negotiated. Importing rickshaws from China cost-effectively could prove a challenge. In addition, obtaining permits, licenses and any meeting certification requirements for the business itself, for operating a public transport system and individual drivers will require persistent and patient interfacing with the Tunisian bureaucracy.

**Offering**

The initial cost of setting up the business is estimated to be $35,000. This includes the cost of acquiring ten rickshaws at $2000 per vehicle as well as initial start-up and marketing costs. However, this figure does not include the operating expenses for year 1 which will be offset by the revenue generated in that period.

Based on our projections the break-even period for the business is under an year. Thus the business would become sustainable with-in first year of operation, making it an attractive proposition.

The start-up funding for this venture is expected to be raised from two sources:

1) Prize money and services awarded as part of winning the competition.
2) Money raised by offering equity stake to venture capitalists and institutional investors.

As this is a new service that does not currently exist in Tunisia, the ownership structure will be subject to legal restrictions mandated by the Tunisian government.

We estimate raising approximately $20,000 through Tunisian private investors using equity offerings in our company. The net present value of our future cash flows discounted at a conservative 15% cost of capital is approximately $616,000. Thus we will target to offload 3.25% equity stake based on the valuation of our company to raise the additional capital.
Financial Plan

Based on our projection of the financials for the rickshaw business, the project appears to be highly profitable both for our company and for the drivers to whom we would rent the vehicles. We project Year 1 net income profitability at $20,890 (33.2% profit margin), achieving a 104% Return on Assets. Over a 5 year period we expect net income margin to grow to 41% and Return on Assets to grow to 129% as a result of economies of scale from the corporate labor force. Our projections are based on only 1 revenue stream, which will be the rental fees charged to drivers. However, we also expect that we may be able to sell advertising space on the rickshaws, which would be another revenue stream albeit a much smaller one.

Below is a projection of our income statement and a few other metrics over a 5 year period:

<table>
<thead>
<tr>
<th>Company Financials</th>
<th>Y1</th>
<th>Y2</th>
<th>Y3</th>
<th>Y4</th>
<th>Y5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>63000</td>
<td>126000</td>
<td>289800</td>
<td>674100</td>
<td>1549800</td>
</tr>
<tr>
<td>Depreciation</td>
<td>2857.14286</td>
<td>5714.285714</td>
<td>13142.86</td>
<td>30571.43</td>
<td>70285.71</td>
</tr>
<tr>
<td>Maintenance</td>
<td>1300</td>
<td>2600</td>
<td>7360</td>
<td>19260</td>
<td>49200</td>
</tr>
<tr>
<td>Insurance</td>
<td>4000</td>
<td>8000</td>
<td>18400</td>
<td>42800</td>
<td>98400</td>
</tr>
<tr>
<td>Labor</td>
<td>15000</td>
<td>15000</td>
<td>30000</td>
<td>75000</td>
<td>175000</td>
</tr>
<tr>
<td>Garaging</td>
<td>10000</td>
<td>20000</td>
<td>46000</td>
<td>107000</td>
<td>246000</td>
</tr>
<tr>
<td>EBIT ($)</td>
<td>29842.8571</td>
<td>74685.71429</td>
<td>174897.1</td>
<td>399468.6</td>
<td>910914.3</td>
</tr>
<tr>
<td>Tax</td>
<td>8952.85714</td>
<td>22405.71429</td>
<td>52469.14</td>
<td>119840.6</td>
<td>273274.3</td>
</tr>
<tr>
<td>Net Income ($)</td>
<td>20890</td>
<td>52280</td>
<td>122428</td>
<td>279628</td>
<td>637640</td>
</tr>
<tr>
<td>Net Income (TD)</td>
<td>29246</td>
<td>73192</td>
<td>171399.2</td>
<td>391479.2</td>
<td>892696</td>
</tr>
<tr>
<td>Profit Margin</td>
<td>33.2%</td>
<td>41.5%</td>
<td>42.2%</td>
<td>41.5%</td>
<td>41.1%</td>
</tr>
<tr>
<td>ROA</td>
<td>1.0445</td>
<td>1.307</td>
<td>1.330739</td>
<td>1.306673</td>
<td>1.296016</td>
</tr>
</tbody>
</table>

The projections above are based on the following assumptions:

- Cost per rickshaw (including export/import tax and shipping) = $2000/rickshaw
- Initial purchase of 10 rickshaw units
- All profits from the business are reinvested into the business to buy additional rickshaws for use in the subsequent year
- Rickshaws are rented in two 9-hour shifts per day at price of $9/shift
- Maintenance cost per rickshaw is assumed to be $130 in the first year and rises as the rickshaw nears the end of its useful life
- Useful life of rickshaw is estimated at 7 years
- Insurance costs are estimated at $400 per rickshaw
- Fuel costs per rickshaw per year are estimated at $1,800
- Garaging costs per rickshaw per year are estimated at $1,000
- Corporate Tax rate = 30%
- Salary per employee = $5,000
- Number of employees will be 3, 3, 6, 15, and 35 in Year 1, 2, 3, 4, and 5 respectively
Vehicles will be in operation for 350 days a year.

We also forecast that this business will be profitable for the drivers themselves. Below is a projection of what we expect the average driver to make:

<table>
<thead>
<tr>
<th>Driver Financials</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
</tr>
<tr>
<td>Rental Cost</td>
</tr>
<tr>
<td>Fuel</td>
</tr>
<tr>
<td><strong>Profit ($)</strong></td>
</tr>
<tr>
<td><strong>Profit (TD)</strong></td>
</tr>
<tr>
<td>Profit Margin</td>
</tr>
</tbody>
</table>

The above projections are based on the following assumptions:

- 22 rides over a 9-hour period
- Average of 2.5 out of 3 seats filled for each ride
- Average price of ride person person of .6TD
- An individual driver drives rickshaw 275 days per year

As a result, our business is profitable for both our company and the drivers we rent the rickshaws to. We believe that the project fills a demand that is currently not being met, and based on projections, this is a very attractive and profitable opportunity for investors that promises high returns over a short period of time.