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Assessing the Viability Performance of the Enugu State Transport Company (ENTRACO), Enugu

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ABSTRACT

ENTRACO, the Enugu State - owned mass transit company was established over two decades ago, and its impact on alleviating the transport problems of the commuters in the state have not been fully evaluated. This study was aimed at assessing the viability performance of the Enugu State Transport Company (ENTRACO). Data for the study was collected through secondary sources. Cost-Benefit- Analysis (CBA) and Profitability Ratio (PR) were used to preliminarily analyze the viability of the company. Total income generation, total operation costs and the number of buses available were the explanatory variables used in the study. Multiple Linear Regression model was used to determine whether there were relationships between ENTRACO's Net profit and total income, number of buses and its operational cost or not. The study revealed that the viability performance of ENTRACO was presently unsatisfactory. However, Continuous monitoring of ENTRACO's operational performance and adequate funding as well as close supervision of the funds to avoid diversion of the funds to unauthorized projects were among the recommendations made to improve the performances of the company

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1. INTRODUCTION

Urban mobility has been identified as one of the most serious problems facing urban residents of the developing world. This is due to the fact that the demand for transport is ever increasing and outstripping vehicle supply

considerably. Urban transport system in Nigeria over the past decade has been characterized by inadequate and inefficient public transport, long waiting time, high cost of intra-city mobility and preponderance of the use of motorcycles as a mode of urban passenger transport

among others. Various cities of the developing countries are faced with transport problems, which are manifesting in various forms such as shortage of vehicles, bad roads and traffic congestion, which are common features in cities like Lagos, Ibadan, Enugu and others. Among the problems mentioned above is the shortage of private and public transport vehicles. This has caused a serious crisis situation in the transport sector in Nigeria since the last two decades (Adasanya, 1995). This is also not unconnected with economic recession being witnessed in the country coupled with the introduction of Structural Adjustment Programme (SAP) in 1986.

Ubani (2003) posited that the Nigerian private transport operators have found it increasingly difficult to maintain and adequately manage their fleet of mini buses and taxis. The scope of fleet expansion is seriously constrained by exorbitant cost of vehicles spare parts and high vehicles operating expenses. The situation is worsened by the alarming rate at which urban centers increase. Urbanization rate rose in the last two decades from about 3 % to 8% per annum while the level of motorization decreased from 6.4 to 3.4 vehicles per thousand populations (Ogunsanya, 1998). It was in the face of this crisis level that the Federal Government in 1988 introduced the Mass Transit Programme. Various state governments at this instance introduced their state Transport companies. Over time, some states' transport companies have been facing losses while others have not only solved the transport problem of the state residents but had continually

generated enough funds to the coffers of their state government.

This study was primarily concerned with assessing the viability performance of the Enugu State Transport Company (ENTRACO), with a view to realizing an efficient mass transport system in the state. Hence it identifies the relationship between the company's net profit and its total income, operational costs and the number of buses in the company.

2. Literature Review

The much written about mass transit has a lot of inadequacies. The major inadequacies lie in information on the quantification and substance of empirical studies. In considering the necessity for mass transit priorities, Okpala (1977) stated that if the mass transit level of service is improved sufficiently enough and the car user is taxed heavily enough, many car users will abandon their cars at home and use the urban mass transit made for transportation. Ogbazi (1992) stressed that mass transit is an alternative and a supplement to private automobile transport. She concluded that being a system in which greater numbers of people are moved together along principal corridors, it grossly alleviate the suffering of commuters. Ani (1996) in his study attempted a research on the impact of government-assisted urban mass transit programme in Enugu State. He concluded that the contribution of ENTRACO to the economic development in Enugu State is commendable, and that ENTRACO has an effective and efficient management. In the economic sense, the high inflation rate

in the country has left little negative mark in the nation's transport sector. Inflation rate rose from 7.4% in 1990 to 52% in 1995 while the real GDP rate declined from 8.3 to 1.3 during the same period. Bolade (1992) states that high inflation rate has serious implications for the urban mass transport policy programme because the revolving loans available for acquiring buses by state transport companies can no longer buy the buses when the loans are recovered. Hence limited number of buses would be purchased.

On the viability of most state transport companies, Ogunsanya (1998) stated that the management of most of them has been deplorable. He attributed this to excessive intervention of the state administrators who frequently change the chief executives of the transport company, dictating of routes and fares without resort to economic principles, use of buses without payment, and use of civil service administrative approach in a business venture, to mention but few. The above mentioned reasons among others have been the rods that have been striking at the economic life of most of these companies, there by leaving them unviable.

3. Methodology

Data for this study were secondary data collected from several sources. These include the Enugu State Transport Company Limited, proceedings of seminars on the mass-transit programme in Nigeria as well as data from the Federal Office of Statistics, Enugu and Lagos. Data on the company's total income, operational cost (expenditure), number of

buses were collected from the Planning Research & Statistics of ENTRACO, (2006); again data on the nation's inflation rate were got from Federal office of statistics Lagos, 2006 and all these data spanned from 1989-2005

Cost-Benefit Analysis (CBA) and Profitability Ratio (PR) were used to preliminarily analyze the viability of the company. The CBA considers an enterprise viable once the $(B-C > 0)$ i.e. Total Income minus Operational Cost must be greater than zero. The PR, which has profit margin as its indicator helps to know whether a viable company is declining or improving in its level of efficiency. Its mathematical notation is expressed as follows:

$$\text{Profit margin} = \frac{\text{Net Profit}}{\text{Total Income}} \text{-----Equation 1}$$

Moreover, the Multiple Linear Regression (MLR) technique was finally used in the analysis to actually achieve an in-depth statistical analysis of the relationships hypothesized in this investigation. Generally, the mathematical equation for MLR is $Y = a + b_1X_1 + b_2X_2 + b_3X_3 + e$.

$$\text{-----Equation 2}$$

Where Y is the dependent variable and X the independent variables.

In this study, the MLR equation is:

$$NP = a + b_1TI + b_2OC + b_3B + e \text{.....Equation 3}$$

Where NP is dependent variable (ENTRACO's Net profit)

a = constant of regression equation

$b_1...b_3$ = Regression coefficient

TI = Total income

OC = Operational cost

B = Number of Buses
 e = standard error

4. Data Presentation Analysis and Findings

In other to empirically assess the viability performance of ENTRACO, data on income, operational cost (expenditure), number of buses and nation’s inflation rate were collected. According to Mba

(1989) a key determinant of the performance of the company is its stock of buses for mass transit operations.

The available data on the above mentioned parameters were obtained from the management of ENTRACO for the evaluation while the net profit was deduced from the given data. Table 1 below shows the viability data of ENTRACO

Table I: Viability Data of ENTRACO

YEAR	TOTAL INCOME (N)	OPERATIONAL COST (N)	NO OF BUSES	INFLATION RATE
1989	28,700,000	19,961,318.87	49	40.9
1990	25,500,000	22,814,917.21	50	7.5
1991	26,300,000	24,916,411.39	53	5.9
1992	31,400,000	28,819,301.60	68	46
1993	36,250,000	18,152,421.69	68	57.2
1994	42,030,000	35,977,963.05	58	57
1995	39,805,800	36,616,963.50	58	72.8
1996	21,600,000	15,478,716.14	32	29.3
1997	18,300,000	17,172,317.10	32	8.3
1998	20,674,980	18,987,675.12	40	10.8
1999	23,700,098	16,897,543.90	45	54.1
2000	43,786,900	34,897,654.32	67	32.6
2001	67,897,000	55,908,876.32	66	7.9
2002	56,980,430	33,232,651.00	78	6.9
2003	67,432,897	45,897,345.78	70	23.0
2004	87,908,400	67,765,090.90	70	34.9
2005	56,770,322	34,987,092.67	86	19.8

Source: Planning Research & Statistics of ENTRACO 2006, Federal Office of Statistics, Lagos (for the inflation rate), Eze (2000)

In other to achieve a meaningful and uniform evaluation, the given inflation rate was used to index (deflate)

the amount of money above into a common base year of 1989. Table 2 below shows the indexed value

Table 2: Indexed amount of money

YEAR	TOTAL INCOME (N)	OPERATIONAL COST (N)	Net Profit (N)	Profit margin
1989	28,700,000.00	19,961,318.57	8,738,618.43	0.30
1990	24,081,822.41	21,223,178.80	2,858,643.61	0.12
1991	23,102,092.80	21,886,739.48	1,215,353.32	0.15
1992	18,891,751.75	17,339,084.85	1,552,672.90	0.08
1993	13,854,751.75	6,947,439.12	6,907,312.63	0.50
1994	10,245,895.35	8,770,555.12	1,475,339.93	0.14
1995	5,615,448.08	5,165,699.21	449,748.87	0.08
1996	2,356,687.58	1,688,819.36	667,868.22	0.28.
1997	1,843,617.81	1,730,010.37	113,607.44	0.06
1998	3,675,453.78	2,554,987.54	1,120,466.24	0.30
1999	2,564,908.09	1,645,985.09	918,923.00	0.36
2000	2,223,098.19	1,453,987.90	769,110.21	0.35
2001	1,982,098.23	908,987.54	1,073,110.79	0.54
2002	1,343,098.56	897,098.87	445,999.69	0.33
2003	1,769,987.09	877,898.98	892,088.02	0.50
2004	1,098,675.31	756,098.05	342,577.25	0.31
2005	4,987,908.87	3,987,997.09	999,911.78	0.20

Source: Field Survey, 2010

The Cost Benefit Analysis shows that the company remains viable since the difference between the total income and operational cost is positive and greater than zero for the entire period of study. In any case, the income generation and the net profit are continually facing critical decline as shown in the tables. While the income generation in 1989 stood at above N28 million, it dropped to about N1.8 in 1997, however, it increased to N4.9million in 2005. Again the net profit in 1989 was as high as N8.7 million and less than N120, 000 in 1997. Again, when compared to the figure in 2005 (N999,911) which was below one million naira, one is bound to ask questions as to what might be the situation in the nearest future.

Again, the profitability ratio (profit margin) gave other facts concerning the efficiency of the company's operation. Recall that the profit margin which helps to know whether a viable company is declining or improving in its level of efficiency was got equation 1

Values from Table 2 shows that the company performed best in 2001 (0.54) followed by 1993 and 2003 (0.50). The worst experiences were in 1990 (0.12), 1995 (0.08) and 1997 (0.06). One could assert that the creation of new states in 1991 and 1996, which ultimately resulted in the trimming down of the staff strength and closing down of some less viable routes, had some attribute in the poor financial performance of the company. Generally, the company has shown

evidences of viability over time, but it is obvious that checks should be put in place to maintain as well as sustain this state of viability.

On further analysis, the result of the Multiple Linear Regression statistical tool used to test the hypothesis of this investigation confirmed that a strong significant relationship exists between declining net profit (dependent variable) of ENTRACO and its total income generation, total operational cost and number of buses available (independent variables). ($R^2 = 0.988$; adjusted $R^2 = 0.9734$; F-cal 953.53; P-sig = 0.0456 ($p < 0.05$ significance level)). This implies a very strong relationship between the net profit and other variables (income, number of bus and operational cost)

In other to evaluate the individual contribution of the independent variables to the relationship, the partial correlation ratio (Beta) also known as standard coefficient of the model was applied. The Beta indicates that the number of buses available contributed most to the declining net profit (4.455), followed by total income generation (3.2456) and finally the operational cost (-2.750), which is adversely affecting the net profit.

Policy Implications/ Recommendation

There is no doubt that transportation plays a vital role in the development of any area whether at local, urban, regional, national or international level. The assessment of ENTRACO's current performance may be looked at as an exercise in futility because of its abysmal degeneration and widely evidenced poor service delivery. From the above analysis, one would conclusively

infer that finance plays an important role in the operation of this company. Finance as it affects organizational performance is always pathetic especially when its inadequacy or management frustrates goal realization. Most organizations liquidate because of frequent cases of poor financial management while many more wither away because of dearth of finance to keep afloat (Okibe, 2001). The study revealed that there was a continuous decline in the financial support to the company. This singular factor has much negative multiplier effect on the performance of the company; these include the inability of the company to procure new buses and difficulty in the maintenance of the available ones and other dilapidated facilities. Such site is common in ENTRACO. Okibe (2001), asserted that much money has been lost in some state transport companies annually through forged tickets, frequent replacement of spare parts and its pilferage and several unaccounted passenger/goods loaded and off-loaded along highways. The general effect of this is abandonment of the transit buses on mere account of unavailability of funds. Hence, this assertion may not be generally true, but must not be swept under the carpet

In addition, another obstacle faced by mass transit operators as seen from the study relates to the unavailability of vehicles and spare-parts for maintenance. Government, recognizing the importance of transport to the nation, should create an enabling environment on the short run for vehicle Assembly plants in Nigeria to produce on large scale, mass

transit vehicles and their spare parts. Companies like PAN, ANAMMACO and NIGER MOTORS should be strengthened in order for them to produce more vehicles. This is important because of the fact that the rapid rise in the cost of production of vehicles or its spare parts has been greatly alarming. With this cost, there is no way ENTRACO's annual revenue that is on the average of less than one million naira per month can meet up with its costs. What this implies is that ENTRACO suffers from financial problems hence its inability to keep abreast with the challenges of urban transport crisis in Enugu State and beyond. In the long run, government should aim at a high level of sufficiency in technology to produce its own vehicles and spare parts, and depend less on CKD from the plant assemblies.

Again, the variety of the buses being recommended should be essential as a strategy for controlling the effect of acute fuel scarcity frequently experienced in the country. Furthermore the recent infusion of the private sector into this service delivery is worthwhile. Individuals should be encouraged to bring their buses on a hire basis.

Further recommendations proffered for the effective operation of ENTRACO include:

- continuous monitoring of its operational performance by professional and experts for prompt advice if need be;
- both managerial and junior staff should always be trained to enhance efficiency and productivity, hence

periodic in-service training is highly recommended;

- there should be proper and adequate funding of the company and close supervision of the funds to avoid diversion of the fund to unauthorized projects.

Conclusion

Investment in urban transportation in Nigeria is an investment in the country's future. Urban transport policy has the potentials of effecting the required positive change in the urban centers. From the analysis in this study, ENTRACO could be seen to have great potentials for not only generating funds to the state government but help in alleviating the transport problems of Enugu dwellers. However, the study has presently shown that the transport company is viable but due to the numerous inhibiting factors mentioned above, its viability performance was rated as unsatisfactory. The implementation of the recommendations mentioned above would improve the performance of the company. It is now evident that several factors constitute the bane to effective implementation of urban mass transit programmed in Nigeria as exemplified with the case of ENTRACO. However, the urban mass transit policy programmes in the country deserve the attention of all, the slow progress notwithstanding.

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