
Franchising Public Transport Industry In Nigeria

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Abstract

The purpose of the study was to examine the factors involved in franchising public transport industry in Nigeria. Two research hypotheses were formulated to guide the study after an intensive introduction, review of related literature of the subject – matter. It was a survey research. Three states – Anambra, Imo and Abia were covered by the study. Further, only the transport companies of the selected states were used. The study sample was made up of 30 franchisers and 30 private operators making a total of 60 as the sample size. The result showed that an increased income can be generated from private transport operations as against franchised transport, but just for a while. The reason being that under a sustained transport service, the franchised system registers an improved income largely due to better management and operation of vehicles. It is so because vehicle breakdown impacts greatly in the services of a private operator due to poor vehicle handling and maintenance.

Introduction

Transport according to Hornby (2000) is a system for carrying people or goods from one place to another using vehicles, roads etc. Transportation, according to him is a vehicle or method of travel. According to Robinson (1997) transport is, to

carry goods, passengers, etc from one place to another while transportation, according to Aikhomu (1991) is the act of transporting or the process of being transported.

Transportation is an essential aspect of human activities and economic development of any nation. That is why governments at all levels according to Mbadiwe (2002) invest a high percentage of its Gross Domestic Product (GDP) on transportation facilities and the development of infrastructures. In the past, government's involvement in the road transport industry was restricted.

The transport industry was dominated by the private operators who were in the habit of exploiting the customers. However, their services were inadequate and unreliable. With the continued increase in mobility and its attendant problems, government's involvement in transportation has increasingly become an issue of great and urgent social and economic importance.

Verhoef (1996) stressed that governments have intervened both in terms of the supply of transport facilities and infrastructures, and in terms of regulating the demand of their usage. Based on this, government or public transportation firms were established to tackle the transportation problems in the country.

According to Aikhomu (1991), the federal government is not only in support of these firms, but has established the Federal Urban Mass Transit Agency (FUMTA). However, the conditions of vehicles in the fleets of government transport organizations call for ponder. The failure of most of these firms is no longer in doubt. Some of the problems according to Bolade (1991); Omiunu and Onokerhoraye (1995) include the depletion of vehicle fleet largely due to bad management and has culminated to low productivity, poor maintenance of vehicles, frequent breakdowns and accidents.

In an attempt to solve these problems, the government transport firms have now introduced a system whereby vehicles belonging to private individuals are allowed to be registered with the government firms. This concept is known as franchising". And this according to Erundu (1999) appears to be the main stay of most surviving public transport organizations in Nigeria today.

Kolter (1992) saw a franchise organization as a contractual association between a franchiser (a manufacturer, wholesaler, or service organization) and franchisees (independent business people who buy the right to own and operate one or more units in the franchise system). He remarked that franchise organizations are normally based on some unique products, services, or methods of doing business, on trade name, patent, on good-will that the franchiser has developed.

Payment made in a franchise arrangement according to Kolter (1992) can exist in any of the following:

- i. An initial fee.
- ii. A royalty on gross sales.

iv. A share of the profits.

v. A regular license fee.

Lancaster and Massingham (1993) identified some basic types of franchise systems as:

1. Manufacturer retail franchise.
2. Manufacturer wholesaler franchise.
3. Wholesaler retailer franchise.

Studies from other authorities Meakin (1989); Yearsly (1989) show that franchising has made a tremendous impact in the running of public transport enterprises. This is both in terms of efficiency and cost savings to government and the people. It has also engendered the spirit of entrepreneurship and healthy competition in the industry. According to Knowles and Hall (1993), the aim and objectives of franchising is to remove government subsidy and provide conditions for genuine, permanent competition with an effective division of responsibilities between private ownership and limited government control.

Purpose of the Study

The purpose of the study therefore is to examine the factors involved in franchising public transport industry in Nigeria.

Research Hypotheses

The following hypotheses were tested in the study:

1. Ho: Increased income is not a reason why franchise transport mode is preferred to private operation.
H1: Increased income is a major reason why franchised transport mode is preferred to private operation.
2. Ho: Passenger density is not a major determinant of weekly income in any transportation business.
H1: Passenger density is a major determinant of weekly income in any transportation business.

Methodology

The study is a survey research. Three states from the South-East Region of Nigeria- Anambra, Imo and Abia States were used for this study. The states were selected using simple random sampling technique since virtually, all the states have her own form of transport. Furthermore, only the transport companies of the three states selected were used for the study – giving a total of three (3) franchisers.

Using a purposive sampling technique, ten (10) franchisees were selected from each state franchiser making a total of thirty (30) franchisees. For the purpose of this study the drivers of the various states companies represented the franchisees in this study.

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In the same vein, ten (10) private transport (drivers) operators were selected also from each of the selected states of the study. Using a simple random sampling, thus, the sample of the study is based on thirty (30) drivers from the franchisees and thirty (30) from private (drivers) operators, making a total of sixty (60).

Instrumentation

Although secondary data emerged from the review of related literature, however, the main (primary) instrument for the study was a questionnaire with items generated by the researchers. Thirty (30) questionnaire were distributed to both the drivers of the franchised and private (drivers) operators. Out of the said 30 questionnaire only 3 were not returned – meaning that 27 was returned from the given sample size of 30, given a return rate of 90%.

Also from the official records of franchisers, some data were collected which included – the weekly income, age of vehicle, capacity of vehicle, number of trips, charged fare, frequency of vehicle breakdown, contravention by law enforcement agencies, disruption of service by various reasons, frequency of change in fare and traffic mishap (Akpoghomeh, 2000; Dike, 2001). The above parameters therefore formed the (bases) variables that were employed in this study.

Data collected were (analyzed) tested using the Multiple Regression Technique (MRT), and the result of the analyses used to compare the performance of each mode i.e. the franchised and the private operator.

Validation of the Instrument

The questionnaire were subjected to face and content validity by an expert in Measurement and Evaluation Department, Abia State University – Uturu and also an expert in Department of Statistics, Abia State University. Their advices were used in revising the items.

Reliability of the Instrument

The questionnaire were administered five (5) drivers of Enugu State Transport Corporation at Enugu (Coal City) state and after an interval of two (2) weeks, the same questionnaire was given back to the same drivers and the results of the two tests (pre-test) and (post-test) were correlated using the Pearson Product Moment Correlation Co-efficient. The result of the correlation was 0.86 which is a high one – meaning that the instrument used was reliable.

The Results

In testing the two hypotheses, a comparative analysis of the multiple regression results of the relationship model:

$$Y = a + b_1x_1 + b_2x_2 \dots + b_nX_n$$

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Table 1
Multiple Regression Technique

Parameter	Franchised	Private
Estimate	Drivers	Drivers
Multiple R	0. 8686 or 86.66%	0. 9171 or 91.71%
R-square	0. 7544 or 75.44%	0. 8411 or 84.11%
Adjusted R ₂	0. 62 44 or 62.44%	0. 7111 or 71.11%
Standard Error	5673. 36	4052.53
F – Ratio	5.80	6.47

The results in table 1 above shows that the nine variables identified as affecting the level of income generated by vehicles on commercial transport operators indicated 86.86% of the income generated by franchised operators, while it indicated 91.71% relationship with the income generated by private operators. Also, 75.44% of the total variation in the weekly income of franchised operators is accommodated by the variations in these nine variables put together, while they account for 84.11% for the private operators.

However, when the above is adjusted for possible errors in estimation, the explanation of the variation income is reduced to 62.44% for franchised mode and 71.11% for private mode. Using the above nine variables that affect transport operations in the estimate of the two income generating ability of each of two modes introduces a standard error margin of N5693.36 for franchised operators and N4052.33 for private operators.

In summary, testing the statistical significance of the estimate model generated for the estimation of possible income from the two different modes shows 5.80 for franchised mode and 6.47 for private mode. The two F-Ratio values are statistically significant at 0.05 level of significance and (17,9) degree of freedom. The tabulated value from the F-distribution table is 2.49, which is less than the calculated value under the two modes.

The weekly income from the two modes can therefore, be predicted using equations 1 and 2 as follows:

Franchised Operators

$$Y = 32943.31 + 17545.22x_1 + 536.45x_2 + 9836.30x_3 + 106.22x_4 + 833.03x_5 + 1839.69x_6 + 2057.67x_7 + 2392.14x_8 + 2169.23x_9 \dots\dots\dots (1)$$

Private Operators

$$Y = 36205.22 + 992.65x_1 + 909.48x_2 + 11559.003$$

$$x_3 + 118.56x_4 + 3153.36x_5 + 1789.09x_6 + 2475.22x_7 + 1655.65x_8 + 828.76x_9 \dots\dots\dots (2)$$

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Hypothesis Two:- The test for hypothesis two is shown in table 2 below.

Table 2:
Estimate Co-efficient

Franchised Operation				Private Operation		
Variables Intercept	Coefficient	T-test	Remark	Coefficient	T-test	Remark
X1	-32394.31	-2.54	***	-36205.22	-2.921	***
X2	1745.22	1.021		992.65	1.040	***
X3	9836.30	2.624	***	11559.003	3.104	***
X4	106.22	4.412	***	118.56	4.132	***
X5	833.03	0.498		-3153.36	-1.747	
X6	-1839.69	-1.169		-1789.09	-1.014	
X7	2057.67	1.333		2475.22	2.267	***
X8	2392.14	1.456		1655.65	1.170	
X9	2168.23	1.527		828.76	0.631	

Note: *** implies significant at 0.05 level of probability.

In table 2 above, the variables X₂, X₃ and X₄ are of critical importance. The summary shows that for franchised operation, variables, X₁, X₃ and X₄ are significant at 5% significance level. This implies that the weekly income of a franchised operator can be predicted as follows:

$$Y = -32394.31 + 536.45x_2 + 9836.30x_3 + 106.22x_4 \dots\dots\dots (3)$$

While the variables, x₁, x₂, x₃, x₄ and x₇ are significant at 5% significance level, for the private operator – which can be predicted as follows:

$$Y = -36205.22 + 909.48x_2 + 11559.003 + 118.56x_4 \dots\dots\dots (4)$$

Discussion and Decision

In table 1 above, the interest is on the assumption that increased income is the reason for preferring franchised mode of transport to private operation. Based on the estimated parameters from the multiple regression analysis for the two modes, we can conclude that the parameters (all of them) experienced a downward movement when franchising is chosen over private operation. This therefore, implies that possible revenue from transport operation actually reduces when the choice of mode is franchising as against private operation. This means that there are other reason aside increased income that motivate vehicle owners to choose franchised mode over private operation. Based on the above, we therefore, accept the null hypothesis and conclude that increased income is not a reason why franchised transport mode is preferred to private operation. These findings are in line with the findings by Hay (1997), Robinson and Bambford (1978).

For hypothesis 2, the hypothesis was not rejected. Based on that, we generalize and conclude that passenger density is a major determinant of weekly income in any transport business. In all, an analysis of the effect of adoption of the franchised mode on vehicle breakdown and subsequent impact on the weekly income generated by the vehicle shows, that using a private operator leads to situation of high cases of breakdown of vehicles which results to off-periods. The off- periods equally implies that the revenues are not generated for the period, while previous incomes are used for the repairs, hence, the reverse relationship between weekly income and variable x_5 which represents frequency of breakdowns. The magnitude of the inverse relationship shows that on average, the vehicle under private operation loses N3153.36 of possible revenue to the competitors due to reported breakdowns. This may be, because for the private operators, maintenance of vehicles are not planned. These findings are line with the findings by Bobbs (1979), Akpoghomeh (1989), and Dike (2001).

Similarly, under the franchisee, the trend is reversed. The analysis shows that frequency of breakdown is now having a direct relationship with weekly income. This means that the off-periods are significantly reduced due to planned maintenance policy, which ensures road – worthiness of vehicles of all types. Based on the analysis, an increase in weekly income from the vehicles shows N833.03 on the average. These findings agrees with the findings of Dike and Onyechere (2008).

Conclusion

This study looked into factors militating against public transport franchising in Nigeria. It shows that an increased income can be generated from private transport operations against franchised transport, but just for a while. The reason being that under a sustained transport service, the franchised system registers an improved income largely due to better management and operation of vehicles. It is so because, vehicle breakdown impacts greatly in the services of a private operator due to poor vehicle handling and maintenance. As a result, much of the income from private operation is sunk into delayed or unplanned maintenance, which causes prolonged parking of vehicles in the workshops and high cost of repairs.

Recommendations

From the findings of the study, and based on the circumstances surrounding public transport franchising in Nigeria, the following recommendations are hereby made:

1. The private operators should start planning of vehicle maintenance.
2. They should equally adopt better management of transport business enterprises.
3. And better emphasis on undisrupted service.
4. Registration of private operators should be encouraged the more, because it brings about financial relief to governments – as they no longer consider purchase of vehicles for their transport outfits as a burden since franchising is

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all about individual providing the vehicles. This is in line with the public private participation initiative of the federal government.

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