
Challenges and Prospects of the New Nigeria Railway Corporation: An Assessment of Buhari Rail Projects

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Abstract

World over, rail transport system is generally considered the best platform for massive haulage of goods and services on land. This study assessed the challenges and prospects of the New Nigeria Railway Corporation. Data was obtained from secondary sources (books, journals, periodicals, magazines, newspapers, the internet, etc.). Data analysis was by content analysis. Results revealed that although Nigerians stand to benefit from the return of the rail transportation, the system faces immense challenges despite its prospects. The study suggested that government should address such challenges headlong to avoid the past experience in which the corporation grounded. Agency theory (Jensen and Meckling, 1976) was adopted as the theoretical framework.

Keywords: *Railways, Prospects, Challenges, Haulage, Corporation*

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Background to the Study

The invention of the rail transport system redefined the movement of people and goods across the globe as it is convenient, safe and cheap. The system enables seamless transportation that engenders robust economies, anchored on human resources, and services within limited regulatory intervention by government or its bodies. Rail transport system creates jobs and enhances the growth and development of cities. Employments are created through the building of tracks, furniture foundries, coaches and others. Agricultural produce, clothing, animals, petroleum products and equipment can easily be transported within and across countries with the railway system. Rail transport had immense impacts on the industrial revolution in Europe and America and it was a viable alternative to steamboats that were employed for traveling through canals and rivers. Osuji (2013) notes that, "before the development of modern highways and airports in Nigeria, railways were the only means to travel efficiently and move goods from one point to another". This created the leeway for the modest development witnessed from the colonial times and before the early 1970s. The railways in Nigeria were conceived and constructed from Lagos to the furthestmost parts of Northeastern part of the country to open the hinterland of southwestern Nigeria along its corridor.

In 1896, "railway construction began from the Iddo area with extension made along the Lagos route with stops at Ota, Ifo, Aribajo, Papalanto, Abeokuta and Ibadan in 1901" (Nigerian Wiki, 2008). However, the development of the Southern Nigeria railway was delayed due to limited finance. Proposals linking Benin, Sapele in 1906 and Ibadan with Oyo in 1907 did not materialize. Records indicate that the Lagos railway terminal at Iddo was constructed to connect Lagos Island with Lagos mainland and serve as a transit stop for trains using the railroad bridge constructed along two major road networks that link the island with other parts of Lagos such as the Carter and Denton bridges. However, "in 1904, the colonialists decided to construct the rail road linking Ibadan with Osogbo and Ilorin in 1907. It was approved to begin construction from Ilorin to Jebba" (Osuji, 2013).

"An act establishing the railway system was enacted by the parliament in January 1955 and the railway became a statutory corporation known as Nigerian Government Railway" (Ikechukwu, 2014; Okoyode and Yakubu 2015). Ilukwe (1985) observes that, "this act was followed by the "Nigerianization of the corporation in 1960 after the attainment of independence". With the incorporation of the Nigerian Railway by the Act of 1955, and as amended by Act No: 20 of 1955,

it became a corporate body with perpetual succession and a common seal with power to sue and be sued in its corporate name, and to require, hold and dispose of movable and immovable property for the purpose of its function under the Act (Ikechukwu,)

In 1978, the Obasanjo administration engaged the services of an Indian group: Rail India Technical and Economic services to operate the railways. Basiriyu (2016) noted that, 'the Indian experts met only a few functional locomotive engines in the system. By the time they were leaving in the early 1980s, the number had increased to 173. This contract led to

a modest positive change which did not last as the contract was not renewed. By the end of the 1980s, reduced funding from the government, import bans, and managerial problems reduced the performance of the railways which almost went into extinction.

Statement of the Research Problem

A virile rail transport system plays a significant role in the sectoral development and overall growth of any economy. It opens up regions, hinterlands and rural areas by facilitating agricultural development as well as the growth of cottage/large scale industries. Also, "it attracts residential, commercial, educational and recreational activities and development around its axis" (Nwanze, 2002). Unfortunately for the railway system in Nigeria, there has been a continuous decline in its performance over the years with attendant operating deficits in its accounts. After about five decades after independence, the railway system in Nigeria has remained static in structure and is highly unresponsive to the emerging socioeconomic and political challenges. This transport subsector no longer exerts a strong influence nor plays a competitive role in present day Nigeria. The dilapidated nature of the present day railway infrastructure was caused by years of neglect by successive governments which accorded the transport system a very low position in their programmes.

In addition to the above neglect, Adesanya (2012), outlines other challenges of the Nigerian Railway System as including, poor funding and huge operating losses, poor response to emerging rail transport needs, inadequate locomotives, rolling stock and other facilities, weak political will and commitment, poor productivity and its negative effect on staff morale, retention and maintenance of unremunerative routes, huge wage and pension bills, etc. These challenges have contributed immensely to the failure of the railway system to meet the needs of the Nigerian populace, a development that is quite worrisome. As the Buhari administration appears poised to reactivate the ailing subsector, the extent to which its efforts can go in realizing this noble feat is a matter of concern to this study. Hence, the study seeks to assess the challenges and prospects of the New Nigerian Railway Corporation.

Objectives of the Study

This study assesses the challenges and prospects of the New Nigeria Railway Corporation as a major objective. Its specific objectives include:

- a. To assess the extent to which the new Nigeria Railway corporation can be reactivated.
- b. To evaluate the challenges facing the realization of the project.

Research Questions

This study will provide answers to two questions which include:

- a. To what extent can the new Nigeria Railway corporation be reactivated?
- b. What possible challenges does the Nigeria Railway Corporation face in the effort to reactivate the system?

Literature Review

Conceptual Clarification

Railways: Railway transport is a means of transferring passengers and goods on wheeled vehicles running on rails, also known as tracks. It is also commonly referred to as train transport. In contrast to road transport where vehicles run on a prepared flat surface, rail vehicles (rolling stock) are directionally guided by the tracks on which they run. Tracks usually consist of steel rails, installed on ties (sleepers) and ballast on which the rolling stock, usually fitted with metal wheels, moves. According to Martin (2010), "Railways constitute an essential component of the intermodal supply chain". The Railways have played a critical role in catalyzing the pace of economic development and continue to be an integral part of the growth engine of countries like India. "A good and reliable transport system can contribute and improve the economy of a particular country" (Rodrigue and Notteboom, 2013).

Public Corporation: Public corporation means an entity that is created by the state to carry out public mission and enterprises. In order to carry out these public missions and services, a public corporation participates in activities or provides services that are also provided by private enterprises. Such a corporation is granted increased operational flexibility in order to best ensure its success while retaining principles of public accountability and fundamental public policy. The board of directors of a public corporation is appointed by the governor and confirmed by the senate but is otherwise delegated the authority to set policies and manage the operations of the public corporation. Hansen (1954) states that, "public enterprises mean state ownership and operation of industrial, agricultural, financial and commercial undertakings"-while Friedman (n.d.), defines public enterprise more comprehensively as "an institution operating a service of an economic or social character, on behalf of the government, but as an independent legal entity, largely autonomous in its management, though responsible to the public, through government and parliament and subject to some direction by the government, equipped on the other hand with independent and separate funds of its own and the legal and commercial attributes of a commercial enterprise". According to S.S Khera, (1979),

By public enterprise is meant the industrial, commercial and economic activities carried on by the central government and state government and in each case solely or in association with private enterprise, so long as it is managed by self-contained management.

Haulage: Haulage is the business of transporting goods by road or rail. It includes the horizontal transport of ore, coal, supplies, and waste also called cartage or drayage. Haulage fees sometimes also are simply referred to as "haulage", include the charges made for hauling freight on carts, drays, lorries, or trucks and is incorporated for example in the cost of loading raw ore at a mine site and transporting it to a processing plant. A railway supplying cars, may negotiate rates with customers located on another railway line, the road granting haulage rights. This differs from tracking track age rights in that the host railway operates the trains for the other railway, where with track age rights, the secondary railway operates trains over the host's tracking.

Empirical Review: Past and current works by researchers are hereby presented in a tabular format as follows:

Table 1.

Name of Researcher (s) Time/ year of study Time frame of research	Geographical/content and scope covered	Data and analytical tools	Results/findings/ conclusion
Faajir and Zidan (2016). An analysis of the issues and challenges of transportation in Nigeria and Egypt	Nigeria and Egypt: The paper conducted an analysis of issues and challenges in the transportation industry in Nigeria and Egypt. The Major variables were lack of coherent air transportation, policy, weak management, obsolete facilities, insecurity, air crashes, bad roads, non-functioning of railway systems, bad water transportation among others	The study made use of secondary data sources.	The paper recommended drastic measures which include total approach to air, road, rail and water transportation planning and management.
Abioye (2016). Privatization of The Nigerian Railway Corporation: An Evaluation of critical choices	Nigeria: The study examined the effect of privatization on the growth and performance of the Railway corporation in Nigeria.	Primary and secondary data were employed. Thus, questionnaires were administered while relevant theories were also reviewed. It was essentially survey research methodology.	Results and statistical hypothesis tests of counter opinion carried out on the research purpose were inconclusive. However, survey indicated that 3 out of 4 samples tested concluded that there was no evidence to suggest a relationship between choice of privatization method and NRC performance.

Theoretical Framework

This study adopts the Agency Theory by Jensen and Meckling (1976). They suggested a theory of how the governance of company is based on the conflict of interest between the company's owners (shareholders), its managers and major providers of debt finance. Each of these groups has different interests and objectives.

- i. The shareholders want to increase their income and wealth. Their interest is with the returns that the company will provide in the form of dividends, and also in the value of their shares. Such value of their shares depends on the long-term financial prospects for the company shareholders are therefore, concerned about dividends, but they are even more concerned about the long-term profitability and financial prospects, because these affect the value of their shares.
- ii. The managers are employed to run the company on behalf of the shareholders. However, if the managers do not own shares in the company, they have no direct interest in future returns for shareholders, or in the value of the shares. Managers have an employment contract and earn a salary. Unless they own shares, or unless their remuneration is linked to profits or share values, their main interests are likely to be the size of their remuneration package and their status as company managers.
- iii. The major providers of debt are interest in sound financial management by the company's managers, so that the company will be able to pay its debts in full and on time.

Jensen and Meckling (1976) defined the agency relationship as a form of contract between a company's owners and its managers, where the owners (as principal) appoint an agent (the managers) to manage the company on their behalf. As a part of this arrangement, the owners must delegate decision-making authority to the management. The owners expect the agents to act in the best interest of the owners. Ideally, the 'contract' between the owners and the managers should ensure that the managers (agents) affect their own personal welfare as well as the interests of the owners. This raises a fundamental question. How can managers, as agents of their company, be induced or persuaded to act in the best interests of the shareholders.

Research Methodology: This study is a qualitative descriptive analysis of the prospects and challenges of the on-going efforts to revamp the Nigerian Railway Corporation. Data for this study was obtained from primary and secondary materials while analysis is by content analysis (secondary data). This analysis runs in the following order:

Research Question One (1): To what extent can the New Nigeria Railway Corporation be reactivated?

A study on “sustainability as a critical criterion for success in the current Nigeria Railway Project underscored the point that in order to contribute to national development, there is need for sustainability by subsequent governments”. In line with this view, the paper, Okereke (2017), quotes President Muhammadu Buhari as saying, I wish to also reassure Nigerians that most state capitals and major commercial and production centers will be linked with railway system as a way of bringing about rapid social-economic development and improving the quality of life of the Nigerians and promoting social and regional integration.

It is therefore, heartwarming and reassuring to note the revelation by the Transport Minister, Chief Rotimi Chibike Amaechi that, about \$16 billion was needed to actualize some of the federal government's plans for the railways sector, especially the construction of two deep seaports in Bonny, Rivers State and Warri, Delta State, as well as the Port Harcourt railway industrial park.

In his speech, the minister emphasized what he called “the priority attached to the transportation by the President” According to a Nigerian Daily, THISDAY, “the Lagos-Kano and Calabar-Lagos lines could cost an estimated \$6 billion and \$11.1 billion respectively to construct” (Amanze-Nwachukwu, 2017).The minister made it clear that funding world come from the Chinese Exim Bank.

The above claims of the minister and promises by the President notwithstanding, the prospects of establishing, activating or re-activation of the hitherto failed Railway Corporation in any country rests to a great extent, on the legal framework backing it. Interestingly there are good prospects judging from the comments of the minister and the promises of the president. This hope is promised more on the legal framework which may be captioned The Nigerian Railway Corporation Act. The act reads:

An act to provide for the establishment of a corporation to be known as the Nigeria railway Corporation, from the transfer to the corporation of the railway undertaking of the government of the federation, for the functions of the cooperation and for the purpose connected therewith. (1955 No. 26) [parts I, II, V, IX (except section 56) and XIV, section 10-14 inclusive, 47, 48, 58, 59 and schedule: 9th June, 1955.]

The Act stipulates the general powers of the corporation which range from carrying goods and passengers by rail, road and water within Nigeria, store goods within Nigeria, whether or not those goods have been or are to be carried by the corporation; consign goods on behalf of other persons from any place within Nigeria to any other place, whether within Nigeria or elsewhere; to provide both for passengers carried by the corporation and for other persons, hotels, hostels, other living accommodations and places of refreshment; to acquire, construct, manufacture, maintain and repair plant for generating electrical energy and any other works, plant or apparatus necessary or desirable for the generation, transmission and supply of electrical energy, for the purposes of the corporation, etc. These provisions are not only far-reaching but also encapsulating and offer the needed platform for establishment, activation or reactivation of the Railway Corporation. In the area of funding, the partnership with the Chinese gives some ray of hope. However, how long the funding would continue to flow from these partners is a question to answer.

Research Question Two (2): What are the challenges of the New Nigeria Railway Project? There is no doubt that current projects have generated employment for Nigerians contrary to popular beliefs of firms importing their own labor; the Chinese Civil Engineering Construction Corporation's (CCECC) localization strategy mandates a ten-to-one ratio of local to Chinese workers. The company estimates that the construction of the Abuja-Kaduna line itself created four thousand local jobs approximately employed in operating the line. Even at that, lack of local engineering capacities necessitates that the Chinese continue to be involved in management and maintenance. The company is known to be involved in training Nigerians overseas on railway maintenance, signals and communication systems. This notwithstanding, however, technology and skills transfer require long-term systematic investment in local capacity building, which entails the prolonged participation of Chinese companies.

Railway projects may benefit Chinese investors by providing the economic and social benefits of connectivity, but they will also entail security risks. For instance, regional security threats have been a roadblock to the development of a national railway network, particularly in the north east and a potential risk in the southern coastal line. Secondly, the construction of large infrastructure works opens the door to corruption and political capture, and the political weight of some regions may lead to inefficient allocations.

Izuwah (2017), in his study, made a startling revelation when he stated that, "infrastructure's contribution to GDP in emerging economies was 11% to 6%, but in Nigeria between 1 to 3% (unknown). In his contribution, the Mayor of Bogota, maintained

that, “a developed country is not a place where the poor have cars; it is a place where the rich use public transport”. Unfortunately, our rail system in Nigeria is yet to attract the patronage of the rich due to a number of challenges bothering on management. It is in this vein that many believe that funding (money) may not be the problem after all. This paper also believes that most of the problems of the railway system in Nigeria revolve around managerial issues. How long will the Chinese remain to manage our railways?

Findings

The Analysis in this study reveal the following in respect of the prospects for the reactivation of the New Nigerian Railway Corporation.

1. It is interesting to note that the president and the government have the required political resolve to reactivate the corporation.
2. Government has a good knowledge of the actual measure of funding needed to reactivate the corporation.
3. The masterplan is to cover the 36 states of the federation and the federal capital territory.
4. The partnership with the Chinese covers the area of equipment and manpower training which is currently ongoing.
5. The nature of the partnership is such that the Chinese will stay long enough to go a long way in transferring the required technology.
6. The major challenge of the new railway project is that of sustainability in funding and management as the Chinese cannot remain to run the corporation forever.
7. A good prospect of the reactivation of the New Nigerian Railway project is the legal framework which is encapsulated in the Nigeria Railway Corporation Act of 1955

Conclusion

Infrastructures provide the necessary springboard to launch a country into the class of developed nations. In many developed nations, the state of infrastructures leaves much to be desired as most nations suffer from a great deal of decay and impoverishment. Transportation occupies the centre stage in the infrastructural development policies of emerging economies. Nigeria suffers from such infrastructural poverty and this justifies the effort of the current administration towards the reactivation of the transport (Railways) sector. It is therefore, interesting to observe the strong political will and resolve of the current administration to revamp the sector. Reasonable estimates of the required funding have been articulated, contracts awarded the Chinese and adequate funding have been arranged. In addition the extent of work on the Abuja railway project is encouraging and other measures are being taken to effect the reactivation of the defunct rail system. The implication is that expectations are high and the prospects are good enough. However, judging from the fact that earlier partnership with the Indians and Chinese collapsed for obvious reasons, this paper is still skeptical about the realization of the current dream. Therefore, sustainability is the watchword.

The sustenance of the gains of the rail system requires continuity of adequate funding, management, skill acquisition and technology transfer which takes very long period to come through. This raises the question as to how long the Chinese will remain to manage the affairs of the New Rail Project. This paper contends that efforts should be doubled by the current dispensation to forestall a repeat of the defunct corporation. This is to say that although the prospects are there for all to see, it is even more obvious that the challenges are there.

Recommendations

Against the background of the findings, this study wishes to recommend as follows:

1. Government's political will to reactivate the failed rail project must not be allowed to grow faint.
2. The partnership with the Chinese should be sustained with caution to eschew the constitution of a threat to national security.
3. The issue of manpower training in the sector and process of transfer of rail technology should be adequately and meticulously managed.
4. Sustainability of the rail way project should be accorded the priority it deserves.
5. The plan to link the 36 states of the federation must not stop at the level of political campaign. Genuine effort should be made to realize it.
6. There is need to revisit the legal framework which enables the establishment of the corporation periodically.

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