

**A PAPER PRESENTED BY MR. AHMED KURU,
MANAGING DIRECTOR/CHIEF EXECUTIVE OFFICER,
ASSET MANAGEMENT CORPORATION OF NIGERIA
(AMCON) AT 6TH NIGERIA TRANSPORT AWARDS AND
LECTURE ON THURSDAY APRIL 26, 2018 AT SHERATON
HOTEL IKEJA, LAGOS**

The Publisher and Management of *TransportDay* Newspaper

Captains of Industry in Transport Sector

Invited Guests and Participants

Gentlemen of the Press

Ladies and gentlemen.

Let me stand on already established protocol as I welcome you all to this august gathering. The organisers have asked me to specifically discuss the intervention of Asset Management Corporation of Nigeria (AMCON) in the transport sector of the Nigerian economy. The topic, which they expect me to focus my attention on is: **“AMCON’s intervention in Transport and Allied Sector; Achievements, Challenges and Prospects.”**

I will not bore you with the long story that led to the creation of AMCON because we are all familiar with the history of the economic downturn that brought about AMCON. However, I must state that for us at AMCON, we believe that forums like this should be encouraged and supported because our country needs all the developmental discussions, financial and

technological wisdom in the world to enable us steer the economy of Nigeria to the very top where it belongs.

In doing so, we cannot overemphasize the critical role of transportation. We are also convinced that there is no better vehicle to deliver this messages of hope to the doorstep of every Nigerian than the media, which is the fourth estate of the realm; mirror of the society and the voice of the voiceless.

It is on that note that I commend the Management and Staff of *TransportDay* Newspaper for coming up with this lecture series, which they have sustained for six years.

AMCON's intervention in Transport and Allied Sector; Achievements, Challenges and Prospects.

Having said that, I want to let you know that the transport sector is perhaps one of Nigeria's most challenging sectors; especially in the light of the massive need for infrastructure in rail, road, sea and air transport to ensure seamless movement of people and cargo. The transport sector is a known catalyst for the economic development of nations. It is the wheel that drives economic activities. Particularly, the air transport sector facilitates trade, tourism, boosts productivity in the economy, improves efficiency in the supply chain, it is an enabler for investments, can spur innovation, facilitate commerce and provide fast and reliable delivery of cargoes and services. A look at major airport hubs in the world like New York, Tokyo, Beijing, Rio de Janeiro, London, Delhi, Frankfurt, Dubai, Bangkok, Singapore reveals that air transport has been a major driving force in those economies.

Nigeria seats at a strategic geographic position in Africa. It is like the pipe stand of a gushing fountain. It is perfect for a hub. It is large and has a growing, mobile population potentially making it comparable to New York, Dubai, etc. It is therefore gratifying to note that various governments, at state and the Federal levels are investing massively in rail, airport infrastructure, roads and bridges. Some of these include the Airport road to the MMIA, Lagos; the new terminal and upgraded runway at the Nnamdi Azikwe International Airport, Abuja; Upgrading of the Asaba Airport and various ongoing rail projects.

Towards realizing the potentials of our great nation, the FGN has announced plans to concession some airport facilities. As a people, we should reject backwardness by supporting the policy thrust. Let companies with systems and capital come into the transport sector.

AMCON was created to be a stabilizing and revitalizing tool in the Nigerian economy. Towards achieving our mandate, we purchased non-performing loans of about N181 billion from various banks. Over 90% of this was in the aviation sector. To place the companies in a position to recover and generate adequate cash flow, we gave additional un-lending facilities (in collaboration with CBN and BOI) of almost N40 billion on very good terms. Unfortunately, notwithstanding this support, the companies could neither pay the old nor new loans. We have therefore been compelled to appoint Receiver Managers over a lot of the companies, the biggest being Arik and Aero.

AMCON's intervention through the instrumentality of Receiver Management was first to stabilize the operations of the airlines, put them in a position to generate positive cash flow, then

resolve their debt situation through either the owners paying the debts or the sale of the companies/underlining assets. Specifically, our intervention in Arik and Aero were intended to be value adding and non-destructive. It is noteworthy that the Corporation has adopted a similar approach to the revitalization of Peugeot Automobile of Nigeria (PAN), which today is back to operation and assembling vehicles for the road transport sector.

Achievements

At the point of intervening in Arik, the company was witnessing a high spate of flight cancellations of up to 40% , on-time performance (OTP), which measures the promptness of schedule flights had fallen to as low as 15%. Staff, including pilots were owed salaries, in some cases for up to six months. Staff morale was therefore understandably low. Several service providers including fuel marketers, maintenance and spare part companies were withdrawing services or were unwilling to extend credits. There were indeed significant concerns at various governmental cycles for safety and the possible impact of the collapse of the company on the economy. We are glad to report that this position has been largely arrested. Cancellations are down to 4%, OTP is over 60%, all owed salaries of current staff are fully paid, suppliers are now being paid as at when due. This of course has come at a cost to AMCON and not without with the unparalleled support of the Central Bank of Nigeria and local banks.

At Aero, we succeeded in ensuring that the airline remains a going concern. And with the strengthening of its management, we have seen a refocus on the strengths and capabilities of the

airline. The Maintenance Repair and Overhaul (MRO) licence has been made active. The airline in February succeeded in completing a c-check on a Boeing 737; a huge feat with a potential for savings in foreign exchange demands by local airlines.

The intervention in the sector has ensured that Nigerians are offered choices, there is an enhanced positive competition leading to improved service offering for the flying public,

As a major policy drive of this government, we were able to save over 3,000 direct jobs, and hundreds of indirect jobs in the airline industry. We are indeed proud to have played this important role.

Challenges

Expectedly, the intervention has not come without its challenges. These include shareholder actions, lack of support by some trade creditors, some foreign lenders, and increased union demands. These were not unexpected and have been professionally and transparently handled.

The new management in Arik had to take bold decisions to downsize its operations, especially cutting down all the long haul flights, due to the losses being sustained on those operations, and the lack of equity capital to absorb the losses.

Generally there was the need to reassure the traveling public. AMCON is an asset management company, not a consultancy firm to run airlines. So we got professionals to do the job. They are the ones running the airlines. There were scepticism in some

quarters earlier on but the narrative has changed. Nigerians are happy with our intervention in the transport sector. However, a lot still needs to be done.

Prospects

With a population currently estimated to be 180 million and with the abundant human and natural resources of Nigeria, the prospects in the transport sector of Nigeria is huge. Nigeria is naturally endowed geographically to be a global hub. And with the abundance of water and land mass we are able to create a harmonious rail, sea, road and air transport sector to the benefit of our people and economy.

In 2017, in nominal terms, the transport sector contributed N1.787 trillion to GDP accounting for 1.57% of total GDP; while the aviation sector contributed N105.86 billion of this number representing 5.92% of the sector. According to the National Bureau of Statistics (NBS) the storage and transport sector controls 3.21% of the labour force. We can build on this.

The aviation and transport sector requires solid capital to make it deliver for the good of the Nigerian people. It will require a measure of policy consistency and governmental support to thrive. However, from our experience, no matter the capital thrown at the sector, if corporate governance is not strengthened, it will still fail. The absence of governance or quality governance and sound financial risk management systems is at the heart of the failures that are common in the sector. I urge regulators to act with courage by insisting on proper governance in airlines. I recommend they look at the

work being done by CBN and Financial Reporting Council to improve the practice in airlines.

I will not end this paper without reiterating the fact that AMCON does not wish to be in the airline business or indeed any business apart from its legal mandate. So, AMCON will be willing to exit the firms if the owners of the companies pay the debts owed. Where this does not happen, the Corporation will seek to strengthen the intervened companies and undertake a responsible exit in a manner that reinforces the sector.

I thank you very much for listening.

Ahmed Kuru, FIoD, FCIB.