

# **CARTELIZATION OF AUTOMOBILE ELECTRICAL BUSINESSES: A VERITABLE TOOL FOR NIGERIA'S ECONOMIC TRANSFORMATION**

**John O. Ohiorenoya**

Department Of Business Administration, Benson Idahosa University, Benin City, Nigeria

[johiorenoya@gmail.com](mailto:johiorenoya@gmail.com)

## **Abstract**

*The paper is a survey of different auto-electrical businesses in Edo State. The paper using unstructured interview attempted to investigate the benefits both auto- electrical businesses and consumers gain from successful cartelization of auto electrical businesses, and why cartelization in Edo state has not been successful. The reasons for the apparent death of NATA (Nigerian Automobile Technician Association) the auto electrical union in Edo state are presented. The paper examines the relevance of small scale businesses in the economic development of the country in general and Edo State in particular; the nature of the industry and unionism. The paper reveals absence of unionism, collusion, price competition and price negotiation in Edo State. Educational qualification was low. However, cooperation among the electricians was noticed. Finally the paper concludes by advising Government to cartelize auto electrical businesses for rapid development and transformation and ensure that dubious and fake auto electricians are expelled from the trade.*

*Keywords: Cartelization, unionism, small businesses and automobile businesses*

## **INTRODUCTION**

The often neglected and hardly mentioned and recognized in small business circles is the automobile electricians. Even, in the listing of small business, they are ever hardly mentioned (Nwoye, 1994). But they play significant role in the economy judging by the technical nature of their services. No matter how expensive an automobile may be, electrical faults can create undue and untold hardship on the owner. Until the faults are discovered and fixed, movement is stalled, substantial time is wasted, and efficiency and effectiveness are reduced. Wrong fixing of

electrical faults can cause incalculable damage to the vehicle. For instance, fire outbreak in the engine may cause total loss of the vehicle and if put off in time, may render the vehicle immobile thereby causing loss of man hours, loss of revenue if the vehicle is used for business, loss of orders, and loss of goodwill of those businesses whose vehicles are broken down. Since, transportation is auxiliary to business; its importance will be undermined by electrical breakdown. For businesses and individuals the inconveniences and the economic costs of not meeting with appointments are not only invaluable but also immeasurable.

The need for qualified automobile electrician becomes imperative if the economic, emotional and social benefits which ownership of a vehicle confers on the possessors are to be realized. There is therefore, the need for the cartelization of automobile electricians to protect the consumers against the activities of unqualified, dubious auto-electricians on the one hand and to protect the auto electricians from the constant harassment by agents of government and fake government officials.

But sadly the cartelization of the industry through unions has not been successful in Edo State; even the attempts at forming union have met a brick wall in the State. Although other states in the country have successfully organized unions aimed at cartelization of their businesses, in Edo state organized unionism appears to be a mirage. The natural questions to be asked are:

1. What benefits do members and consumers derive from successful cartelization through union formation.
2. Why are efforts at cartelization in Edo State not successful?
3. What reasons account for the death of the union in Edo State?

Indeed, this paper will attempt to provide answers to the above nagging issues.

## **THE RELEVANCE OF SMALL BUSINESSES**

The cottage industries are said to have controlled the economy of Europe in the 19<sup>th</sup> century. The value of small businesses cannot be over-emphasized. Apart from being characterized by dynamism, witty innovations and efficiency, they also allow for faster decision making processes. Government has formulated policies to support, encourage and fund small scale businesses (CBN, 2003). This is because of their potential as engine room for economic development since they form the bulk of businesses in a growing economy like that of Nigeria. Its potential is reflected in employment generation, rural development, economic growth and industrialization, reduction in income gap, better utilization of indigenous human and material resources (Andrew, 2014).

The roadblocks to achieving these potentials are insufficient personal funds/savings which consequently result in low initial promoters equity, uncoordinated business ideas and plans, non bankable projects by entrepreneurs, inability of banks to provide long-term funds due to mismatch between tenor of banks deposits and loans being sought by unions and the inability of customers (small and medium businesses) to satisfy high credit risk standards, volatile exchange rate regime and fluctuating prohibitive interest rate regime (CBN, 2003). No matter the constraints, SMEs are of immense benefits to the economy such as;

- Creation of jobs at relatively low capital cost
- Provision of output and services
- Reducing income disparities
- Development of a pool of semi-skilled and skilled workers
- Improving forward and backward linkages between economically, socially and geographically diverse sectors of the economy.
- Provision of opportunities for developing and adapting appropriate technology
- Offering excellent breeding ground for entrepreneurial and managerial talents, the critical shortage which is a great handicap to economic development (Nigerian Business Info.com; Yeboah, 2010; Webb & Media, undated)

## **THE AUTOMOBILE ELECTRICAL INDUSTRY**

The industry is composed of small businesses. It is usually found attached to a mechanic who is considered the “Landlord” while the auto electrician is a “tenant”. The Landlord here connotes the owner of the workshop. Every automobile mechanical workshop has an electrician, spray painter and panel beater and these operate side by side with auto mechanic who pays rent on the premise to the land owner. The others contribute an agreed rate to the mechanic. Where the land area is government owned, rent of N4, 000.00 is paid annually as the case of those operating under Power line around Adesuwa Grammar School has shown (Author’s Field Work). The implication is that the auto electricians do not have to build a personal workshop in which to operate. This makes the formation of the business very simple and easy. Its incorporation does not follow complex legal procedures. Some of the businesses are not registered with Corporate Affairs Commission and where they do they only possess business names which are never revealed to the public. Thus the public who are consumers of their services may not be legally covered under the law for any default or otherwise of the auto electrician.

Skill acquisition in the industry is either through apprenticeship training or technical education. The length of apprenticeship training varies depending on the agreement between the apprentice and the trainer who is usually regarded as “our master”. Depending on the goodwill and the perceived expertise of the trainer, he may have two or more apprentices. The desire and freedom to own a business may drive an apprentice to train for less number of years... In addition, since it does not require large capital to start, most apprentices train for few years. Another reason for short training duration may be the ability, interest and capability of the apprentice. Those who are very intelligent and interested in the business tend to acquire the skills early enough to practice on their own. In the case of those who go through technical education, a minimum of four years is required to obtain City and Guilds certificate.

Entry into the business is easy. All that is required to enter the industry is apprentice training and/or technical education. Most of the auto electricians have primary six leaving certificate, some school certificate and few City and Guilds. There appears to be a great distinction between those who have City and Guilds and those with primary six leaving certificate in their performance level. They tend to understand electrical problems faster and are able to detect and spot problems without trial and error. However, experience also counts a great deal in performance in the auto electrician business.

The relationship between the government and the auto electrician is smooth. There is little or no harassment. The only tax which is collected by the local government is N2, 000 per annum paid jointly by the mechanic, spray painter, panel beater and auto electrician.

## **PATRONAGE**

There is a spillover effect of the activities of auto mechanic on the auto electrician. The customers of the auto mechanic are most likely to become the customers of the auto electrician. The opinion of customers may also count much in recruiting and winning more customers. The loyalty of the customers depends on the quality of service rendered to them. Only the auto electrician that is perceived to offer high quality service may be able to retain his customers. Where dissonance is experienced by a customer he tends to look out for a more and better qualified auto electrician who could be trusted with highly technical works of electrical repairs. The interpersonal relation of the auto electrician is also very important in keeping and retaining the customer. Honesty and integrity are what most customers seek in choosing an auto electrician since some of them may not be trustworthy and may play pranks on their customers- quite unethical practices.

Competition in the industry is not stiff. The industry cannot be aligned wholly to pure competition, monopolistic competition and oligopolistic competition. Although entry is easy and

exist is also easy -no situation of exit was however discovered- because of little capital requirement, it is not a pure market situation as prices are not competitive, no information flow as to what prices to charge; the prices charged depend invariably on the negotiating ability of the customers, the nature of the electrical fault, the economic assessment of the vehicles and their owners and the urgent need for cash by the auto electrician.

## **UNIONISM IN THE INDUSTRY**

The industry has a union, which is registered with its registered address at Lagos. It is a national union of Automobile Technicians. Its registered name is Nigeria Automobile Technician Association (NATA) with national chairman, vice chairman, secretary, financial secretary and treasurer as some of the key members of the executive. The national union has state branches and local government area branches. The local government area unions are coordinated by the state unions who report to the national union.

The Edo State union started on an admirable note but soon became comatose. It was divided into local government areas and zones. Monthly dues were N80.00, which later increased to N100.00 per member. Members had national identity cards which they could present anywhere in the country especially when they were in need of assistance such as accommodation.

State executive members attended national meetings; local government area executive members attended state meetings. The executive committees of both state and local government areas were patterned after the national. There were court marshals who acted as the police. They were responsible for ensuring membership enlistment into the union. There was no price fixing. Presently, there is a general apathy towards joining the union in Edo State. The apathy is due to the belief that leaders divert union funds into private pockets. This coupled with the low volume of business (some may not get business for weeks) tend to remove their interest in joining the union.

Pricing in the industry is determined by market forces of demand and supply. Since supply of services is intermittent and the demand by the auto electricians is high, prices could be depressed. According to them, an electrician who has no job for weeks will be very happy to charge even low price in order not to scare the customers away. In this type of situation collision is impossible and a rarity. However, unionism confers some benefits to members some of which are;

- Assistance to members in financial trouble and/ or in trouble with client
- Ensuring the suspension of erring members especially if they are cheats and fraudsters
- Assisting members to start their businesses

- Conducting seminar/workshop for enhancing members' knowledge and skills
- Assistance and aids are not extended to cheats and thieves in the trade
- All members are expected to be present in burial and other ceremonies
- Payment of tax to the government on behalf of union members which the union collects later. This stops the harassment of members
- Reported cases of fake government officials are handled by the union.

Even though the benefits are of immense nature, many factors acted to cause the Edo State union to be moribund. The reasons adduced are inept leadership, graft, corruption as union funds were alleged to be diverted for personal use, poverty of most members causing a decline in the union revenue, low educational qualification, inability to fix price and reduced volume of business. Other reasons are lack of publicity, irregular procurement of repair jobs, fluctuating and low income. No effective supervision and control because most business addresses are not permanent. Although a new NATA is being established, interest in union activities has waned; many members are not aware of the new development and many are even happy and satisfied that they are not under any union.

## **FINDINGS**

1. In Benin City, there are no unions. Although efforts are made to establish unions, such unions lacked effective management and organization.
2. There is absence of price negotiation in the industry. In most cases where unions exist, prices are fixed by them. For instance, vulcanizers' trades have regulated prices because of the existence of unions. But in the auto-electrician business, prices are charged based on individual perception of the owners, the nature and difficulty of the electrical job, the type of vehicles brought in and the economic assessment of the vehicle owners. By economic assessment we mean the financial capability of the owners. Rich owners are charged higher prices than the relatively poor owners. Another factor that influences price is the interpersonal relations that exist between the customers and the auto electrician.
3. Government owned land is more or less free as only a paltry sum of N4, 000.00 per annum is paid to government. At the point of acquisition no money is paid. Those whose premises are located on power line also pay little rent as they pay only N4, 000.00. Surprisingly, even those on private land pay same amount of money to the state government. This makes government owned land premise more or less free.
4. Apart from the annual fee of N4, 000.00 paid by the occupiers of a premise, local government also collects environmental taxes of N2, 000.00 per annum. This amount is

jointly paid by the mechanic, spray painter, panel beater and auto electrician. They sometime face harassment from touts who force them to pay different amount with fake receipts.

5. Educational qualification is very low. Most auto electrician have only primary six leaving certificate. Majority do not have plans for remedial education. Only few have such plan and have actually enrolled in a secondary school (private).
6. Income per month is between N10,000 – N20,000, although union members believe that income varies as they may realize more revenue on good months and less in months when business is at low ebb
7. No price competition in the industry. Customers are recruited and retained based on the quality of service, the good interpersonal relations and the forthrightness, integrity and honesty of the auto electrician. Usually, most customers decide to use an auto electrician who has been recommended by opinion leader i.e. those who have used his services before and had satisfaction. Also, some customers may use auto electricians in the mechanic workshop where their vehicles are sent for repairs. Thus customers are won and as a spillover from mechanic and other related activities.
8. Cooperation among auto electrician is however noticed. When in difficulty, an auto electrician could consult his former boss or a colleague for advice or suggestion in carrying out repairs. They always take advantage of experience curves, that is, those who have been in the business and have vast experience in auto electrical business.
9. Absence of collusion. There is no known collusion in the industry in pricing.
10. No effective sanctions against cheats, no code of ethics and thus discipline and stability may be a mirage.
11. The industry is predominantly male participants. Rarely do female take part in auto electrical trade.

## RECOMMENDATIONS

Auto electrical business could constitute great potential for rapid economic development. They do not only generate employment for the uneducated and unqualified labour force, they render vital economic services such as electrical works which could cause work stoppage, absenteeism and lateness to work with the attendant loss of man-hours in the economy and may constitute a source of revenue to government if regulated. The loss of man-hours could translate to millions of naira in the nation when all the man-hour is measured in monetary terms.



Government should therefore make efforts at harnessing the vast potential of auto electrician for rapid economic development. In order to tap the vast potential successfully efforts must be directed at the following

- Government should create mechanic villages at accessible places in major cities as is currently the case in Lagos State
- Since a workshop consists of a mechanic, spray painter, panel beater and auto-electrician, government should ensure they come together under a partnership arrangement and thus register with Corporate Affairs Commission
- Presently, in Edo State mechanic workshops are scattered all over major cities. Government should find permanent sites for all mechanic workshops. Specifically Edo State government should have a minimum of three mechanic villages in the capital city and at least one in each local government area.
- Each mechanic workshop should be taxed for generating revenue for the government
- Union formation should be encouraged through full scale publicity of their activities. Even the election of their executive in Edo state should be publicized. The formation of unions will not only assist in ensuring ethical behaviour of auto electricians but also protect the consumers against the activities of frauds in the trade. In addition, members will also be protected against the activities of fake government officials.
- Negotiation on issues of concern to members can be done by union and government.
- Every union member should be allowed to have voting right so that leadership is not imposed on them.
- There should be a sole administrator charged with giving guidelines for regulating union activities.
- Leadership tenure should be a maximum of two years in order to ensure that no bad leadership perpetrates itself in power for too long.

## CONCLUSION

It is no gainsaying the fact that cartelization of auto electrical business is essential for rapid economic development and transformation. However, efforts should not stop at cartelization but should be directed at benefiting both the customers and the auto electricians. Education of the auto electrician must be encouraged so that they would easily adapt to the changing roles and habits of the consuming public. Dubious auto electricians should be expelled from the trade to ensure proficiency, specified length of training and apprenticeship should not be less than three years.



## REFERENCES

Andrew, D. (2014) "Small businesses can offer big benefits to attract the best talent" *Entrepreneur* www.entrepreneur.com Retrieved 12/2/15

Central Bank Publication (2003) Retrieved 12/2/15

Nigerian Business Info.Com

Nwoye, May-Ifeoma (1994) small business enterprises, How to start and succeed.

Webb, Candace & Demand Media( undated) "The advantages of small local businesses" Chron.com Retrieved 12/2/15

White,Doug & White Polly (2014) "4 advantages that small businesses can sell to attract top talent" *Entrepreneur* www.entrepreneur.com Retrieved 12/2/15

Yeboah, Sandra(2010) "Of what importance are small-scale businesses to Nigeria?" Answer.com Retrieved 14/2/2015.