VALUATION OF ABANDONED PROJECTS, COMPLEXES, AND THE REACTIVATION AND REVITALIZATION OF AILING ENTERPRISES AND CONCERNS

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1. INTRODUCTION:

With the end of the post 1973 Crude Petroleum Oil boom in the country in 1981 and the succeeding ever upward spiralling economic depression coupled with large-scale under management of the national economy, we had since 1982 been progressively witnessing an ever increasing emergence of projects, enterprises, and concerns earlier well conceived overnight becoming ailing, delinquent, and abandoned, This has widely presented a highly ugly picture all through our entire landscape. Poor management of the entire national human, capital and natural resources in the country, particularly between 1966 and the present date is largely to blame. Professor Peter F. Drucker (1979) very succinctly stated: "It can be said without too much oversimplification that there are no underdeveloped countries. There are only undermanaged ones".

Between 1973 and 1981, immediately following the Arab-Israeli war of 1973, Nigeria suddenly found herself in a very highly unexpected inflow of a great volume of petrodollars from the sale of her crude petroleum oil.

Unfortunately, the country did not then have requisite managerial know-how to effectively handle the situation.

This coupled with highly in-grained corrupt practices in many areas of the country's national life directly led to an unfortunate but woeful economic cataclysm at the end of the oil boom era in 1981.

2. BACKGROUND:

As a direct result of the horrifying social and economic situation Nigeria presently finds herself, the following naked economic facts are very readily known and observable:

(a) Over 70% (Seventy percent) of the nation's various projects, industries, enterprises, and concerns at both the public and the private sector levels are either abandoned, ailing, or delinquent. These greatly need very urgent steps for their meaningful, realistic, effective, and sustainable reactivation and revitalization before highly irretrievable harm is done.

Among the various projects, enterprises and concerns in the country seriously and urgently needing properly articulated reactivation and revitalization are: the various steel mills in the country, especially the Ajaokuta Steel Mill, the Aladja Steel Mill, the various Cement Companies in the country, the various automobile assembling plants in the country, the various flour mills in the country, the various breweries and bottling companies, the Nigerian Railway Company, the Nigerian Coal Corporation, the different industries, airports, seaports, highways, bridges, dams, irrigation projects, urban and rural water schemes, power generating and distribution installations and equipments, broadcasting and communication installations and equipments, petroleum and gas exploration, drilling, refining, and distribution installations and equipments, solid mineral exploitation projects, agricultural projects, industrial projects and concerns, housing estates, commercial ventures, resort and tourist concerns, university teaching and specialist hospitals, educational institutions, comprehensive national prison farm settlement Programme, agricultural establishments, industrial establishments, commercial and mercantile establishments, the Federal Mortgage Bank, various national and regional commercial markets in the country, resort and tourist centres, arts theatres, museums, and so on.

(b) Since the economic down turn in the country, which started in 1982 and had since then been increasing in a highly accelerating momentum there have been on daily increase a wide spectrum of projects, industrial enterprises, investment projects and concerns collapsing overnight, about collasping or proving very unprofitable, highly costly, and very uneconomical to operate.

(c) There is a greatly recognised desire all over the country for a comprehensively properly articulated programme of industrial enterprises and investment projects restoration, restructuring, and adequately broadened base stabilization to ensure sustainable, efficient and optimal human, natural, and capital resources utilization.

In the past both the Federal and the various state government as well as the various corporate and institutional bodies had set up task forces to grapple with the wide scale problems of abandoned projects, ailing enterprises and concerns. Because the perspectives of the various task forces set up were not broad enough to adequately and very realistically catch up with the problems only suboptimal results were achieve. Any meaningful approach towards a programmatic solution of the hydre-headed problem of abandoned projects, ailing enterprises and concerns confronting us must of necessity be from the view point of a sufficiently broad based containment strategy or approach. Only a sufficiently broad based as well as a properly articulated containment reactivation and revitalization strategy will be adequate for the challenges of our various abandoned projects, ailing enterprises and concerns.

3. ABANDONED PROJECTS, AILING ENTERPRISES AND CONCERNS

Within the context of this paper, abandoned projects, complexes and concerns would refer to such uncompleted projects which have remained for a long time in readily recognisable state of complete or near complete abandonment and which from all indications the probability of resuming full work on them is low. Ailing concerns would be seen in terms of such concerns which had of a considerable period been a source of sorrow to their owners.

The issue of the multi-farious dotting of our entire landscape with abandoned projects, complexes, and concerns is of post 1981 crude petroleum oil boom era origin. During the post 1973 crude petroleum oil boom period virtually all projects off the drawing board were without much hesitation embarked upon and completed. Then money was not the problem as cheap petrodollars was then readily available. But with the post 1981 glut in the world crude petroleum oil market and the accompanying increasingly worsening economic depression in the country, the whereill all with which to keep development and investment projects, industrial, institutional, governmental corporate, and business concerns fluid started to be in very short supply with ever increasing momentum.

4. VALUATION APPROACH AND METHODOLOGY:

Because of the special nature and character of abandoned projects, complexes, and concerns their proper valuation would of necessity require more than the normal property valuation methodology usable in valuing such property categories like blocks of flats, blocks of offices, shopping centres, hotels for such purposes like for sale, acquisition, insurance, mortgages, financing, compulsory acquisition and compensation. Whereas the normal approaches and methods of valuation as has been well spelt out for use world-wide by

(i) Lawrence, Rees and Brilton (1980) and

(ii) the American Institute of Real Estate Appraisers (1972) namely: the investment method of valuation, the market comparison method, the depreciated replacement cost method, the profits method, and the residual method of valuation would have normally been enough, the special nature of as well as the objective function of optimally, sustainable, and strategically reactivating and revitalizing abandoned and/or ailing projects, enterprises and concerns would very clearly call for a valuation approach and methodology that could very definitively bring into proper focus the true situation of the projects and concerns.

Any proper handling of the valuation, reactivation, and revitalization of abandoned projects, ailing enterprises and concerns would of necessity adequately take into due cognizance a thorough pilot survey,

project appraisal and valuation, project replanning, project management and completion requirements. The importance of requisite project pilot survey, project appraisal and valuation, project replanning and especially effective project management to adequately underline and accompany alternative variants of project planning and development, of which project reactivation and revitalization is one, has been very comprehensively and exhaustible highlighted by eminent scholars and professionals in the field, notably: Pocock (1956), Gaddis (1959), Optner (1965), Becket (1971), Graaskamp (1970), Ring (1972), Umeh (1977), Ikedianya (1975), Battersby (1979), Mirrless and Little (1980) and Ndiomu (1994).

In these situations needing:

(1) effective and realistic reactivation and revitalization of abandoned projects, ailing enterprises and concerns;

(2) genuine and realistic privatization and commercialization of public enterprises; and

(3) industrial enterprises and investment projects restoration, restructuring, and base stabilization: appropriate appraisal-valuation approach would firstly be needed for obvious reasons. This will greatly serve to properly bring out the salient and pertinent features and needed information on the project, enterprise, or concern into a very proper focus thus providing a very solid foundation for the efficient mapping out of further corrective and remedial actions needed for enhanced project's performance effectiveness. Unless proper and thorough appraisal-valuation of a project in question is firstly carried out, further work on the project, enterprise, or concern, most often would be counter productive and of not much avail.

A rational and optimal approach to any meaningful, realistic, and sustainable project reactivation and revitalization programme should firstly be through a carefully articulated appraisal-valuation format. Such an appraisal-valuation approach would of necessity be based upon a careful and methodical synthesis of the relevant and pertinent aspects of project appraisal, system analysis, and property valuation.

Professor J. A. Graskamp (1970) rightly highlighted the feasibility concept as follows: "A project is feasible when the analyst determines that there is a reasonable likelihood of satisfying explicit objectives when a selected course of action is tested for fit to a context for specific constraints and limited resources."

Professor J. A. Bechet (1971) outlined aspects of systems analysis as follows:

"(1) Goal Setting
(2) Forming Policies
(3) Searching for opportunities which are consistent with policies.
(4) Selecting opportunities which are consistent with policies."

Writing on property valuation, Professor Alfred Ring (1972) stated as follows:

"In the successful operation of the various phases of the real estate business, a thorough and practical knowledge of the art of property valuation is essential. Infact, property valuation may rightly be designated as the heart of the real estate activity. Whether buying, selling, investing, developing, exchanging, renting, assessing, or acquiring property for public use, a working knowledge of property valuation is essential to put land and its improvements to the highest, best and most profitably use".

Working from the viewpoint of a properly articulated and synthesized project feasibility and viability appraisal, systems analysis, and property valuation framework, a very useful project reactivation and revitalization appraisal-valuation format or approach could be outlined as follows:

1. A general reticulation of the project.
2. Pilot survey of the project.
3. Survey of alternative readaptation or restructuring strategy and measures.
4. Selection of tentative optimal readaptation or restructuring strategy and measures.
5. Categorization of the necessary readaptation or restructuring works to be done under the selected option, including works, to be done under varying phasing and scaling down alternatives.
6. Income/welfare services generation potential of the newly structured entity under the adopted option of reactivation and revitalization.
7. The feasibility and viability appraisal of the project as completed, matching its value as completed, from both the economic and social point of view, against the cost to complete under the selected option as well as against the cost of leaving the

project under continued state of abandonment and delinquency.

8. Capital value of the project as fully reactivated and revitalized.
9. Capital value of project before reactivation and revitalization.
10. Valuation of the cost of the various works needed for full reactivation and revitalization under the adopted option.
11. Selection of final project reactivation and revitalization strategy, framework, and measures.
12. Plan for project implementation, development, management and monitoring.
13. Proper Linkage of (1) to (12)

5. PROJECT MANAGEMENT:

Valuation of abandoned projects, ailing enterprises and concerns is usually needed as a veritable base for the efficient reactivation and revitalization of projects. Properly articulated project appraisal and valuation will optimally provide a solid base upon which subsequent reactivation and revitalization work could meaningfully and gainfully be based. Nonetheless, the entire work coming under reactivation and revitalization, just like the various other works variously coming under project planning and development, should in their actual field execution globally come under the unified command of a sound, efficient, and knowledgeable project manager who should at minimum be broadly incharge of all the facets of the works.

Successful project development, reactivation, and revitalization, to a great extent, are dependent on the calibre of project management input that permeated and guided their entire execution. Sound, efficient, and knowledgeable project management is invariably a sine qua non for the smooth execution of sizeable development, reactivation, and revitalization works. Significant deficiencies in project management input in connection with project development, reactivation, and revitalization would generally result in parallel lapses, suboptimal, and low level project performance.

Efficient project management in project planning, development, reactivation, and revitalization would profusely make optimum use of the various managerial and technological skills, including the relevant skills and expertise of such developing management science tools and techniques like systems analysis, network analysis, systems engineering, simulation, linear programming, the Critical Path Method (CPM), and the Project Evaluation and Review Technique (PERT).

Network analysis, as was very succinctly highlighted by battersby (1959) would be of great assistance in the effective planning, development, and management of projects at the different stages of their existence whether as just conceptualized, uncompleted, abandoned, ailing, and/or delinquent entities.

A very important function to be properly tackled in any project planning and development situation is identifying the best project management character and mix most appropriate under a given project planning and development situation. Ndiomu (1994) rightly stated: "Whatever the size of a project, and how much properly the project was planned, proper management guarantees the success of the project". Gaddis (1959) writing on the making of the right type of a project manager stated as follows:

"In the new and expanding fields such as electronics, nucleonics, Astronautics, etc., a new type of manager has evolved. Although he goes by many names, the one most generally used is project manager. His business is to create a product - a piece of advanced technology hardware. His primary tool is the brain power of professional specialists in diverse fields, and he uses this tool in all phases of his product from concept through initial test and final manufacture."

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