A DECISION MODEL FOR ECONOMIC VIABILITY ANALYSIS OF PRIVATE OMNIBUS TRANSPORT SERVICE

D.U.A. Galagedera
Dept. of Industrial Management,
University of Kelaniya

Although private omnibus transport service is considered a profitable business venture, recent studies have shown high drop-out rates from the business. Surveys have also found 16% of any year's permits are not renewed in the next year and the average survivability can be expected to be atleast 3 years. The high drop-out rate indicates wrong judgement at the decision making stage and it would be advantageous if an economic analysis can be performed before venturing into this business. In this paper a quantitative model is developed with number of busses operational and total passenger kilometers run as the parameters. The optimization criteria is based on profit maximisation and the final decision model is represented in the form of an inequality. This basic model can be used determine whether the provision of an additional bus to a given route is

economically viable or not based on passenger characteristics and the number and the capacities of buses operated at the time.

References:

Diandas, J. and Ranasinghe, H. (1987), Proc. Sri Lanka Assc. Advmt. Sc. 43.,270.