

## **Fixed Cost Intensity and Its Implications on the Operational Performance of the Sri Lanka Transport Board**

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The Sri Lanka Transport Board (SLTB), the state-owned bus operator in Sri Lanka, is found to have effectively served the purpose of social inclusivity and welfare service provision over the years; but, has failed in achieving financial viability, evidenced by its heavy debts. This paper presents the findings of a research in which the fixed cost management of SLTB and its relationship to structural parameters and to bus depot operating performance were studied. An intra-organisational examination was performed using cost data for the year 2014, adopting statistical methods such as trend evaluation, regression, outlier identification, and comparison of deviations. The results confirmed the presence of economies of scale and the possibility of operating at an optimum bus-depot size, worked out to be at around 145 buses. A large majority of depots in Sri Lanka were found to be much smaller than this optimal depot size, likely for political reasons. While operability was found to be statistically significant in terms of causing high fixed cost intensities, there were depots with very high fixed cost productivity ratios, but very poor operability levels, indicating the presence of wasteful expenditure in fixed costs. The outcomes of the research emphasised the importance of managing fixed costs of the SLTB for its operational and financial efficacy. Either significant fixed cost savings, or improvement of operability ratios could be expected if the bus depot structures were to be reformed to have larger sizes and thereby greater economies of scale. Policy makers should therefore arrest any further depot fragmentation, and possibly reverse the trend by appropriately re-amalgamating or clustering depots. Cost-effective, but operationally sub-optimal, depots should be encouraged to strategically spend more on bus fleet maintenance, augmenting their overall performance, while 'high-cost poor performers' should be examined in detail, to identify wastages and inefficiencies, and to take remedial action.

**Keywords:** Economies of scale, Fixed cost productivity, Optimum bus depot size, State bus transport operation in Sri Lanka