NIGERIAN PRIVATIZATION SUPPORT PROGRAMME AND PPP PROJECT DEVELOPMENT MISSION

NIGERIAN PORTS AUTHORITY SECTOR

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BY

ABDUL SALAM MOHAMMED

MANAGING DIRECTOR, NIGERIAN PORTS AUTHORITY

PRESENTED AT THE WORLD BANK MEETING

WASHINGTON DC

TUESDAY 2ND – THURSDAY 5TH JUNE, 2009

HEADQUARTERS:* *26/28 MARINA, LAGOS, NIGERIA

Website:* *www.nigerianports.org*. *E-Mail:* *info@nigerianports.org

N I G E R I A N P O R T S A U T H O R I T Y

OUTLINE

- Reason for Reforms
- Reform Process
- Pre and post reform performance
- Post reform Experience – Congestion
    - Case study: APM Container Terminals
    - Possible causes of congestion
- Remedy
- Conclusion

N I G E R I A N P O R T S A U T H O R I T Y

PRE-REFORM SITUATION

- Ageing Port infrastructure
- Port design favoured the handling of loose shed cargo as against containers
- Inadequate investment in equipment. Only two (2) Ship-to-Shore cranes were bought since 1978 in Lagos Port
- Cumbersome and bureaucratic cargo clearance
- Excessive political pressure affecting operations
- Skewed distribution of traffic resulting to over-use of infrastructure in Western Ports and under use of some facilities leading to premature obsolescence in Eastern Ports

NEED FOR REFORM

N I G E R I A N P O R T S A U T H O R I T Y

Technical Committee on Privatization and Commercialization Decree 25 of 1988

- Its Observations:

- Large organization
- Unwieldy operation
- Lack of commercial orientation

- Its recommendations

- Incorporation for private sector orientation
- Zonal structure for decentralized control
- Establishment of subsidiary companies
  - Seaview Nig. Ltd and Continental Shipyard

Inconclusive implementation – Later revised

N I G E R I A N P O R T S A U T H O R I T Y

RENEWED REFORM INITIATIVE

2001, World Bank and Federal Government initiative

Diagnostic Study by Royal Haskonning/Dynamar/Challenge International Associate to:

- Update existing sector knowledge
- Identify key issues
- Generate viable options for reform

N I G E R I A N P O R T S A U T H O R I T Y

RENEWED REFORM INITIATIVE – Contd…

Recommendation of Royal Haskonning/Dynamar/Challenge International Associate

- Landlord model
- Three regional authorities
- Slim corporate headquarters
- Clear role for the FMOT, Corporate Hq, Regional Authorities
- Separation of operational from regulatory responsibility

REFORM OBJECTIVES

- To increase efficiency in port operation
- To decrease cost of port services to stakeholders
- To decrease cost to the government for the support of viable port sector
- To attract private sector participation so as to free public resources for public services

N I G E R I A N P O R T S A U T H O R I T Y

REFORM PROCESS

N I G E R I A N P O R T S A U T H O R I T Y

- Appointment of CPCS Transcom as adviser to Bureau of Public Enterprise with responsibilities to:
  - Reform, Restructure and Concession
- National Council on Privatization
- Presidential Committee on Port Reform
  - Guide the process
  - Dialogue with stakeholders
  - Ensure success

N I G E R I A N P O R T S A U T H O R I T Y

REFORM PROCESS – Contd…

- Expression of Interest Dec 2003
- 110 Applications received
- 94 Pre qualified and issued bid documents
- 24 Concession transactions concluded, two (2) outstanding
- First Hand-over – APM Terminals, 20th March, 2006

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REFORM PROCESS – Contd…

- Delineate the ports into terminals and concession them to large independent Terminal Operators for 10 – 25 years.
- Operators selected through transparent internationally competitive tenders

S/NO	Port	No. of Concessions
1.	Lagos Port	6 + 1 ICD
2.	Tin Can Island	4 + 1 BOT
3.	Rivers Port, Port Harcourt	2
4.	Calabar Port	3
5.	Warri/Koko Ports	5
6.	Onne Port	3
	TOTAL	24+1 BOT

* Two outstanding Terminals yet to be concluded

NEW ROLES OF PRIVATE AND PUBLIC SECTORS

N I G E R I A N P O R T S A U T H O R I T Y

- Private Sector (Terminal Operators)

  - Cargo Operations
  - Port Labour
  - Investment in equipment
  - Investment in terminal maintenance
  - Insurance of concession assets

- Public Sector (NPA)

  - Port Planning, Licensing and Control
  - Port Development
  - Technical Regulations
  - Marine Services
  - Channel Management

REFORM CHALLENGES – Contd…

N I G E R I A N P O R T S A U T H O R I T Y

- Preparing redundant workforce for absorption by the market place
- Need for capacity building (training and retraining) particularly port employees and dockworkers
- Shift from operator to regulator/landlord
- Regulating the private operator

N I G E R I A N   P O R T S   A U T H O R I T Y

ESTIMATED PROCEEDS FROM CONCESSION

S/N	COMPANY	TERMINAL	COMM. FEE ($)	EQUIP. PRICE ($)	PROJ. LEASE FEE ($)	TOTAL ($)
1	Apapa Bulk Terminal Limited	Apapa Terminal A	2,000,000.00	N/A	47,448,575.00	**49,448,575.00**
2	Apapa Bulk Terminal Limited	Apapa Terminal B	1,000,000.00	N/A	31,632,385.00	**32,632,385.00**
3	ENL Consortium	Apapa Terminal C	1,000,000.00	1,887,500.00	20,087,496.00	**22,974,996.00**
4	ENL Consortium	Apapa Terminal D	1,000,000.00	270,000.00	20,466,240.00	**21,736,240.00**
5	Greenview Dev. Nigeria Limited	Apapa Terminal E	3,000,000.00	N/A	62,750,00	**3,000,000.00**
6	APM Terminals Limited	Apapa Container Terminal	10,000,000.00	15,400,000.00	3,618,902,808.0 0	**3,644,302,808.00**
7	Josepdam Ports Services Limited	TCIP Terminal A	1,500,000.00	N/A	22,513,697.00	**24,013,697.00**
8	Tin Can Island Container Limited	TCIP Terminal B	3,500,000.00	6,361,100.00	168,151,579.00	**178,012,679.00**
9	Ports & Cargo Handling Services Limited	TCIP Terminal C	2,000,000.00	1,480,800.00	163,500,000.00	**166,980,800.00**
10	Five Star Logistics Limited	TCIP Roro Terminal	2,000,000.00	2,728,200.00	187,698,676.00	**192,426,876.00**
11	Ports & Terminal Operators Nigeria Limited	Port Harcourt Terminal A	2,000,000.00	1,584,700.00	165,000,000.00	**168,584,700.00**
12	Bua Ports & Terminals Limited	Port Harcourt Terminal B	1,000,000.00	1,122,800.00	25,123,000.00	**27,245,800.00**
13	Intels Nigeria Limited	Onne FOT A	5,000,000.00	N/A	129,355,990.00	**134,355,990.00**
14	Brawal Oil Services Limited	Onne FLT A	3,000,000.00	N/A	49,550.00	**3,049,550.00**

ESTIMATED PROCEEDS FROM CONCESSION– Contd…

N I G E R I A N P O R T S A U T H O R I T Y

S/N	COMPANY	TERMINAL	COMM. FEE ($)	EQUIP. PRICE ($)	PROJ. LEASE FEE ($)	TOTAL ($)
15	Intels Nigeria Limited	Onne FLT B	5,000,000.00	N/A	89,339,382.00	**94,339,382.00**
16	Intels Nigeria Limited	Calabar New Terminal A	100,000.00	N/A	7,575,361.00	**7,675,361.00**
17	Ecomarine	Calabar New Terminal B	100,000.00	22,310,000.00	12,363,842.00	**34,773,842.00**
18	Addax Logistics Nigeria Limited	Calabar Terminal C	100,000.00	N/A	6,682,000.00	**6,782,000.00**
19	Intels Nigeria Limited	Warri Old Terminal A	100,000.00	N/A	7,701,195.00	**7,801,195.00**
20	Associated Maritime Services Limited	Warri Old Port Terminal B	100,000.00	N/A	3,001,527.00	**3,101,527.00**
21	Global Infrasructure Nigeria Limited***	Warri New Terminal A				
22	Atlas Cement Co. Limited***	Jetty FOT Onne				
23	Intels Nigeria Limited	Warri New Terminal B	100,000.00	N/A	19,887,150.00	**19,987,150.00**
24	Julius Berger Plc	Warri Terminal C	Yet to be stated	N/A	23,528,648.00	**23,528,648.00**
25	Green Liegn	Koko Terminal	100,000.00	N/A	4,610,000.00	**4,710,000.00**
26	Lilypond Container Depot Nigeria Limited	Ijora Container Depot	500,000.00	N/A	14,664,241.00	**15,164,241.00**

LEASE, COMM. AND EOUIP. FEE; SUB TOTAL: 1-14	**$4,731,515,096.00**
LEASE, COMM. AND EOUIP. FEE; SUB TOTAL : 15-26	**$217,763,346.00**
PROJECTED THROUGHPUT FEES	**$1, 586,490,196.91**
GRAND TOTAL	**$6,535,868,638.91**

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PERFORMANCE INDICATORS

CARGO THROUGHPUT - PRE AND POST CONCESSION

YEAR	IMPORT (MT)	EXPORT (MT)	THROUGHPUT (MT)
1999	15,751,331	6,481,605	22,232,936
2000	19,230,496	9,702,384	28,932,880
2001	24,668,791	11,271,901	35,940,692
2002	25,206,380	11,780,861	36,987,241
2003	27,839,293	11,926,652	39,765,945
2004	26,907,075	13,909,872	40,816,947
2005	29,254,761	15,697,312	44,952,073
2006	31,937,804	17,235,520	49,173,324
2007	33,722,488	20,918,560	54,641,048
2008	41,385,973	23,806,946	65,192,919

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PERFORMANCE INDICATORS - Contd…

VESSEL TRAFFIC - PRE AND POST CONCESSION
OCEAN-GOING ONLY– EXCLUDE CRUDE OIL TERMINALS

YEAR	NO. OF VESSELS	TOTAL GRT
1999	3,123	32,911,941
2000	3,333	44,432,370
2001	3,745	56,106,345
2002	3,500	53,267,921
2003	3,661	60,622,666
2004	3,606	61,384,221
2005	3,692	60,541,810
2006	3,689	63,267,047
2007	4,646	83,197,856
2008	4,477	89, 597,975

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PERFORMANCE INDICATORS - Contd…
- CRUDE AND LNG

YEAR	CRUDE OIL			LIQUEFIED NATURAL GAS		
	NO. OF TANKERS	GRT OF CRUDE TANKERS	CRUDE LIFTED (MT)	NO. OF TANKERS	GRT OF LNG TANKERS	LNG LIFTED (MT)
1999	656	62,691,842	92,463,264	46	650,269	1,503,398
2000	757	80,627,950	102,930,079	130	2,887,141	5,953,567
2001	731	60,550,031	100,732,875	149	10,458,086	7,154,965
2002	634	64,302,640	86,284,036	133	9,745,230	8,084,749
2003	657	73,216,175	85,797,681	173	14,690,798	9,292,832
2004	924	100,564,659	117,055,427	220	17,569,209	11,529,827
2005	902	94,984,566	112,872,821	215	17,072,976	11,264,515
2006	840	70,093,870	106,403,640	243	20,628,015	13,284,612
2007	817	90,222,365	105,986,381	344	29,562,631	19,076,748
2008	792	76,626,068	99,807,889	319	27,068,764	17, 839,677

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PERFORMANCE INDICATORS - Contd…

VEHICLE THROUGHPUT

MONTH	2006	2007	2008
JAN	7,958	12,166	11,485
FEB	5,859	16,469	9,425
MAR	7,076	9,194	11,130
APR	8,321	14,205	13,826
MAY	11,898	15,950	10,442
JUN	6,413	15,859	13,059
JUL	9,100	6,347	17,135
AUG	13,851	13,084	13,623
SEPT	10,483	15,595	19,208
OCT	9,571	10,896	15,391
NOV	10,154	13,084	14,184
DEC	11,497	24,319	20,362
TOTAL	112,181	167,168	169,270

PERFORMANCE INDICATORS - Contd…

WAITING, TURN AROUND AND BERTH OCCUPANCY

YEAR	WAITING TIME	TURN AROUND TIME	BERTH OCCUP. (%)
1995	0.47	6.17	27.76
1996	0.46	6.34	36.68
1997	0.47	6.71	36.73
1998	0.39	7.31	41.39
1999	0.36	6.31	47.09
2000	0.34	7.01	44.76
2001	1.27	7.91	51.78
2002	3.99	11.34	56.58
2003	2.17	7.89	52.75
2004	1.44	6.44	50.93
2005	2.60	7.40	49.70
2006	2.00	6.10	46.93
2007	1.00	4.70	47.43
Jan-Sept '08		**3.72**	**40.24**

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GENERAL ASSUMPTION

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Pre- 2008

- Increased Container Penetration Rate leading to annual average growth of 7.8% in the container trade in the 1980s
- International container traffic grew by an annual average of 9.5 over the period 1987 - 2006
- Average rate of growth in volumes handled by ports exceeded 10% in 2000 - 2005
- Serious capacity challenges anticipated due to rapid growth in volumes
- Capacity utilization rate expected to increase from 72% in 2006 to 97.5% in 2012

SOURCE: Drewry Shipping Consultants; Fearnleys; UNCTAD 2007 as reported by United Nation/Korea Maritime Institute Regional Shipping and Port Development – Container Traffic Forecast 2007 Update

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GENERAL ASSUMPTION – Contd…

Post - 2008

- Stagnation expected in container volumes in 2009
- Low and declining charter rates
- Scarcity of funds for infrastructural development
- Current recession may affect shipping more than ports
- Need for harbour expansion still topical

SOURCE: Duetche Bank; Prospects For The Container Shipping Industry

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NIGERIAN EXPERIENCE

- Growing cargo volumes due to economic growth
- Rapid expansion of facilities in the late 70s to early 80s
- PPP projects through amortization late 1990s to present
- Landlord model and BOT in mid-year 2000 (24 concessions and 1 BOT).
- Repeated incidence of congestion in Lagos area

CASE STUDY OF APM TERMINALS

LAGOS PORT COMPLEX, APAPA – Total area – 200 Hectares, No. of concessions – 6

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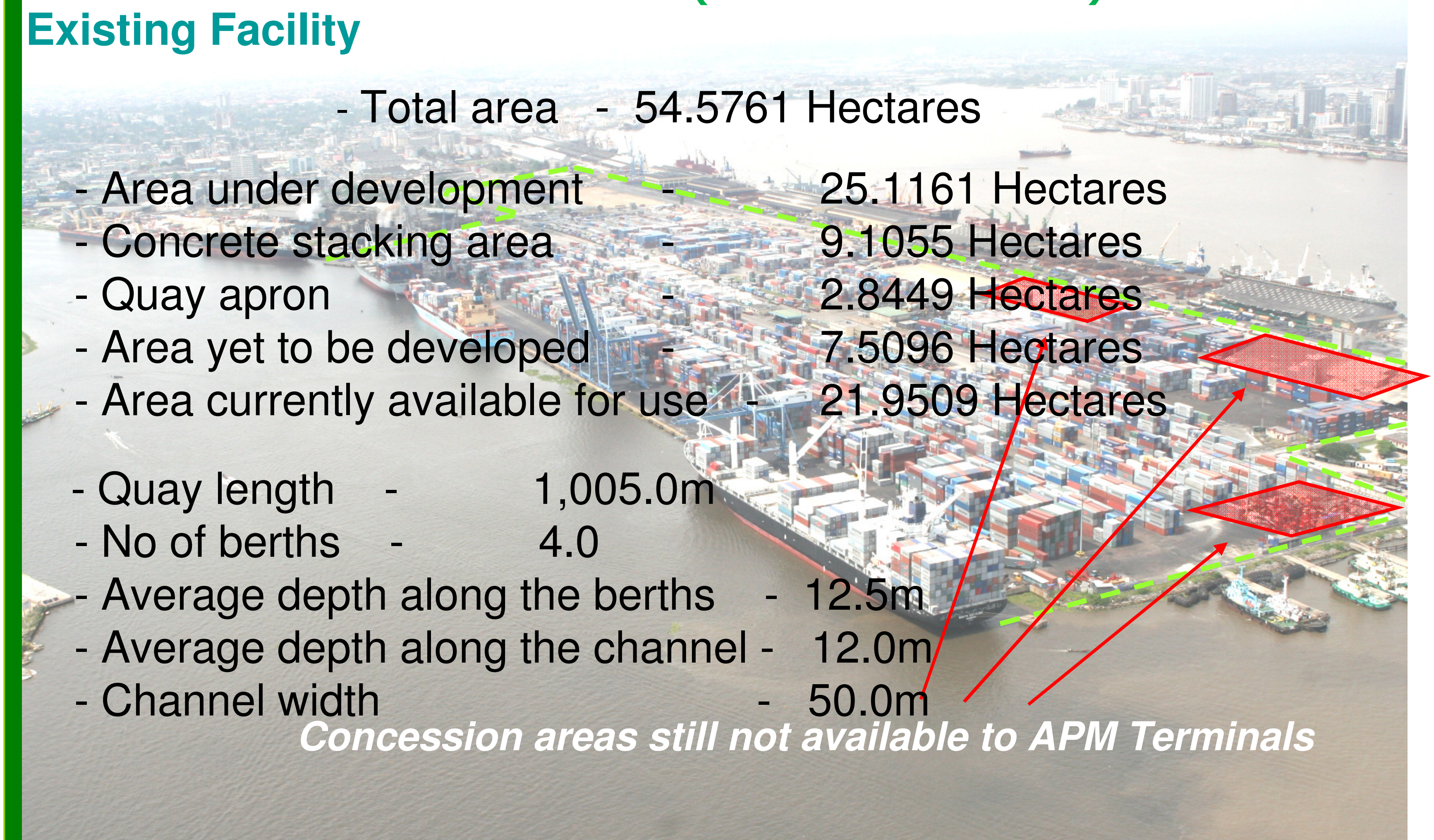
APM TERMINAL (container Terminal)



Existing Facility

- Total area - 54.5761 Hectares

- Area under development - 25.1161 Hectares
- Concrete stacking area - 9.1055 Hectares
- Quay apron - 2.8449 Hectares
- Area yet to be developed - 7.5096 Hectares
- Area currently available for use - 21.9509 Hectares

- Quay length - 1,005.0m
- No of berths - 4.0
- Average depth along the berths - 12.5m
- Average depth along the channel - 12.0m
- Channel width - 50.0m

Concession areas still not available to APM Terminals

CASE STUDY OF APM TERMINALS– Contd…

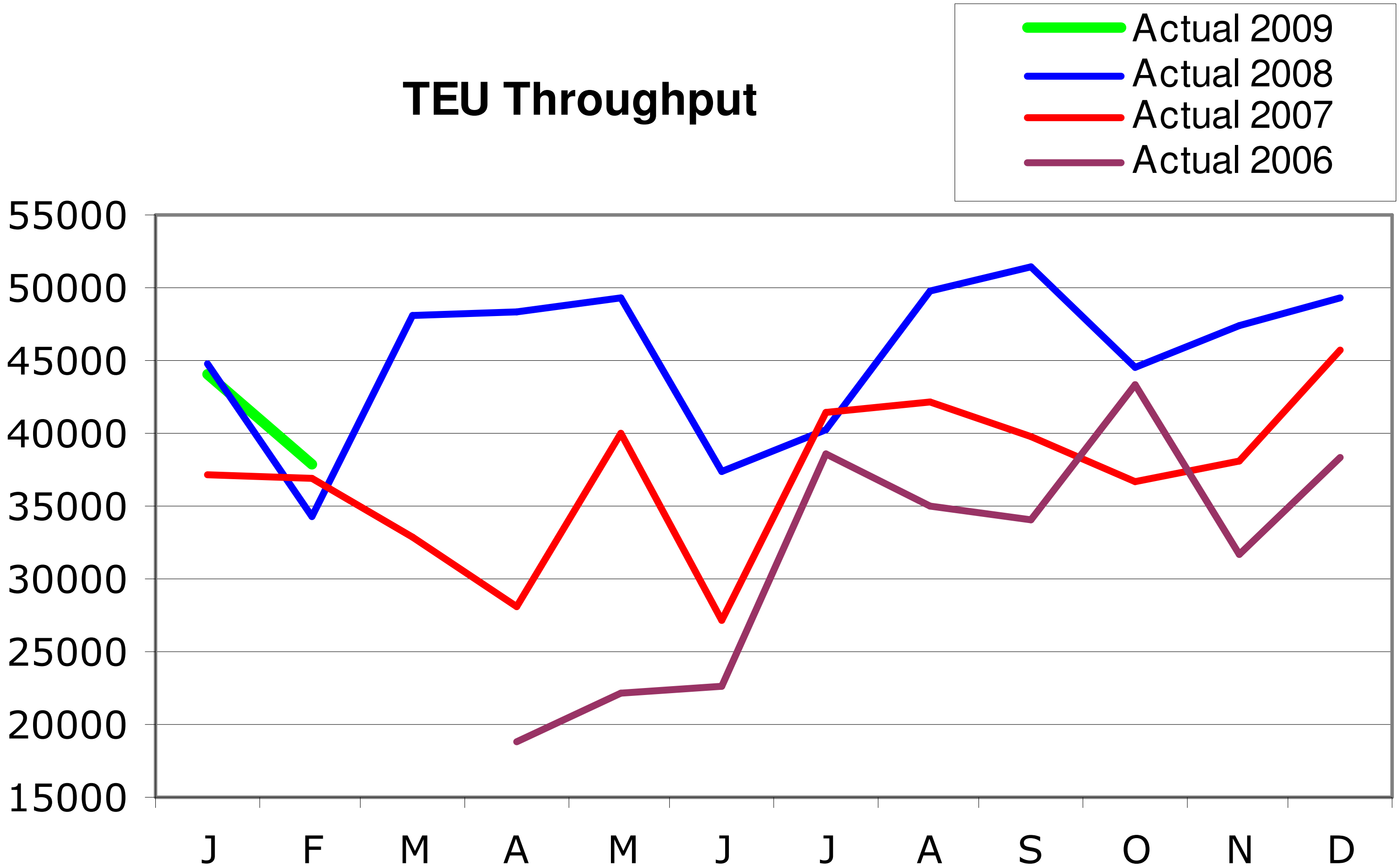
N I G E R I A N P O R T S A U T H O R I T Y

Equipment

S/N	EQUIPMENT	QUANTITY	IN COMMISSION
1	STS (35-40T)	5	5
2	Mobile Harbour Crane (65T twin twenty)	4	4
3	RTG (45T, 1 over 5 by 7)	4	4
4	Reach Stackers (42T,5 high)	43	33
5	Empty Handlers (9T, 7 high)	31	10
6	Bump Carts (65T, 45 Foot)	44	44
7	Truck/Yard Truck/Trailer	66	40
8	Fork Lift/Mobile Crane/Lift (5-25T)	30	7
	TOTAL	**227**	**147**

CASE STUDY OF APM TERMINALS – Contd…

N I G E R I A N P O R T S A U T H O R I T Y



TEU	J	F	M	A	M	J	J	A	S	O	N	D	
Actual 2009	44113	37893											
Actual 2008	44,788	34,233	48,077	48,322	49,271	37,361	40,247	49,739	51,341	44,600	47,411	49,332	544,722
Actual 2007	37,052	37,011	32,925	28,041	39,930	27,086	41,520	42,195	39,721	36,745	38,105	45,719	446,050
Actual 2006				18,723	22,069	22,720	38,455	34,959	34,034	43,221	31,649	38,283	284,113

Note: Negative dev. Jan/Feb 2009 due to 100% yard utilization caused by high dwell time.

CASE STUDY OF APM TERMINALS– Contd…

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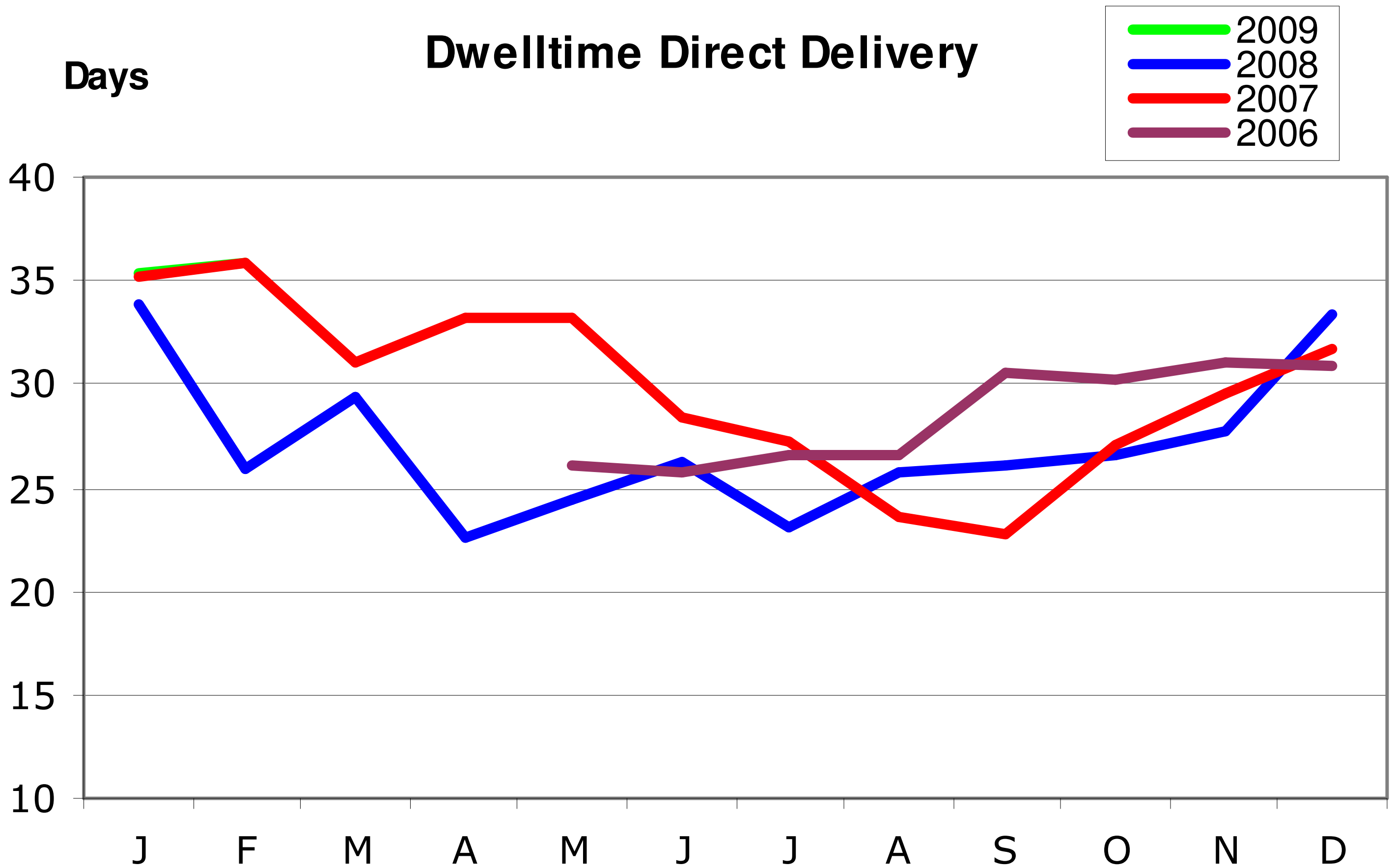

AVG Dwelltime DD	J	F	M	A	M	J	J	A	S	O	N	D
2009	35.4	35.9										
2008	33.9	25.9	29.4	22.6	24.5	26.2	23.1	25.7	26.0	26.6	27.8	33.3
2007	35.2	35.9	31.1	33.2	33.2	28.4	27.3	23.6	22.8	27	29.5	31.7
2006					26.1	25.7	26.6	26.6	30.5	30.2	31.1	30.9

Note: Negative dev. Jan/Feb 2009 due to 100% yard utilization caused by high dwell time.

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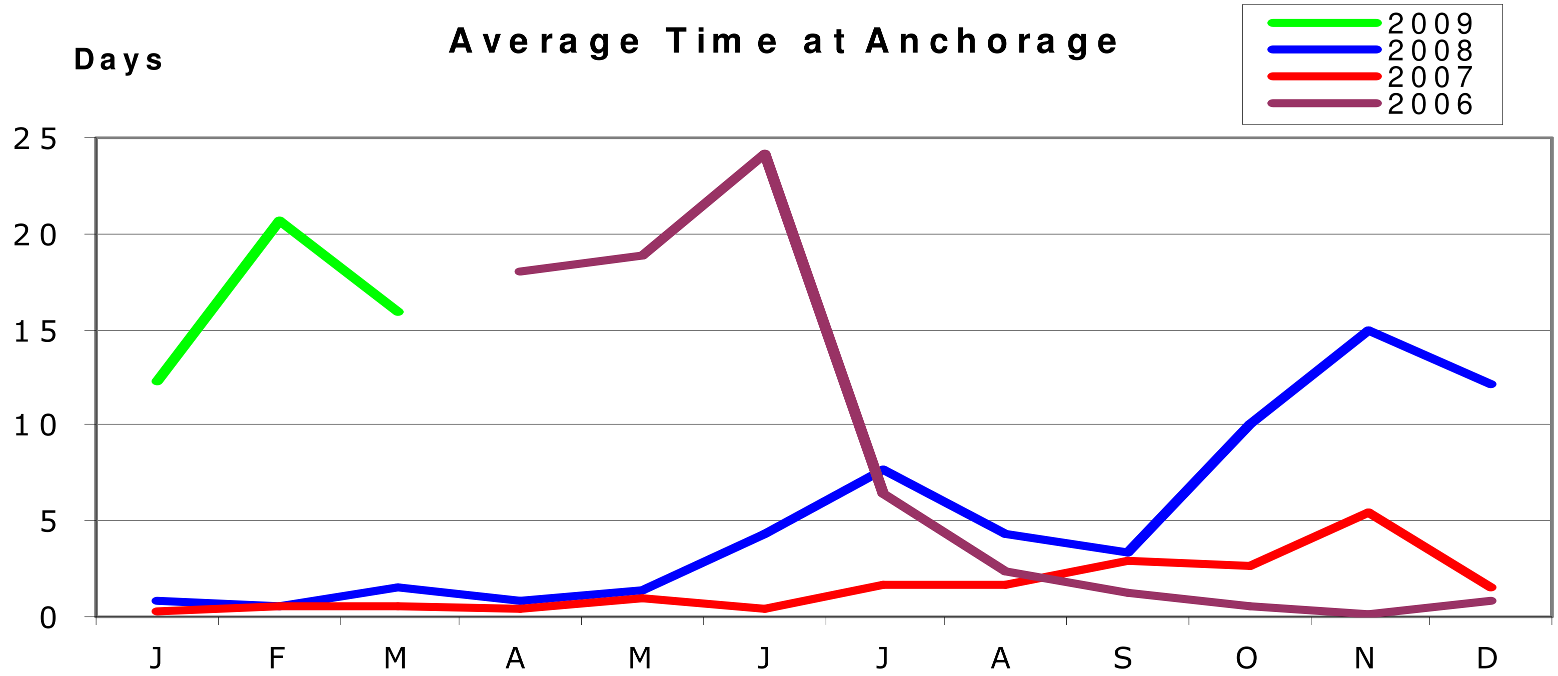
CASE STUDY OF APM TERMINALS – Contd…

AVERAGE WAITING TIME AT ANCHORAGE



AVG Anchorage

	J	F	M	A	M	J	J	A	S	O	N	D
2009	12.3	20.7	16.0									
2008	0.8	0.6	1.6	0.9	1.4	4.3	7.7	4.3	3.4	10	15	12.2
2007	0.3	0.5	0.5	0.4	1	0.4	1.7	1.7	3.0	2.7	5.5	1.5
2006				18	18.9	24.2	6.4	2.4	1.3	0.6	0.1	0.9

Note: March 2009 is an estimate. The peak in Oct/Nov 2007 related to the nation wide strikes by dockworkers. The mid year peak 2008 related to dredging at berths, industrial action and Presidential visit all around same time. The Q4 2008 and Q1 2009 peak is due to yard congestion.

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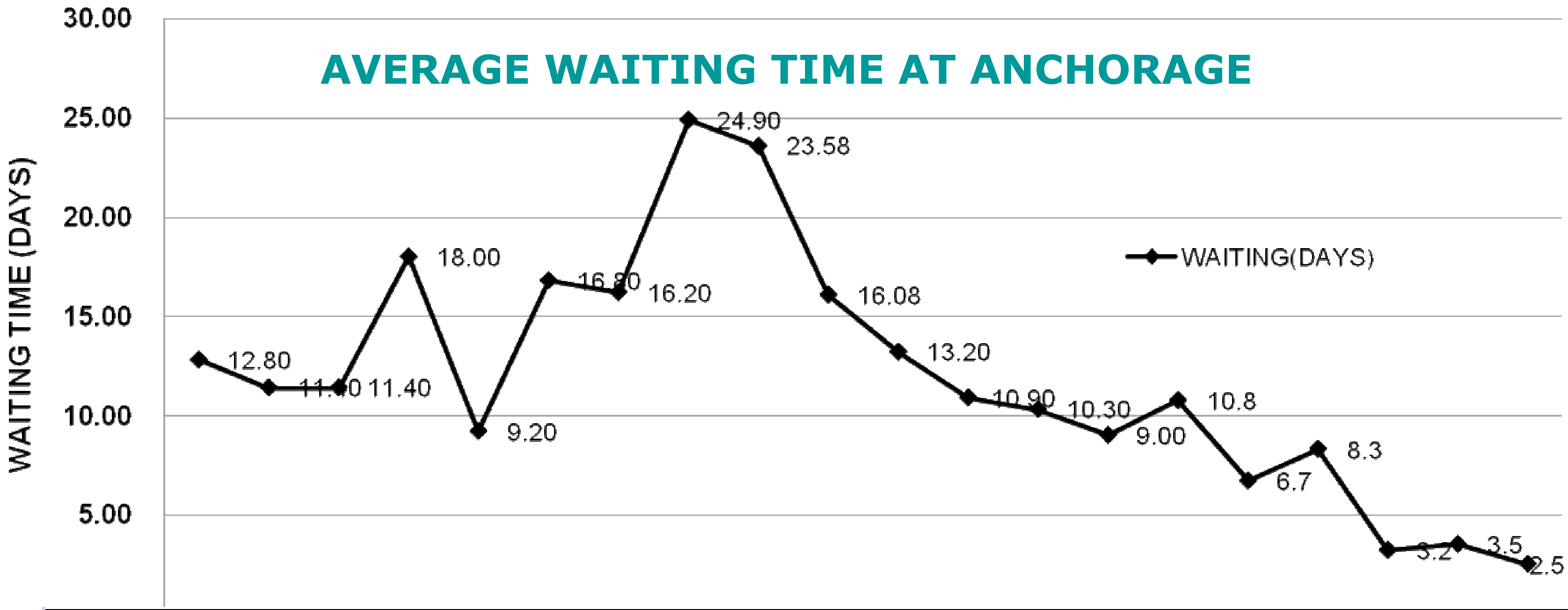
CASE STUDY OF APM TERMINALS – Contd…



WAITING (DAYS)	12.80	11.40	11.40	18.00	9.20	16.80	16.20	24.90	23.58	16.08	13.20	10.90	10.30	9.00	10.8	6.7	8.3	3.2	3.5	2.5
PERIOD	1ST WEEK	2ND WEEK	3RD WEEK	4TH WEEK	5TH WEEK	6TH WEEK	7TH WEEK	8TH WEEK	9TH WEEK	10TH WEEK	11TH WEEK	12TH WEEK	13TH WEEK	14TH WEEK	15TH WEEK	16TH WEEK	17TH WEEK	18TH WEEK	19TH WEEK	20TH WEEK
DATE	28 Dec - 4 Jan. 09	5 - 11 Jan. 09	12 - 18 Jan. 09	19 - 25 Jan. 09	26 Jan - 1 Feb. 09	2 - 8 Feb. 09	9 - 15 Feb. 09	15 - 22 Feb. 09	23 Feb - 1 Mar. 09	2 - 8 Mar. 09	9 - 15 Mar. 09	16 - 22 Mar. 09	23 - 29 Mar. 09	30 Mar. - 5 Apr. 09	6 - 12 Apr. 09	13 - 19 Apr. 09	20 - 26 Apr. 09	27Apr - 3May 09	4 - 10 May 09	11 - 17 May 09

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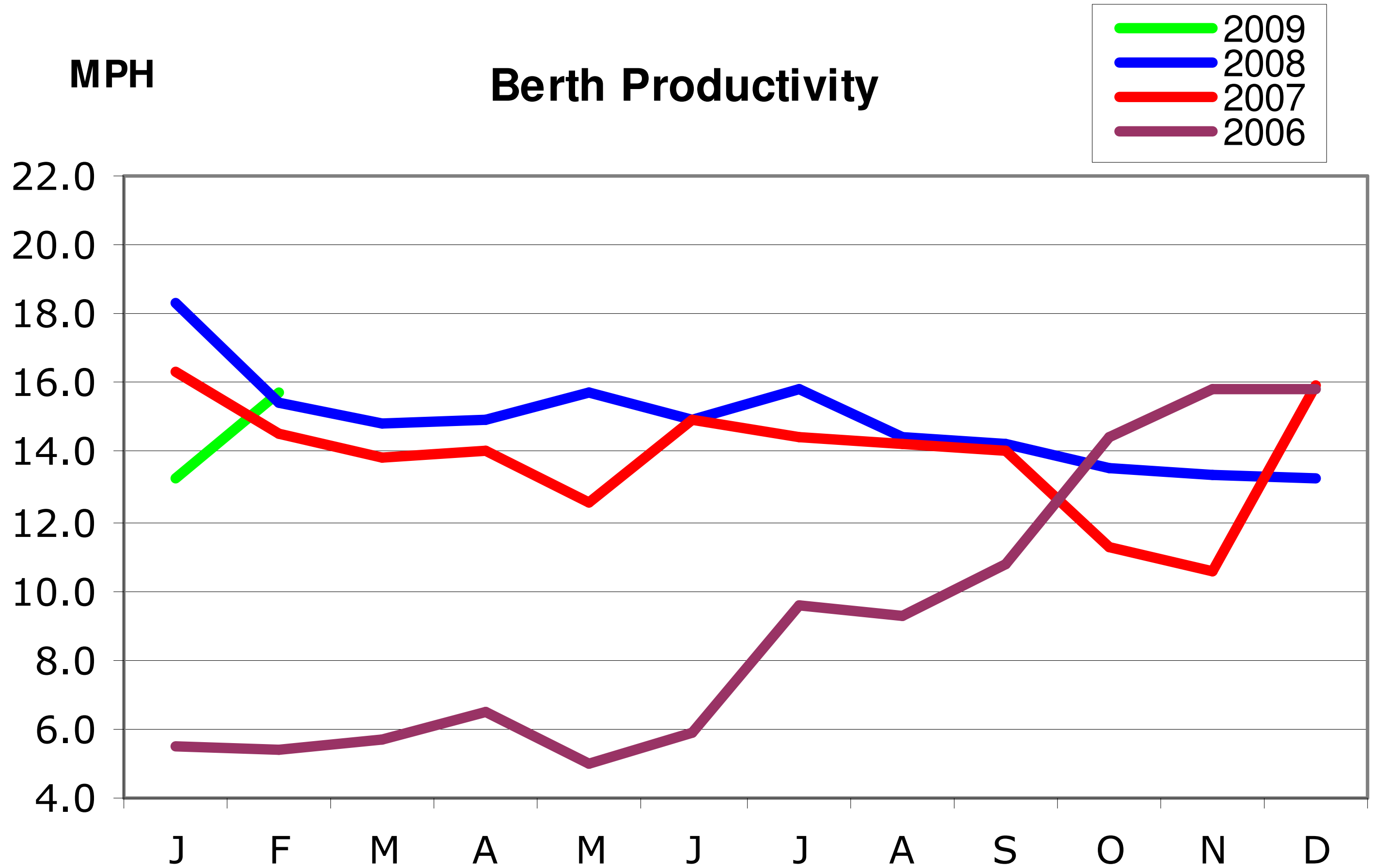
CASE STUDY OF APAPA PORT – Contd…



MPH	J	F	M	A	M	J	J	A	S	O	N	D
2009	13.2	15.7										
2008	18.3	15.4	14.8	14.9	15.7	14.9	15.8	14.4	14.3	13.5	13.3	13.3
2007	16.3	14.5	13.8	14	12.6	14.9	14.4	14.2	14	11.3	10.6	15.9
2006	5.5	5.4	5.7	6.45	5.02	5.9	9.6	9.3	10.8	14.4	15.8	15.8

CASE STUDY OF APAPA PORT – Contd…

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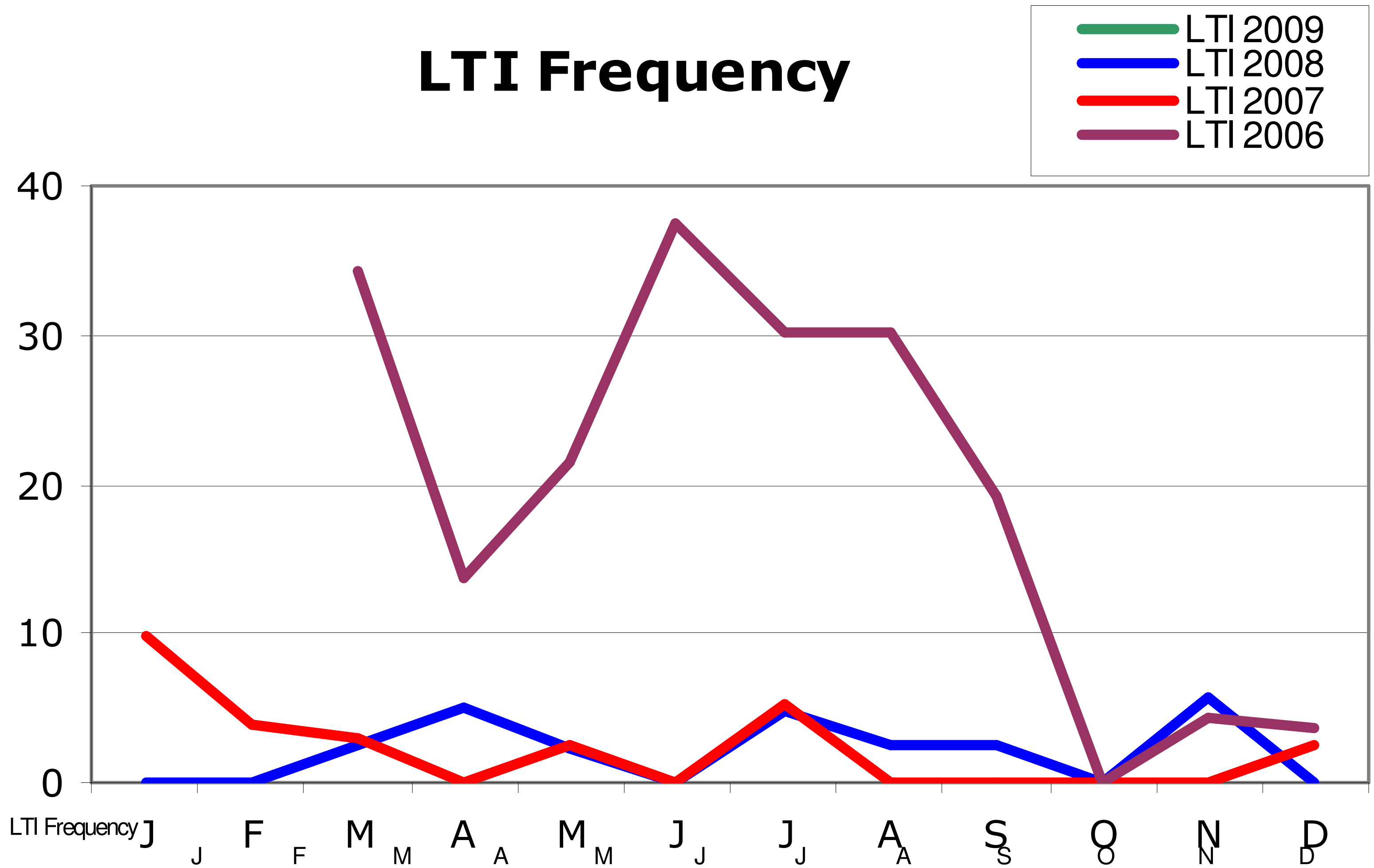

LTI Frequency	J	F	M	A	M	J	J	A	S	O	N	D
LTI 2009	0	0										
LTI 2008	0	0	2.5	5.1	2.4	0	4.9	2.5	2.5	0	5.8	0
LTI 2007	9.8	3.90	2.9	0	2.6	0	5.30	0	0	0	0	2.6
LTI 2006			34.2	13.8	21.6	37.6	30.2	30.1	19.1	0	4.3	3.7

Note: 2009 does not show on the graph because the value is indeed 0. No LTI the past 108 days (LTI=Loss Time Incident which means one person injury causing him not to return immediately to work).

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POSSIBLE CAUSES OF CONGESTION

- Increase in cargo traffic
- Inefficient Clearing Procedure
- Poor Infrastructure, including landside connection
- Reduced Productivity
- Consignee Attitude
- Poor Support Services
- Poor Terminal and Delivery Plan
- Unexpected Policy and Procedural change

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REMEDY

IMPROVE CAPACITY

- Reduce vessel waiting time
- Increase berth productivity
- Reduce cargo dwell time
- Improve gate efficiency
- Improve transport flow
- Increase terminal storage density
- Inland Container Depots (ICDs)

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REMEDY – Contd…

- Improve labour/equipment productivity

ii. Review of process and procedure

iii. Ensure stakeholder education

iv. Plan ahead

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CONCLUSION

- Congestion would remain topical
- Stakeholder education relevant
- Government plays a role
- Planning key to remedy

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THANK YOU

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