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ENHANCING PORT EFFICIENCY THROUGH CONCESSION OF OPERATIONS CASE STUDY- NIGERIAN PORTS AUTHORITY

BY

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AT

AFRICAN PORTS AND HARBOURS CONGRESS 2008

JOHANNESBURG, SOUTH AFRICA

3RD - 6TH JUNE, 2008

HEADQUARTERS: 26/28 MARINA, LAGOS, NIGERIA
Website: www.nigerianports.org. E-Mail: info@nigerianports.org



OUTLINE OF THE PRESENTATION

- ❖ About Nigeria
- ❖ Historical background of the Port Authority
- ❖ Functions of the Ports Authority
- ❖ Port Reforms - Nigerian experience
- ❖ Performance Indicators
- ❖ Comparison of pre and post concession era
- ❖ Concession and port efficiency



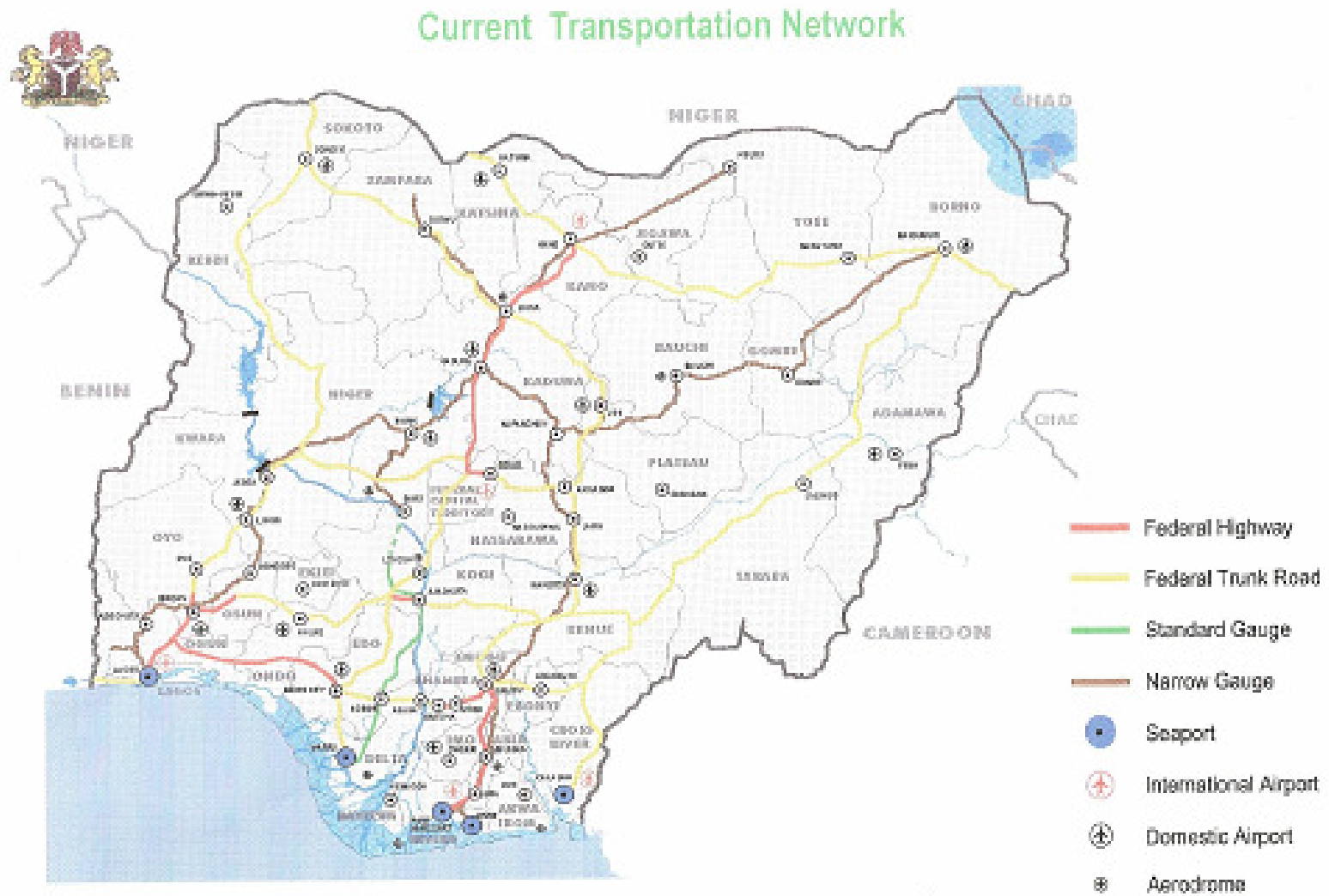
ABOUT NIGERIA

- ❖ Location:
Between Latitudes **04° 15' N** and **13° 30' N**
and Longitudes **14° 30' E** and **20° 20'E**
- ❖ Area:
Covers 923,768.64km² with 800km coastline
- ❖ Population:
140,003,542 people
- ❖ Neighbouring Countries (share boundaries):
Niger, Chad (Landlocked) and
Benin and Cameroon (Coastal)

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MAP OF NIGERIA



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ABOUT NIGERIA – Cont...

❖ Economic Potentials

- Large market with highly trained manpower
- Vast and fertile agricultural land
- Central location
- Largest Economy in West and Central Africa
- Emerging Market

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ABOUT NIGERIA – Cont...

❖ Natural Resources:

- Solid Minerals: Gold, Tantalum, Niobium, Lead, Zinc, Coal, Bitumen, etc, in commercial quantities
- Crude oil: 2006 estimated reserve -36 Billion barrels. Daily production at 2.5 million bpd with a target of 4.5million bpd by year 2010.
- Gas: 2006 estimated reserve -187 Trillion cubic feet

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HISTORICAL DEVELOPMENT OF NIGERIAN PORTS AUTHORITY

- ❖ Port operations and development in Nigeria began in the middle of the 19th century.
- ❖ Effort towards the provision of facilities for ocean going vessels started in the early 1900 with the construction of the Lagos breakwater (East and West moles)
- ❖ Capital dredging activities aimed at opening up the Lagos Lagoon commenced in 1906.
- ❖ Port Harcourt Port was opened in 1913 following the discovery of coal in Enugu.



HISTORICAL DEVELOPMENT OF NIGERIAN PORTS AUTHORITY – Cont...

- ❖ In 1914, the Lagos harbour was opened to shipping traffic
- ❖ The steam vessel 'S/S Akoko' entered Lagos in 1914.
- ❖ In 1948, capacities were expanded through the building of additional quay walls of 762m span
- ❖ Port Operations and Management remained under the control of different government departments during this era (pre 1954)



HISTORICAL DEVELOPMENT OF NIGERIAN PORTS AUTHORITY – Cont...

- ❖ The Marine Department took charge of vessel movement in traffic the channel up to the quays
- ❖ Maintenance of the quay wall was the responsibility of the Public Works Department
- ❖ Cargo handling at the terminals was the prerogative of Nigerian Railways
- ❖ Nigerian Ports Authority was established in 1954 by an Act of Parliament and commenced operation in 1955.

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MANDATE

- ❖ Carry on the business of carrier by land or sea, stevedore, wharfinger, warehouseman or lighterage man.
- ❖ Construct, develop ports, docks, harbours, piers, wharves, canals, water courses, embankment and jetties.
- ❖ Invest and deal with the monies of the Authority.
- ❖ Appoint, license and manage pilots of vessels.
- ❖ Enter into Agreement with any person for the operation or the provision of any of the port facilities which may be operated or provided by the Authority



FUNCTIONS

- ❖ Provide, maintain and operate ports facilities
- ❖ Maintain, improve and regulate the use of the port
- ❖ Ensure the efficient management of port operations
- ❖ Optimal allocation and use of resources
- ❖ Diversification of sources of revenue
- ❖ Guarantee adequate returns on its investments

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FUNCTIONS – Cont...

- ❖ Provide safe and navigable channel
- ❖ Offer cargo handling and storage services
- ❖ Provide towage, pilotage services and appliances for salvage of life and property/prevention of fire
- ❖ Ensure safety and security
- ❖ Control pollution within port limits and their approaches
- ❖ Provide ancillary services i.e. ship repair, supply of water to vessel etc



PORT FACILITIES

- ❖ Lagos Port Complex
- ❖ Tin Can Island Port Complex
- ❖ Rivers Port, Port Harcourt
- ❖ Onne Port, Complex
- ❖ Calabar Port
- ❖ Delta Ports, Warri



INITIAL CHALLENGES

- ❖ Rapid Economic Growth
- ❖ Globalization
- ❖ Containerization
- ❖ Changes in vessel sizes & architecture



RESPONSE TO CHALLENGES

- ❖ Third wharf extension was completed 1977
- ❖ Tin Can Island Port commissioned 14th October, 1977
- ❖ New Warri Port commissioned 19th June, 1979
- ❖ New Calabar Port, 19th June, 1979
- ❖ New Sapele Port commissioned 1982
- ❖ Federal Ocean Terminal, Onne (phase 1) commissioned 1996



PORT REFORM IMPERATIVES

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 – The policy was revised

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RENEWED EFFORT

Federal Government and World Bank Initiative in 2001

Royal Haskonning/Dynamar/Challenge International Associate

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

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RECOMMENDATIONS

- ❖ Landlord Model
- ❖ Three Regional Authorities
- ❖ Slim corporate headquarters
- ❖ Clear role for the FMOT, Corporate Headquarters, Regional Authorities
- ❖ Separation of operational from regulatory responsibilities



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 port sector
- ❖ To attract private sector participation so as to free public resources for public services



REFORM IMPLEMENTATION PROCESS

- ❖ Appointment of CPCS Transcom as adviser to BPE with responsibilities to Reform, Restructure and Concession
- ❖ National Council on Privatization
- ❖ Expression of Interest Dec. 2003
- ❖ 110 Applications received
- ❖ 94 Pre-qualified and issued bid documents
- ❖ 24 Concession transactions concluded

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- ❖ First Hand-over-APMT – 20th March, 2006
- ❖ Presidential Committee on Port Reform to Guide the process and dialogue with stakeholders to ensure success
- ❖ Ports delineate into terminals and concessioned to large independent terminal operators for 10 – 25 years
- ❖ Operators selected through transparent internationally competitive tenders



REFORM IMPLEMENTATION PROCESS – Cont...

Ports and no. of concession terminals

S/N	PORT	No. OF CONCESSIONS
1.	Lagos Port	6 + 1 ICD
2.	Tin Can Island & Lilypond	4 + 1 BOT
3.	Port Harcourt Port	2
4.	Calabar Port	3
5.	Warri/Koko Ports	5
6.	Onne Port	3
	TOTAL	24+1 BOT

* Two transactions yet to be concluded



CONCESSION BENEFIT

- ❖ Reduced waiting time + Reduced dwell time → savings
- ❖ Infusion of private capital → improved facilities and equipment + Enhanced training → Efficiency
- ❖ Savings + Efficiency → Increased cargo movement (Transit/Trans-shipment + new business opportunities → Lower cost due to economy of scale



EXPECTED FUNDS FROM CONCESSION

- ❖ Estimated Direct Investment: - Over US\$1.0 Billion
- ❖ Estimated Income over a concession duration of between 10- 25years:
 - Commencement fees - US\$44,200,000
 - Equipment sales - US\$ 53,145,100
 - Lease fees - US\$ 4,852,033,342
 - Sub Total = US\$4,949,378,442
 - Projected Throughput fees - SD1,586,490,196.91

Total Estimated Income = US\$6,535,868,638.00 BN



PERFORMANCE INDICATORS

Cargo Throughput

YEAR	INWARD	OUTWARD	THROUGHPUT	WAITING TIME	TURN ROUND TIME	BERTH OCCUPANCY (%)
1995	9,289,971	3,983,082	13,273,053	0.47	6.17	27.76
1996	10,224,300	5,251,001	15,475,301	0.46	6.34	36.68
1997	11,213,624	5,396,181	16,609,805	0.47	6.71	36.73
1998	14,286,864	5,038,854	19,325,718	0.39	7.31	41.39
1999	15,751,331	6,481,605	22,232,936	0.36	6.31	47.09
2000	19,230,496	9,702,384	28,932,880	0.34	7.01	44.76
2001	24,668,791	11,271,901	35,940,692	1.27	7.91	51.78
2002	25,206,380	11,780,861	36,987,241	3.99	11.34	56.58
2003	27,839,293	11,926,652	39,765,945	2.17	7.89	52.75
2004	26,907,075	13,909,872	40,816,947	1.44	6.44	50.93
2005	29,254,766	15,697,312	44,952,078	2.60	7.40	49.70
2006	31,937,804	17,235,520	49,173,324	2.00	6.10	46.93
2007	33,722,488	20,918,560	54,641,084	1.00	4.70	47.43
TOTAL	279,533,183	138,593,785	418,126,968	1.30	7.05	45.10

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PERFORMANCE INDICATORS – Cont...

Crude oil and LNG 1995 -2007

YEARS	CRUDE OIL LIFTED	NO. OF TANKERS COMPLETED	LNG LIFTED	NO. OF TANKERS COMPLETED
1995	81,147,610	601	-	
1996	86,420,804	665	-	
1997	99,667,533	719	-	
1998	97,953,211	730	-	
1999	92,463,264	656	1,503,398	46
2000	102,930,079	757	5,953,567	130
2001	100,732,875	731	7,154,965	149
2002	86,284,036	634	8,084,749	133
2003	85,797,681	657	9,292,832	173
2004	117,055,427	924	11,529,827	220
2005	112,872,821	902	11,264,515	215
2006	106,403,640	840	11,879,857	243
2007	104,760,178	820	19,076,748	344
TOTAL	1,274,489,159	9,636	85,740,458	1,653

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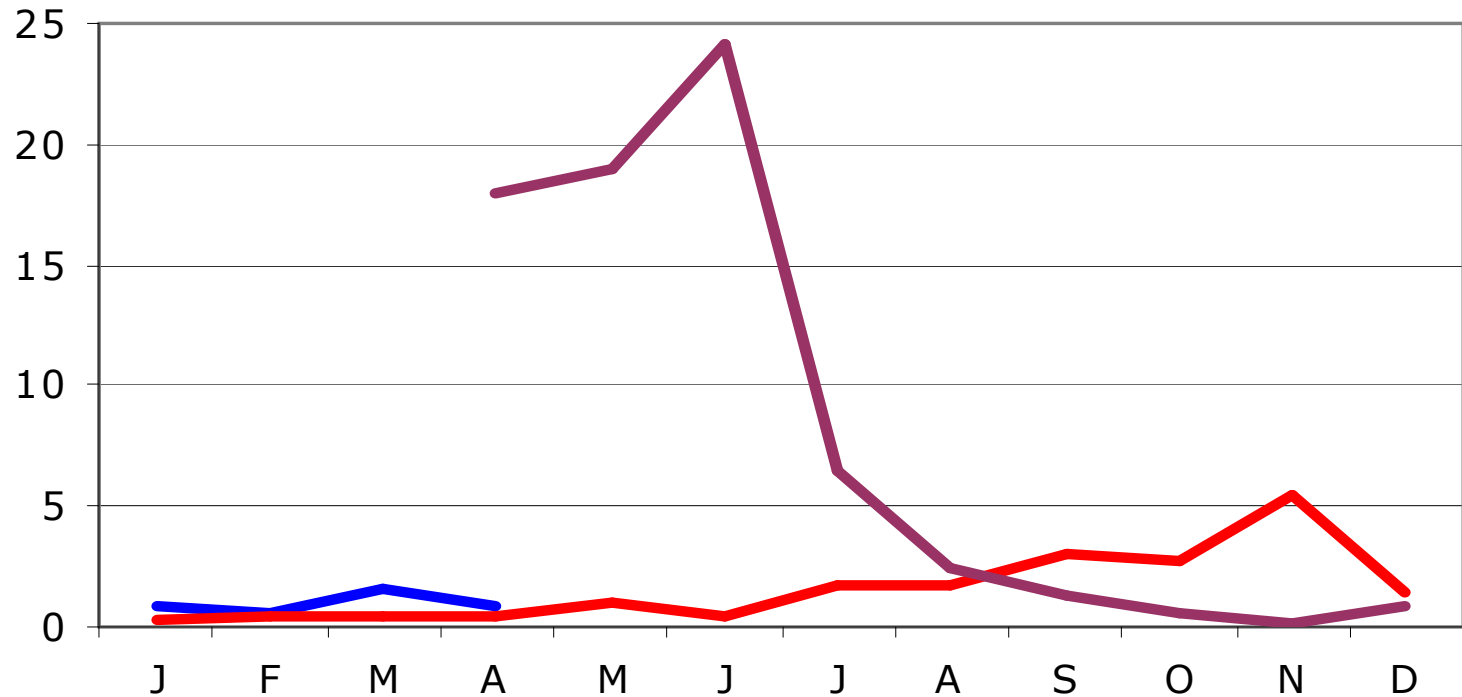
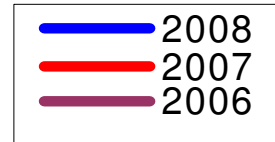
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PERFORMANCE INDICATORS – APMT

Average time at the anchorage

Days Average Time at Anchorage



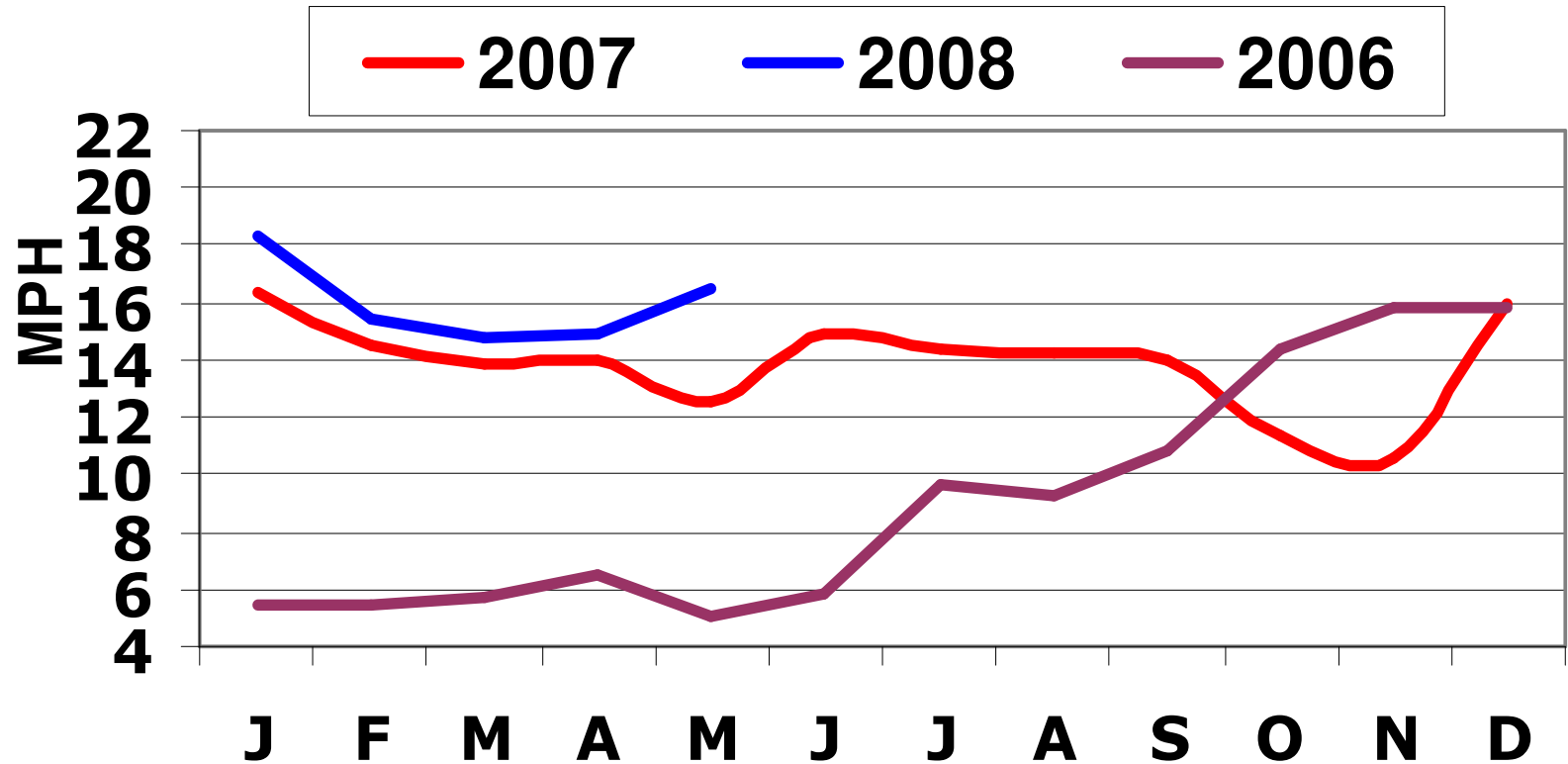
	J	F	M	A	M	J	J	A	S	O	N	D
2008	0.8	0.6	1.6	0.9								
2007	0.3	0.5	0.5	0.4	1	0.4	1.7	1.7	3.0	2.7	5.5	1.5
2006				18	18.9	24.2	6.4	2.4	1.3	0.6	0.1	0.9

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PERFORMANCE INDICATORS – APMT

Berth productivity (moves/hour)



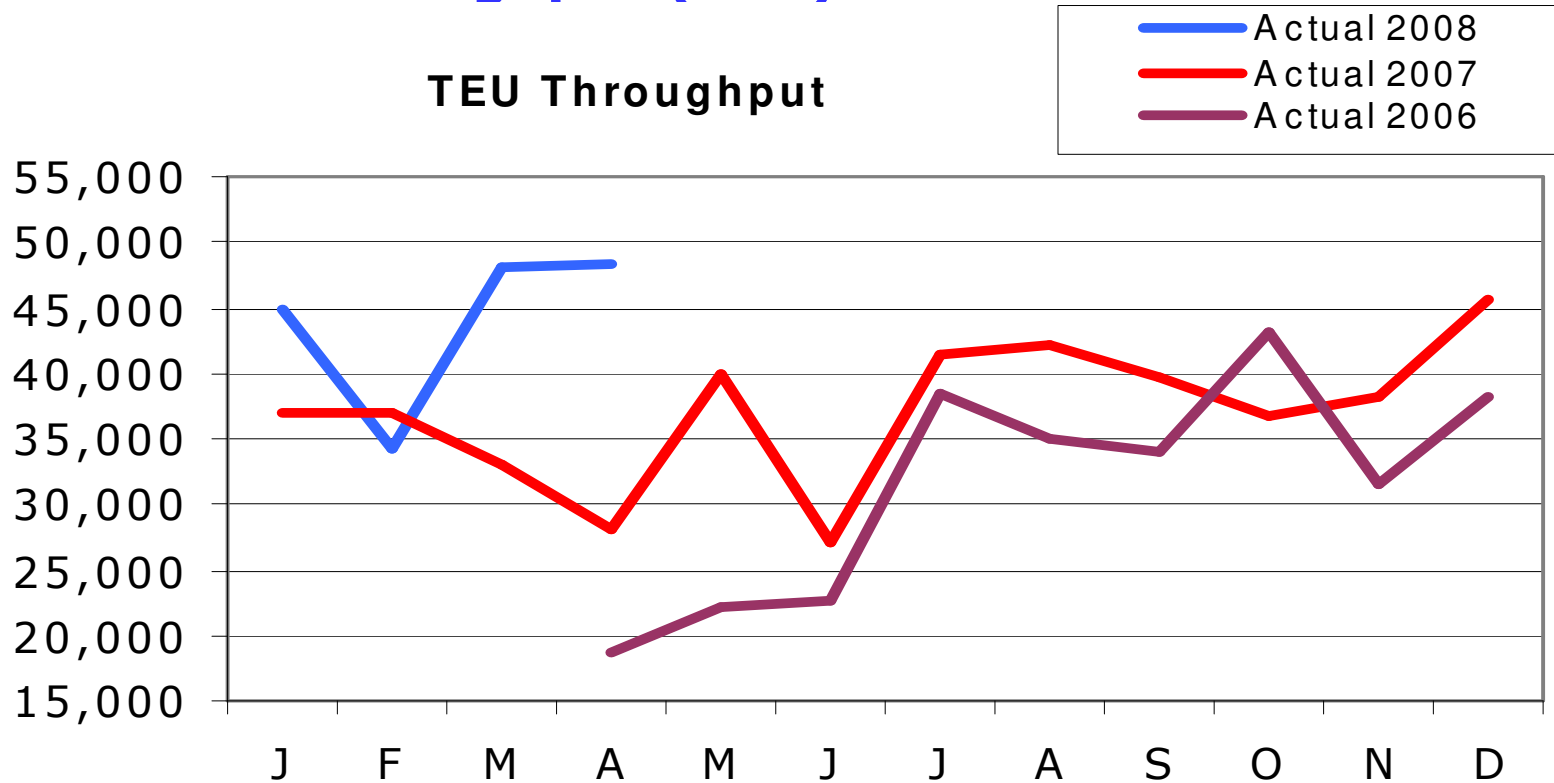
	J	F	M	A	M	J	J	A	S	O	N	D
2008	18.3	15.4	14.8	14.9	16.5							
2007	16.3	14.5	13.8	14	12.6	14.9	14.4	14.2	14	11.3	10.6	15.9
2006	5.5	5.4	5.7	6.45	5.02	5.9	9.6	9.3	10.8	14.4	15.8	15.8

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PERFORMANCE INDICATORS – APMT

Container throughput (TEU)



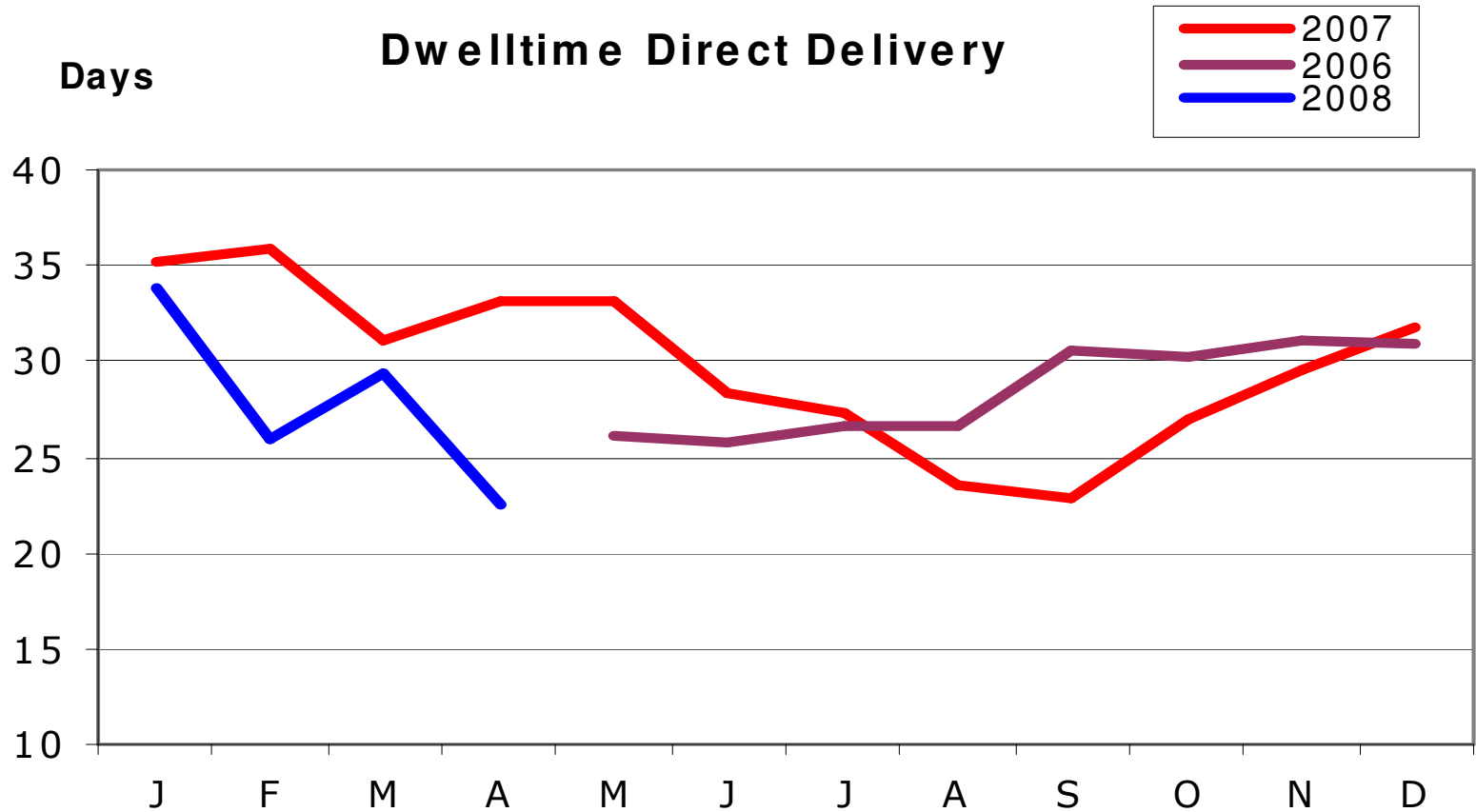
	J	F	M	A	M	J	J	A	S	O	N	D
Actual 2008	44,787	34,233	48,027	48,322								
Actual 2007	37,052	37,011	32,925	28,041	39,930	27,086	41,520	42,195	39,721	36,745	38,105	45,719
Actual 2006				18,723	22,069	22,720	38,455	34,959	34,034	43,221	31,649	38,283

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PERFORMANCE INDICATORS – APMT

Dwell time – direct delivery



	J	F	M	A	M	J	J	A	S	O	N	D
2008	33.9	25.9	29.4	22.6								
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

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PERFORMANCE INDICATORS – APMT

Terminal investment to enhance capacity

CURL: 'THISDAY' NEWSPAPER OF FRIDAY, 9TH MAY, 2008

APM Terminal Acquires \$10m Cranes

In a bid to reinforce its supremacy in port operations and enhance efficiency, one of the leading global port terminal operators, APM Terminals Apapa Limited has acquired four additional gantry cranes worth \$10 million.

The cranes, which are expected to arrive Nigeria before the end of this month will result in doubling the company crane capacity (from 350,000 TEU to 700,000 TEU) and at the same time enable a full transformation from vessel gear to a much safer full shore gear (STS) operation.

A statement issued in Lagos and made available to THISDAY said the full merger to STS cranes will also double productivity (from the present 15 moves per hour to 30 moves per hour) which will on average reduce vessel port stay to half of what it is today.

Since APM Terminals took over the container terminal, berth productivity has already gone up from 6 moves per hour to over 15 moves per hour.

Over \$136 million is being invested by APMT in redeveloping its area of operation and in acquisition of modern cargo handling plant.

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REFORM CHALLENGES

- ❖ Downsizing – About 9,000 officers/staff out of 13,000 severed
- ❖ Disengagement of 13,000 Dockworkers and payment of their terminal benefits
- ❖ Financing severance packages (about 250 million USD @ N125 to a Dollar, December 2007 exchange rate)
- ❖ Preparing redundant workforce for absorption by the market place
- ❖ Need for reorientation and capacity building



LEGAL ISSUES

- ❖ Leases – Section 25, (1) &(2) Ports Act
- ❖ Right of other parties to perform responsibilities – Section 8, Subsection (1)(I)
- ❖ Regulatory Authority
- ❖ Challenges by retired officers



CONCLUSION

- ❖ Important Revenue Source
- ❖ Trade Facilitator
- ❖ Major Provider of Infrastructure
- ❖ Key Employer of Labour
- ❖ Commercial/Strategic Provider of Nautical Services



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