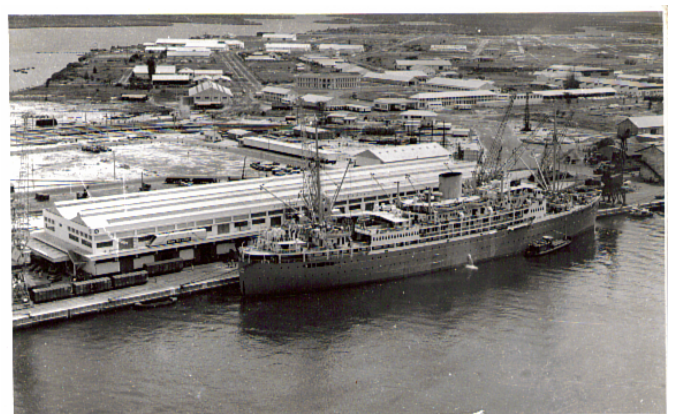


## HISTORICAL BACKGROUND

The history of port development in Nigeria dates back to the middle of 19th century. This was long after the onset of sea borne trade and transactions which followed the adventures of early explorations on the African coasts. Initial efforts towards provision of facilities for ocean going vessels were the attempts to open up the entrance to the Lagos Lagoon. Considerable littoral drift occurred along this coast; and the constantly shifting channels in the bar at the entrance made entry very difficult.

On February 1, 1914, the first mail-steamer S/S 'AKOKO' drawing 5.64 metres entered the Lagos harbour. Two months later, vessels began to use the facilities provided at the Customs wharf on Lagos Island.



Prior to this time, explorative and trade activities involving European missionaries and businessmen in Africa made the existence of a port on the wide coastal stretch from Calabar to Lagos imperative. Specifically, in the 15th century the Europeans opened marine contract and discovered the rich natural resources in the West and Central African region that were needed for their economic and industrial revolution. As a result, the Bight of Benin was opened up by John d'Aveiro, of Portuguese in 1485 and in 1553, Captain Wyndham of Britain landed on the nation's coast

The first major breakthrough in opening up the Lagos Lagoon was in 1906 when orders were placed for dredgers to work at the bar. During the same year, approval was given for the construction of the first length of the East Mole. The construction of railway from Lagos to Otta and then to Abeokuta provided easy transportation of stone needed for the construction of the mole. Depths over the bar improved steadily as the entrance moles were pushed further sea words.

Decision to develop Apapa Port was taken in 1913 and construction of the first four deep-water berths of 548.64 metres long at Apapa began in 1921. Twenty-seven years later (1948), an additional 762 metres of berthage were constructed as continuation –downstream of the first four berths and about 41 hectares of reclamation behind the wharves were formed to accommodate transit shed, warehouses and marshalling yards. The discovery of coal of Enugu motivated the building of ports in the eastern flank of the country; Work commenced on the building of Port Harcourt wharf during the first quarter of this century.

In 1913, Port Harcourt Port was opened to shipping by Lord Lugard, the Governor General. The railway line to Enugu was completed three years later in 1916. A berth for colliers was dredged out and constructed as a place where loading could be effected.



Four berths of 1,920 feet long were developed at the Port Harcourt Port in 1927, and following a report by the Port Harcourt Port Advisory Board, the sum of four

million pounds was provided for the first major extension work of the Port Harcourt Port in 1954. During this era (Pre 1954) the concept of port as an integral part of social and economic development of a country had hitherto not been properly addressed. Nigerian Railway Department –Cargo Handling at the quay in Lagos & Port Harcourt Ports operation & management therefore remained under the control of different Govt. Departments Marine Department-Maintenance of the harbour channel and berthing of vessels Public Works Departmental –Maintenance of Quays.

1955 –1966

Within the first eleven years of its existence as a corporate body, NPA focused on fundamental issues vital to the success of the ports industry and equally relevant to the overall national economy. In recognition of the importance of having trained hands on its payroll and in response to the policy of Nigerianization in the years proceeding independence in 1960, the Nigerian Ports Authority embarked on an elaborate manpower development through Cadetship Training Awards. Emphasis was on Marine –Engineering, Accountancy, General Management, Civil, Mechanical and Electrical Engineering. By the early sixties, beneficiaries of these trainings awards had begun to graduate and to form the core of Nigerian professionals to shape the future of the ports industry.

The Authority also within this period continued to sustain the efforts already made towards expansion of ports facilities in Lagos and Port Harcourt. In Lagos, six berths of 943 metres were added to the existing ones, while four berths with a total quay length of 506 metres were added to the facilities and steps were taken to mechanize the traffic operations in these ports. In this era, port development approach became tailored along declared national objectives. The Authority's development strategy became programmed to fall in line with the first National Development Plan –1962 –1968. The second Apapa Wharf Extension was executed and so also were further improvements of port facilities in Port Harcourt. The sum N45M was spent during this period on the two ports.

CIVIL WAR ERA 1967 –1970

This period had tremendous impact on the ports industry in Nigeria. The security aspect of ports came into sharp focus. Port Harcourt (Rivers Ports) was closed to foreign traffic. Lagos thus became the only available port serving the country's maritime transportation needs.

The Federal Military Government enacted a special decree which empowered the Nigerian Ports Authority to acquire the ports of Warri, Burutu and Calabar, previously operated by private entrepreneurs. Holts Transport were former owners of Warri Port, UAC owned Burutu Port. Calabar Port was originally owned by five operators. NPA spent N3.35 million at the time to acquire these ports. Lagos Port with its comparatively limited capacity was made to bear the weight and burden of the tremendous flow of war time cargoes and other goods coming into the country.

After the war ended, heavy imports of reconstruction machinery including heavy structures for some basic industries, construction materials and consumer goods flooded the Lagos Port which had earlier been inundated by an overflowing war time cargo that had scarcely been cleared. This marked an important turning point in his history of the nation's ports industry, operation and management

1970 –1974

The Federal Military Government drew up its Second National Development Plan –1970 –1974, which was the first major policy thrust in reconstructing and rehabilitating the civil-war damaged economy. The sum of N4.1M was initially made available for the rehabilitation of port structures and necessary mechanical handling equipment. Within the project completed within the first two years of the plan (1970 –1972). The rehabilitated and reconstructed ports include Port Harcourt, Bonny, Calabar, Koko and Lagos. These initial post-war port development efforts were however not adequate to prevent congestion phenomenon that was building up in the ports since the civil war period which later led to unprecedented ports congestion.

PORT CONGESTION Experienced in two dimensions between 1970 and 1975:

a) Cargo congestion

## b) Ships Congestion

### Cargo Congestion 1970/71

There ensured a bottle-neck in the evacuation processes of cargo, especially from the Lagos Port which had been overwhelmed by the volume of war-time and post-war cargo that far over-weighed its capacity. This helped to increase the dimension of the cargo congestion of the early 70s.

The change in the conventional methods of packaging cargo in crates, casks, bottles, boxes, etc. into container unit loads which are bigger in size and volume threw a challenge on the country's narrow bridges which were unsuitable for the new cargo. The poor road network made it necessary to unstuff container goods at the port thereby defeating the optimal benefit of containerization. Existing roads were inadequate to cope with expeditious evacuation of cargo in and out of the port. Rail haulage services expected to handle about 50% of port traffic responded poorly by handling below 25%.

Other factors that contributed to the cargo congestion included:

- i. Delays by some shipping companies in submitting to NPA essential documents like ship's manifest, the stowage plan, cargo list and the pallet list
- ii. Abuse in the use of the Authority's transit sheds as permanent warehouses by some.  
indigenous enterprises especially the small ones who hardly had the financial strength to run their businesses and thereby failed very often to comply with regulations compelling port users not to keep their cargo in transit sheds beyond certain time limits.



- iii. Long and tedious customs procedures in the port. This situation become serious each day, causing great concern to NPA.

The Federal Military Government and the Nigerian Ports Authority took a number of drastic measures to arrest this aspect of port congestion.

Incentives such as providing a 24-hour delivery service without additional charges; rent waiver to induce importers to take delivery of their goods already released by Customs but not yet collected were introduced to consignees

Direct delivery from vessels to all modes of conveyance was strictly enforced in respect of such cargoes like salt, milk and flour. When these measures failed to yield appreciable results, a state of emergency was declared at the Lagos Port and a Military Port Commandant appointed with full powers to decongest the port.

SHIP CONGESTION 1971-1975

The rapid growth of Nigeria's population, the vast agricultural resources of the country and the sudden increase in the posted price of petroleum from her rich mineral resources had generated an impetus for revolutionary changes in the political, educational, socio-economic and industrial projects like the gigantic National Art Theatre, residential and factory building including facilities for the enlarged military force and all these resulted in a high effective demand for building materials.

The Udoji/Williams and Williams' salary award of January 1975 increased the purchasing power of the people in the country coupled with the relaxation of foreign exchange control and the lifting of embargo on imports, led to massive importation by businessmen. The desire to satisfy the increase in the derived demand for cement forced the then military administration to negotiate for the purchase and supply of 20 million tonnes of the commodity, 16 million tonnes of which were for the Ministry of Defence alone. Delivery was to be effected within a period of twelve months at a time when the capacity of all existing Nigerian Ports put together was 6.5 million tonnes of general cargo per annum.

Consequently, the Apapa Port was flooded with vessels, which arrived simultaneously within the nation's territorial waters. By the close of 1974/75 fiscal year, 105 ships, most of which were cement vessels were already queuing for berthing facilities. By the middle of 1975, vessels waiting for berthing spaces in our ports had reached a record figure of 455, which included 300 vessels carrying bags of cement. NPA was ignorant of the public sector cement agreement. Normal remedial measures were thus adopted. This included an increase of manpower, which rose resulted into excessive overtime and expedited discharge of cargo. None of those measures yielded optimal result. Meanwhile, the effect of the congestion had begun to register on the nation's economy and if the port congestion phenomenon did demonstrate. Any disruption in the port system registers immediately on the national economy.

Port congestion resulted in the imposition of surcharges. Ships had to wait for an average of 180 days before they could berth. This attracted a freight surcharge of 30 to 100%. Secondly, when low unit value of commodities is imported, the

impact on prices is substantial. According to the first report of the Anti-inflation Task Force, Ministry of Information, it was estimated that between 1970 and 1974, the average impact prices increased by 67.4%. The increase in freight surcharge affected Nigerian shippers of agricultural exports who were placed at a disadvantage as they found it difficult to maintain competitive position in the scramble for world markets, and so their profit margins were drastically reduced.

One of the adverse effects of the port congestion was on the nation's external reserves. A demurrage estimated at US\$4,100 per day for each cement vessel for delay in excess of ten days was paid by the Federal Government. The period 1970–1974 can rightly be described as a major turning point in the history of ports development in Nigeria. The issue of ports development ceased to be just an NPA affair. It became a national issue.

#### 1975-1980

This marked the era of third development plan in which port development occupied a very important position. Series of measures both short and long term were planned and successfully executed during this period. By October 14, 1977, the ultra-modern Tin Can Island Port was commissioned. Two years later (16th June, 1979) the new Warri Port was commissioned together with the new Calabar Port (19th June, 1979).

#### 1980s

Ironically, no sooner were the massive port structures put in place that the economic fortunes of the country began to dwindle in response to global economic trends that saw the foreign exchange of most developing nations of the world in very precarious position. Beginning from 1982, Nigeria's domestic economy had been under serious pressure. Between 1982 and 1984 for example, domestic inflation had risen from 7.7% to 39.9%. The downward slope in the prices of crude oil – a predominant factor of the nation's external trade and other micro and macroeconomic factors had brought a depletion of the nation's foreign reserve from N2.4B in 1981 to N798.5M in 1983.



Series of economic measures were adopted to check the continuing drain on the foreign reserve, and to bring about a complete readjustment of the nation's priorities and needs with a view to erecting sound economic base upon which the nation's economic future would thrive. Activities within the nation's maritime industry have had to respond to the realities of the situation. A previously booming import business which had since the beginning of the 70s kept the Nigerian Ports busy and congested had since the beginning of the 80s gradually scaled down. A sizeable proportion of the existing port facilities this remained underutilized. In addition, port developments embarked upon in 1980 has remained stalled because of the depression in the economy.

The Federal Ocean Terminal –the first planned deep seaport in the country –was conceived both as port of long term measures against possible repeat of the congestion experience of the mid 70s and also as a response to the then projected needs of the nation's maritime sector. The port was also planned as a support to the Port Harcourt Port (which was already over-stretched in the handling of conventional cargo traffic) and to facilities the handling of the raw materials input required by the Ajaokuta Steel Mill, the new refinery in Port Harcourt, the petro-chemical and the fertilizer plants located in Rivers State. At the time the Ocean Terminal was conceived, there was a consensus within the sub-region on the idea of a large deep seaport that could serve the transshipment needs of the sub-region.

The Federal Ocean Terminal, Port Harcourt could be seen as part of the grand concept of regional ports. It was originally designed to accommodate ships of 35,000 tons dead-weight and after an envisaged expansion to take in vessels of up to 60,000 tons dead-weight. Construction work began in July, 1980 after the contract agreement was signed in March the same year between the Nigerian Government and the firm of Advian Volker Civil Engineering Company. By March 1982, 500,000 square metres of the total area of 5.6 million square metres had been dredged, while 28 out of planned 40 units of senior staff quarters were ready for occupation. The construction work at the site was suspended in 1983 for further negotiations between government officials and the contracting firm on the possibility of resuming construction of the terminal.

The Nigerian Ports Authority has made remarkable progress since inception in April 1955. From a modest beginning, it today controls eight major ports excluding oil terminals, jetties with cargo handling capacity of 35 million metric tonnes per annum. In based on of the need for deep sea ocean vessels that would be involved in lifting liquidified natural gas, crude oil, related products and project cargoes for National Fertilizer Company, (NAFCON), the Nigerian Ports Authority strategically located the Federal Ocean Terminal at Onne. The construction of the first phase of this project was completed and commissioned in 1996. This multipurpose and ultra-modern seaport is the largest and first of its kind in Africa. It is expected to handle adequately, exports from Nigeria's petro-chemical industry.

Based on the fact that ports statistics indicated operational increase between 1970 and 1995, government in that line made efforts to improve the services and revenue yielding potential of the Nigerian Ports Authority. This led to the commercialization of the organization in 1992 under the name "Nigerian Ports Plc."How, considering the fact that the organization was still hundred percent owned by Federal Government of Nigeria, it was reverted to its former name Nigerian Ports Authority in October 1996.

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## INITIAL CHALLENGES

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

## Imperatives of these Challenges

Increased capacity

Efficient service

Minimal cost

## REACTION THROUGH PORT EXPANSION PHASE (1975 – 1980)

- 3<sup>rd</sup> Wharf Extension, Apapa (1977)
- Tin Can Island Port (1977)

Initial Turning Point

(a) 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

Half hearted implementation –  
reversal of policy

### A Renewed Effort

### Milestones

- In 2001 (World Bank and Federal Government initiative)
- (i) Royal Haskonning/Dynamar/Challenge International Associate

Diagnostic Study to :

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

### RECOMMENDATION:

- Landlord model
- Three regional authorities

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

#### HALLMARK OF THE LANDLORD MODEL

- Private – Public Sector Partnership [PPP]
- Infusion of private capital
- Separation of regulatory from operational role

#### Ports Authority:

- A nautical Authority
- Land Manager
- Property developer
- Technical regulator

#### PRIVATE SECTOR

- Cargo operation
- Port labour
- Investment in equipment
- Investment in terminal maintenance
- Insurance of concession assets

Appointment of CPCS Transcom as adviser to Bureau of Public Enterprise with responsibilities to:

Reform

Restructure

Concession

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

Reform Process

- National Council on Privatization
- Expression of Interest Dec 2003

110 Applications received

94 Pre qualified and issued bid documents

25 Concession transactions concluded

First Hand-over-APMT – 20<sup>th</sup> March, 2006

(a) Legal issues

(b) Draft bill - 1<sup>st</sup> reading at National Assembly

(c) Bill on Regulatory Commission - Ready for Presentation

(d) Legal Agreements with concessionaires - Already in operation

(c) Presidential Committee on Port Reform

S/N	Company	Terminals
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- § Guide the process
- § Dialogue with stakeholders
- § Ensure success

#### The Concession

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

1	APM Terminals	Apapa Container Terminal
2	Apapa Bulk Terminal	Apapa, Terminals A & B
3	ENL Consortium	Apapa, Terminals C & D
4	Greenview Dev. Nig. Ltd	Apapa, Terminal E
5	Josepdam Port Services Ltd	TCIP Terminal A
6	TCI Container Ltd.	TCIP Terminal B
7	P&C Handling Services	TCIP Terminal C
8	Five Star Logistics	TCIP RORO Terminal
9	Ibafon Container Ltd.	Lilypond Cont. Terminal
10	Port & Terminal Operators	Port Harcourt Terminal A



S/N	Company	Terminal(s)
11	Bua Ports & Terminals	Port Harcourt Terminal B
12	Intels Nig. Ltd.	Onne FOT A, FLT B, Calabar New Terminal A, Warri Old Terminal A and Warri New Terminal B
13	Ecomarine	Calabar New Terminal B
14	Addax Logistics	Calabar New Terminal C
15	Asso. Maritime Services	Warri Old Terminal B
16	Global Infrastructure	Warri New Terminal A
17	Atlas Cement	Onne FOT Jetty
18	Julius Berger	Warri Terminal A
19	Gulfinger Ltd.	Koko Terminal
20	Port & Terminal Multiservices Ltd	BOT – TCIP

