

DEVELOPING CRITICAL PORT INFRASTRUCTURE THROUGH

PUBLIC – PRIVATE PARTNERSHIP

KEYNOTE ADDRESS PRESENTED

BY

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Chairman of the occasion

Dean and the academic staff of the Faculty of Law, UNILAG

Chief executives of maritime agencies

Management team of SIFAX Group

Distinguished resource persons

President and the executives of the Maritime Forum, UNILAG

Gentlemen of the Press

Distinguished Ladies and Gentlemen.

APPRECIATION

I consider it a special privilege to be here this morning to present the keynote paper on the topic: **DEVELOPING CRITICAL PORT INFRASTRUCTURE THROUGH PUBLIC - PRIVATE PARTNERSHIP** on the occasion of the 2nd edition of the Taiwo Afolabi Annual Maritime Conference.

The topic is of engaging and interest to me as a player in the Maritime industry and the port sector and to the SIFAX Group and to its flagship operating arm, the Port and Cargo Handling Services Limited (P&CHS). In our capacity as a seaport terminal operator, the perception is quite clear that the industry needs high level intellectual engagements such as is provided by this forum, to keep alive and raise the bar of inclusive exchange of ideas on maritime infrastructure and its real and

potential impact on the agenda to achieve national economic development and transformation.

IMPORTANCE OF MARITIME INDUSTRY

The maritime industry In Nigeria and elsewhere is a veritable engine of growth of national economic development and its transformation agenda.

It is a sector that, more than most, can be a notable contributor to efforts at poverty reduction, creation of wealth, promotion of skills acquisition and encouragement of entrepreneurship. The sector can, if seriously harnessed and exploited, contribute very significantly to the growth of the nation's gross domestic product (GDP) and eliminate the nation's unsustainable over-reliance on petroleum as Nigeria's major revenue earner.

It is a fact widely attested to by majority of industry watchers that a number of factors pre-dispose Nigeria's seaports to emerge as the preferred ports in the sub-region, but to make our ports the leading ports on the continent. Some of these factors are:

- a. A vast and extensive natural maritime endowment base comprising a coastline of over 800kms, an Exclusive Economic Zone of over 200 nautical miles, with a potential to accelerate Nigeria's economic development beyond its crude oil revenue earnings.
- b. An equally vast inland waterways resource estimated at nearly 3,000kms, and comprising over 50 rivers, big and small, that can support a vibrant intra-regional trade.
- c. A unique location on the coastline corridors of the gulf of Guinea and the Bight of Benin, with 8 of her 36 states having littoral status, coupled with a

vast and growing population and market that confers ability to generate huge indigenous tonnage and capacity.

MAJOR DISCONNECT

Many industry watchers are however baffled that despite these intimidating factsheets, there's still a major disconnect. With its population, market and economy, Nigeria, since independence, has remained unchallenged as the biggest importer and exporter in the sub-region. Her cargo throughput, inclusive of oil and gas, far outstrips those of other seaports in the sub-region put together. How is it that the ports in smaller neighbouring countries pose such a serious challenge to the emergence of Nigerian seaports as the leading ports in the sub-region, a preferred choice of destination for cargoes bound for the sub-region? How do we make the Nigerian maritime industry a stronger catalyst of growth of the nation's economy?

PORT INFRASTRUCTURE

One school of thought believes the way to go is increased and sustained investments in port infrastructure coupled with introduction of progressive and innovative changes in the way we do business. I identify with this school of thought myself, but then, we first have to agree on what we understand by the term port infrastructure.

To me, port infrastructure is an umbrella term that covers all those activities and facilities that support and enhance the maritime transport sector, making it efficient, productive, safe and environmentally friendly, reinforced by an effective regulatory framework - all combined to make the sector deliver on its fundamental objectives.

Port infrastructure is broadly considered to include:

- Ports, terminals, cargo handling equipment
- Channels and harbours
- Warehouses
- Ports access roads, whether tolled or non-tolled, including tunnels, bridges
etc
- Intermodal transport involving rail and roads interfacing with ships and
badges
- Utilities – which include power or electricity, water, wastewater etc
- ICT (Information Communication Technology)
- Deep seaport
- Scanners, etc,

PUBLIC – PRIVATE PARTNERSHIP (PPP)

Broadly speaking, public – private partnership is a contractual framework or structure in which public and private entities come together to deliver a project or service that is traditionally provided by the government or the public sector.

Various structures or models exist. They include:

- Service Agreements or outsourcing
- Joint Ventures
- Concessions – such as we have in 2006 when private entities known as concessionaries or private terminal operators were brought in by the Federal Government to take over cargo handling aspect of terminal operations.

Public - Private Partnership as a contractual paradigm should ideally achieve certain objectives. They include:

- maintaining or improving upon service level

- leveraging on private sector skills and competencies in project execution and service delivery through improved skills, technologies and innovation
- unlocking access to capital and cost efficiencies
- maintaining safe and secure operations
- freeing government funding for other sectors of the national economy, other than to port development and port renewal

ELEMENTS OF PORT INFRASTRUCTURE

The elements of port infrastructure are many and varied. A number of them have been outlined above, but the list is far from exclusive. This is so because the industry itself is an extremely complex business environment. The maritime space is populated by many different types and mix of activities involving different classes of industry players who often adopt varying business strategies. For time consciousness, we shall closely examine a few key ones.

Intermodal Transport – Intermodal transport or more precisely, the lack of it, in the Nigerian port context, remains a major challenge to port efficiency, and may in fact actually be the Nigerian seaport terminal operator’s worst nightmare. Efficiency in port operation is best achieved when the three modes of transportation – sea, rail and road – are seamlessly brought together in a sustainable manner. Intermodalism not only confers speed on terminal operation; it readily qualifies port terminals that enjoy it easy access to classification and recognition as modern and efficient terminals in the comity of their industry peers. Speed and efficiency of operations manifest in short vessel turn – around time which itself is largely determined by how fast import cargo is discharged from the vessel and export cargo loaded into vessel alongside.

The current low level of development of the entire intermodal transport value chain in the Nigerian port sector is caused by underfunding. This can be addressed through focused and sustained encouragement of potential private sector investors, both domestic and foreign, to see intermodal transport as a remarkably attractive investment choice.

Inadequate And Decaying Port Access Roads

It is challenging enough that maritime Nigeria has over the years neglected the wisdom in intermodalism when it chooses to focus majorly on just one mode of transport (road), to the near total neglect of the other two vital modes -rails and badges. Thankfully, the current federal government is addressing the matter through inclusive and specific intervention measures.

However, the current bad state of port access roads, especially to the two ports in Lagos, Apapa and Tincan - the ports that receive over 70 percent of the total cargo throughput in Nigeria - is a rather sad commentary on the way we have fared as a nation even on the one transport mode we appear to have chosen. As it is well known, the negative consequences of this development are not just telling on the economy and the state of equipment; they also impact adversely on human health both of port users, operators, and residents of the host communities themselves.

This is one area that would benefit from decisive PPP - driven investment intervention. Perhaps the time is now right to start considering adoption of other options and models of maintaining and improving upon the quality of our port access roads, including concessioning through tolling. Or perhaps we should strive for bolder and more ambitious option. This may be by proposing that within a

given span of time, short rail lines should be constructed to somewhere between Lagos and Ibadan, and another to a location between Abeokuta and Ibadan to which all cargoes arriving Lagos ports will be evacuated by rail before delivery to shippers and their agents.

Let me humbly state that this 2nd edition of this conference will establish relevance, if at the end of today's deliberations, it succeeds in coming out with insightful proposals and suggestions on ways to address this perennial challenge. This is one other area where decisive PPP intervention will yield beneficial results both for the industry and the government's broad transformation agenda. We need to constantly remind ourselves that port infrastructure is a derived demand. It is not acquired, expanded, sustained and modernized simply for its own sake. Rather, it is aimed at stimulating improvements in the efficiency, productivity and cost effectiveness of the industry it supports.

STRATEGIC ALLIANCES AND PARTNERSHIP WITH PRINCIPAL STAKEHOLDERS

Efforts to develop the port industry will achieve greater effects if strategic alliances and partnership are grown not just between private and public entities alone, but between one business enterprise and another or better still, among a group of several others, aimed at pooling scarce resources.

The primary reason for this is that investment in modern port infrastructure requires money and lots of it, not mere pennies. Promotion of strategic alliances and partnership among principal stakeholders will improve the port industry, making it a more dominant contributor to the growth of the national economy.

OVERALL WAY FORWARD

As the government's concession of the ports to private terminal operators enters the second decade of its existence, one expects stronger consolidation of the gains of concession that are already witnessed beyond dispute by various classes of port users and operators as well as government agencies. Consolidation can come only through greater investments in port infrastructure anchored on strongly public-private enterprise involvement.

Two key areas where the port industry will expect the improved strategic alliances and partnership between government and business to yield significant benefits include;

- a) **Increased Cargo Availability.** Cargo availability, especially export cargo, will keep our ports and terminals significantly busy. This is because ships will always go after the cargo wherever it is concentrated.

It is in this context that one will want to appreciate the measures taken by the present Federal Government in its encouragement of the growth of non-oil exports, especially in the agriculture and solid minerals value chains.

- b) **Ease of Doing Business in Ports.** The industry gladly welcomes and acknowledges the recent measures launched by the President Muhammadu Buhari administration demonstrating its commitment to the success of the sector. The first is the Executive Order issued by the Acting President Prof. Yemi Osinbajo directed at improving the operating business environment in ports, particularly the reduction in the number of government agencies allowed in ports. The second is the establishment last year of a Presidential Enabling Business Environment Council (PEBEC) whose results are now

starting to be felt across the country. The Council is charged with the responsibility of reforming the business environment by removing obstacles and roadblocks to investment and to business operations.

CONCLUSION

To conclude, we affirm that it is on the sustained development of critical port infrastructure through PPP that the full potential of this Maritime country will be unlocked. Today, 11 years into concession regime, our ports are increasing in productivity and efficiency, but these have come at great costs.

The industry is encumbered by circumstances that the stakeholders especially government, are striving to repair. We must be honest enough to admit to ourselves that in our quest for efficiency, there's no "silver bullet" or one-size-fits-all solutions.

The future will be bright if we are consistent in embracing the policy of inclusive innovativeness and transformation. And more importantly, if we continue to invest in the youth, many of whom are here gathered in this hall today.

I thank you for your attention.