

DEEP SEAPORTS DEVELOPMENT AND THE NIGERIAN ECONOMY: PROSPECTS AND CHALLENGES¹

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1.00 INTRODUCTION

The global maritime trend is fast moving in the direction of deep seaports. Deep seaports are also called “deep water ports”. In the global maritime industry, out of about 100 seaport developments being executed, approximately 60 to 75 per cent are deep seaports or terminals. The balance is believed to be mostly inland waterway ports and jetties.

The statistics alone readily makes deep seaport development the current issue in the maritime infrastructure sector. The global scramble for deep seaports is linked to the increasing embrace by maritime architects and engineers of very large carriers, which are considered “economical vessels”. This preference for mega ships which can only berth in deep drafts, is expected to continue and increase. It is like the evolution of cars from small and slow to big and fast.

Expectedly, with her large maritime space, huge maritime potentials and undisputed leadership position in cargo traffic on the West and Central African region, Nigeria’s maritime sector is central to her economic development as a transport, commerce, resource and recreational factor. With such massive maritime capacities and potentials, Nigeria cannot be expected at the rear lines in the scramble for deep seaports in the global maritime industry. Even with poor indigenous vessel operational involvement, Nigerian huge container, dry and wet bulk cargo traffic is a regional force, a fact well-known to even regional competitors.

With the intense competition on the regional maritime space, the imperative to maintain the lead and attain an undisputed hub status in the region as a transshipment centre, is more compelling. It is also common knowledge that the existing ports, especially Apapa and Tin Can Ports in the Lagos axis, are overstretched with the attendant inordinate delays in cargo handling and processing. With capacity for 60 million metric tonnes of cargo handling, the ports run at 100 million metric tonnes. This is expected to increase.

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The maritime industry, effectively harnessed, has the capacity to be a big factor in the national economy; with revenue, at maximum potentials, capable of competing with oil and gas revenue. Maritime revenue can be a major contributor to the Gross Domestic Product (GDP) of a nation. Nigeria has huge maritime potentials begging to be tapped. These and more issues would seem to define the economic imperatives for deep seaports development in Nigeria.

The purpose of this paper is therefore to examine the mechanics of deep seaports; evaluate, albeit within a limited space, the potential impact of a deep seaport on the Nigerian economy; critically examine the prospects for development of deep seaports in Nigeria and the possible challenges before that project. It will then conclude with recommendations.

2.00 WHAT IS A DEEP SEAPORT?

Deep seaport defies a universal definition. There are several descriptive definitions accorded a deep seaport which converge at a consensus that measures it in terms of its capability to berth mega vessels particularly in the context of the depth of draft. Thus while standard ports have drafts of average of 6 to 9 metres, the draft of a deep seaport is in the higher range of 10 to 18 metres and above³.

A Deep seaport is also defined to be any port with the capability of accommodating a fully laden *Panamax ship*⁴, or even a *Post-Panamax ship*. A “*Panamax port*” is therefore a deep seaport that can accommodate a fully laden Panamax ship or Post-Panamax ship. The list of Panamax-

³ The EECV-quay of the Port of Rotterdam in Netherlands has a draft of 24 metres (78 feet), making it, along with the Terminal of Ponta da Madeira in Brazil, one of only two available mooring locations for the largest bulk cargo ship in the world, the iron ore bulk carrier MS *Berge Stahl* when fully loaded. The *Berge Stahl*'s draft of 23 meters (75 feet) leaves only 1 metre (3 feet) of under-keel clearance. It can thus only dock in a restricted tidal window.

⁴ The so-called “Panamax Ships” are determined principally by the dimensions of the Panama Canal's lock chambers, each of which is 110 feet (33.53 m) wide, 1,050 feet (320.04 m) long, and 41.2 feet (12.56 m) deep. The usable length of each lock chamber is 1,000 feet (304.8 m). The available water depth in the lock chambers varies, but the shallowest depth is at the south sill of the Pedro Miguel Locks and is 41.2 feet (12.56 m) at a Miraflores Lake level of 54 feet 6 in (16.61 m). The height of the Bridge of the Americas at Balboa is the limiting factor on a vessel's overall height; the exact figure depends on the water level.

compliant ports is expected to change when Panama Canal's expansion project is completed, expectedly in 2015⁵.

"Panamax" and "New Panamax" are terms based on the size limits for ships traveling through the Panama Canal. The limits and requirements are published by the Panama Canal Authority (ACP), as "Vessel Requirements", which also describe topics like exceptional dry seasonal limits, propulsion, communications, and detailed ship design. The allowable size is limited by the width and length of the available lock chambers, by the depth of water in the canal, and by the height of the Bridge of the Americas since the bridge's construction. The dimensions, which have influenced the design of cargo ships, naval vessels, and passenger ships, issue clear parameters for ships that would traverse the canal.

Since the opening of the canal in 1914, Panamax specifications have been in effect. Ships that do not fall within the Panamax dimensions are called "Post-Panamax". In 2009, the ACP published the "New Panamax" that will be in effect when the canal's third set of locks, larger than the current two, becomes operational in 2015. *Post-Panamax* or *Over-Panamax* denote ships larger than Panamax that do not fit into existing specifications, such as supertankers and the largest modern container ships⁶.

The US Deep Water Port Act 1974⁷ (DWPA) defines a Deep Water Port as *"any fixed or floating man-made structure other than a vessel, or any group of such structures, located beyond the territorial sea and off the coast of the United States and which are used or intended for use as a port or terminal for the loading or unloading and further handling of oil for transportation to any State."*

⁵ On October 22, 2006, the Panama Canal expansion project was approved. It is estimated that the project will be completed by 2015 and will cost \$5.3 billion; a sum expected to be recovered within 11 years.

⁶ The "largest oil tanker in the world", depending on the title holder, has not been able to transit the Panama Canal at least since the *Idemitsu Maru* was launched in the 1960s. It had about 150,000 deadweight tons. All US Navy aircraft carriers since USS *Midway* have been in the Post-Panamax class.

⁷ 33 U.S.C.S. § 1502(10). DWPA was amended in 1984, 1990, 1995 and 1996. See also the Marine Transport Security Act of 2002 (MTSA), passed by Congress after assessing the risks affecting the maritime environment, including the potential hazards of LNG, post 9/11. In November 2002, the MTSA was signed into law formally amending the DWPA to extend the definition of deepwater ports to include natural gas facilities; and implement measures to improve vessel and facility security.

This, not being a universal definition, the requirement of a seaward high water mark location is a variant of the US statutory specification, but it underlines the fact that most deep seaports are located beyond seaward boundaries. A

regular port is contiguously joined to the shoreline and projects therefrom. From the standpoint of the US legislation, many deep seaports are built at a maritime location away from the natural shoreline, or even on island locations and then bridged to the mainland. But it is normal for a deep seaport to proceed from the shore at a location where the naturally occurring shoreside draft is unusually deep, as in the proposed Ibaka Deep Seaport in Akwa Ibom State. Ibaka is said to have a naturally occurring draft of about 15 metres.

It is suggested that a deep seaport for Post-Panamax ships will increasingly be required to have at least 45-foot sea draft (summer) with 50 required for many larger Post-Panamax ships in service and on order. There will likely be increasing pressure for minimum air draft for Post-Panamax vessels as well in the definition of deep ocean ports at completion of widening of the Panama Canal⁸.

Also beyond the depth of draft, some structural specifications for container handling capacity ought to be met by a deep seaport. Thus, a deep seaport handling containers for ‘Lift On/Lift Off’ (LO/LO) vessels is expected to have at least moveable and more regularly track run cranes with capability to lift containers 22 rows deep without vessel turn. A port that can only handle container LO/LO with ship’s own gear is not considered a deep seaport⁹.

To attract sufficient traffic, a deep seaport would need to be equipped with at least three and more regularly 8 to 10 container cranes capable of simultaneous operation for at least two Panamax Ships at the same time or it will not be viable. Furthermore, due to the on quay storage required for most Panamax and Post-Panamax operations, finger piers are very hard to work and impossible to work for more than one such vessel at a time with yard hustling equipment.

⁸ Peter, T; comment on Dasgupta, S ‘What are Deep Water Ports?’: <http://www.marineinsight.com/marine/what-are-deep-water-ports/>, Accessed on 15th September, 2013

⁹ Ibid.

In summary, a deep seawater port would qualify as a seaport with capacity, artificial or natural, to berth and handle very large vessels, in terms of depth of draft and cargo handling operations capacities.

3.00 IMPACT OF A DEEP SEAPORT ON NIGERIAN ECONOMY

Recently, the Federal Government of Nigeria announced plans for development of deep seaports in Nigeria. Several names have since cropped up, including Lekki Deep Seaport in Lagos State, Ibaka Deep Seaport in Akwa Ibom State, Badagry Deep Seaport in Lagos State, Olokola Deep Seaport in Ondo State, Ogidigben Deep Seaport near Escravos in Delta State, and Agge Deep Seaport in Bayelsa State. There are mentions of Bonny and Calabar seaports in Rivers and Cross River States respectively. It is not clear which ones are official Federal Government locations and which ones fall under State Government and private agitations.

The announcement generated mixed reactions, including excitement, interest and controversies altogether. Leaving the controversies aside for a while, there is no doubt that a deep seaport will be a masterstroke for the Nigerian economy. The proposed Lekki Deep Seaport which is already being developed by a Public Private Partnership led by the Tolaram Group, the Nigerian Ports Authority (NPA) for the Federal Government and Lagos State Government, when completed promises to be an economic hub for both local and the national economy.

True to its description the Lekki Deep Seaport promises to be a unique gateway, offering Nigeria opportunities to enter the rapidly growing West African market. It will be the largest port in Nigeria, offering the biggest potential container footprint and accessibility facilities for larger shipping vessels, than any port in the West African region.

Regional Load Centre (Transshipment Base)

Since the primary benefit of a deep seaport is its capability to handle larger vessels, this capacity brings with it many advantages to the nation's maritime industry and fall-out economic gains. Since Nigeria is already a dominant market for ships bound for West and Central Africa regions, a deep seaport will increase Nigeria's chance to attain regional shipping hub status.

There is a subtle competition for the undisputed regional hub in West Africa shipping. The principal competitors are Nigeria and her closest west coastal neighbour, Benin Republic. Nigerian importers who complain of high charges or bureaucratic bottlenecks at Nigerian ports; or who simply desire to evade charges, saw Benin seaports as better havens. Due to one or a combination of these factors, at some point about 80% of used cars displayed for sale at the Nigerian open market were smuggled in through the Benin land border.

Against this background, Nigeria and Benin are jostling over who becomes the load centre in West Africa, also known as transshipment base. Even with Nigeria's population and market advantage, the Lagos ports are threatened in the race by natural seaports and ongoing development of a deep seaport in Cotonou. It has been suspected that the project is targeted against the Nigerian market; to secure international preference over Nigeria.

Some years ago, the World Bank carried out a survey on ports in the region and the report favoured Abidjan ports and Cotonou as load centres in West Africa. Despite Nigeria's huge market, Lagos ports lost out due to corruption and bureaucratic bottlenecks. This was a time of ubiquitous port and custom agencies with unending arrays of desks at the ports; a situation that has changed with ports reforms that ushered in world class operators who now work together with the NPA for more seamless port operations¹⁰.

As several West African countries enter the race for transshipment status, Ghana and Cote d'Ivoire are making efforts to deepen seaports in the near future, while Benin is developing a very strategic deep seaport at Seme-Kpodi, close to Badagry. The port will have capacity for mega vessels and expected to attract vessels with a single voyage of 15,000 TEU, and seen as a clear case of effort to wrestle the load centre base from Nigeria, a state of affairs that would cause a depletion in Nigeria's current and projectable maritime earnings.

Job Creation Potentials and Increased Employment of Services

As the largest importer and exporter in West African region a deep seaport and regional hub status attained, Nigeria will benefit economically from increased maritime and general trade.

¹⁰ Ugwuoke F; <http://www.thisdaylive.com/articles/deep-seaport-nigeria-benin-jostle-for-prominence/149138>, Accessed on 17th September, 2013

volumes. Benefits of attaining regional hub status include potential to create directly and indirectly, approximately three to four million jobs over a five-year period and a 70% cut in vessel turn-around time. It will also increase revenue from berthing charges and handling charges for the transshipment of cargoes. The whole enhanced general maritime activities will create jobs and improve per capita earnings, which are important factors in GDP economics.

The frenzy in Nigeria for deep seaports can be understood from these backgrounds. The multiplier effects on the economy if Nigeria attains regional transshipment status, will be huge. A deep seaport firms up the quest for the status. As a primary destination for ships bound for West Africa, a position complemented by hub port capabilities, transshipment in Nigeria would in these circumstances become a valid and compelling business decision, with collateral shuttle services from Nigeria to other ports in the region.

Flowing from this are cumulative fallouts including development of local bunker markets, ship agency representation, marine insurance sales, more robust port dues and royalties payable to government, increase in the range of handling services, ship repair and dockyard services, pilotage, legal services including positioning as a regional arbitration centre and development of other professional maritime services¹¹.

At the 2011 Nigerian Ports Consultative Council (NPCC) Summit in Uyo, themed “Unlocking Maritime Potential of Akwa Ibom State for Accelerated Development in Nigeria”, the NPCC expressed the sentiment that the because of the proposed Ibaka port, the industrial, commercial and maritime landscape of Akwa Ibom State will never be the same again; and that all indicators of empowerment, youth and professional employment, wealth creation and entrepreneurship will become visible in the entire spectrum of the State.¹²

Stakeholders see the proposed a deep seaport in the Lekki maritime corridor as first a timely intervention for the congestion in Lagos ports and a proper positioning for Nigeria as a hub in West and Central Africa. The deep seaport will not only enhance public revenue earnings in port

¹¹ Akabogu, E.; Prospects and Challenges of Deepwater Ports in Nigeria, <http://www.marineandpetroleum.com/content/prospects-and-challenges-deepwater-ports-nigeria>; Accessed on 19th September, 2013

¹² <http://www.nigerianports.org/news.aspx?id=253>; Accessed on 20th September, 2013

activities and charges, but promote the production and earning scales in the real sector, the formal sector and the organized private sector; all factors that will promote the economy.

Increased Ports and Terminals Handling Capacity

A deep seaport will impact positively on the overall cargo handling capacity of Nigerian ports and thereby increase Nigeria's GDP. Maritime transportation is one of the key sectors of the Nigerian economy. Yet, it is a fact that this lucrative sector has not been fully harnessed in preference to the oil sector. The handling capacity of existing ports in Nigeria is put at 60 million metric tonnes, while current demand and usage is put at about 100 million metric tonnes, and is expected to rise with the increasing population, urban expansions and attendant demand for more markets.

The cargo throughput handled in Nigerian ports in 2010 increased from 66,908,322 metric tonnes in 2009 to 74,910,282 metric tonnes in 2010, indicating a 12% increase. Thus Nigeria needs better designed port facilities in tune with increased cargo traffic, for the global competition. The emphasis is shifting to larger more economical vessels that require deeper harbour drafts. Global logistics trends have made the need for deep seaports more imperative.

The last two decades have witnessed a major shift in the exploration and production focus of IOCs, with deep offshore frontiers becoming more attractive and widespread. This has naturally affected the dynamics of crude oil carriage, just as more efficient means of petroleum products and LNG supply and distribution are sought from the downstream segment of the industry. Crucially, logistics services for these new frontier developments define the core of operations, costs and efficiency, with bigger vessels infinitely abler to leverage on scales and further thereto, on costs. The foregoing defines today's shipping and oil and gas reality in Nigeria, and paints the canvass for deepwater ports in bold relief.¹³

Urban, Commercial and Industrial Hub

¹³ Akabogu, E., *ibid.*

The other proposed Greenfield port development at Ibaka also portends great economic benefits for Nigeria when completed. Historically, port cities are known to become commercial hubs and population centres, with a collateral development of related infrastructure and businesses due to port activities.

Increasingly, space for further port development within existing ports has been limited in places like Lagos, while demand for port services and commercial shipping interface has increased. Ibaka therefore promises urban expansion and industrialization. The broader plan to develop an Ibaka Industrial City, if realized, promises a boost in industries, commerce and urban development.

Multiplier Effects on the Informal Sector

The promise of ‘urbanization and industrial impact’ expected from the proposed Ibaka Industrial City, led Akwa Ibom State Governor to promise the Oron people, Ibaka Port local hosts, that the State would build 1,500 housing units in Ibaka in readiness for the influx of the jet set community expected to descend on the region to operate the port and utilize the nearby international airport. He thus advised the locals to also build houses which they could offer at commercial prices to the new tenants. The Governor tasked the locals to be ready to “play host to visitors and workers in these international transport facilities and in turn benefit from their economic activity”.

This is a demonstration of the capacity of deep seaports to affect per capita earning even in the informal sector. Deep seaport activities would no doubt impact positively on Nigeria’s economy. But to reap the benefits, Nigeria must start out early to get it right. Benefit of even the hugest opportunities can be missed when mismanaged.

4.00 PROSPECTS OF DEEP SEAPORT DEVELOPMENT IN NIGERIA

The prospects of deep seaport development in Nigeria is very bright. This is with particular emphasis on the ongoing Lekki Deep Seaport by Tolaram, and also the Ibaka Deep Seaport. The adopted Public Private Partnership model that encourages private development of the proposed ports enhances the prospects for the deep seaports.

This dispenses with limitations and problems associated with public managed enterprises. In fact, the idea of government as a ‘businessman’ is already spent globally. The private development initiative on one hand frees the projects for funding from the international financial system on purely business model arrangements, and also assures a level of the strategic government financial support and goodwill. It also brings class and international standards of operations into play with businessmen committed to meeting completion milestones and operational efficiency with business returns in mind. The prospects are indeed high.

The Lekki Deep Seaport (*Tolaram Port@Lekki*)

Located in the Lagos Free Trade Zone, the proposed port has deepwater berths with a 670 metre turning circle and a harbour basin 14 metres deep, the Lekki Deep Seaport has the following competitive advantage:

- Rising demand for container capacity levels in Lagos expected to reach over 2.5 million TEUs by 2015
- Significant growth in sectors, such as finished goods, within Nigeria and the regions that are linked to high levels of containerization.
- Potential to transform into the first major transshipment hub in the region, servicing the regional sea routes and the hinterland
- First-mover advantage in providing deepwater facilities to support large container volumes, liquids and dry bulk cargo
- Downstream procession facilities contributing to the need for liquid bulk facilities.

The development of Lekki Port is being undertaken by Lekki Port LFTZ Enterprise (LPLE) , a special purpose vehicle promoted by the Tolaram Group. It is expected to comprise three shareholders, the Nigerian Ports Authority (NPA), the Lagos State Government and an Investment Holding Company incorporated to hold the non-Nigerian governmental interests in LPLE. The Sponsors, the Tolaram Group, is expected to hold a beneficial interest of up to 45% in the project while the NPA and Lagos State Government are expected to hold approximately 20% each.

The LPLE entered into a Concession Agreement with NPA on 21st April 2011 for the rights to build and operate a deep-sea port in Ibeju Lekki. The Concession was granted under the NPA Act. The Concession and the Act form the legal and regulatory basis for the construction and operation of the port. With ultimate responsibility under the Concession, the LPLE will manage the interfaces between NPA, the port operations manager and three industry specialist terminal operators. The LPLE and International Container Terminal Service, Inc. (ICTSI) had signed a Sub-Concession Agreement for the development and operation of the container terminal at the port. Work is ongoing on the project slated for completion in 2015.

Ibaka Deep Seaport

The relevance of Ibaka in the equation is its unique natural draft of over 15 metres and vantage position at the eastern-most board of Nigerian maritime space. Thus with a broad plan for accessibility in terms of good rail and road network inland, it can handle the import and exports potentials of large portions of the eastern and north-central and north eastern States. This is apart from its sub-regional potentials with its maritime contiguity with Central Africa.

The area designated for the project has the longest coastline and just five kilometers to Uyo capital city. With a depth of between 15 and 18 metres water channel and 129 kilometers stretch of land it has some of the best port features that could be found anywhere in the world. Local expectations are that with the Ibaka Deep Seaport, Nigeria will have a seaport that will not require perennial dredging, which will serve countries in the Gulf of Guinea. The peaceful nature of the community and availability of undeveloped land will make the area a self-sustaining industrial city when the port is completed. In addition to the port, the area will also harbour independent power plants, refinery and industries. It is expected to employ 100,000 Nigerians, strengthen our country's position in oil and gas sector in the world. It is also expected to be the nation's gateway to the rest of the world through the Gulf of Guinea. *"It sounds great and unbelievable, but achievable"*, said the State Governor, Godswill Akpabio, who promised that his government would award a contract for the dualisation of the road leading to the proposed port, *"to correct the mistake in Apapa"*, adding that in partnership with the Federal Government,

a multimodal transport system would be built to include rail lines linking Port-Harcourt and Calabar¹⁴.

With Akwa Ibom State as Nigeria's largest oil and gas base, Ibaka will be at the nerve-centre of E&P activities. It strategically sits within an accessible location within the Gulf of Guinea for ocean traffic from all directions. Logistics services in support of deep offshore E&P activity can be more readily deployed. This will include repairs of rigs, dry-docking of very large carriers and mobilization of heavy equipment. These services will be useful even for E&P activity further down in Angolan waters. These add to the over-all viability of Ibaka.

“Political” Deep Seaports

Apart from Lekki and Ibaka, the other deep seaport locations being thrown around are hard to be reconciled with in terms of collective and individual viability prognosis. To start with, Nigeria does not need more than one or at most two deep seaports. It does not make any economic or even common sense to add other location names to Lekki and Ibaka. Nigeria does not need two deep seaports in Lagos State, one in Ondo State, one in Delta State, one in Bayelsa State and another in Akwa Ibom State, coming to six! Even a deep seaport at Calabar¹⁵ is also named in some circles, bringing the number to about seven!

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Of course, the protagonists of a Calabar Deep Seaport might not have inquired into why the existing Calabar Port operates below optimum and whether a deep seaport would be different. With the nearby Federal Lighter Terminal at Onne, in Rivers State, and the proposed deep seaport at Ibaka what will be the economic basis for the second Calabar Sea Port? The scramble for unviable deep seaports have also seen some people proposing a Bonny Deep Seaport¹⁶ in Rivers State, which would place the number at eight along Nigerian coastal waters!

¹⁴ At the 2011 Nigerian Ports Consultative Council (NPCC) Summit in Uyo, under the theme, 'Unlocking Maritime Potential of akwa Ibom State for Accelerated Development in Nigeria'.

¹⁵ Ugwuoke F, *op. cit.*

¹⁶ <http://amehnews.com/national/maritime/multiple-court-actions-menacing-ibaka-deep-seaport-project/>; Accessed on 29th September, 2013

The only reason why Nigeria would be talking of deep seaports in Lagos, Badagry, Olokola, Ogidigben, Agge, Bonny, Ibaka and Calabar is because it has become a political issue in the mould of the so-called ‘dividends of democracy’ to be started as white elephant projects for political report cards. The political dimension to development, usually expressed in the cliché ‘*building bridges where there are no waters*’ must have also been responsible for the scramble to develop ‘international’ airports in every State. Without honest professional viability considerations, they end up not affording 10% of promised ‘50,000 jobs’ or even sufficient flight operations to pass for sustainable business.

In reality, Lekki and Ibaka are more than enough for Nigeria. Ordinarily one deep seaport would have been sufficient while effort would be geared towards upgrading the existing ports and widening their capacities. Also attention would be directed towards developing existing and new Inland River ports on Nigeria’s huge network of inland navigable waters and getting them operate optimally. Most of the existing ports are either not busy or not operational at all. It will be more beneficial to the economy to channel energy to development and restoration needs of Onitsha Port, Baro Port (Niger State), Oguta, Jamata (Lokoja) and dredging of River Benue to host a river port at Makurdi.

There have been criticisms over the plan to develop several deep seaports in Nigeria. Describing most of the proposed ports as “political ports” that may not stand the test of time, the managing director of a prominent firm operating in the sector advised the governors of the three South – South States of Akwa Ibom, Delta and Bayelsa States to carry out what he described as “genuine feasibility” studies before taking further action. He believed that the three states could collaborate to develop a “Niger Delta deep seaport” as part of measures to save cost and ensure viability.

He said: *“Developing a deep sea port in Bayelsa, Delta and Akwa Ibom states is a waste of scarce resources. A deep seaport is not a motor park that must be in every state. Large ships naturally go to viable ports. I’m worried. People in this zone should be worried. Where is the market for the proposed deep seaports? Where are the industries? Why can’t people learn from past mistakes? The three governors are from the same party. I expect them to come together in*

the interest of the poor and helpless people in their states instead of embarking on capital-intensive projects that may not be in the interest of their people.”¹⁷

Also, President of National Council of Managing Directors of Licensed Customs Agents (NCMDLCA), Lucky Amiwero, criticized plans for multiple deep seaports. *“This is politics. But I want to advise the government to give consideration to professionalism and not politics. We need one deep seaport for mega ships in Nigeria. Seventy-six per cent of cargoes in West Africa sub-region are for Nigeria. More than 86 per cent of Nigeria-bound cargoes pass through the ports in Lagos. The industries within Lagos and its environs are a major attraction. The role of industries cannot be ruled out. Industries need modern ports to move their equipment. Apart from Lagos, how many states can boast of the presence of industries? You cannot rule out the role of industries in port operations and efficiencies. Deep seaports are transit points. What is the reason for developing a deep seaport in Bayelsa, Akwa Ibom and Delta States? We must do things professionally and not politically. There are critical factors to consider when developing a port. A deep seaport is expensive to maintain. A port must be competitive. We have enough ports already. Most of the ports are not viable. Let’s develop our roads and rail network.*”¹⁸

Perhaps the jostle by States for deep seaport hosting may be explained by the reality of the implications of the fact that Nigeria currently accounts for 76% of all maritime trade moving around West Africa¹⁹. It requires no clairvoyance to project that whoever hosts a viable deep seaport along Nigeria’s coastline will likely host the cargo hub serving port for ports along the entire sea way from far West down the entire belly of Africa, ending at Central African maritime curve.

5.00 CHALLENGES TO DEEP SEAPORT DEVELOPMENT IN NIGERIA

The development of deep seaports in Nigeria is not without possible challenges. These may include:

¹⁷ <http://theguardianmobile.com/readNewsItem1.php?nid=14573>. Accessed on 28th September, 2013

¹⁸ *ibid*

¹⁹ Chilaka, E., Proposed Ibaka Deep Sea port - How Feasible? <http://www.ddhmag.com/ibakaport.html>.

Financial Constraints

The cost of a Greenfield deep seaport project can be enormous. The huge financial implications can be a set-back to such mega projects. The Ibaka Deepwater Port is estimated to cost at about US\$2billion. Cost recovery estimations on such a project must be robust. Recovery for long-term gestation projects like a seaport can be slow. Financing can therefore be a significant challenge, which may only be overcome by considerable guarantees coming from government partners.

This is why the PPP model, already at work in the ongoing Lekki Port, can be a solution to seamless financing of such mega projects. The private sector-government synergy is expected to interplay to provide robust funding from big local lenders, the global financial system and the International Finance Corporation, as the case may be.

Political Interference

Political interference can be a challenge to deep seaports development. There are known instances in the past where political interference scuttled private sector efforts at projects at the commanding heights of the economy. Even with concession agreements, once political expedience dictates interference, concession contracts have usually been unable to protect concessionaires from political weight propelled by virtual sovereign immunity and impunity.

This is one of the reasons a regime of robust legal framework is required to back up the development of deep seaports.

Lack of Adequate Legal Framework and Regulatory Regime

While the jostle for participation in deep seaport development rages, the project still lacks a formidable legal framework. Deep seaports require distinctive guidelines for their construction and operation.

The Nigerian Ports Authority Act 1999, the principal legal framework for ports has not envisaged deep seaports development. The Ports and Harbours Bill currently before the National Assembly has not made significant provisions on regulatory requirements for deep seaports. The Bill only made a broad reference to development of Greenfield port and the required approvals for same.

Experts suggest solidly rooted guidelines in the form of legislation as necessary for effective development and operation of deep seaports. There is need for benchmarks to be set and operational issues relating to licensing, marine environmental management and navigation, environmental review criteria, pipeline safety and operation, application of international agreements, common user infrastructure and sharing, record-keeping, inspections, supervisory roles, and termination of licenses, amongst others, clarified²⁰.

Ibaka was already under threat of Court actions over alleged violation of intellectual property rights in its conceptualization. An alumnus of the Nigerian Institute of Policy and Strategic Studies (NIPSS), Kuru, Andrew Okoja, retired Navy Rear Admiral, had claimed that the concept which gave birth to the project was his original idea. The retired naval officer claimed to have developed the concept while undergoing Senior Executive Course in NIPSS in 1993 for the development of a deep seaport in the eastern seaboard of Nigeria. Both NPA and Akwa Ibom State Government were threatened with law suits by Okoja and his NIPSS class²¹.

The ownership, construction and operation of the deep seaports are guided by law and ethics. The introduction of the Deep-Water Port Act 1974 (DWPA) in the USA and the amendments in 1984, 1990, 1995 and 1996 furnished conditions to meet the necessary requirements for deep water ports. as deducing adverse effects on the marine environment, which might come about as an aftermath of the development of such ports and submitting detailed plans, including financial, technical information, location and the capacity for construction and operation and maintenance of the proposed deep water ports.

In 2000, due to the Amendments in 1996, the importation of natural gas, which would utilize offshore structures, was proposed by industry to the U.S. Coast Guard. Prior to this, the DWPA solely considered crude oil and did not specifically allow the importation of natural gas. Subsequent to dialogue in clarifying jurisdictional roles and procedures for the application process, Coast Guard proceeded with proposing legislative changes to the DWPA. The 9/11 terrorist attacks changed the focus of the entire country with regard to public safety.

²⁰ Akabogu, E.; *ibid*.

²¹ <http://amehnews.com/national/maritime/multiple-court-actions-menacing-ibaka-deep-seaport-project/>
Accessed on 29th September, 2013

Following 9/11, potential security threats were analyzed throughout the US in all forms of transportation and industries. Soon Congress implemented another law, the Maritime Transportation Security Act 2002 (MTSA). Congress assessed the risks that affected the maritime environment that included the potential hazards of LNG. In November 2002, the President signed the MTSA formally amending the DWPA to extend the definition of deepwater ports to include natural gas facilities, implement measures to improve vessel and facility security²².

Overtime, agitation on port controls and regulation have favoured reforms that saw to privatization and concessions of ports to free port activities to competition and effectiveness²³. Even with the gains of these reforms, it has been cautioned that care should be taken to ensure that foreign investors do not prejudice the interests of cabotage operators when it becomes suitable to them for business or anti-trust purposes²⁴.

Following the US example, Nigeria should find a meeting point between free market in the deep seaport enterprise, and effective legal and regulatory regime that would protect the concessionaires and the country.

Short and Long Run Safety Regulations

There are several safety issues associated with deep seaports. In the US, the DWPA encouraged the promotion of the deepwater ports as a safe and efficient medium of oil transportation with minimized tanker traffic and associated risks. For the sake of safety measures latest technologies available are used in the construction and operation of the deepwater ports which also impose economic, social and environmental effects in the national interest.

The concerned deep seaports authorities are responsible for oil spill prevention, containment and cleanup, effect on oceanographic currents patterns, potential dangers from waves, winds,

²² Kusano, K.; 'The Deepwater Port Act: Understanding the Licensing Process'. <https://www.slc.ca.gov/wp-content/uploads/2018/08/PF2004-LNG-Deepwater.pdf>. Accessed on 29th September 2013

²³ Wilson, I.; Legal and Regulatory Framework for Concessioning in Ports Operation, *The Maritime Newsletter* Vol. 2, pp. 195 - 198

²⁴ Akabogu E. with Oniuke, V.; *Maritime Cabotage in Nigeria*, p. 72

weather, and geological conditions etc. There have been concerns that Nigeria may be easy destination for hazardous cargo. It is believed that a deep seaport that attracts Panamax and Post-Panamax vessels may even increase the possibility. These are part of the concerns for safety, both in the short and long run.

Poor Existing Road and Rail Network

Although deepwater ports will be most favourable to importers of liquid bulk cargo, implications of evacuation could pose some challenges. Though a detailed system of pipelines is expected to be a core part of the project design, individual companies may have to link up to the system from the landing point to wherever they will locate their storage tanks. For many that have existing facilities already in built-up and congested areas like Apapa, costs on such additional investment may be discouraging. Current security issues affecting existing pipelines are also important to note and prepare against²⁵.

A major challenge to Ibaka might be the need for effective road network for inland cargo movement. A massive construction programme of heavy-duty, year-round-motorable, integrated road networks, specifically targeted as distributive channels, must be developed alongside the deep seaport. A railway design should also be explored for more effective transportation²⁶. Also the nearby Ibom International Airport at Okobo may be harnessed for inland air movement of cargo, especially to the North Central and North East.

For Lekki Port, with the bloated urban density in mainland Lagos resulting in intractable traffic gridlocks, more robust engineering ingenuity is expected to be deployed to develop seamless evacuation access for the massive cargo expected from non-regional hub cargo traffic.

Poor Power Capacity

As Africa's population giant, Nigeria has missed huge opportunities in real sector direct foreign investments with her persistent power challenges. With the yet intractable energy challenge in Nigeria, aside from road networks, electricity is expected to be a challenge not only to the deep

²⁵ Akabogu, E., *ibid*.

²⁶ Chilaka, E., *ibid*.

seaports but for the projected surrounding businesses and new urban settlements that would attend the ports. With the ongoing reforms and concessions by the Federal Government in the power sector, the challenge of power may well be on its way out of Nigeria.

Also, the plan to site Independent Power Plants in the proposed Ibaka Industrial City may be the answer to likely energy challenges of the deep seaports.

Poor Viability Assessment Culture and Moribund Businesses

Nigeria's landscape is littered with many large scale projects that commenced with great hopes and promises and ended up white elephants. Apart from post-development mismanagement, the reason for the dash of hopes is placing political considerations above honest viability assessments of the sustenance of such projects as short-time and long-time business models.

It has been suggested that promoters of Ibaka Deep Seaport should examine the Calabar Port for answers to its challenges. Posers should be raised whether, apart from its shallow draft and dredging issues, the port is affected by other factors that have robbed it of viability advantage like its neighbour in Port Harcourt. As a cargo hub much of its cargoes are expected to be delivered to neighbouring ports by lighters and may not be affected by shore logistic problems. Yet, for the purpose of achieving the aspect of its business plan that targets gateway status to inland States of the South East, North Central States and North East States, these questions are necessary to cover the spectrum²⁷. This is because Calabar challenges may become Ibaka's challenges, subject to results of an investigation on honest viability assessment.

A deep seaport is not a social infrastructure. It is a large and complex business venture that should only be embarked upon with demonstrable viability as self-sustaining and profitable business.

²⁷ Chilaka, E., op. cit

Food for Thought: From 2006 the Panama Canal, the Atlantic/Pacific shipping gateway, has been undergoing expansion at the cost of \$5.3 billion. The expansion is expected to be completed in 2015 and the expended sum projected to be recovered within 11 years. This is because it is business. It is a commercial venture.

6.00 SUMMARY AND RECOMMENDATIONS

- 6.1 A Deep Seaport is measured in terms of its increased depth of draft with attendant capacity to host and handle larger heavily loaded (economical) vessels.
- 6.2 The global trend that saw naval architects and engineers pursuing a predilection for larger designs of carriers; is the incentive for deeper seaports, expected to accommodate Panamax and Post-Panamax ships.
- 6.3 With population advantage and with almost 80% of regional cargo traffic being Nigeria-bound, Nigeria is the natural hub of maritime industry in the region and cannot be left behind in the jostle for efficient deep seaports.
- 6.4 Deep seaports are capital intensive in development and maintenance. Their viability indicators must include access to population, industrial and trade activities. Thus Nigeria does not need more than Lekki and Ibaka deep seaports, at least for now and in the nearest future.
- 6.5 The other suggested deep seaport locations at Badagry in Lagos State, Olokola in Ondo State, Ogidigben near Escravos in Delta State, Agge in Bayelsa State, Bonny in Rivers State, Calabar in Cross River State etc may turn into white elephant projects and should be rested for future developments.
- 6.6 With the advantage of massive control power of regional cargo movement, Nigeria stands a huge chance of attaining the regional transshipment base with Lekki Deep Seaport;

while Ibaka Deep Seaport would attain the oil and gas hub for much of the Atlantic stretch and an important global supply terminal.

- 6.7 Funding constraints, political interference, lack of sufficient legal and regulatory framework, safety concerns, requirement of massive infrastructural support like roads and railway network, poor power capacity, poor viability assessment culture etc, are identified as factors that militate against deep seaport development in Nigeria. The challenges are however surmountable.
- 6.8 Legal and regulatory framework for deep seaports development, ownership, operations, safety and security issues should be clearly set out. A middle ground should be found between a free market with regulatory framework for safety, sustainability and the larger national interest.
- 6.9 A comprehensive inland river ports development will be a huge cargo transportation network support for deep seaports. Energy should be channeled towards developing a good network of river ports and jetties along Nigeria's navigable waters.
- 6.10 Deep seaport activities will impact positively on Nigeria's economy, but to reap the benefits, parameters must be set right. Great opportunities for huge can be missed when mismanaged.

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