

Cross River State's Superhighway and Bakassi Deep Seaport

Cross River State Government

Advisor

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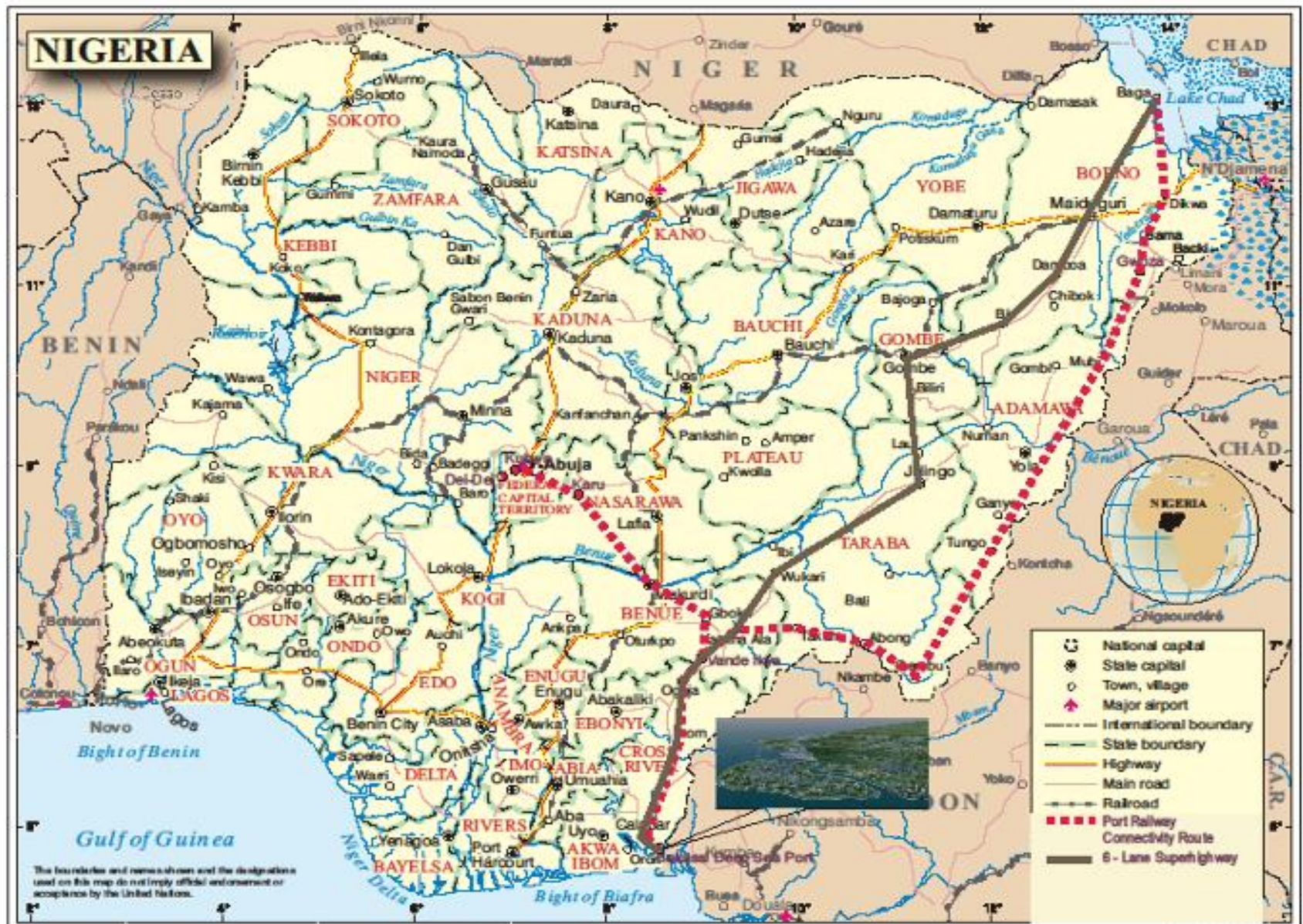


The design, construction and management of a greenfield 275km Superhighway from the proposed Bakassi Deep Sea Port in Cross River State to Northern Nigeria under build-Operate-and Transfer (BOT) PPP model

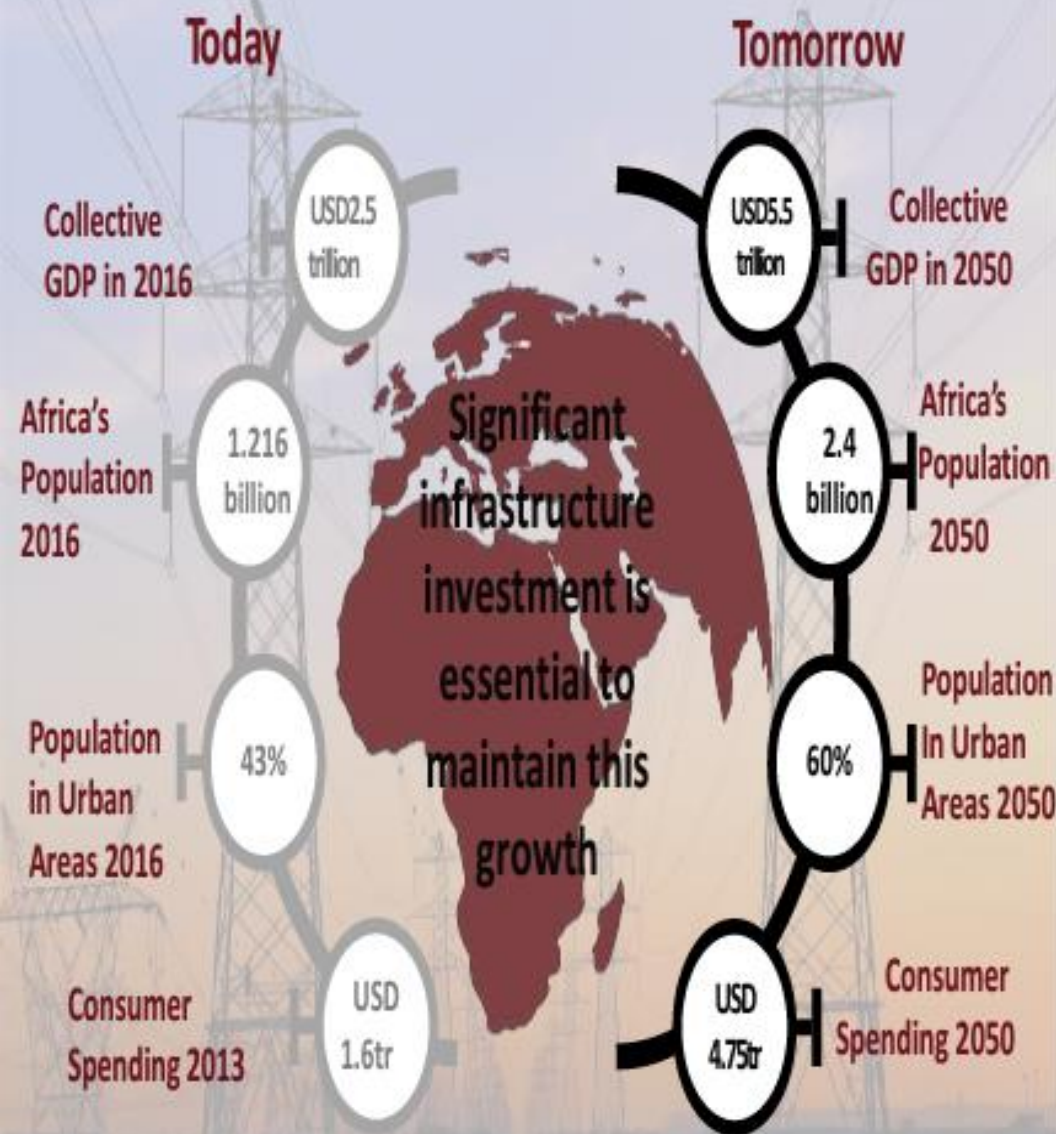


Bakassi Deep Seaport Integrated Project Pitch

Map of proposed 275km Superhighway and Bakassi Deep Seaport



Africa is on the rise... unending opportunities



Source: African Development Bank / Africa50

Nigeria is Africa's biggest economy with GDP size in excess of US\$415.08 billion (IMF:2016)

Nigeria is the most populated country in Africa (+183 million) with 60% active population and projected at 550m by 2060 (UNFPA).

Cross River State is:

- the most peaceful and fastest growing investment destination in Nigeria with existing & pipeline PPP portfolio size in excess of USD10 billion;
- at the heart of the non-oil mineral belt in Nigeria - iron, bitumen, limestone, tantalite, coal, uranium and the highest grade granite for production of granite floor etc;
- home to the biggest cocoa, oil palm, cashew estates etc. in Nigeria;
- the leading producer of cassava in Nigeria;
- within the trough of recent major finds of hydrocarbon deposit;
- home to Ayadecare, the state supported health insurance scheme;
- home to the largest garment & fabric factory in SSA, Ayade industrial park, Calapharm, Calas Vegas lifestyle City, the Tinapa etc.

The Bakassi Deep Seaport Integrated Project

Project description

The Bakassi Deep Seaport Integrated Project comprise the 17-meter draft Bakassi Deep Seaport and the 275km 6-lane Superhighway providing evacuation access from the port to northern Nigeria. All components of the project are greenfield and designed for implementation on a build-operate and transfer PPP model. The Superhighway includes offerings such as rest points, digital internet connectivity, speed cameras, lighting, 24-hour security and toll plazas etc.

Project value proposition

The Bakassi Deep Seaport with its unique opportunity of an evacuation corridor given the Superhighway, will provide the closest and most convenient maritime opportunity to the landlocked Chad Basin including over 50% of Nigeria's addressable market demand across the North East, North-Central, some parts of the South-East and South-South. The Superhighway will open up a new regional transport corridor and provide the dominant means of access to existing and potential raw materials across the listed regions whilst facilitating integration and distribution of agricultural, non-oil mineral and other industrial goods. This is in addition to reduction in vehicle operating costs as vehicles will be able to use the safest and most direct route from the port therefore, reducing passenger travel times once the associated facilities have been constructed and regular maintenance institutionalized through a well designed PPP arrangement (see appendix 'A' for project SWOT).

Project policy environment & governance

There are no legal hurdles to the project implementation. Project is in full compliance with alternative route requirement for PPP roads, relevant federal and state laws and regulatory requirements including the mandatory federal approvals for the project ESIA. Three policy areas drive the project namely, the national Transportation Policy, the Vision 20, 2020 and the regional integration strategy of the African Union. The project is in consonance with the policies and master plan. -----

The Bakassi Deep Seaport Integrated Project

Project implementation model

Full concession for the entire project under a 35 year BOT type contract is envisaged as a long term concession for construction, development, exploitation, and management of the project based on open tender procurement. The state government is providing a convertible cash and cash equivalent contribution of about USD13 million to cover the project development. Moratorium period for payment of concession fees subject to negotiation is calculated at 30-months from project roll-out date.

Project market & competition

Project market demand analysis indicates an outlook that is historically unprecedented. The risk of competition from parallel facility (port and highway) on both traditional or concession contracts that might lead to traffic diversion and loss of revenue to the project concessionaire is low.

Project investment requirement & public sector comparator

The project development under private sector control involves a total capital investment of USD 4.2 billion. This includes USD 1.3 billion for the 17-meters deep seaport and USD 2.9 billion for the 275km Superhighway. The development plan for the project under public sector control considers a total investment requirement of USD 6.4 billion. The proposed development plan includes full project design, construction, environmental studies, all pre-operating costs as well as soft and hard cost contingencies and working capital (see appendix "B" for funding plan by type).

Project sections & potential for multiple EPCM arrangements

The project construction plan (design & construction period of 4 years) subject to finalization of contract envisage a maximum of 3 sections for the Superhighway which is to be implemented simultaneously by possibly more than one EPCM contractor - Section 1 (Calabar-Ugep, km 0-110); Section 2 (Ugep-Boki, 90km); and Section 3 (Boki-Vandiekya boundary, 75km). Sections 1 & 2 have moderately difficult terrain - coastal, rainforest, long bridges etc. The port component would be implemented in two phases - (i) quay wall construction and (ii) terminals development.

The Bakassi Deep Seaport Integrated Project.....

Project revenue & tariff - Superhighway

Two main revenue lines are envisaged for the Superhighway over the projected 35 years horizon - road user toll/tariff and commercial collections respectively. Base case break even period for the Superhighway component of the project is 13-years. Total operating revenue from road user toll/tariff is projected to average USD 97 million per annum within the initial five years of the project commission/roll-out. Year-on-year toll revenue growth is estimated to stabilize at 9% throughout the remaining life of the concession. Commercial revenue include revenues from retail outlets, sales of food and beverage, advertising, gas shops, rest points, industrial and residential developments on the corridor etc. The concessionaire will act as landlord sub-concessioneering the space within facility to provide the mentioned services. See Appendix "B" for the optimal case revenue analysis.

Project revenue & tariff - Deep Seaport

Concession related revenue heads on the port includes harbor dues, cargo handling fees, terminal handling charges, free trade zone rent and port entrance toll charge etc. Annual total income (concessionaire related) on the port is expected to average USD 209 million p.a. for the initial 5 -years of commencement and is estimated to stabilize at 12% y-o-y thereafter with a payback of 12-years, NPV of USD 122 million, IRR of 29% based on a cost of capital of 15%. Regulatory tariff attributable to NPA of about USD 90 million y-o-y shall be drawn from berth rent, fixed rental charge and ship dues (see appendix "C" for port revenue sources).

Project financing structure

The base case project financial structure is 30% equity and 70% commercial credit. Equity contribution assumptions consider both public & private sector participation. This indicative mix may vary but in any case private sector participation would have a minimum of 51%. Project funding participants shall comprise CRSG; Concessionaire; interested state governments outside the state, LGAs in the State; international financial institutions, countries on the Chad Basin, sovereign wealth funds, institutional investors, local and international lenders etc.

The Bakassi Deep Seaport Integrated Project.....

Viability
drivers
(USPs) for
the project
- super
highway &
Seaport

- *Chadian & Nigerian Governments including Mexican (Banana) Consortium (bonded warehouse); with guaranteed shipment of 400 outbound containers ferried on the highway;*
- *Bakassi Port's natural cost efficient evacuation corridor for shipment of solid mineral from rich solid minerals belt of Kogi, Taraba, Bauchi, Plateau, Nasarawa and Enugu States and window for addressing the East (Russia) -West 'colder iron & steel demand side economic war'.*
- *recent major finds of massive hydrocarbon deposit in Cross River & Benue States; highest oil & gas reserve opportunity on the terminals of the Port;*
- *the recent massive find of highest grade granite for production of granite floor in the northern part of Cross River State;*
- *Bakassi Deep Sea Port's competencies as the most efficient for shipment of agricultural products. Cross River State is potentially home to the biggest oil palm, cassava production, cocoa estate in Nigeria through the entire stretch of Boki, Ikom, Etung and Obudu complexes.*
- *the massive investment of Cavenco of Spain (poultry) given the evacuation corridor with unencumbered haulage opportunity;*
- *the Thai Rice City multi-million dollar rice value chain program in Cross River State;*
- *the biggest garment & fabric factory in sub Saharan Africa in Calabar with massive export potential and cotton production & export under AGOA;*
- *inbound & outbound shipment corridor for captive industrial opportunities in Cross River State - Lafarge Cement, Flour Mill, Ayade Industrial Estate, EPZ etc.*

The Bakassi Deep Seaport Integrated Project

Project Value for Money Analysis

The fundamental objective of project's choice of PPP is to maximize efficiency gains and value for money through better allocation of risk; capturing private sector innovation, commercial and management expertise; use of long-term contracts whereby bidders focus on the whole life cycle cost of projects, leading to innovative designs with lower life-cycle costs and higher maintenance; better project delivery than the public sector. Value for money benefit of conservatively, USD 2.2 billion over the long term is envisaged for the project.

Project economic benefits

Project will form a systematic national and regional transport network and provide necessary corridor for solid minerals and agro-products haulage and associated spin-offs in the country. This link will substantially shorten journey times between the north and southern Nigeria including landlocked Chad Basin etc. project will give a boost to the construction industry, build local project implementation capacity, enhance socio-economic cohesion, social and economic integration, create employment opportunities and deepen state & national GDP.

Technical studies

The project's technical parameters would have direct bearing on the level of services for users. The core requirements of design, construction, operations and maintenance of the project including hand back would be covered in the project contract in a form that allows for to innovation and value addition.

Project toll systems

The project will adopt open toll road system, which involves the collection of tolls by purely electronic means to enable vehicles to travel under a toll gantry at normal highway speed and safety. This eliminates toll barrier and associated burden of congestion at toll plazas amongst other benefits.

Project risk scale & allocation.....

Project planning risk

Planning phase	Scale & impact	Risk Owner (remarks)
Risk of land acquisition: Legal procedure Delay in relocation and settlement / Cost increase on relocation	Not applicable	Government (Land Use Act concentrates land acquisition rights on CRSG)
Environmental Risks: ESIA is rejected by Federal Ministry of Environment / ESIA's conclusion is the project is not socially feasible	Not applicable.	Government and SPV (ESIA approval & right of way already secured by CRSG)

Construction risk

Construction phase	Scale & impact	Risk Owner
Construction cost overrun	Low	SPV/ EPCM Contractor
Delay in completion of construction: Additional financial cost + delay in toll plaza completion on Superhighway	low	Government and SPV

Operations risk

Operations & management phase	Scale & impact	Risk Owner
Overrun of operations and maintenance cost High inflation & Labour and material costs increases	Low	SPV/ O&M Constructor
Traffic risk lending to revenue risks	Low	SPV
Foreign exchange risk Local currency devaluation / interest rate uncertainty for long term funds for long-term funds	Medium	SPV/ Government (macroeconomic conditions is outside the influence of CRSG. Hedging & other mitigations may be applicable here)
Policy Risk Competition from a new parallel project (PPP or traditional contract) Changes of government's traffic level guarantee policy: Economically beneficial policy for a government agency to change tolls in some form of traffic usage	Not applicable	Government (threat of new entrant is significantly low and not anticipated throughout the concession period)
Political and Security Risks: Reducing concession years - cost high to government Inadequate or subjective enforcement of laws and regulations Security risks (civil war, etc) / Unforeseeable event (natural disaster, etc)	Low	SPV/ Government

Project current status, accomplishments & timelines - Bakassi port

1.	Bakassi Sea Port Identification & conceptual studies	December 2014	Achieved	Conceptual technical designs
2.	Development of terms of reference for project Environmental & Social Impact Assessment (ESIA)	March 2015	Achieved	Project ESIA terms of reference
3.	Request to the Presidency for clearance and initiation of project	August 2015	Achieved	Clearance from Presidency to comply with ICRC & FMT Guidelines.
4.	Request to Federal Ministry of Transportation for constitution of PSC	December 2015	Achieved	Approval for PSC received on February 8, 2016.
5.	Expression of Interest for the engagement of a TA	December 2015	Achieved	Eoi cleared with the Federal Bureau of Public Procurement.
6.	Project sponsor (CRSG) nomination to the PSC	February 2016	Achieved	Milestone was achieved within schedule
7.	Inauguration of the PSC	May 2016	Achieved	Milestone was achieved within schedule
8.	Constitution of the Project Delivery Team (PDT)	May 2016	Achieved	Milestone was achieved within schedule
9.	Approval of Project ESIA by the Federal Ministry of Environment	May 2017	Achieved	Milestone was achieved within schedule
10.	Evaluation and appointment of TA by the PSC	July 2017	Outstanding	This timeline on this milestone represents worse case; expected to be achieved ahead of schedule.
11.	Pre- construction works	December 2018	Outstanding	This timeline on this milestone represents the worse case; expected to be achieved ahead of schedule.
12.	Development & submission of project OBC by transaction adviser to Federal Ministry of Transportation	January 2018	Outstanding	This timeline on this milestone represents worse case; expected to be achieved ahead of schedule.
13.	Issuance of Certificate of Compliance on OBC by ICRC and approval by the Federal Executive Council	March 2018	Outstanding	This timeline on this milestone represents worse case; expected to be achieved ahead of schedule.
14.	Development of project full business case and procurement of concessionaire	June 2018	Outstanding	This timeline on this milestone represents worse case; expected to be achieved ahead of schedule.
15.	Contract (s) signing and project commission	February 2020	Outstanding	This timeline on this milestone represents worse case; expected to be achieved ahead of schedule.

Project current status, accomplishments & timelines - Superhighway

	Project milestone	Level of completion (%) & delivery timeline
1.	Route selection	100%
2.	Preliminary surveys	100%
3.	Preliminary schematic designs	100%
4.	Survey	100%
5.	Final design	100%
6.	Environmental & social impact assessment development	100%
7.	Environmental & social impact assessment approval by the Federal Ministry of Environment	100%
8.	Pre-construction works	70%
9.	Project investors road show, contracting concessionaire and financial close	50% (ongoing)
10.	Earthworks	10% (November 2018)
11.	Asphalting	0% (March 2018)
12.	Road furniture and fittings (CCTV, signage, lighting, etc)	0% (January 2019)
13.	Toll plaza	0% (January 2019)
14.	Commission and roll-out	0% (January 2020)

APPENDIX

Appendix A: Project SWOT

Strength

1. Grantor (CRSG) is willing and able to provide availability payments
2. Project's local & regional focus providing strong appetite for IFIs
3. Strong business case as project is linked to national and the continent's integrated infrastructure development plan
4. Grantor's reputation as an investment friendly destination & regulatory compliance

Weakness

Dearth of local project implementation capacity

Opportunities

1. PPP value for money synergies
2. Competitiveness & cost reduction through transparent procurement & PPPs.
3. Strong demand for the project offering and cross border interests from countries on the Chad Basin

Threats

Difficult construction terrain (Section 1 - thick rain forest, coastal nature etc)

Appendix B - Indicative funding plan by type

S/n	Nature	Participants	Proportion (%)
1.	Equity	CRSG, EPCM Contractor, Toll Systems Management Co., Institutional Funds, Concessionaire(s), State Governments outside Cross River State, Municipal Authorities within and outside Cross River State	20%
2.	Subordinated debt	Cross River State Government (CRSG) & Project Special Purpose Vehicle	10%
3.	Other funding	Revenue & interests during construction	20%
4.	Senior debt	IFIs including regional devt finance institutions, local banks etc	50%
Total project value			100%

Appendix C - Bakassi Port revenue Sources

Entity	Service	Tariff
NPA	Nautical Services: Towage & Mooring	Ship Dues
	Nautical Services: Pilotage	Ship Dues
	Nautical Services: Harbour Master	Ship Dues
	Concession Grantor	Fixed Land lease Fees
Concessionaire	Channel Development & Maintenance	Ship Dues
	Solid and Liquid Waste Collection & Processing	Ship Dues
	Breakwater & Land Development/Management	Harbour Dues
	Aids to Navigations	Light Dues
	Quay Development	Berth Rent
	Jetty development	Port Piers
	Environmental Management	Environmental Protection Fees
	Terminal Operations	Cargo Handling Dues
		Storage Dues
		Delivery Dues
		Customs Charges
		Terminal Handling Charges
	FTZ Management	FTZ Rent
	Port Road Development & Maintenance	Road Tolls

Thank you for your attention



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