



SUMMARY OF THE WATER TRANSPORT PROGRAMME

(IN COLLABORATION WITH FUTURE CITIES NIGERIA (FCN))

BACKGROUND

- ❑ LASWA engaged the Future Cities Nigeria Programme (FCN) to assist in the implementation of a licensing framework for ferry operations, routes viability and in the concession of a freight terminal.
- ❑ On the 11th of December 2019, the Lagos State Government signed a Memorandum of Understanding with the Deputy British High Commission on the implementation of the FCN programme in Lagos State.
- ❑ This Collaboration is in line with the '**THEMES**' agenda of the Lagos state government to make Lagos Africa's model megacity, a global economic and financial hub, while creating an affordable alternative means of transportation and job opportunity for the riverine communities. It is also important to create and promote a sustainable business growth for the economy of the country at large.



OBJECTIVES OF THE PROGRAMME

- ❑ Estimating revenues, costs and setting out a fund-raising strategy for private sector investment in water transportation.
- ❑ Expand Water Transportation, streamlining what already exists, encouraging more ridership, and making a business case for water transportation.
- ❑ The programme focuses on the preparation of Outline Business Case (OBC) that should identify the prioritized routes to be licensed and terminals to be concessioned.
- ❑ The preparation of the Full Business Case (FBC) to determine the viability of the projects, the necessary financial support that may be required for sustainability of service delivery.
- ❑ The FBC should lead to the commencement of the procurement process to attract private sector bidders to support the Lagos State vision of Integrated Multi-Modal Transportation.
- ❑ The programme focuses on examining the 10 recommended priority routes, prioritizing the routes into a two-phase licensing and concession process
- ❑ The priority routes will commence with four routes and two terminals as phase 1 of the PSP process.
- ❑ The programme recognizes the importance of freight transport by designating at least one of terminal as a freight terminal for concession.



FIRST PHASE OF THE FUTURE CITIES PROGRAM (JANUARY 2020- SEPTEMBER 2021)

1. The kick-off meeting was held on the 16th January 2020
2. **Analysis of previous Waterways feasibility studies.**
3. **Establishment of Stakeholder Committees** to guide the implementation
4. **Several Technical committee meetings** and Stakeholder committee meetings, freight and passenger operators' meetings were held.
5. **Outline Business Case Report:** detailing ranking and prioritisation of 4 ferry routes, identifying a freight terminal for the concession, determining the existing operating issues/conditions, and indicative financial viability of the ferry and terminal operations, and setting out the framework for private sector participation.
6. **Full Business Case (FBC) Report:** detailing Fleet Design, Infrastructure Analysis & Cost Estimate Report, Operational Analysis Report, Capacity Building Development Plan, and Routes Viability.
7. Presentation of the First Phase of the Business Case to the Executive Steering Committee on the 29th of July 2020.

FIRST PHASE OF THE FUTURE CITIES PROGRAM (CONT.)

8. Capacity Development/Restructuring of LASWA
9. Gender Equality and Social Inclusion (GESI) Framework:
10. Market Survey: Operator, Freight, and Commuter Surveys were carried out.
11. Ferry Licensing Framework
12. Approval of the Outline Business Case (OBC) in February 2021.
13. Submission of the Full Business Case (FBC) to LASWA (March 2021).
14. Presentation and Approval of the FBC to the Executive Steering Committee (May 2021).
15. Siting of Freight Terminal Location and Landmass (March 2021).



FIRST PHASE OF THE FUTURE CITIES PROGRAM (CONT.)

16. Conclusion on the Ferry and Route Licensing Framework by May 2021.
17. Capacity Building and Development of Boat Operators on Critical Safety and Security Guidelines on the Waterways (May 2021).
18. Community Engagement of Riverine Community Leaders on Waterways, Its Environment, and other social issues (April 2021)
19. Presentation of the Project implementation Roadmap (Prioritized routes and Freight Terminal) to LASWA (March 2021).
20. Preparation of documents for tender for the selection licensee and concessionaire, e.g, Information memorandum, Expression of Interest (EOI), Development of the Bidding Criteria, Re-quest for Proposal (RFP)



SECOND PHASE OF THE FUTURE CITIES PROGRAM (NOVEMBER 2021-MARCH 2022)

1. Investment Summit
2. Expression of Interest (EOI) advertisement

THIRD PHASE OF THE FUTURE CITIES PROGRAM

1. Review of EOI and selection of the shortlisted bidders
2. Issuance of Request for Proposal (RFP)
3. Notification of preferred Bidder
4. Appointment, Negotiation, Signing of Agreement with the Licensee and Concessionaire
5. Production of boats and construction of proposed terminals
6. LASG to Commence land preparation for Freight Terminal

CURRENT STAGE

1. Approval of Expression of Interest Processes and Information Memorandum.
2. Preparation for the Investment Summit.

PROJECT MILESTONES

The Lagos State Waterways Authority and Lagos State PPP office approved the Outline Business Case early in 2021. The Full Business Case has been submitted and has also been approved by the Lagos State Governor in June 2021. Therefore, preparation of tender documents is ongoing.



OVERVIEW OF THE LAGOS STATE PPP POLICY

Background

- There has been a significant growth in the pipeline of infrastructure projects in Lagos State in the last 10 years
- Due to inefficiencies and cost overruns in the delivery of capital projects – LASG sets out a deliberate overarching PPP policy to deliver major infrastructure projects.
 - By engaging the private sector (local or international) to manage public services and/or to design, build, finance and operate infrastructure projects to enhance efficiency, broaden access, and improve the quality of public services.
 - Public sector MDAs or state-owned enterprises to be responsible for the project planning and policy direction

Lagos State PPP Policy Objective:

- Is to increase the availability of infrastructure services with greater efficiency (lower cost for the level of services provided) than it could be achieved using the traditional public sector approach, i.e by
 - Allowing access to the substantial financial resources of the private sector;
 - Enabling the public sector to benefit from private sector technical expertise, experience, and efficiency; and transfer project-related risks to the private sector

Lagos State PPP Law (2011)

- Sets out the framework to initiate the procurement of Public Private Partnerships for the development of public infrastructure and public assets with potential investors,
- “...Lagos State PPP Office will act on behalf of the Government or any of its agencies in Public Private Partnerships under this law and develop means of financing such projects...”

FREIGHT TERMINAL VALUE FOR MONEY ASSESSMENT

Overview

- Baseline financial model developed to establish project viability and bankability
- Risk adjusted financial model – considered the project risk, optimism bias and benefits of competitive neutrality; LASG ability to secure funding at favourable terms in comparison to the private sector; public sector inefficiencies and project cost overruns
- Adjusted for non-financial benefits of private sector DBFO option in comparison to PSC option including accelerated project delivery, enhanced delivery, and ability to create wider social impacts

Financial Model Summary

DBFO - Private Sector Led Delivery Option

- Government will provide land and dredging estimated at N9 billion
- The IRR of 32.28% is higher than the 20 year average cost of capital of 22.09% making this project an attractive investment.
- The private sector operator will also pay royalty/ licensing fee of 20% of profits to the government.
- Exchange Rate: N580 : \$1

PSC - LASG Delivery Option

- To reflect similar government practice, we assumed project cost will double, revenue achievable will reduce by 20% and operating expenses will increase by 40%. Cost of debt will reduce to 5% and there will be no royalty/ license payment
- Government will provide Land and Dredging worth N15.75 bn as equity
- With an IRR less than the average cost of capital, the VFM analysis shows that the project is not viable under government's operation
- Exchange Rate: N580 : \$1.

Preferred option based on - IRR: DBFO (Private Sector) 32% VS PSC (LASG) 17%

Variables	Public Sector - PSC Option	Private Sector – DBFO PPP Option
Project Cost	N109,988,532,500	N53,600,590,000
Additional Equity Required	N5,350,000,000	N9,500,000,000
Construction Period	1 year	1 year
Debt : Equity Ratio	90 : 10	90 : 10
Tenor of Debt/ Moratorium	10 Years/ 2 Year	10 Years/ 2 Years
Cost of Debt	5%	19%
Revenue Lines	<ul style="list-style-type: none"> • Terminal/ Cargo Handling Services • Storage (regular & specialist) • Cargo Processing and Bulk Breaking 	<ul style="list-style-type: none"> • Terminal/ Cargo Handling Services • Storage (regular & specialist) • Cargo Processing and Bulk Breaking
Pay Back Period	<u>6.4 years</u>	<u>4.2 years</u>
Profit Margin (20 year)	42%	41%
Return on Investment (20 year)	<u>25%</u>	<u>52%</u>
Average Cost of Capital	18.82%	22.12%
IRR	<u>18.63%</u>	<u>31.79%</u>
NPV	<u>N3,975,817,809</u>	<u>N46,800,648,637</u>

UPDATE ON INFRASTRUCTURAL DEVELOPMENT ON THE LAGOS INLAND WATERWAYS

S/N	RECOMMENDATIONS	IMPLEMENTATION STATUS
1	Water Transport Policy as part of an integrated Transport Policy	Full draft ready, awaiting Mr. Governor's approval
2	<u>Freight Terminal</u> <ul style="list-style-type: none"> Land acquisition at the Orugbo vs Ijede Approval for application of bonded terminal 	The state is identifying land space and assessing the road connectivity to the terminal.
3	<u>Adoption of Ferry Operators Licensing Framework</u> <ul style="list-style-type: none"> Approval for prioritized routes Approval of Route licensing template Licensing of paratransit operators Licensing of Lagferry/ Lagferry franchises 	<ul style="list-style-type: none"> Prioritized routes have been included as part of state priority routes. Grouping Transit and Paratransit Operators for proper Route Licensing. Licensing Template has been adopted by LASWA and under consideration.
4	<u>Approve Infrastructure Costs</u> <ul style="list-style-type: none"> Dredging Buoys for Channelization Upgrade of LASWA ferry Terminals Control room Search and Rescue Unit 	Most of the projects recommended, towards the development of the priority routes, were included in the 2021 budget and have been duly approved by the government for implementation.

UPDATE ON INFRASTRUCTURAL DEVELOPMENT ON THE LAGOS INLAND WATERWAYS

S/N	RECOMMENDATIONS BY FCN	IMPLEMENTATION STATUS
5	Improved Fare Regulation	The state constantly reviews fares to ensure affordability while ensuring viability of routes
6	Connection of Informal communities on the priority routes	Informal Communities have been identified for proper integration.
7	Intermodal Connectivity	Lagos Bus Service Limited and LAMATA are providing buses for last mile connectivity at priority jetties while Ministry of Works is ensuring the proposed routes are motorable for effective intermodal transportation.
8	Capacity Building and Restructuring of LASWA	Approved internally by LASWA and awaiting formal State Approval.



THANK
YOU !



Safer
Cleaner
Prosperous

