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# **NIGERIA AIRPORT PASSENGER & CARGO CONCESSION STRATEGY**

by: **Honourable Minister of Aviation - Senator Hadi Sirika**

10<sup>th</sup> November, 2020

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# INTRODUCTION

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- ❖ On assumption of duties in November, 2015 we were faced with the following challenges:
    - Recession
    - falling oil price.
    - Inadequate Safety, Security and Surveillance Equipment.
    - Dilapidated infrastructure and obsolete equipment.
    - External Debt of \$1billion for Chinese Terminal Buildings.
    - Large number of unemployed trained professional Nigerian Aviators.
    - High debt profile of domestic airlines operators.
    - Local Debt burden- AMCON, Bi- Courteney, Sanderton Ventures Ltd etc.
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## INTRODUCTION(2)

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- We reviewed earlier studies done in the Industry, e.g. IOS, BGL, Paul Dike Report etc
  - We conducted a fresh study by GE Avia Solution, the Ministry developed a Road Map which was approved for implementation by Mr. President in October, 2016 as APC agenda.
  - Stakeholder conferences were conducted to present roadmap, in which concession was one of the items. (12 times, with 6 major)
  - The various stakeholders accepted the Road map but expressed some legitimate concerns.
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# APPROVED AVIATION SECTOR ROADMAP

## (PRIVATE SECTOR LED)

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- **Airports Concession**
  - Establishment of a National Carrier
  - Maintenance, Repair and Overhaul Centre
  - Development of Agro-allied Cargo Terminals
  - Establishment of an Aerospace and Aviation University
  - Establishment of Aviation Leasing Company
  - Development of an Aerotropolis (Airport City)
  - Search and Rescue
  - Establishment of Five Airport Free Zones
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# CONCERNS RAISED BY STAKEHOLDERS

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- i. Security of jobs of workers(Fear of job losses)
  - ii. Concession should be green fields rather than brown field.
  - iii. Other alternatives to concession should be considered e.g. Corporatization etc
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## OTHER CONCERNS RAISED

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- i. Lack of compliance with Public Procurement and Concession laws.
  - ii. Failure to carryout Project identification, prioritization, or concept note during the process.
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# RESPONSE TO CONCERNS RAISED

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## a) **Security of jobs of workers**

- Only Terminal concession will be done which will not lead to job losses
  - FAAN has 8,100 workforce and only 1,158 work in terminal buildings (14.29%)
  - Furthermore, new terminal buildings in Lagos, Kano will come into operations –more manpower needed.
  - State airports taken over and need manning by FAAN staff include include Kebbi, Bauchi, Gombe, Osubi, Dutse- denoting more jobs rather than loosing jobs.
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# RESPONSE TO CONCERNS RAISED

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## **b) Green Field Vs Brown Field**

- Its possible to have green Field concession. Airlines and Terminal business will shift to new green fields and abandoned the FAAN Terminals making job losses inevitable.

**c) Lack of compliance with Public Procurement and Concession laws.( see next slides)**

**d) Failure to carry out Project identification, prioritization, or concept note during the process. (see next slides)**

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## Chronology of Events

No	Activity	Date
1	Project Identification <ul style="list-style-type: none"><li>• Engagement of ICRC</li><li>• Sector Diagnostic Review by Avia-Solution</li><li>• Draft Road Map</li></ul>	December 2015 to April 2016
2	Letter to Mr. President seeking for Approval to implement the Aviation Roadmap	27 <sup>th</sup> April, 2016
3	First Stakeholders Forum at Shehu Yar'Adua Center	16 <sup>th</sup> May, 2016
4	Advert for Expression of Interest (Eoi) for Transaction Advisors in 2 National Papers and Tenders Journal	13 <sup>th</sup> June, 2016
5	Inauguration of Project Delivery Team and Project Steering Committee	9 <sup>th</sup> September, 2016
6	Presidential Approval for the roadmap projects	18 <sup>th</sup> October, 2016
7	Second Stakeholders Forum at Sheraton Lagos (Separate meetings were held with AON and Labour Unions before the General Stakeholders Meeting)	12 <sup>th</sup> November, 2016
8	Shortlisted prospective Transaction Advisors (TAs) submitted their Technical and Financial bids	19 <sup>th</sup> December, 2016

No	Activity	Date
9	Third Stakeholders Forum at Shehu Yar'adua Center	5 <sup>th</sup> January, 2017
10	Bureau for Public Procurement issued No Objection Certificate for the TAs	22 <sup>nd</sup> February, 2017
11	Federal Executive Council Approved the Transaction Advisors with the Infrata led Consortium as the TA for Airport Concession	3 <sup>rd</sup> May, 2017
12	Fourth Aviation Stakeholders Forum at NAF Conference Centre in Abuja	29 <sup>th</sup> March, 2018
13	Fifth Aviation Stakeholders Forum at NAF Conference Centre in Abuja	8 <sup>th</sup> November, 2018
14	Final Outline Business Case (OBC) submitted	March, 2020
15	Infrastructure Concession Regulatory Commission (ICRC) issued OBC Certificate of Compliance.	23 <sup>rd</sup> June, 2020
16	Project Steering Committee (PSC) reviewed and approved the OBC	29 <sup>th</sup> September, 2020

# STAFF CONCERNS



- Only operational staff working at the 4 Airports Terminals to be concessioned will be transferred to the **concessionaire(s)**.
- The Objective of Government is to ensure there are no Job losses. Staff transferred will benefit from better pay package and conditions of service that Private sector companies offer.
- FAAN will negotiate benefits to be paid with the unions before completion of the handover.
- Traffic will increase as a result of increased efficiency and expansion, costs will reduce due to efficient operations and FAAN will be paid its own share of PSC and Security levy directly from IATA.

## STAFF CONCERNS (2)



- **Options being considered**
  - Staff shall have an option to return to FAAN after a period of 18 to 24 months, also staff not required by a **concessionaire** shall be allowed to return to FAAN after the 18 to 24 month period.
  - Benefits of transferred staff shall be paid by FAAN on completion of the 18 to 24 months if the staff decides to stay with a **concessionaire**

# SCOPE OF THE CONCESSIONS



Lagos  
MMIA

Abuja  
NAIA

Port  
Harcou  
rt PHIA

Kano  
MAKIA

- The Nigerian Airport Concessions will be a Terminal Concession (Passenger & Cargo) and majority of its revenue will be derived from Non-Aeronautical sources

# AIRPORT CONCESSION STRATEGY



- **All other facilities at the airports will still be managed by FAAN. Our airports are national security assets. This must be kept so.**
- The **Concessionaire(s)** will provide the investment required to upgrade the existing terminals, take over the new terminals and maintain them over a period of time to be determined based on financial assessment of each transaction.
- Passenger Service Charge and Security Charge will be shared by FAAN and the **Concessionaire(s)** and FAAN's share of the charges shall be paid directly to FAAN by IATA.

# AIRPORT CONCESSION STRATEGY.../2



- The **concessionaire(s)** will sign service level agreements with FAAN and NAMA to ensure that airport operates efficiently, the service level agreement will cover the Runway, Taxiway, Security and Air Traffic Management.
- FAAN will be required to provide manpower through AVSEC for security of both the Airside and Landside
- The **concessionaire(s)** will provide and maintain landside equipment whilst FAAN continues to provide and maintain Airside security equipment.

# AIRPORT CONCESSION STRATEGY.../2



- All existing concession contracts within the Terminal concession will be transferred to the concessionaire(s) as part of their management obligations and they will **be allowed to run for the remaining duration of their respective contracts before any review.**
- Tariffs will be regulated in accordance with the procedures set in the concession agreement.



# PROJECT APPROACH

## STEP 01



### PROJECT IDENTIFICATION

- ICRC receives a concept note from a government Ministry, Department or Agency (MDA)
- If approved, a Steering Committee, Project Delivery Team and PPP Project officer are set up
- The project is put into the pipeline for approval for the Federal Executive Council (FEC)

## STEP 02



### PPP PROJECT DEVELOPMENT AND PREPARATION

- Initiating organization approaches BPP, begins the process of recruiting Transaction Advisers through a public procurement process regulated by BPP
- Transaction advisors approved and receive their mandate
- Outline Business Case (OBC) is drafted
- ICRC reviews the OBC and issues a certificate of compliance
- Ministry of Finance assesses risk and liabilities

## STEP 03



### PPP PROCUREMENT

- Publishing a Request for Qualifications (RFQ)
- Pre-qualification
- Tendering process - Request for Proposal (RFP) and Bid submission
- Bid evaluation and recommendations
- Negotiate concession agreements and other documentation
- The submission of the Full Business Case (FBC) to the ICRC and issuance of the certificate

## STEP 04



### PPP IMPLEMENTATION

- Financial Close is achieved and work begins with regular inspections of the project by the ICRC and MDA in accordance to law



## SELECTED AFRICAN AIRPORT PPP EXAMPLES

### KEY PARAMETERS OF OTHER AIRPORT CONCESSIONS

Country	Airport	Passengers	Year	Contract Term (years)	Type of PPP	Operator
<b>ALGIERS</b>	Algiers	7.5m (2016)	2006	8	Management Contract	Aéroports de Paris (ADP)
<b>CONGO, REP. OF THE</b>	Brazzaville, Pointe Noire and Ollombo	Brazzaville 1.3m (2015); Pointe Noire 1.0m (2015); Ollombo unknown	2010	25	Concession (BOT)	Egis
<b>GUINEA</b>	Conakry	0.3m (2016)	2011	Indefinite	Freehold	Aéroports de Paris (ADP)
<b>GABON</b>	Libreville	0.9m (2016)	1988	30	Concession	Egis
<b>TUNISIA</b>	Enfidha and Monastir	Enfidha 0.8m (2016); Monastir 0.5m (2015)	2007	40	Concession (BOT)	TAV
<b>RWANDA</b>	Bugesera	0.7m	Under development	>20	Concession	Bugesera Airport Co.
<b>SENEGAL</b>	Dakar Airport International Blaise Diagne	2m	2007	25	Concession	Fraport-led consortium
<b>COTE D-IVOIRE</b>	Abidjan	1.6m (2016)	1996	>20	Concession	Egis