Nigeria: the investment magnet of Africa

Africa's most populous Country

The Federal Republic of Nigeria is located in West Africa and shares common borders with Niger Republic (north), Chad (northwest), Cameroon (east), Republic of Benin (west), while its southern region is bounded by the Atlantic Ocean. With a land mass of 923,768 sq. km (356,669 sq. miles), and an estimated population of 126.64 million in 2004, Nigeria is Africa's most populous country. The country is divided into 36 states and a Federal Capital Territory. Abuja, the Federal Capital Territory, is the national capital and seat of government. Lagos, the largest city and the national capital until 1991, remains the economic and commercial centre of the country. Other major cities include Ibadan, Port Harcourt and Kano.

Map of Nigeria

English is the official language and is widely spoken in government, business, education and the mass media. The number of other indigenous Nigerian languages is estimated at between 350 and 400, and there are also dialects of some of these languages. The most common Nigerian languages are Hausa, Yoruba, and Igbo. Pidgin, a combination of English with native languages, is also widely spoken.

Good Governance

The Public Enterprises Regulatory Commission Act (No.35) 1996 establishes the Public Enterprise Commission with the power, *inter alia*, to provide for greater transparency of public enterprises, to provide accountability for directors, and to provide the President with the authority to intervene and remove directors in the event of mismanagement or misconduct. In addition, in accordance with the declared anti-corruption drive of the current administration, the National Assembly promulgated The Corrupt Practices and Other Related Offences Act, 2000 ("the Anti-Corruption Act") in June 2000. The Act formally prohibits bribery, corruption and other corrupt practices involving Nigerian public officials and specifies sanctions, including jail sentences, for offences committed. In 2002, the Economic and Financial Crimes Commission Act was passed to give a biting effect to the war against '419', money laundering and related offences which were impugning Nigeria's image especially with foreign investors. Also in 2004, the Investment & Securities Tribunal was invigorated to arbitrate on Stock market issues with a view to preventing malpractices in the Capital market operations.

Favourable Political Environment

The Political System

Nigeria's democracy is based on a federal form of government comprising the executive, legislature and judiciary as defined by the Constitution of The Federal Republic of Nigeria 1999 ("the Constitution"). Executive powers are vested in the President who is the Head of State and presides over the Federal Executive Council, while legislative powers are vested in the National Assembly comprising a 109-seat Senate and a 360-seat House of Representatives. Judicial powers rest with the courts, the highest of which is the Supreme Court of Nigeria. The executive and legislative arms are elected by popular vote for a term of four years.

State governments consist of an elected governor and deputy governor, and a directly elected State House of Assembly. A minister, who is appointed by the President, heads the Federal Capital Territory.

International Associations

At independence in 1960, Nigeria joined the United Nations ("UN") and its affiliated agencies. It also joined the British Commonwealth of Nations (the "Commonwealth") of which Nigeria's President Olusegun Obasanjo is its current Chairman.

Nigeria is also a member of the Organization of Petroleum Exporting Countries ("OPEC"), the World Trade Organization ("WTO"), the International Monetary Fund ("IMF") and the World Bank. In September 1999, the World Bank Group was invited by the FGN to provide advisory transactional and financial assistance to the successful implementation of the privatisation and commercialisation programme. The IMF and the World Bank have also provided technical and financial assistance to the FGN in dealing with Nigeria's large external debt.

A founding member of the Organization of African Unity ("OAU"), now the African Union ("AU") of which Nigeria's President Olusegun Obasanjo is its current Chairman. Nigeria is also the dominant partner in the Economic Community of West African States ("ECOWAS") and a member of the African Development Bank and the Lake Chad Basin Commission.

Political

Political Structure
Federal Republic

President
Olusegun Obasanjo

Vice-President
Atiku Abubakar

National Legislative Bodies
Upper House: Senate (109 elected members)

Lower House: House of Representatives (360 elected members)

Major Parties (seats in assembly)
People's Democratic Party (PDP) – 198 House seats and 28 Senate seats

All Nigerian People's Party (ANPP) – 83 House seats and 28 Senate seats

Alliance for Democracy (AD) – 30 House seats and 5 Senate seats

Last Elections
Legislative: 12 April 2003
Presidential: 19 April 2003

Next Elections
Legislative: 2007
Presidential: 2007

Conducive Investment Environment

Economic

Nominal GDP (2003)
US$55.50 billion

Population (2003)
125.83 million

Total Trade/GDP:
67.49%

Currency:
Nigerian naira

Exchange regime:
Multiple exchange rates, managed floating

Main Sources of Foreign Exchange (excl. FDI):
Petroleum exports

Largest Merchandise Trading Partner:
United States (37%)
Spain (10%)

Main imports:
Manufactured goods (28.7%)
Machinery and equipment (23.8%)
Raw materials (21.4%)

Investment Promotion

A liberal framework for investment is set by the Nigerian Investment Promotion Commission Act 1996, which permits 100 per cent foreign ownership of Nigerian companies in most sectors, except those activities determined by the executive arm of the Government such as the production of arms and military wear. The NIPC Act formally protects all enterprises against nationalization or expropriation and provides that funds imported into Nigeria for the purpose of investment in enterprises or securities shall not be forfeited, seized or expropriated by the federal, state or local governments.

Foreign Exchange (Monitoring and Miscellaneous Provisions) Act 1995 guarantees unconditional repatriation of, *inter alia*, dividends, profits and proceeds of sales arising from foreign currency imported into Nigeria and invested in any enterprise or security in accordance with the Act. No approvals are required for foreign currency inflows.

In addition to the NIPC investment has been encouraged through legislation allowing foreign investors to participate in the Nigerian stock exchange, improving the regulation of the capital market and providing for a reduced government role in certain key sectors of the economy.

Protection of investments in Nigeria is available by virtue of its membership in the World Bank's Multi-lateral guarantee fund ("MIGA") as well as the operation of the bilateral Investment, Promotion and Protection Agreement ("IPPA") between Nigeria and any interested party country. These measures have led to increasing political and trade initiatives involving Nigeria, including:

The Nigeria-US Joint Economic Partnership Committee (JEPC); and The Trade and investment framework agreement (TIFA) between the US and Nigeria which, in addition to establishing a framework for guarantees in the future, has led to a number of feasibility studies being undertaken and guaranteed loans for infrastructure projects.

In addition to the US the process was expanded to establish agreements with other countries including Brazil and South Africa.

An accommodating Tax regime

The Companies Income Tax Act of 1979 (CITA) is the main law governing the taxation of companies registered or operating in Nigeria. The worldwide income accruing to a Nigerian company, except investment income, is currently taxable at a rate of 30 per cent. However, only the Nigerian income of a foreign company is subject to tax in Nigeria. Tax credits are available for taxes paid only where Nigeria has a double-taxation treaty with the country from which the credit is sought. Investment income earned by Nigerian companies overseas is exempt from further taxation where a double-taxation treaty exists with the country in which the income was earned. Dividends and interest payable in Nigeria are subject to a 10 per cent withholding tax, deductible at source, which constitutes the final tax on such income.

Nigeria has double tax agreements with Belgium, Canada, France, Islamic Republic of Pakistan, Romania, The Netherlands and the United Kingdom.

Stable Economic Development

Nigeria has commenced the implementation of a vigorous programme of Economic Reforms through the National Economic Empowerment and Development Strategy (NEEDS). These economic reforms will transform Nigeria into the largest and strongest African, as well as a key player in the world, economy. The return of the country to the international trade market and the availability of assistance from global financial institutions (such as the World Bank and the IMF) as well as various government reforms have positively affected the economy. Indeed in 2004, as an affirmation of the increased global confidence in the on-going reforms of the economy, many multinational corporations including the USA-based 'Visa International' are now investing in Nigeria. The following table illustrates the improving economic environment in recent years.

Macro-economic Indicators

	1997-2001	2002	2003	2004 (e)
GDP (%)	3.3	3.5	10.2	4.1
Inflation (%)	18.0	12.9	14.0	16.5
Fiscal Balance (% of GDP)	-4.9	-5.5	-2.8	5.3
Exports (US$bn)	19.598	17.672	27.416	31.451
Imports (US$bn)	11.482	13.342	16.885	17.466
Current Account (% of GDP)	2.6	10.9	6.9	1.0
Reserves (months of imports)	7.6	7.8	6.5	6.1
External Debt (US$bn)	29.686	30.992	32.917	34.0
Debt Service ratio (%)	5.2	6.4	5.2	4.89
Currency (per US$)	112.0	120.97	129.36	132.9

Sectoral Contribution to GDP

The three highest contributors to Nigeria's GDP are agriculture (34.62%), petroleum (33.44%) and Services (12.45%).

Agriculture

Prior to the discovery of oil in Nigeria, agriculture was the mainstay of the economy. It remains to date the largest employer of labour and the greatest contributor to the GDP. The climate is favourable for the cultivation of various economic and subsistence crops such as groundnut, cotton, rubber, cocoa, wheat, millet, maize, oil palm, tea, cassava, yam and fruits. Livestock includes cattle, sheep, goats, poultry and fish.

The traditional export crops are oil palm, cocoa, rubber, groundnut, cassava, yam and cotton. Of these only cocoa is exported on any meaningful scale. Nigeria is among the world's largest producer of cassava and yam.

Oil and Gas

Nigeria has the 11th largest oil reserves in the world and currently produces 2.5 million barrels a day. Nigeria's economy is heavily dependent on the oil sector, which accounts for 90-95 percent of export revenues, over 90 percent of foreign exchange earnings and nearly 80 percent of government revenues.

The quality of the crude is good-sweet, low sulphur content. The oil reserves are mostly along the coast and in the Niger Delta. The Nigerian economy depends to a very large extent on the petroleum

sector, contributing over 75 per cent of government revenue and over 80 per cent of foreign exchange earnings. America and Japan are two key importers of Nigeria's crude.

Four refineries were built to satisfy domestic demand for petroleum products. However, these refineries have to-date recorded unimpressive performances to the extent that Nigeria is a major importer of refined petroleum products for domestic consumption.

Nigeria also has large reserves of gas. Estimated gas reserve for Nigeria is 157 Trillion Cubic Feet ("TCF"), which is 44 per cent of gas reserves in Africa, placing it in the second and tenth places in the continental and global league tables respectively. The reserves are made up of 85 TCF of associated gas and 74 TCF of non-associated gas. Nigerian gas is rich in various components and low in hydrogen sulphide, which makes it a resource for gas investment.

An average of 5.5 Billion Cubic Feet ("BCF") per day is produced out which about 2.6 BCF, over 40 per cent, is utilized. The balance is flared. In view of the sheer wastage of valuable resources and the environmental hazards associated with gas flaring, the Federal Government of Nigeria and the Joint Venture partners have decided to end this wasteful flaring by 2008. Accordingly, new projects making productive use of such flared gas are expected to enter into commercial operation within the next three to four years. The West Africa Gas Pipeline Project and the LNG Project at Bonny are examples. The export of gas will boost both revenue and foreign exchange earnings for the country.

Solid Minerals

Nigeria is rich in various solid minerals, a fact that is not well known partly because of the dominance of oil and gas and partly because only now is attention being given to the sector. There is a separate Ministry of Solid Minerals at the Federal Government level. The solid minerals available fall into three classes: industrial, metallic and mineral fuels. The industrial solid minerals include gypsum, limestone, kaolin, marble and phosphate; iron ore, lead and zinc are examples of the metallic variety while coal is the prime example of mineral fuels.

Manufacturing

The output of the Manufacturing sector covers a wide range which includes sugar, confectionery, soft drinks, beer and stout, cotton, synthetic fabrics, footwear, paints, cement, roofing sheets, vehicles, soap and detergents and refined petroleum. All these products are exportable. This sector has significantly operated below capacity as a part of the effects of the previous command-and-control management of the economy. The current liberalization of the economy has stimulated quantum growth in the level of utilization of installed capacity as well as attracting new investors in order to exploit the ever- surging demand for the output of the manufacturing sector.

Privatization: fast channel to the Nigerian economy

The privatization of the Public Enterprises is one of the important elements of Nigeria's economic reforms through which the hitherto commanding heights of the economy are being transferred to the private sector. The key strategies of the privatization programme include:

- Market the right public enterprises to the right strategic investors with the appropriate financial resources and technical-cum-managerial competence at the right prices
- Utilize the best global practices
- Apply a wide range of sales methods e.g. core investor, public offer, concession etc as considered relevant to each enterprise
- Assure transparency in the application of the established procedures for privatising each enterprise

In this respect, the government of Nigeria has continued to improve the enabling environment for the success of the Privatization programme to the delight of the investors. Some of these efforts include:

- Crimes Commission Act
- Economic and Financial Crimes Commission Act
- Money Laundering (prohibition) Act
- Competition and Anti-Trust Bill
- Energy/Electricity Reform Bill
- Labour Reform Bill
- Extractive Industries Transparency Initiative
- Independent regulatory commission for each sector
- Port reforms
- Generous tax holidays
- Highly skilled local manpower
- Improved capacity building in the Bureau of Public Enterprises (BPE) for the effective management of the privatization processes
- Open, fair and just engagement of all relevant stakeholders for all enterprises, including labour and environmental issues, with the support of the World Bank and other agencies
- Guarantees from the World Bank, Multi-lateral Investment Guarantee Agency and Overseas Private Investment Corporation, and
- Political will and commitment at the highest level of government

In the past five years, over 25 public enterprises have been privatized in Banks, Insurance, Cement and Sugar manufacturing, Oil & Gas, Hospitality, Shipping, Vehicle assembly and media sectors of the economy. The following Table shows the Stock Market performance of some of these privatized enterprises:

Post-Privatization performance of some enterprises sold via IPO

Enterprise	**Pre-TS price**	**Sales price**	**Stock price 30/06/04**	**Stock/Sales price +/-**	**/- %**
ASHAKA	6.88	8.25	21.50	13.25	+161
CCNN	2.32	2.50	5.50	3.00	+120
WAPCO	20.59	27.50	17.00	(10.50)	-38
AP	19.34	28.50	42.87	14.37	+50
NOLCHEM (CONOIL)	24.80	25.00	179.00	154.00	+616
UNIPETROL (OANDO)	26.88	29.00	108.00	79.00	+272
FSB	3.50	4.20	1.35 (ex-div)	(2.85)	-68
IMB	0.81	0.75	1.04	0.29	+39
NAL	2.10	2.75	1.90	0.85	-31

With all hands practically on deck as the programme reaches the critical phase for the privatization of the very large and complex enterprises, the prospects for its success are becoming brighter, noting:

- The increasingly 'magnetic' attractiveness of investors to the Nigerian economy as Africa's most entrepreneurial, and its second largest, economy with GDP of about $40 billion and one of the most profitable stock markets in the world, with annual ROI of about 105%.
- Its relative peace and stability, along with its current role as the "peace Prefect" of Africa
- The unique diversity of its natural resources
- The openness of its economy to foreign investors from all over the world
- The robustness of its privatization programme relative to the rest of Africa in terms of the wide range of sectors covered by the enterprises.
- The generally lower cost of acquiring controlling shares in the management of the enterprises compared to the large investments required to start them.

On behalf of the National Council on Privatization and the Bureau of Public Enterprises, I am therefore very pleased to present this 'Investors' guide' on the marketing profiles of some of the public enterprises scheduled for privatization in the short to medium term to all investors who wish to utilize this fastest channel for achieving a profitable entry into the Nigerian economy.

We at the Bureau of Public Enterprises eagerly wait to give you the warmly enterprising Nigerian welcome and all the professional assistance you may require in boarding our express 'privatization train' successfully.

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Note of Caution:
This 'Investors' guide' is based on information provided by the enterprises and other sources. However, it is not a substitute for due diligence into the enterprises which must be undertaken by any prospective investor.

AUTOMOBILE SECTOR

INTRODUCTION

The automobile industry in Nigeria dates back to early 1960's when private companies like UAC, Leventis, SCOA, BEWAC and R.T. Briscoe pioneered the establishment of auto assembly plants using imported semi-knocked down components (SKD). Government became involved in the industry between 1970-1980 when it concluded agreements with a number of Automobile plants in Europe to set up 2-car and 4-truck assembly plants. The 2-car plants are Peugeot Automobile Nigeria Ltd. (PAN), Kaduna and Volkswagen of Nigeria Ltd. (VWON) Lagos. The 4-truck plants are: Anambra Motor Manufacturing Company Ltd. (ANAMMCO), Enugu, Steyr Nigeria Ltd, Bauchi, LEYLAND Ltd., Ibadan and National Trucks Manufacturers (NTM) Kano. They were to assemble imported completely knocked down components (CKD), with gradual progression to the use of local components, with the aim of achieving 100% local parts substitution ten years after commissioning. Despite this reality there are still tremendous opportunities for revamping the sector if serious- minded investors take up the incentives that are currently available in the sector.

SECTOR DATA

(i) THE MACRO ENVIRONMENT

The following are some of the incentives for the automobile industry as described below:

a. Import duty for CKD for vehicle assembly is 2.5%, while that of fully built up units is 30%;
b. The Nigerian Government has mandated all its Ministries, Agencies and Parastatals to patronize the products of local automotive assembly plants;
c. The National Automotive Council has established an Auto Development Fund to provide soft loans for firms that will produce auto parts and the Bank of Industry is administering the loan.
d. Automotive industry has the status of a pioneer industry. Pioneer status takes the form of a 5-year tax holiday anywhere in the country, and 7-year tax holiday in any economically disadvantaged local government area
e. Up to 120% of expenses on R&D is tax deductible. For R&D on local raw materials, 140% is allowed;
f. Industrial establishments that have in-plant training facilities enjoy a 2% tax concession for a period of 5 years;
g. 20% of investment in infrastructure (roads, water, electricity) are tax deductible.
h. Industries in economically disadvantaged areas would have an additional 5% capital depreciation allowance over and above the initial allowance;
i. Industries with high labour to capital ratio are entitled to the following concessions: those employing 1,000 persons or more will enjoy 15% tax concession, those employing 200 or more will have a 7% tax concession while those employing 100 persons or more have a 6% tax concession;
j. Engineering industries with high local - value - added will enjoy a 10% tax concession for 10 years;
k. Expenses incurred on expansion, modernization and/or diversification will attract allowances;
l. Engineering firms with up to 60% local raw materials utilization would attract 20% tax credit for 5 years.
m. The government has recently established a Bank of Industry to provide long-term loans to industrial projects.

(ii) REGULATORY ENVIRONMENT

The National Automotive Council Decree of 1993, provided for the establishment of the National Automotive Council (NAC).

The NAC is charged with the responsibility of ensuring that the activities of the assembly plants are aligned with government's objectives and manage the Auto Development fund that was established for developmental projects and programmes of the industry.

(iii) THE MARKET ENVIRONMENT

Market size, current growth and growth potential.

The manufacturing component of the Nigerian automotive industry has annual capacity of 108,000 cars, 50,000 trucks and buses, 10,000 tractors, and about 1 million motorcycles and bicycles. There are also about a hundred components' and part's manufacturers. The industry reached a peak in 1981, with its fortunes deteriorating steadily since then. Currently, capacity utilization is below 10% and 40% in vehicle and component manufacturing respectively, with over half of the factories in both cases closed down. Some of the surviving component manufacturers export their products to neighboring countries. In the last 10 years, about 95% of vehicular requirements of the Nigerian economy are imported. 90% of the imported vehicles are used ones. Vehicular import averaged 1,059,800 units annually in the last five years as 2,805,415 were imported in 1999, 407,698 in 2000, 710,552 in 2001,1,082,059 in 2002, 565,575 in 2003 and 257, 601 at half-year in 2004. With Nigeria's population of about 126.64m and the poor development of Railways, the market prospects for the Automotive sector in Nigeria could grow by as much as 5% annually. The industry has the potential to become the auto-manufacturing center for the ECOWAS sub-region and beyond.

The automobile sector in Nigeria in 2000 was estimated to be worth $500 million, 75% of these being from the importation of new and used vehicles. The industry has the capacity to produce 108,000 cars, 56,000 commercial vehicles, and 6,000 tractors. There are over 50 auto component parts manufacturers some of who are original equipment manufacturers (OEM) that contribute to the after sales market. Thus the widening gap between the supply and demand for the output of the automobile industry in Nigeria provides a robust vista of opportunities for competent and resourceful investors. In particular any investor who would be able to manufacture a low-cost vehicle that would appeal to the vast majority of Nigerians, would have a ready market. There are facilities for the assembly of cars and light commercial vehicles. Most of these facilities are currently not utilized or utilized sparingly and could be used by potential entrepreneurs. The potential of the industry can be greatly improved if local plants can exploit the overall market through increased production. Currently, there is a ban on the importation of used vehicles of more the 8 years and the Government is making efforts to tighten up controls to curb smuggling through the land borders

(IV) THE NATURE, SCOPE AND STRUCTURE OF COMPETITION

The main competition in the Nigerian automobile sector is in the form of importation of foreign cars and spare parts, used and new, by both consumers and vehicle dealers. In 3 years (1999- 2002) vehicles and spares imported into Nigeria averaged US$400m annually. 325,000 vehicles were imported in that period with 288,000 of these (88%) being used vehicles, while 37,000 (12%) were new vehicles. Local production during the period was only 23,000.

The industry has an established distribution network with over 100 vehicle dealers who also import new and used vehicles.

(v) LOCAL MANUFACTURING CAPABILITY AND RESOURCES

The local manufacturing capability in the industry covers the automotive parts industry and consists of component part manufacturers and other sub-assembly plants. The operators in this sector are either those who engage in the manufacture of component parts for sale to assembly plants or in the after- sales replacement market.

They are supported by heavy engineering industries. These include casting, forging, presswork, plastic molding, heat treatment, surface treatment and machining. Given that about 85% of the over two million vehicles plying our roads were bought as used vehicles, there is a wide scope for the manufacture of servicing and replacement parts. The average local content of the vehicle assembly plants in Nigeria is about 10% while the remaining 85% is imported in agreement with the subsequent technical partners. With the privatization of the Nigerian Machine Tools in Oshogbo, Nigeria may be capable of producing a significant percentage of the component parts of cars at high quality.

(vi) PROSPECTS

Investment in the automobile industry is capital-intensive. Volume and efficiency are extremely important to achieve global competitiveness. The drive by various manufacturers to ensure economies of scale in production has led to over capacity internationally. Hence top auto industry markers are turning to developing countries for added market share. This has far- reaching implications for developing countries, like Nigeria

Consequently, the overall business prospect for a successful car industry in the country are high and would be attractive to any investor that would be able to produce low- cost cars. This is in conformity with what is happening in other parts of the world especially in China, where car companies are able to manufacture a car and sell it at about $ 3000. This initiative is also taking place in Europe where Renault Logan in Romania and VWAG of Germany are willing to develop a car that would cost less than 10,000 Euros.

Through the planned privatization programme, the following companies are available to interested investors:

1. Anambra Motor Manufacturing Company limited
2. Peugeot Automobile Nigeria limited

ANAMMCO has its corporate headquarters located at Emene Industrial layout, PMB 2523 Enugu Nigeria

BACKGROUND AND CORPORATE STATUS OF ANAMMCO

Anambra Motor Manufacturing Company Limited ("ANAMMCO" or "the Company") was incorporated in 1977 as a private limited liability company. It was established pursuant to a Joint Venture Agreement between the Federal Government of Nigeria (FGN) and the then Daimler-Benz AG of Germany, now Daimler Chrysler AG of Germany, as the Technical Partner.

The agreement was for the establishment of an assembly/manufacturing plant in Nigeria for the production and marketing of Mercedes Benz brands of Trucks and Buses of varying models and capacities. This agreement granted protection to the company through import restriction and expected the company to pursue a programme of gradual phase-out of imported parts until the vehicles are assembled with 100% local content by 1991. Located on approximately 300,000 square-meter -site at Emene Industrial Layout, Emene in the outskirts of Enugu town in Enugu State,

LEGAL STATUS

ANAMMCO is a corporate entity duly registered under the laws of the Federal Republic of Nigeria as a Private Limited Liability Company on January 17, 1977 with RC. No. 20,106. This was sequel to the Joint Venture Agreement of December 12, 1975 between the Federal Military Government of Nigeria and the Technical Partners Daimler-Benz A.G now Daimler-Chrysler A.G. on December 12, 1975.

The company was incorporated to carry on the business of manufacturing, assembly, importation and sale of CKD sets for Mercedes Benz commercial vehicles, agricultural tractors and passenger cars as well as spare parts. The Memorandum and Article of association of the company empowers it to carry out the series of agreements entered into on the establishment of the Commercial Vehicle Assembly/Manufacturing Plant under "The Joint Venture, Manufacturing and Agency Agreements".

DESCRIPTION OF ANAMMCO PRODUCTS

The plant, which was commissioned on July 8, 1980, has an installed capacity to assemble 7,500 trucks per annum, on a single shift basis. The plant was originally designed to engage in the assembly of Mercedes Benz commercial trucks with payloads of 2.5 tons and above. However actual production started with the assembly of vehicles with payloads of 5 tons and above. Production started in 1980 with two basic models – L911 & LS 1924. By the end of the year they produced a total of 795 vehicles. Presently the models of trucks produced are:

Trucks: MBL 711, L1418, MB 308 Sprinter Van and Actros 2031 S
Buses: MBO 140, MBO 800, MBO 1418, MBO 1721 and MBO 400.

The Company provides spare parts and also engages in the repair of vehicles. The company does not engage in component manufacture, but engages in contract manufacture for its restricted distributors. Daimler Chrysler AG, the technical partners, together with Daimler Chrysler supply Mercedes-Benz spare parts and Completely Knocked Down (CKD) sets to the Company. ANAMMCO has a central spares parts supply depot.

Though these models adequately fit into, and satisfy, most of the country's need for light and Medium truck ranges, the heavy market segment has remained open in the country with the importation of fairly used heavy trucks of all makes and ages creating problems for the company.

MARKETING OF ANAMMCO'S PRODUCTS

MB ANAMMCO manufactures Mercedes Benz commercial vehicles and leads in the commercial vehicle market segment from five tonnes payload and above in Nigeria. It has so far added 40,000 vehicles to the nation's transport sector backed- up by a network of after –sales- service locations. It therefore competes mainly in the medium/ heavy truck and medium/ big bus segments. This segment has about 40% share of new commercial vehicle market in Nigeria. The new commercial vehicle market in Nigeria represents about 20% of the total commercial vehicle market. Accordingly, ANAMMCO is competing in 40% of 20%, that is 8% of the total commercial vehicle market in Nigeria.

4- year sales by brand is given below

YEAR	**1998**	**1999**	**2000**	**2001**
Trucks	46	34	31	51
BUSES	227	97	157	194
Total	273	131	188	254

Sales are carried out through 3 distributors and 10 authorized agents. Sales operations have been directed mainly at the public sector and few private companies. Sales to third parties are through the distributors and agents. ANAMMCO also has an agency agreement with its parent company to import and sell Fully Built Units (FUBs) in Nigerian territorial market. ANAMMCO maintains a dominant position in the fully built luxury bus market, controlling approximately 70% market share, averaging between 150 to 200 buses annually. These imported vehicles provide a live line for the company. The marketing strategy of the company is sub regionally focused because the company's major customers are located in the eastern parts of Nigeria.

Profit & Loss Account

	1999	2000	2001	2002	2003
Turn over	1,772,342	1,9944,593	2,022,341	3,614,360	2,024,024
Profit / (loss) on ordinary activities before taxation	103,180	(12,936)	(125,210)	(167,879)	60,326
Taxation	(25,708)	(17,770)	6800	(1213)	(10,1140
Profit (loss) after taxation	77,472	30,706	118,410	165,160	50,212
Proposed dividend	(3750)	-	-	-	(3750)
Transfer to general reserve	73,722	30,706	118,410	165,160	46,462
Profit /(Loss) per share (in Kobo)	207	(82)	(315)	(440)	134
Dividend per share (in kobo)	10	-	-	-	10
Net assets per Share (in kobo)	50	53	43	38	50

Shareholding of the Company

The authorized share capital of the Company is 1, 400, 000, 000 ordinary shares of ₦1.00 as at July 17, 1988.

Shareholding and Right Issue Payment Status Source: Audited Financial Statements	Provisional Shares Allotted From Rights Issue	% Holdings
Daimler Chrysler AG	545,000,000	40.0
MOFI, Abuja	476,875,000	35.0
MOFI, Enugu, Anambra & Ebonyi States	85,460,250	8.33
MOFI, Abia & Ebonyi States	16,351,000	1.2
MOFI, Anambra State	81,728,000	2.0
MOFI, Rivers & Bayelsa States	47,600,000	3.4
MOFI, Imo State	18,200,000	1.30
MOFI, Rivers State	30,380,000	2.17
A.G Leventis (Nig) Plc	42,000,000	3.00
Others	50,400,000	.6

The planned strategy for privatizing the company is by selling FGN shares to an institutional investor who would be able to add value to the operations of the company.

ENTERPRISE DATA

BUSINESS OPPORTUNITY

The need to meet up with competition for trucks and new opportunities necessitated the diversification to buses and utility vehicles such as trailers, tankers etc. The company, despite the current recession in the sector, has a capacity to produce about 750-800 trucks and buses annually. Since inception the company has produced over 40,000 vehicles.

The company has well-established models of buses that have permeated the Nigerian market as follows:

Buses	**Seating Capacity**	**Models**
Mini	15	MB140D
Midi	30	MB 800
BIG	52	MBO 1418
Economy /City	49	MBO Transitliner
Luxury	60	MBO 400

Apart from trucks and buses, the company has also diversified into production of special utility vehicles such as:

- MB L1418 Troop Carrier
- MB L 1418 Water Tanker
- Fire Fighting Vehicles
- APC Vehicles
- Flat Bed trailers
- Refuse Collection / Disposal Vehicles
- Mobile Clinic
- Septic tank Emptier
- Ambulance
- Unimog etc.

Currently the company has concluded plans to begin serial production of MBO 1721 city/inter city buses and the heavy duty LS 2031 Actros trucks under a new bus programme known as Africa Bus / Truck Concept.

PROSPECTS

The future of the bus and truck business in Nigeria is very bright. This is because there is an established market for the different products of ANAMMCO as 90% of the movement of goods/services and people is done through road transport in the country.

The customers of the products and services of the company are numerous and are as follows:

- Federal/ State/Local Government for their respective mass transit programmes.
- The organized private sector. E.g. Oil companies & Banks etc
- Foreign Missions
- Religious organizations
- General transporters and haulage companies
- Luxury Bus owners
- Construction companies and a wide range of other end users in the private and public sector

THE SCOPE OF THE DEMAND FOR THE PRODUCT IN THE NEXT 5 YEARS

The following forecast is for the Africa bus project, which was planned by the company. They plan to begin serial production of MBO 1721 city /inter city buses and heavy-duty LS 2031 trucks. The MBO 1721 bus is a 52-seater bus, which is suitable for both city and intercity transportation. The company imported and sold many units of the two products built to test the market. The table below shows the sales figures for the past three years

	2001	**2002**	**2003**
MBO 121	3	0	18
LS 2031	3	1	9

It is however expected that with local production of the two types of vehicles the unit prices will be drastically reduced, resulting in increase in the demand and sales of the new product. This expectation is informed by the inherent advantage of local production over FBU import because:

- Lower import tariff payable on CKD compared to FBU
- Local sourcing of basic raw materials at reduced cost
- Reduction of problems involved in foreign exchange sourcing
- Use of indigenous labour giving rise to reduced cost of production

Sales forecast for the two products is as follows

Years	2005	2006	2007	2008	2009	2010	2011
MBO 1721	400	550	700	850	1000	1100	1100
LS 2031	300	350	400	450	500	500	500
TOTAL	700	900	1100	1300	1500	1600	1600

As the representative of Daimler- Chrysler AG in Nigeria, MB – ANAMMCO brings Mercedes Benz technology and know-how to Nigeria while at the same time creating over 600 direct employment opportunities for Nigerian. The contribution of MB – ANAMMCO to the economic development of Nigeria cannot be over emphasized. The company has continued to maintain a high level of resilience in its attempt to survive the harsh economic climate and live up to the confidence reposed in it as an affiliate of the most historical, traditional and successful automotive company in the world.

PEUGEOT AUTOMOBILE NIGERIA LIMITED RC 10961

Plot 1144, Mallam Kulbi Road,
Kakuri Industrial Estate, P. M. B. 2266, Kaduna.
Tel: +234 (62) 231131-5, 231057-9,
Fax: +234 (62) 233880.
E-Mail: pan_data@alpha.linkserve.com

BACKGROUND AND CORPORATE STATUS OF PAN

Peugeot Automobile Nigeria Limited ("PAN" or "the Company") was incorporated on 15th of December 1972 as a Private Limited Liability Company under the Companies Act of 1968 with RC No. 10,961. It was established pursuant to a Joint Venture Agreement made on 11th of August 1972, between the Federal Government of Nigeria (FGN) and Automobiles Peugeot of Paris, France.

The agreement was for the establishment of a passenger car assembly plant in Nigeria for the production and marketing of Peugeot brands of passenger cars of varying models and capacities. The Joint venture agreement granted protection to the company through import restriction and duty concession.

The company on its part was to pursue a programme of gradual deletion of imported parts of at least 30% of the ex – factory value of a completely knocked down (CKD) pack by the end of the third year of operations and the agreement of an annual deletion target agreed with a standing committee to be established.

The Company is located on a site of approximately 200,000 square metre at Kakuri Industrial Estate, Kaduna. Although the plant was commissioned in 1973, actual production commenced only in March 1975. At inception, the company was designed to engage in the assembly of passenger cars of Peugeot 203, 304, 404 and 504 models of car, as well as another car of an engine capacity of about 800cc yet to be introduced to the market. The Company started operations on March 14, 1975 and by 1981 the company had an installed capacity of about 240 cars daily in two shifts.

Currently the capacity utilization of the plant is very low at about 10%. The challenges faced by the company are similar to problems facing other industrial sectors/ manufacturing concerns in the country. The used car imports remain the single most significant barrier to any expansion since these are priced at only about 35% of new PAN cars.

LEGAL STATUS

Peugeot Automobile Nigeria Limited ("PAN" or "the Company") was incorporated on 15th of December 1972 as a Private Limited Liability Company under the Companies Act of 1968 with RC No. 10,961. It was established pursuant to a Joint Venture Agreement made on 11th of August 1972, between the Federal Government of Nigeria (FGN) and Automobiles Peugeot of Paris, France.

The Joint Venture Agreement was for the establishment of a passenger car assembly plant in Nigeria for the production and marketing of Peugeot brands of passenger cars of varying models and capacities. This objective is highlighted in the Memorandum and Articles of Association of the Company.

The company carries on its business under the name and style of Peugeot Automobile Nigeria Limited.

DESCRIPTION OF PAN 'S PRODUCTS

The plant was commissioned in 1973 and actual production started in March 14, 1975 and by 1981 the company had an installed capacity of about 240 cars daily in two shifts, which amounts to 63,000 cars annually. Production figures in the first 10 years between 1975 and 1985 varied between 36,000 and 66,000 cars per annum of models such as 404 saloon and station wagons, 504 - Delivery Van Ambulance and 505. Within the first 10 years 342,262 cars were rolled out of the Kaduna factory.

During the 1975-1985 decade the 504 became very popular amongst Nigerians who perceived it as a dependable car and thus nicknamed it the Nigerian Car. As at the end of 2002, PAN had rolled out a total of 521,676 vehicles.

The downturn in the Nigerian economy took its toll on the operations of PAN since 1987. Annual production and sales have fallen to as low as 3,750 units in 1995.

In 1995, new brands of Peugeot vehicles were introduced into the Nigerian market. The Peugeot 306 was introduced in 1995 as the premier product of the new generation technology. This was followed by the introduction of the Peugeot 406 model in 2000. This new generation of cars is expected to eventually replace the Peugeot 504 considering its new technology and more modern designs. Production of Peugeot 504 is therefore grinding gradually to a halt.

The introduction of the " new generation cars" has necessitated a redesign and re-organisation of the plant to meet the complexities of the new technologies. New rails have been introduced for the movement of CKD parts and finished products, thus reducing cost and increasing production capacity. The current average production is between 25 and 30 cars a day.

With the plant amendments and modernization necessitated by the new technologies, the level of technology has thus enhanced the potential speed of operation of the plant. A new paint technology (cataphoresis) was introduced at the paint shop in 2000.The cataphoresis plant can treat an average of 40 cars in every 8-hour shift. The cataphoresis technology ensures a more thorough and uniform coating for protection of car body against rust and deterioration thereby prolonging life span and safety and providing a more economic use of expensive coating materials.

The current capacity utilization of the plant is approximately 25% on a single shift. Local content input on the cars range between 8-37% depending on the vehicle. Whilst the 504 local contents of about 37%, the new generation vehicles have only about 8%. Expectedly as the Nigerian market gets used to these new technologies, manufacturers will start working with PAN to increase the Local component parts of the car.

In addition to the manufacture of Peugeot brand of automobile in Nigeria, PAN also imports and distributes genuine motor spare parts for after sale activities. Its products are distributed through an elaborate network of Sales outlets, and distributors who own and maintain service garages, motor showrooms as well as spare parts sales shops.

In the last three years PAN produced an average of 7500 cars per annum. The current capacity utilization of the plant is about 25%. PAN is one of the surviving assembly plants in the country with a lot of potential. Presently the models of the cars manufactured are 306, 406 and 504, while 1.9, Expect Combi 2.0 and Boxer are imported for sale as fully built units.

THE PERFORMANCE OF THE ENTERPRISE

At the end of 2002, PAN had produced 521,676 vehicles. The bulk of the sales of Peugeot cars was for the public sector, probably about 60% of its sales are to Government and Government agencies. Most of the sales seem to have been achieved between the decades of the late 70,s to the 80's. Out of the sale of 521,676 vehicles by the end of the year 2002, the Peugeot 504 accounts for 421,299 approximately 82%.

Like most Nigerian companies, the down turn of the economy also affected PAN. The annual turnover between 1987 to date peaked in 1991 with the production of only 13,806 vehicles. The reduced level of purchasing power in the economy hampered sales considerably making the purchase from Government more important.

The company's sales strategy is to sell its products through distributors. The Company has a network of distributors to sell its products across the country. The distributors are empowered to sell Peugeot products, perform after sales services as well as their repair and maintenance. There are 17

distributors in total, scattered all over Nigeria, covering different areas. These distributors have been upgraded from sales offices and workshops and their staff are exposed to intensive training to achieve efficient after-sales technical knowledge of the products.

FIVE YEAR FINANCIAL SUMMARY: 2000 - 2004					
	2000	2001	2002	2003	2004
	₦'000	₦'000	₦'000	₦'000	₦'000
PROFIT AND LOSS ACCOUNT					
Turnover	12,843,985	16,493,616	12,602,261	16,549,981	6,163,671
Profit before taxation	765,688	1,284,165	589,050	348,892	(64,085)
Taxation	(141,480)	(393,827)	(236,640)	(104,668)	19,226
Profit after tax	607,591	860,357	334,684	237,246	(43,578)
Dividend proposed	(47,250)	(47,250)	(47,250)	(47,250)	-
Retained earnings	560,341	813,107	287,434	189,996	(43,578)
	N: K	N: K	N: K	N: K	N: K
Earnings per share	3.86	5.46	2.12	1.51	(0.46)
Dividend per share	0.30	0.30	0.30	0.30	0.00

PROSPECTS FOR PAN

The future of the passenger car business in Nigeria and for that matter for PAN is bright. This is because there is a well-established market for the different products of PAN. The customers of the company are numerous and all encompassing and cover the parties from the Private and especially the Public sector.

The company also plans to expand its range of products by importing completely built unit's vehicles and testing the market for acceptance with the objective of manufacturing them in Nigeria. These include the 307, 206, 607 the Boxer, Partner and Expect buses.

LAND TRANSPORT


NIGERIAN RAILWAY CORPORATION

ADDRESS
Nigerian Railway Corporation
Railway Compound,
P.M.B 1037,
Ebute Metta
Lagos

LIAISON OFFICE:
Yellow House
Plot 729, Off Ibrahim Babangida Way,
Maitama District,
P.M.B. 5016,
Abuja

HISTORICAL INFORMATION

The Nigerian Railways came into being on October 3, 1912 by the merger of the Lagos Government Railways and the Baro-Kano railway. It however became an autonomous public corporation created by an Act of parliament, the Nigerian Railway Corporation Act (1955), as amended 1990, with the general objectives of " carriage of passengers and goods in the manner that will offer full value and quality of service, ensure safety of operations and maximum efficiency, meet social responsibility in a manner that will meet the requirements of rail users, trade, commerce and the general public".

The Nigerian Railway network runs diagonally from the Southwest (Lagos) to Northeast (Nguru) and from the South-east (Port Harcourt) through Kafanchan to the North-East (Maiduguri). The network consists of 4332 track kilometres characterised by sharp curves and steep gradients in many sections. Apart from the Kafanchan-Maiduguri line that was constructed between 1954 and 1964 most of the network tracks were constructed between 1898 and 1927. Not much has been done in terms of construction of new rail lines since 1964 except the 277- kilometre standard gauge rail line project under construction between Itakpe via Ajaokuta to Warri which is now over 80% completed. There is also the 19-kilometre standard rail extension project from Eleme to Onne deep-sea port, which is only 20% completed.

SERVICES PROVIDED BY NRC

NRC provides the following services:

1. Passenger Services. These include:

- Express trains for long distance travel e.g. Lagos-Kano
- Inter city trains for medium journey travels e.g. Port Harcourt- Enugu
- Mass Transit Trains (MTT) for linking rural and urban areas e.g. Minna- Kaduna-Minna
- Commuters for intra-city movement of workers, traders, students to and from their various places of engagements e.g. Agbado-Iddo- Agbado

2. Freight Services. These include:

- Covered Wagons suitable for loading dry goods such as cement and general merchandise.
- Open Wagons suitable for loading dry goods such as cars, billets, etc.
- Special Wagons, Tank Wagons- for liquid goods
- Baggage Vans suitable for parcels, household items and other courier services
- SBX/CBX for animals/general goods and farm products

3. Workshop Services. These include:

- Maintenance of locomotives and rolling Stock;
- Foundry services-bricks making and carpentry; and
- Other commercial services.

4. Ancillary Services. These include:

- Medical services: Commercialised Ultra Modern Hospital in Ebute - Metta and Clinics in virtually all the districts;
- Advertising Facilities;
- Printing Press;
- Catering; and
- Real Estate

EQUITY STRUCTURE & PROPOSED METHOD OF PRIVATISATION

The Federal Government of Nigeria fully owns the NRC. The proposed method of privatisation for the NRC would be by concessioning. The concessionaire would be expected to provide rail services and maintain the infrastructure. The concessionaire who must be an experienced rail operator must be interested in investing in the Nigerian railways to upgrade the existing infrastructure and possibly participate in other green field development.

Other assets of the Corporation not needed for the concession would be deployed to other uses to generate income for the government.

The objective of privatising NRC is to enable it, through restructuring and concession, substantially increase its operating efficiency, reduce its cost of operations and configure its freight services and tariffs to meet customers' requirements and expectations and consequently, to increase its share of land transport freight traffic.

Concessioning of the railway is expected to achieve the following;

- Increasing of the respective shares of freight traffic between rail and road modes, leading to the Nigerian economy becoming globally more competitive
- Balancing the respective shares of freight traffic between rail and road modes would result in a significant reduction of traffic on road, particularly the long haul and bulk traffic and therefore a significant reduction in the budget allocation of funds for road maintenance and rehabilitation in Nigeria.
- NRC becoming financially self-sustaining and being in a position to reward its capital providers
- Government's being able to increase its fiscal revenue through receipts of concession, fees, taxes etc

Before granting concession, a number of reforms would be undertaken. These include:

STAFF RATIONALISATION

Staff rationalisation is a key component of the strategy to improve efficiency and cost effectiveness of public enterprises in general, the Nigerian Railways inclusive. The staff numbers at the NRC have been progressively brought down from about 45,000 in the 1970s to less than 14,000 by natural attrition as well as retrenchment. The optimal level is probably not more than 5,000. The concessionaire will be required to hire from those that are currently employed at NRC.

NEW LEGAL AND REGULATORY FRAMEWORK

The current Railway Act does not create the enabling environment for private sector participation and fails to establish the appropriate legal and regulatory framework for the proposed concessioning of the railway sector. A new Railway Act would be enacted which, among other things, will have

provisions for private sector participation in the railways including investments in green field developments. An independent body would also be established to carry out economic, environmental and safety regulation of the sector.

RESTRUCTURING/ WINDING-UP NRC

NRC will hand over the freight and passenger business to concessionaires. The future role of the NRC as an entity would be defined either to continue operating as a down-sized state owned company with responsibility of spinning off the remaining commercial and non-commercial activities, discharging all its liabilities, selling of the remaining assets, and finally winding-up itself or be retained if (i) no proposals are received for the passenger concession and NRC is required to continue to operate these services, and (ii) NRC is required to serve as a holding company holding infrastructure assets on behalf of the government.

SECTOR INFORMATION

THE MACRO- ENVIRONMENT

Nigeria enjoys relative political stability with improving environment for investment. The private sector investor in the railways would benefit from macroeconomic stability, favourable investment climate with freedom to repatriate profits. The investor is also protected through the Nigerian Investment Promotion Commission Act against the nationalisation or forfeiture of its assets to any Nigerian government.

DEMOGRAPHIC: ITS DYNAMICS VIS-À-VIS THE SECTOR

Nigeria has a population of about 126.64 million people of which more than 45% live in urban areas. Average size of Nigerian cities has been growing at the average of 8% per annum far in excess of the country's population growth rate of about 3% per annum. Nigeria's population is relatively young and mobile and the railways transverse most of the relatively populated areas of the country. Rail transport is therefore a major potential mode of passenger and freight transport to the populace. It services the need of the following group: industrialists and marketers, rural dwellers in terms of movement of farm produce to markets, rural and urban commuters for affordable and reliable transportation.

TECHNICAL-DEVELOPMENTS IN THE SECTOR IN THE LAST 5 YEARS

Apart from the un-completed Itakpe-Ajaokuta-Warri and the Eleme-Onne lines with a total of 296km, the Nigeria rail network consists of narrow gauge track. It was recently decided that Nigeria will maintain this gauge and that all future developments will also be in narrow gauge.

REGULATORY-INSTITUTIONAL CONTROLS FOR THE OPERATORS IN THE SECTOR

The Railway Act of 1955, as amended in 1990, presently vests regulation of the industry in the NRC. This tends to create some conflicts of interest, as NRC, the industry regulator is also the operator. However, the proposed reform and restructuring proposal for NRC involves drafting a new Act and the establishment of an independent regulator for the sector. Apart from liberalizing the rail sector, the new Railway Act will separate the roles of government, the regulator and the private sector. The independent Regulator would regulate economic safety in the rail sector and facilitate a modern, flexible and efficient regulatory regime that ensures a continuing enhancement of railway operations and promote the harmonization of railway safety regime in Nigeria with those of its neighbours.

PROPOSED LAWS FOR REFORMING THE SECTOR AND ITS OPERATING ENVIRONMENT

The proposed programme for the reform and privatization of the Railways sector comprises the following steps:

(a) The formulation and implementation of a new Transport Policy for Nigeria;
(b) The review of the existing Railways Act of 1955, as amended in 1990 and the drafting of a new Railway Act for the sector;
(c) The establishment of an independent transport sector regulator; and
(d) The introduction of private sector participation by granting concessions for both freight and passenger operations.

THE MARKET ENVIRONMENT

THE PASSENGER TRAFFIC MARKET

The Nigerian passenger traffic market is broader than that of freight, because of its population of about 126.64 million constantly on the move. According to a report in 2001, the estimate for road traffic of passengers' averages 41.96 million per annum, 2.92 million by air, 2.21 million by rail, and about 1 million by water, results in an annual average of 48.09 million representing about 40% of the population.

Notwithstanding the continuing increases in airfares, as a result of the deregulation of the aviation industry in the late 80's, the passenger traffic through the domestic airports is virtually in a 3:2 ratio with the railways. Long distance journeys by night traders and business executives on the "luxurious buses" also demonstrate the existing opportunities for the railways if properly resourced and managed. This market segment remains accessible to NRC competition.

(ii) THE FREIGHT TRAFFIC MARKET

The current freight market environment in which the Nigeria Railways Corporation operates has virtually collapsed. Since 1985, it carried less than 1 million m-tons per annum for 15 successive years, except the temporary break in 1998 (Ballast accounted for 92.8% of total freight in 1998, and the balance of regular cargo was less than 110,000 m-tons). Out of the total freight transportation market in Nigeria NRC has a 1.2% market share

NRC contributes little in the transportation of import/export freight to and from Nigeria's major seaports. Its loss has been the gain of the road transportation mode, though at heavy costs to public expenditure on repair and maintenance of the roads. As a result of this, its revenue profile has declined.

Despite the potential for passenger rail services due to the country's large population, the volume of traffic for both passenger and freight has been on the downward trend. The highest number of passengers carried in the last ten years was only 15.5 million in 1994. The traffic has fallen much more in recent times, plummeting to about 2 million passengers in 2001.

(iii) THE NATURE, SCOPE AND STRUCTURE OF COMPETITION (LOCAL AND FOREIGN)

The major competitors of the railway are the road truckers. The railway is greatly under-utilised because of loss of railway traffic to the roads. This is caused by the advantage of direct linkages of the roads to major cities and also because it is more favoured by government in its budget allocations.

ENTERPRISE DATA

THE BUSINESS OPPORTUNITY

THE NEED FOR RAIL SERVICE

Rail transportation is widely accepted as the leader in cheap, affordable, and safe mass transit and bulk movement system. Generally, rail transportation provides the following benefits:

- Bulk movement of goods at a low cost per ton/km
- Uninterrupted movement within and between towns and cities due to right- of way
- Rail service is environmentally friendly
- It is cheap and safe
- It requires relatively less energy and low fuel consumption
- Rail transportation is less susceptible to weather conditions
- It is a very comfortable mode of transportation

CORE AND EXTENDED USERS OF RAIL SERVICES

The major users of rail services are the manufacturing companies producing goods like wheat, flour, cement, beverages, the oil companies moving petroleum products from one part of the country to another and marketing companies. Others are construction companies and importers/exporters.

Scope of demand for Rail service in the past 5 years

Passengers			**Freight**		
Year	**NC**	**Revenue (₦)**	**Tonnes**	**Revenue (₦)**	**Total Revenue (₦)**
1999	1, 788,171	88,882,085	484,563	223,328,543	312,210,628
2000	1,525,946	140,225,101	116,837	155,865,908	296,091,009
2001	1,282, 026	110,456,518	132,713	165,256,200	275,712,718
2002	987,088	101,017,010	98,190	132,908,397	233,925,407
2003	1,622,271	156,276,964	58,790	101,129,077	257,406,041

Source: NRC

PERFORMANCE OF THE ENTERPRISE

FACTS, TRENDS AND CONSTRAINTS, FOR PERFORMANCE OF THE RAILWAY

Relating the scope of the objectives of rail transportation to the realities of the Nigerian situation, it stands out clearly that Railway operations are beleaguered with a lot of problems. Most prominent of these problems is that of inadequate financing by the government to cope with the social and economic objectives for which it was established.

Other problems of the railway are inadequate rail network to reach major cities, abandonment of developmental projects, over-aged and inadequate locomotives and rolling stock, low speed and frequent derailments, regular industrial upheavals, maintenance of un-profitable routes, huge wage and pension bills, the track is characterised by worn out rails, steep gradients, and sharp curves. The washed out track at Gombe since 2000 has constituted a drawback for traffic originating or destined to the North-eastern states, which constitute about 33% of NRC's operations and revenue base.

5 YEAR FINANCIAL SUMMARY

	1999	2000	2001	2002	2003
Income Statement	**N, 000**	**N, 000**	**N, 000**	**N, 000**	**N, 000**
Fed Govt. Loan	866,382	1,923,448	2,616,790	931,626	3,899,374
Gross Working Receipts	664,466	394,097	345,188	338,539	495,810
Other Income	-	-	35,053	28,169	19,488
Gross Income	**1,530,848**	**2,317,545**	**2,997,031**	**1,298,334**	**4,414,672**
Expenditure					
Gross Working Expenses	(1,341,249)	(2,520,565)	(3,088,054)	(2,346,266)	(2,945,598)
Depreciation	(101,184)	(97,575)	(97,026)	(94,566)	(802,405)
Interest on loans	(583,162)	(586,183)	(576,831)	(597,278)	(635,200)
	(2,025,595)	**3,204,323)**	**(3,761,911)**	**(3,038,180)**	**(4,383,203)**
Surplus (Deficit)	(494,747)	(851,725)	(771,764)	(1,748,447)	11,981
Difference in Exchange	(3,313,335)	(10, 347)	(308,402)	(197,214)	(1,183,675)
Net Deficit	**(3,808,082)**	**(862,072)**	**(1,080,166)**	**(1,945,661)**	**(1,195,656)**

Hence, the following clear facts emerge about the performance of the sector:

- Sales and profit continued to decline in size and value
- Although the % of the sector's growth is insignificant, the growth potential is high
- Competitive ranking of its leadership in transportation also very high
- Being a unique sub-sector, the relative market strength is impressive
- Technological fitness through R&D activities was curtailed by lack of equipment.
- The capital (both fixed and working) funding was dismally poor
- Average Accounts receivable and inventory were low due to low operational activity

The Enterprise's overall performance has been unimpressive relative to these identified critical success factors

PROSPECTS

SCOPE OF DEMAND FOR RAIL SERVICE FOR THE NEXT 5 YEARS UNDER EXISTING CONDITIONS

Passengers			**Freight**		
Year	**NC**	**Revenue (₦)**	**Tonnes**	**Revenue (₦)**	**Remarks**
2005	2,399,904	236,055,996	110,280	252,721,836	
2006	2,375,905	233,695,437	109,177	250,194,618	
2007	2,352,146	231,358,483	108,086	247,692,671	
2008	2,328,625	229,044,899	107,006	245,215,745	
2009	2,305,339	226,754,451	105,936	242,763,587	

Fare: N1.52k per passenger Km
Freight Rate: N3.00 per tonnes Km
Note: 1% fall in patronage

Scope of demand for Rail service for the next 5 years under privatisation

Passengers			Freight		
Year	**NC**	**Revenue (₦)**	**Tonnes**	**Revenue (₦)**	**Remarks**
2005	5,663,616	571,560,000	579,800	1,151,949,720	At 5% growth rate
2006	5,946,796	600,138,000	608,790	1,209,547,206	
2007	6,224,135	630,144,900	639,230	1,270,024,566	
2008	6,556,341	661,652,145	671,192	1,33,525,794	
2009	6,884,158	694,734,752	704,752	1,400,202,083	

BUSINESS FORECAST

AVERAGE OPERATING PROFIT

	2005	2006	2007	2008	2009	2010
INCOME STATEMENT	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**
ProjectedRevenue	279,237	307,161	460,742	829,335	1,658,669	9,434,460
Projected Operating Expenditure	3,321,989	2,989,790	2,391,832	1,913,466	2,200,485	9,906,183
Operating Subsidy	3,042,752	2,682,629	1,931,090	1,084,131	541,816	471,723
Depreciation & Amortization	_	_	_	_	_	_
Interest on Operating Exp loans	-3,042,752	-2,682,629	-1,931,090	-1,084,131	-541,816	-471,723
Net Income	_	851,564	1,460,074	1,617,617	1,550,022	1,476,683

Source: NRC (Final Report of the 25-year Strategic Vision for the Nig Railway System

The completion of the 275 km Ajaokuta-Warri standard gauge line presents excellent opportunities for NRC to transport coal to the complex and to transport the finished product both for domestic use and for exports.

De-regulation/liberalization of the down - stream operations of the petroleum industry will present NRC with opportunities for transporting petroleum products in liquid and semi-liquid forms. The drawbacks of road transport will make Private refinery operators to seek more reliable, safer, consistent, and competitive alternatives to road transport for their products.

The construction of a rail link between Apapa and Tin Can Island Port through the RORO terminal in Apapa will be a great market opportunity for containerised cargo, which is largely shipped through the Tin Can Island Port.

MEDIUM/LONG-TERM PROSPECTS IN THE NIGERIAN /WEST-AFRICAN ECONOMY

In the immediate to short term, there is significant growth potential for both passenger and freight land transport. The rails, if well managed, could capture lost grounds to road transport using NRC's highly trained and experienced workforce from which the concessionaire could draw.

The connectivity of rail lines to major economic and commercial towns and cities in the country would facilitate distribution of imported and export-oriented goods thereby expanding the distribution network and culminating into enhanced revenue and stabilisation of the Nigerian economy. So also would be the extension of rail services to major seaports and international airports, as well as major commercial and industrial centres. The development of intra-city rail lines in Lagos, Kano, Port Harcourt, Abuja, Ibadan, Enugu, Kaduna and Jos will considerably boost market potential for the rails and reduce congestions on the roads in these cities. There is therefore a great opportunity for investment in the rail sector for the construction of intra city networks and other lines through BOT and other schemes.

In the long term, the proposed interconnection of railway networks in the Economic Community of West African States (ECOWAS) will link our neighbouring landlocked countries by rail to ease the congestion at the seaports and promote international trade.

MARITIME/WATER TRANSPORT SECTOR

NATIONAL INLAND WATERWAYS AUTHORITY (NIWA)

National Inland Waterways Authority HQ (NIWA),
P. M. B. 1004,
Adankolo New Layout,
Lokoja - Kogi State.

The Company

NIWA was formerly the Inland Waterways Department (IWD), which was the oldest Operational Department in the Ministry of Transport from 1956 up to late 1997. It is a statutory body, 100% owned by the Federal Government of Nigeria as a parastatal under the Federal Ministry of Transport. NIWA was established through Decree No. 13 of 1997 and commenced operations fully in 1998.

The Authority has 10 Area Offices and a Liaison Office at the following locations: -

- Lokoja, Kogi State - Head Quarters
- Lokoja, Kogi State – Area Office
- Makurdi, Benue State – "
- Ibi, Taraba State – "
- Calabar, Cross River State – "
- Onitsha, Anambra State – "
- Warri, Delta State – "
- Port Harcourt, Rivers State – "
- Ikoyi & Marina, Lagos State – "
- Yelwa/Yauri, Kebbi State - "
- Igbokoda – Area Office
- Maritime House, Abuja – Liaison Office

Business Activities

The major business activities of NIWA include the following: -

- Improvement and development of the Inland Waterways for Navigation.
- Provision of an alternative mode of transportation for evacuation of economic goods and persons.
- Execution of the objectives of the National Transport Policy as they concern NIWA.
- Issuance and control of licenses for inland navigation, piers, jetties, dockyards etc.
- Operation of ferry services within the inland waterways system.
- Financing capital development and maintenance dredging.
- Undertaking of hydrological and hydrographical survey.
- Approval and control of all jetties and dockyards.
- Undertaking acquisition, leasing and hiring of properties etc.

Facilities/Assets

- 3 standard functional dockyards at Warri, Port Harcourt & Lokoja.
- Jetties located at Lagos, Onitsha, Port Harcourt, Calabar & Warri.
- 35 Vessels, of which 3 are functional.
- 200 housing units at Warri.
- 100 housing units at Lagos.

SECTOR DATA

The Macro-environment

The establishment of NIWA is a recent development. A draft transport policy is being prepared and has already taken its establishment into cognisance. The Authority has the following regulatory functions that include:

- Issuance and control of licenses for inland navigation, piers, jetties and dockyards;
- Granting of licenses to private inland water crafts;
- Approval of designs and construction of inland river crafts.

ENTERPRISE DATA

The Business Opportunity

With inland navigable waterways of about 3,000km and an extensive coastland of about 852km, Nigeria has a great potential in the movement of goods from the coast to the hinterland by water transport. The country's waterways centre on the Rivers Niger and Benue dissect Nigeria into east, west, and north sections. The two rivers run into each other at Lokoja and flow into the Atlantic Ocean. The coastal waterways extend from Badagry through Warri to Calabar.

An efficient coastal and inland waterway system relieves pressure on a country's rail and road transport infrastructure. The waterways transport bulk goods over long distances at very low rates.

The Nigerian inland waterways have great potentials. The areas adjacent to the rivers are major agricultural areas. Agricultural products from the middle belt areas can be transported to the delta areas through the waterways and verse versa. The importation of raw materials through the ports in the delta areas for use at the Ajaokuta Steel Complex, which is a major industrial center on the Niger, will benefit from the importation and export of cargo movement by the waterways.

Proposed Divestiture Plan

The proposed divestiture plan is to concession the activities of the Authority according to international best practices while it is left with regulatory functions such as issuing and controlling of licenses, carrying out hydrological surveys, and collecting taxes from private operators etc as enshrined in the Decree establishing it. With the injection of adequate capital and good management via the concession, NIWA will become more attractive for possible, eventual sale to a core investor.

Performance of The Enterprise

Despite these prospects, the use of this transport mode has declined over the past three decades due several physical and operational constraints.

The physical constraints include:

- High rate of sediment build up along the channel.
- Physical obstruction.

The operational constraints include:

- Inadequate river port infrastructure
- Poor landward connection to river ports
- Poor communication and navigational aids

It is therefore the objective of government to keep the inland and coastal waterways open for transportation through increased private sector participation in the operations of the inland waterways transportation mode. In order to achieve this objective government will:

- Eliminate the physical constraints to navigation in the country's waterways;
- Promote pricing policies that will shift traffic to the inland waterways
- Restructure the National Inland Waterways Authority (NIWA) - the government agency charged with the responsibility of managing the waterways - to give ample opportunity for private sector participation in the management and operations of the waterways.

NIWA depends almost entirely on government grants. It is barely able to generate 20% of its required funding. Some of these functions e.g. transport-operating function, could in fact be performed better by private entrepreneurs. Already government's subventions are dwindling and NIWA is unable to fully execute its various functions. This situation calls for a policy review. It is government's policy objective to restructure NIWA, the apex management body of Nigeria's waterways, and to attract private sector involvement in its activities. The ultimate goal is to revive the waterways transport system and make it contribute to the national development objectives of the Federal Government.

Since its inception NIWA had not been running as efficiently and effectively as it was set up to. Below is a 5-year financial summary of the Authority's activities:

NATIONAL INLAND WATERWAYS AUTHORITY

ANALYSIS OF FINANCIAL STATEMENTS

YEAR	**2003**	**2002**	**2001**	**2000**	**1999**
	N	**N**	**N**	**N**	**N**
INCOME AND EXPENDITURE					
RECURRENT SUBVENTION	299,640,540.00	272,996,404.00	260,230,225.00	131,930,625.00	117,340,813.00
SUNDRY INCOME	108,959,046.00	106,514,224.00	107,157,562.00	95,283,364.00	95,535,642.00
TOTAL INCOME	**408,599,586.00**	**379,510,628.00**	**367,387,787.00**	**227,213,989.00**	**212,876,455.00**
STAFF COST	327,734,455.00	277,046,927.00	222,139,997.00	169,510,788.00	86,372,148.00
ADMINISTRATIVE COST	235,522,807.00	282,373,592.00	263,534,836.00	71,829,535.00	87,268,270.00
FINANCIAL COSTS	187,459,907.00	200,910,690.00	155,817,959.00	59,584,203.00	47,100,880.00
TOTAL EXPENDITURE	**750,717,169.00**	**760,331,209.00**	**641,492,792.00**	**300,924,526.00**	**220,741,298.00**
SURPLUS/(DEFICIT) OF INCOME OVER EXPENDITURE (%)	(342,117,583.00)	(380,820,581.00)	(274,105,005.00)	(73,710,537.00)	(7,864,843.00)

BALANCE SHEET

ASSETS

FIXED ASSETS	749,902,119.00	918,682,704.00	714,575,040.00	270,075,174.00	226,239,934.00
CURRENT ASSETS	225,421,087.00	331,737,910.00	425,012,236.00	65,593,697.00	34,265,464.00
CURRENT LIABILITIES	44,271,429.00	27,956,494.00	48,026,097.00	51,690,854.00	40,384,931.00
TOTAL ASSETS	**931,051,777.00**	**1,222,464,120.00**	**1,091,561,179.00**	**283,978,017.00**	**220,120,467.00**

FINANCED BY:

CAPITAL GRANT	1,777,044,306.00	1,726,339,066.00	1,368,519,066.00	286,830,899.00	246,594,232.00
ECOLOGICAL	251,236,942.00	251,236,942.00	97,331,420.00	97,331,420.00	-
ACCUMULATED FUNDS	**(1,097,229,471.00)**	**(755,111,888.00)**	**(374,289,307.00)**	**(100,184,302.00)**	**(26,473,765.00)**
TOTAL CAPITAL	**931,051,777.00**	**1,222,464,120.00**	**1,091,561,179.00**	**283,978,017.00**	**220,120,467.00**

IRON & STEEL SECTOR

SECTOR DATA

The Macro-environment:

Steel is accepted worldwide as the bedrock of industrialization for any Nation. This industrial base hinges on a well-developed iron and steel industry that would produce such industrial raw materials as:

Cast Iron (different categories)
Rods and bars (both high tensile and mild steel varieties)
Wires (in all its verifications)
Structural steels (light, medium and heavy structures)
Flat Sheet steels (plain, galvanized and the entire spectrum classified as flats)
Stainless and other special alloy steels
Rails and pipes
Plates (various sizes in width and thickness)

It is obvious that it is only government that could provide the initial developmental funds in view of the high capital costs and the long gestation period of such projects. Many third world countries like Egypt, Libya, 'Pakistan, South Korea and India etc commenced their quest for industrialization with the development of their various steel sectors.

Nigeria on its own part began the plan for the development of the Steel Industry in 1958. The international organizations and consulting firms at various times were commissioned to study the feasibility of steel under the aegis of the Federal Ministry of Industries. Parallel efforts were also made to identify and analyse the principal raw materials needed for the steel industry.

The discovery of the Itakpe Iron ore deposit in 1972 by the Soviet aero magnetic survey team catalyzed the formal signing of a global contract in 1975 with the Soviet State-owned firm of Tiajpromexport for an integrated steel plant of 1.3 million tonnes of long products to be immediately expanded to 2.6 million tonnes of flat products while the third phase would raise the annual production to 5.2 million tonnes. The plant was based on the traditional blast furnace/Basic Oxygen Furnace Technology of steel production. Between 1961 and 1965 many firms from the industrialized nations had submitted proposals for the construction of an integrated steel plant in Nigeria.

The Nigerian Steel Development Authority (NSDA) the first formal body to supervise the steel industry in Nigeria was established in April 1971 through a Decree under the military rule (Decree No. 9 of April 14). This body was charged with two major responsibilities thus:

a. Planning, construction and operation of steel plants carrying out geological surveys, market survey/ studies, and
b. Metallurgical research and training.

In 1975, the Federal Government of Nigeria signed a "Turn-Key" contract with a German-Austrian Consortium for a "Direct Process" (DR) plant to be located in Aladja, Warri in the South eastern part of the country (Delta Steel Company).
The NSDA was dissolved in 1979 but metamorphosed into 9 other limited liability companies, as listed below:

- Ajaokuta Steel Project, Ajaokuta
- The Delta Steel Company, Ovwian-Aladja
- Jos Steel Rolling Company, Jos
- Katsina Steel Rolling Company, Katsina
- Oshogbo Steel Rolling Company, Oshogbo
- National Iron Ore Mining Company, Itakpe
- National Steel Raw Materials Exploration Agency, Kaduna
- National Metallurgical Development Centre, Jos
- Metallurgical Training Institute, Onitsha

The companies were expected to be self-funding while 7 of the 9 above were fully funded by the government. Despite these seemingly huge investments, the steel industry in Nigeria is still in a state of underdevelopment; the delay in the completion of Ajaokuta Steel Company, the outright closure of some of the companies and the low capacity utilization in the operating ones reflect the comatose state of the industry. Currently the Basic metals policy is being developed to facilitate and accommodate the private sector participation in the Industry.

JOS STEEL ROLLING COMPANY.

BACKGROUND

NAME:
JOS STEEL ROLLING COMPANY LTD,
AZI NYAKO INDUSTRIAL AREA JOS
PLATEAU STATE

BACKGROUND

The Company is one of the three inland steel rolling mills established solely by the Federal Government of Nigeria as part of the efforts to enhance the development of the steel sub-sector. It was constructed by Mannessman Demag and electrified by AEG-Telefunken. It was incorporated on 23rd January 1981 and commissioned in 1983.The Mill has an installed capacity of 210,000 metric tonnes per annum of finished steel products.

The Company was established with a mission to jointly transform the economy of Nigeria. The steel sector as a backbone of any industrial development, the Company has made positive contributions to the economy through key areas such as:

- Provision of employment opportunities for Nigerians, which has also served as an avenue for technological transfer.
- Promotion of industrialization through the setting up of down-stream industries that depend on it for raw materials. Such companies include: High Steel and Allied Products Ltd, Jos, Kuda Nails Ltd, Bauchi, Leman Industries Ltd, Kaduna and Oscar Steel Ltd, Kabba, among others.
- Increase in commercial activities through the haulage of materials and finished products and distribution of finished products.
- Conservation of foreign exchange which otherwise could have been spent through the importation of rolled steel products.
- Provision of input for infrastructural development such as the construction of bridges, buildings etc

PRODUCTS

The products of the Company are:

- Bars: Plain mild steel bars or deformed high tensile bars for structural or concrete reinforcement respectively. Product size ranges from 10mm to 40mm
- Coils: Water and Air-induced cooled wire coils either plain or deformed with size ranges of 6mm to 12mm

The Company, by strategic design, and in direct relationship with other Federal Government Steel companies, markets its products in the North – Eastern parts of the country. However, due to high demand for steel products from the eastern part of the country, the company also supplies its products to that axis of the country.

1. EQUITY STRUCTURE:

100%FG OWNERSHIP. Jos Steel Rolling Company was incorporated by a decree. It was under National Steel Council Decree (N0 60) 1979 now revised as National Steel Council Act Cap.281 Laws of the Federation of Nigeria, 1990. The Federal Government wholly owns the company.

PLANNED MODE OF PRIVATIZATION:

Liquidation

The Market environment:

The companies' products are sold through registered distributors, government contractors and down stream industries e.g. nail manufacturers. The market has growth potentials especially in the middle belt as the Federal Capital City of Abuja is still under construction. There is no local competition yet since the private steel companies are small comparatively and are incapable of meeting local demand. The competition however is strictly on the importation of billets and finished steel products.

The company is constrained by its location in having a wider distribution channel. The demand for the company's products is more in the Eastern part of Nigeria. Cost of transportation is thus a constraint to the company in the importation of machinery, spare parts and in its effort to reach more costumers.

ENTERPRISE DATA

The Business Opportunity:

Product Type:
Bars: plain mild steel bars of deformed high tensile bars for structural or concrete reinforcement
Coils: water and air – induced cooled wire coils either plain or deformed with size ranges of 6mm too 12 mm
Scraps: These are cut – billets cropped ends, twisted profiles which are incidentals from production

The core users of the company's products are construction firms and civil engineering contractors. The company operates a well-equipped modern laboratory for performing the tasks of quality control and analysis. Both the raw materials and finished products go through the quality control process.

Non-destructive Testing (NDT) involves physical and visual inspection for the purpose of detecting internal and external flaws, piping, cast-interruption, cracks, 'over-lengths' and other defects which are judged to hamper production smoothness. **Magnaflux/Ultrasound Tests** are designed to detect micro and macro internal cracks of finished products. Tensile, compression, impact bending and hardness tests and rib control as **mechanical and physical methods** quality control of finished products are carried out to conform to international standards e.g. **DIN 17100, DIN 488, NIS etc** Photometric, volumetric and gravimetric methods of **chemical analysis** to ascertain the chemical composition of incoming material and finished products while **Metallographic examinations** are carried out to ascertain structural conformity to specifications.

The status of the facilities in the Company

Over 80% of the Company's mechanical and electrical facilities as well as the auxiliary Installations and plants for production are in functional working conditions.

The Performance of the Enterprise

The performance of the Enterprise has been severely affected by several infrastructural and operational problems similar to those of other Public enterprises, including:

-Lack of linkage of the enterprise power supply to the national grid of NEPA
-Acute shortage of working capital.

However, as a prime industrial enterprise in the city of Jos which, like some other cities in the North, has otherwise suffered commercial dislocation from the sudden development of the new Federal Capital Territory of Abuja in the last decade, its workforce has been well trained to maintain the machinery and equipment in excellent condition for the successful bidder who is expected to breathe life into this otherwise dormant industrial complex.

Hence, its performance can be assessed both from the scope of utilization of its installed capacity and the financial results thus generated over the years as follows:

History of actual capacity utilization:

Year	Input	Capacity Utilization (%)	Output (tonnes)
1983	39,091.00	18.6	37,136.16
1984	26,010.00	12.4	24,709.50
1985	70,301.00	33.5	66,785.77
1986	27,630.6	13.2	26,246.06
1987	21,485.2	11.9	20,410.93
1988	18,650.21	10.4	17,717.7
1989	21,076.57	11.7	19,221.16
1990	22,771.97	12.7	20,386.60
1991	13,063.97	7.3	11,766.03
1992	11,294.12	6.3	10,089.89
1993	6,497.43	3.6	5,815.30
1994	10,733.80	6.0	9,625.43
1995	13,109.42	7.3	11,967.67
1996	3,213.66	1.8	2,894.31
1997	Nil	0	0
1998	1,540.71	0.86	1,285.44
1999	Nil	0	0
2000	Nil	0	0
2001	2,552	1.4	1,568.89
2002	2,391	1.3	1,498.04

Financial Summary: 1998-2002

Year	2002 N 000	2001 N 000	2000 N 000	1999 N 000	1998 N 000
Sales	**25,667**	**12,000**	**-**	**27,532**	**6,081**
Other Income	**1,812**	**1,820**	**5,912**	**2,722**	**1,372**
Cost of sale	**(177,509)**	**(132,126)**	**(46,034)**	**(66,082)**	**(47,039)**
Loss Posted	**(1,507,644)**	**(1,126,538)**	**(859,413)**	**(672,903)**	**(520,145)**

Accordingly, the financial results are a good lens for the operational handicaps the Enterprise's management has been experiencing i.e. from the 'half-filled cup' perspective: if the Enterprise achieved operational losses of N1.1 billion and N1.5 billion respectively in 2001 and 2002 respectively from utilizing only 1.4% and 1.3% of its installed capacity, what profit prospects await the right investor who can increase the company's capacity utilization to 90% or even 100%.

PROSPECTS

The prospects for the Company's fast turn-around depends on how fast the enterprise's operational challenges are contained to jump-start it's effective utilization of its production facilities on a large scale to increase its operational efficiency through the absorption of its largely fixed costs in addition to its modest variable costs. The following forecast is premised on the gradual increase of its capacity utilization level from 50% in 2005, and 90% in each of 2006, 2007 and 2008 respectively.

PROFIT FORECAST: 2004-2008

Years	**2004 ₦000**	**2005 ₦'000**	**2006 ₦ '000**	**2007 ₦'000**	**2008 ₦ '000**
Turn Over	**3,591,000**	**6,583,500**	**13,035,330**	**14,338,863**	**15,772,746**
Less cost of sales	4,314,338	6,720,558	11,625,897	12,323,155	1,067,467
Gross profit/(loss)	**(723,338)**	**(137,058)**	**1,409,433**	**2,015,708**	**2,705,282**
Overheads	**608,792**	**917,926**	**1,049,974**	**886,892**	**745,670**
Net profit/ (loss)	**(1,332,130)**	**(1,054,985)**	**359,459**	**1,128,816**	**1,959,612**
Taxation	**12,841**	**24,063**	**107,838**	**338,645**	**587,884**
Profit after tax	**(1,344,971)**	**(1,079,048)**	**251,621**	**790,171**	**1,371,729**

MINING & SOLID MINERALS SECTOR

NIGERIAN MINING CORPORATION

BACKGROUND

The NMC is a Federal Government Public Statutory Corporation established by Decree number 39, as contained in Gazette No 54, Vol. 59 of 1972, and amended by Decree 34 of 1976 (now NMC Act, Cap. 317, 1990). The NMC as provided by the Decree was to play a dominant role and to act as a catalyst in the development of the mining industry in Nigeria, charged with the following functions:

- Exploring and prospecting for, workings, mining or otherwise acquiring, processing and disposing of minerals of various kinds occurring in Nigeria other than petroleum and coal
- Smelting, roasting, assaying, amalgamating, refining, or otherwise treating the minerals aforementioned in any manner calculated to render the products and by-products of any such minerals marketable;
- Purchasing the ores or the products and by-products of any of the minerals aforementioned from any source outside Nigeria in any case where they are not available in Nigeria
- Marketing the ores, products and by-products of any or all the minerals aforementioned
- Performing other functions conferred on it by or pursuant to this Act.

THE COMPANY'S PRODUCTS

NMC'S SUBSIDIARIES:

- Nigerian Kaolin Processing co. Ltd, Kuba B/Ladi LG Plateau State
- Nigerian Barytes Mining and Processing Co. Ltd, Azara, Awe LG Nasarawa
- Nigerian Tin and Allied Products Ltd, Gurum, Plateau State
- Nimco Gold Mining Company Ltd, llesha, Osun State
- Nimco Terrazzo Company Ltd, Gurum, Plateau State
- Nimco Quarry Products Ltd, with sites in eight locations in the country which are namely: i) Kujama, Kaduna; ii) Kuru, Plateau; iii) Gano, Kano; iv) Gubi, Bauchi; v) Suleja, Niger
- Consolidated Tin Mines Ltd
- Nigerian Brick and Clay Products Ltd also in 8 locations:
    - Naraguta Bricks and Clay Products Limited, Jos
    - Ibadan Bricks and Clay Products Limited, Oyo State
    - Ikorodu Bricks and Clay Products Limited, Lagos state
    - Enugu Bricks and Clay Products Limited, Enugu State
    - Kano Bricks and Clay Products Limited, Kano State
    - Kaduna Bricks and Clay Products Limited, Kaduna State
    - Maiduguri Bricks and Clay Products Limited, Bornu State
    - Bricks and Clay Products Company, Izom, Niger State

NMC Projects:

- Nimco Feldspar/Quartz, Lokoja, Kogi State
- Nimco Talc Project, Okolom-Isanlu, Kogi State
- Gypsum Project, Potiskum, Yobe State

Associated companies:

- Laka Gold Company Ltd, Laka, Kebbi State
- Oil Chem. T.C Ltd, Km 20 Lafia /MaKurdi Road Lafia, Nassarawa State
- Mangesite Company Ltd, Tsakasimata, Adamawa State
- Prime Ace Metals Ltd, Sepeteri, Oyo State
- Kampe Valley Mining Company Ltd, Isanlu Area Of Kogi State
- Nigerian Freedom Mining Company, Ikpeshi, Edo State

- Jakura Marble Industry Ltd, Jakura Near Lokoja, Kogi State
- Nigerian American Mining Company Ltd, Ameka, Ameri Eyingba in Abakaliki, Ebonyi State
- Tropical Mines Ltd, Odo Ijesha Iperindo Near Ilesha Osun State
- Africorp Limited, Okolom Near Isanlu, Kogi State And Kampanin Kwali Near Anka, Zamfara State
- RBG Resources Ltd, Jos, Tin Fields, Plateau State
- Makeri Smelting Company Ltd, Jos, Plateau State
- Nimco Roofing Tiles
- Cross-River Limestone Company Limited
- Katsina Kaolin And Ceramics, Katsina State
- Nigeria Marble Mining Company Limited, Igbetti Oyo State
- Plateau Ceramics
- Arewa Ceramics, Misau –Bauchi
- NESCO Limited, Jos
- Andevco Mining Company Limited, Beni, Niger State
- Mubi Burnt Bricks Industry Limited, Mubi- Adamawa State
- Izom Bricks and Clay Product Limited, Izom Niger State

Ownership Structure

The NMC is 100% owned and funded by the Federal Government under the supervision of the Federal Ministry of Solid Minerals Development. (MSMD). It has eight (8) Subsidiaries, four (4) Projects and has shares in over twenty-one (21) Associated/Joint Venture companies. All the subsidiaries of the Corporation are wholly owned by the NMC except the Bricks and Clay Product Company and Consolidated Tins Mines, all in Jos, where FGN has majority share holding. This in effect translates to Federal Government owning them through the agencies of the Corporation

PRIVATISATION PROGRAMME

The BPE has strived to secure investors with technical expertise relevant to the industry. In case of NMC and its holdings, it will encourage and at the same time enlist the interest of private sector participation in mining the abundant mineral resources the country is endowed with.

Method of divestiture

The NMC will be privatised under the medium term schedule.

All the subsidiaries and projects (after incorporation) of NMC will be privatised through Core Investors sale while FGN's shares in the associated and joint venture companies will be sold to interested buyers. Already we have advertised for and received Expressions of Interest from potential investors for the Brickworks and Clay Products Companies

NIGERIAN COAL CORPORATION

Location of the Industry - Enugu

Ownership Structure - 100% Govt Owned

The Nigerian Coal Corporation was established in 1950 and it is 100% owned by the FGN. The headquarter is located at No 25 Okpara Avenue, Enugu.

SECTOR DATA

Coal exploration in Nigeria started as far back as 1916. Available data show that coal (mainly sub-bituminous stream coals except for the Lafia-Obi bituminous coking coal) is available in more than 22 coalfields spread over 13 States in Nigeria. The proven coal reserves are about 639 million metric tonnes while the inferred reserves are about 2.75billion metric tonnes.

Presently, the Nigeria Coal Industry has 4 existing mines

I. Okpara and Onyeama underground mines in Enugu State,
II. Okaba surface mine in Kogi State and
III. Owukpa underground mine in Benue State.

In addition, there are more than 13 underdeveloped coalfields.

The developed Coalfields in Nigeria are of two categories, viz:

i. The virgin coal fields where further detailed exploration work and/or access roadways is required, and
ii. The developing coalfields where reserves have been proven and mine access roadways developed.

The latter include: Azagba Lignite field, in Delta State; Ogboyoga coalfield in Kogi State; Ezimo coalfield in Eungu State; Lafia-obi coalfield in Nassarawa State and Inyi coalfield in Eungu State; while others are located in Amansiodo in Eungu State, Ute in Ondo State; Lamja area of Adamawa State; Gindi-Akunti in Plateau State; Afuze in Edo State; Janata-koji area of Kwara State and extension of Okpara mine south in Eungu State.

POLICY ISSUES AND REVIEW OF ENABLING LAWS

The present emphasis of the government on solid minerals development has necessitated the creation of a new ministry in 1995; The Ministry of Solid Minerals Development, which is charged with enormous task of ensuring a rapid but orderly development of the hitherto, neglected but richly abundant sold mineral resources in Nigeria.

The BPE, in collaboration with the ministry, has fashioned out a new National Policy on solid minerals which was approved recently by the government under the auspices of the ministry, the mining laws and regulation have been amended and also approved by the government and will soon be enacted into law. The thrust of the new policy and the revised laws is for government of Nigeria to encourage and catalyze the private sector (foreign and local) to play a leading role in the development of the sub-sector. All inhibiting laws have been abrogated including government's monopoly on mining coal and bitumen.
Towards this end, the government's role through the ministry and its parastatals has been re-defined along the following lines:

- Provision of the necessary data, infrastructure, rules and regulation to enable the private sector play a meaningful and effective role and earn its just rewards on its investment in the sub-sector
- Allow concessional duties and dues on importation of mining input, exportation of solid minerals and some years of tax holidays, etc
- Promotion of the exploitable minerals, availability of the incentives and creation of awareness for demand of sold minerals products.
- Sustainable development of the Solid Minerals Sector including Coal.
- Of all the exploitable solid minerals in Nigeria, coal is one of the most viable in terms of abundance, spread of reserves, baseline development, manpower availability, domestic utilization and export potentials.

PRODUCT SHARING JOINT VENTURE ARRANGEMENT

Under the product sharing joint venture arrangement, the Nigerian coal corporation shall sign an agreement with a private company which is to under take at its risk and cost, general surveys, exploration and feasibility studies, where these have not been done already by the corporation, for the exploitation of the coal potentials within a delineated area of the country's coal reserves for an agreed term under a coal mining sublease title. The company will also subsequently develop the mine to commence coal production within an agreed period but usually not exceeding three (3) years.

As soon as production starts, the company is to pay between 5% and 15% of its total coal production in coal or in cash as fees to Nigerian Coal Corporation and is free to market the remaining percentage of between 85% and 95% of their coal output especially for export. However, the corporation reserves the option to buy part or all of the company's coal output at the prevailing international market price of coal for domestic use.

The company is encouraged to involve the local communities by offering them some percentage (not more than 12%) of the company's shares with respect to the venture so as to avoid disruption of operations of the company due to community social stress.

The company retains the right to terminate their involvement if the venture proves to be unprofitable. Generally, such companies will be regarded as subsidiary or affiliated companies and an appropriate reporting system worked out during negotiations to ensure adequate performance monitoring and supervision of their operations in accordance with mining laws and regulations.

CURRENT AND POTENTIAL UTILISATION OF NIGERIAN COAL

Within the country, coal is used presently as an energy fuel in cement production, brick factories, foundries, and laundry and bakery industries. Other factories for which it forms an important raw material base are in tyre and battery manufacture as well as substitute for fuel wood in domestic cooking.

A Survey of coal utilization in the country revealed a great potential in the following industries:

METALLURGICAL INDUSTRIES:

Nigeria Coal is suitable as a component blend with foreign coking coals to produce coke of acceptable strength and character for the country's steel plants. In this regard, up to 200,000 metric tonnes of Nigeria coal will be required annually when Ajaokuta Steel plant goes into full production. Okpara and Onyeama coal in Eungu State have been earmarked to provide a source of future coal supply to the steel sector:

FUEL WOOD SUBSTITUTE:

Coal and its derivatives, smokeless coal briquettes have been demonstrated as the cheapest, safest and therefore the most suitable substitute to fuel wood, the continued use of which in Nigeria is causing deforestation with the attendant environmental degradation of desertification in the north and soil and coastal erosion in the south. The production of smokeless coal briquettes involves setting up of coal carbonization/briquetting plants. In addition, the by-products of carbonization which include gases, ammoniacal liquor, tar oils and many aromatics will serve as feed-stock to downstream chemical industries in the same manner as the petrochemicals;

POWER GENERATION:

Nigeria coal are suitable as energy fuel for electricity generation for the abandoned Oji power station in Enugu State and other proposed power station at Kogi, Benue, Anambra and Delta States. With the current deregulation of power generation in the country, which was facilitated by the lack of sufficient power generating capacity by the National Electric Power Authority, Nigeria is a fertile ground for the independent power producers.

The current / potential levels of coal utilization in the country are as follows:

(i)	**Cement Manufacture**	**Tonnes per annum (tpa)**
	- ***Nigeria Cement Company (Nigercem), Nkalagu:***	
	Installed coal capacity utilization for 6 kilns	140,000tpa
	Current coal capacity utilization for 1 kiln	20,000tpa
	Prospect of expanding current capacity Utilization	Yes
	Ashaka Cement Company, Gombe:	
	Installed coal capacity utilization	300,000tpa
	Current coal capacity utilization	None
	Prospect of expanding current capacity Utilization	Yes
	Proposed Kogi Cement Company Abajina, Kogi State:	
	Current coal capacity utilization	None
	Prospect of expanding current capacity Utilization	Yes (300,000tpa)
(ii)	**Other Industrial User:**	
	West African Batteries Ltd (exide) Ibadan:	
	Installed coal capacity utilization	200,000tpa
	Current coal capacity utilization	None
	Prospect of expanding current capacity Utilization	Yes
(iii)	***Metallurgical use by Ajaokuta Steel Plant:***	
	Installed coal capacity utilization as blend with imported coking coal	200,000tpa
	Current coal capacity utilization	None
	Prospect of expanding current capacity Utilization	Yes (200,000tpa)
(iv)	***Coal Carbonization / Briquetting Plants:***	
	Installed coal capacity utilization	None
	Prospect of installing plants for coal utilization for replacement of fuel wood	Yes (200,000tpa)

(v) ***Electricity Generation***

Oji Power Station coal capacity	120,000tpa	Installed
Utilization	None	
Prospect of expanding current capacity utilization	Yes	

Proposed Abajina / Makurdi Power Stations in Kogi and Benue Respectively

Installed coal capacity utilization	None
Prospect of installing Plants	Yes (300,000 tpa)

Proposed Enugu State Power Station:

Installed coal capacity utilization	None
Prospect of installed Plant	Yes (300,000 tpa)

Proposed Onitsha / Asaba Power Station in Anambra and Delta States respectively:

Installed coal capacity utilization	None
Prospect of installing Plant	Yes (300, 000tpa)

(iv) **Coal Export –** Nigerian coal is generally characterized by low sulphur, medium to high calorific value, low ash and low moisture contents and therefore is environmentally friendly. Nigeria coals are therefore in great export demand and are most suitable for blending purposes especially with high sulphur content coals. Presently the aggregate Nigerian coal potential demands stand at about 15 million metric tonnes annually. Big time coal investors are therefore invited to satisfy this potential coal export market from Nigeria.

Market Environment

Comparative prices of some energy fuels on heat equivalent basis in urban areas in Nigeria. 2000

Fuel	**Retail Price ₦**	**Unit**	**Gross Calorific Value (Kcal/kg)**	**Avg. End Use Efficiency (%)**	**Avg. net Useable Heat (Kcal/Kg)**	**Fuel Price Per 10^3 Kcal (Naira)**
(a)	(b)	(c)	(d)	(e)	f =(dxe)	g = (b/f) x 10^3
Wood (use of tripod)	10.00	Kg.	3,500	7.5	262.5	38.10
Wood (use of stove)	10.00	Kg.	3,500	20	700	14.29
Ordinary Charcoal	8.00	Kg.	6,000	20	1,200	6.70
Carbonised wood charcoal	15.00	Kg.	6,000	20	1,200	12.50
Electricity (industry)		Kwh	860	75	645	7.35
Electricity (Domestic)		Kwh	860	75	645	4.12
Kerosene (DPK)	20.70	Kg.	10,102	35	3,536	5.85
Diesel (AGO)	22.17	Kg.	9,983	35	3,494	6.35
LPG	50.00	Kg.	11,700	52.5	6,142.5	8.14
LNG (?)	167.00	Kg.	11,700	52.5	6,145.5	27.19
Raw Coal	7.00	Kg.	6,298	30	1,889.4	3.70
Smokeless coal Briquette	10.00	Kg.	11,214	50	5,607	1.78

QUALITY OF NIGERIAN COAL

Nigerian coal is generally characterized by low sulphur, medium to high calorific value, low ash and low moisture contents and therefore is environmentally friendly. Nigeria coals are therefore in great export demand and are most suitable for blending purposes especially with high sulphur content coals. Presently the aggregate Nigerian coal potential demands stand at about 15 million metric tonnes annually. Big time coal investors are therefore invited to satisfy this potential coal export market from Nigeria.

Quality Parameter	Owukpa's	Okaba	Okpara	Ogwashi Azagba Lignite	Inyi	Ezimo	Ogboyoga	Lafia-Obi Bituminous
Moisture (% a.r)	8.3	15.4	7.5	37.5	-	11.5	13.9	-
Ash (% a.r)	8.6	7.3	8.4	4.2	6.5	6.8	8.0	14.7
Vol. Mat. (% a.r)	38.6	36.4	38.26	37.9	-	39.9	34.9	31.7
Gross Cal. Value Kcal/kg (a.r)	6,430	5,888	6,628	5.098	5,257	6,089	6.089	7,637
Fixed Carbon (%a.r)	43.8	40.2	45.38	20.4	-	43.5	43.5	-
Hydrogen (% a.r)	4.6	3.8	4.11	4.6	-	3.8	3.8	-
Total Sulphur (%a.r)	0.72	0.73	0.54	0.64	1.06	0.55	0.55	1.0 - 3.5
Nitrogen (% d.b)	-	-	1.44	-	-	1.76	1.76	-
Sulphate Sulphur (% d.b)	0.02	-	0.01	0.05	0.05	-	-	0.01
Sulphur (% d.b)	0.02	-	0.05	0.02	0.75	-	-	1.4
Organic Sulphur (% d.b)	0.83	-	0.69	0.71	0.67	-	-	0.07
Swelling No (FSI)	0	½	1	½	0	0	0	9
Hard Gore Index (HGI)	-	52.0	37.8	-	-	-	-	-
Dilatometer Test:								
Softening Point	357	-	356	357	356	-	-	375
Reconsolidation Point °c	483	-	477	468	462	-	-	436
Softening Range	126	-	121	111	87	-	-	149
Contraction (%)	15	9	27	23	2	-	9	30
Dialation (%)	0	0	0	0	0	-	0	190
Gray King Coke Type	-	-	-	-	-	-	-	G9
Maximum Fluidity (ddpm)	-	-	3	-	-	-	-	27.600
Mean Max. Reflectance	-	0.45	0.45	-	-	-	-	1.00
Ventrinite (%)	-	41	51.4	-	-	-	-	98
Exinite (%)	-	-	8.4	-	-	-	-	0

Inertinite (%)	-	49	30.2	-	-	-	-	2.0
Gray King Assay (600^{0c})	-						-	
Coke / Char (W%)	-	-	67.0	-	-	65.0	-	-
Gas (Lit / 100g)	-	-	10.3	-	-	11.7	-	-
Tar & Light Oil (W%)	-	-	17.7	-	-	18.5	-	-
Liquor (W%)	-	-	6.4	-	-	8.7	-	-

ENGINEERING SERVICES SECTOR

NIGERIA MACHINE TOOLS LIMITED
Km. 8, Ikirun Road,
P.M.B. 4343,
Oshogbo,
Nigeria.
Telephone: 035-242500-3
FAX: 035-240002
NMT@ Infoweb. Abs. Net
Cable: NIGERTOOLS

BACKGROUND AND CORPORATE STATUS OF NMTL

The Nigeria Machine Tools Limited, Oshogbo ("NMTL"; "the company") was conceived in the Nation's 4th National Development Plan (1976 – 1980) which supported the establishment of industries for the production of capital and engineering goods of intermediate technology content. Incorporated on February 18,1980 (RC 31778) as a limited liability company, the company started as a joint venture signed between the Federal Government of Nigeria (FGN) and the Hindustan Machine Tools (International) Limited ("HMT") of India on June 29, 1979. HMT is an Indian Government-owned Machine Tools Company.

The Federal Government's objectives in setting up the project were to:

- Establish a self-reliant machine tools complex in Nigeria for the local manufacture and marketing of machine tools, spares and accessories
- Support and influence the country's drive towards industrialization and self-reliance in the manufacture of engineering goods
- Train Nigerian Engineers and technicians in the art of machine tools production
- Conserve valuable foreign exchange for the country by meeting substantial part of the demand for machine tools through local manufacture.
- Aid, establish and develop ancillary units and assist down-stream user industries.
- Assist entrepreneurs and user industries by offering total project engineering/turnkey consultancy services for the Nigerian and ECOWAS sub-regional market and provide effective after-sales service for the products.

NMTL: A POTENTIAL MONOPOLY

The NMTL was established with the full potential of a giant monopoly with Nigerian industrial engineering sector as the captive market and the African regional market as the expansive frontier. The concept of the NMTL envisaged that entire engineering and capital goods industries in Nigeria require machine tools that would produce heterogeneous parts or components into final machines that could transform basic materials like metal, wood and plastic into finished products. These components and parts could be produced for several captive areas of economic life like the mechanized agriculture, automobile and allied industries, manufacturing industry, health sector and security/military hardware. Hence, Nigeria's Vision 2010 report projected that the composite engineering sector in Nigeria will contribute 24% GDP by 2005 from 6.4% in 1996. The multiplier effect on domestic equipment and machinery needs was projected to be very high.

MAIN PRODUCTS

The NMTL project essentially seeks to indigenise the manufacture of machine tools in Nigeria. Therefore it envisaged the manufacture of the following eight (8) basic metal cutting machines:

- Lathe machines (2 Types) for turning operations
- Drilling machines (3 Types) for drilling operations
- Horizontal & vertical milling machines for milling operations
- Hacksaw machines for sawing operations
- Grinding machines (2 Types) for grinding operations
- Honing machines for honing operations
- Gear cutting machines
- Shaping and planning machines

Also, the project on the long-term, is to add the manufacture of metal- forming machines, sharing machines, pressure die- casting machines, fogging machines, numerically controlled machines for products requiring precision technology, robots and transfer lines and also provide after -sales services.

SHAREHOLDING STRUCTURE

The Company, which is located on 102.3 hectares of land in Oshogbo, was incorporated with a share capital in the sum of N20million and the share holding structure at inception was as follows:

Federal Government of Nigeria (FGN)	85%
Hindustan Machine Tools (International) Limited of India	15%

Currently the company is 100% owned by the Federal Government of Nigeria.

PRIVATISATION STRATEGY

The Federal Government of Nigeria intends to privatise 100% of the enterprise to a core investor, foreign or domestic that would be able to turn around the enterprise.

THE MARKET FOR NMT'S PRODUCTS

The company's quasi-production business basically started with the assembly and sale of semi-knocked down and completely knocked down parts all of which were imported prior to the conception of NMTL. Consequently, these and other fabrications are sold to meet diverse customer requests. Besides these varying needs, the NMTL market is presently made up of the Nigerian defence establishment, which require varying spares and mould-copies, Universities, Technical colleges, Small machine shops and Training institutions and numerous customers from the organized private sector.

From a (sub)/ regional perspective, NMTL is the dominant machine tools firm in West Africa, even in its current condition and its closest counterparts are located in Eastern and Southern Africa. Thus, a fully funded and capitalised NMTL will achieve dominance across West Africa very easily. NMTL has about 20 major customers spread all over the country

COMPETITION

In what is a semblance of a competition, the Nigerian Machine Tools' playing field is fragmented with several small players and a few medium sized players. There are no observed dominant players as parts fabricated are not branded but just fashioned to fit specific requirements.

TECHNOLOGY

Machinery at the company are primarily of the HMT brand having been built and supplied by Hindustan Machine Tools (International) Limited, the joint equity partners of the NMTL project, as the facility still remains a project for all practical purposes. The technology is contemporary and can compete with those in similar plants across the emerging markets. Moreover, similarly branded machines have been brought into the company facility as part of the Government of India's US$5million grant to reactivate the NMTL plant

PERFORMANCE DATA

Profit & Loss Account: 1997-2001

	1997	1998	1999	2000	2001
Turnover (N000)	9800	6845	10,240	54,585	9,477
Profit/(Loss)	(93,436)	(246,566)	(473,057)	(529,764)	(542,365)
Taxation	61	57	63	120	60
Profit/(Loss) after taxation	(93,497)	(246,623)	(473,120)	(529,884)	(542,425)

PROSPECTS

As a springboard for industrial development, the role of the Nigeria Machine Tools Limited, Oshogbo in the Nation's economy cannot be over- emphasised. The fundamental objective of the Federal Government of Nigeria is to attract investors who would be able to turn around the fortunes of the company by not only providing the domestic needs of the country but that of other African Nations. This is to be achieved through the current privatisation programme by attracting competent technical and foreign partners.

The location of the company is very advantageous because it is a major power site where power lines from different parts of the country converge. Hence, the company enjoys 100% NEPA power supply. Oshogbo has the benefit of lying on a rail route with a renowned railway station. Therefore, most of the heavy equipment needed in the factory could be railed down from Lagos port. The town is also linked with the northern part of the country through Ikirun road. Hence, accessibility to other parts of the country is guaranteed

The enterprise utilizes about 20% of its capacity. There is a huge production expansion horizon for the company. The company is at the heart of the nation's industrialization. In 1996, Nigeria imported N131.6 billion worth of machinery and equipment. This grew to N202.9 billion in 1997, N204 billion in 1999 and to N232 billion in 2000. The import figures are an indicator of the yearly domestic demand for heavy machinery and equipments. At full capacity, the NMTL has the potential to harvest the large economies of scale.

PROJECTED PROFIT & LOSS ACCOUNT FOR 2003 THROUGH 2007

	2003 (N'000)	**2004** (N'000)	**2005** (N'000)	**2006** (N'000)	**2007** (N'000)
Turnover	**707,700**	**825,650**	**943,600**	**1,061,550**	**1,179,500**
Cost of Sales	247,216	296,659	355,991	427,189	512,627
Gross Profit	460,484	528,991	587,609	634,361	666,873
Admin. expenses	365,769	402,346	442,580	486,838	535,522
Other income	2,771	3,048	3,353	3,689	4,058
Profit/(loss)	97,487	129,694	148,382	151,221	135,408
Taxation	31,196	41,502	47,482	48,388	43,331
Retained profit/(loss)	**66,196**	**88,192**	**47,482**	**48,388**	**43,331**

This projected economy of scale will amount to a fundamental deterrence to prospective competitors. This is because the capacity that is required by new firms in terms of plant size, proprietary experience and the concomitant cost disadvantages will impose a deterrence to entry. As a result, there will be a potential for protection to NMTL. The protective potential can grow from a possible turn-around programme that will beef up output and convert years of experience to cost advantage. The integrated nature of the plant creates the potential for forward integration into the downstream markets for small industrial machine parts in addition to the captive markets of the 'mother-machines' in Nigeria and the West African sub-region.

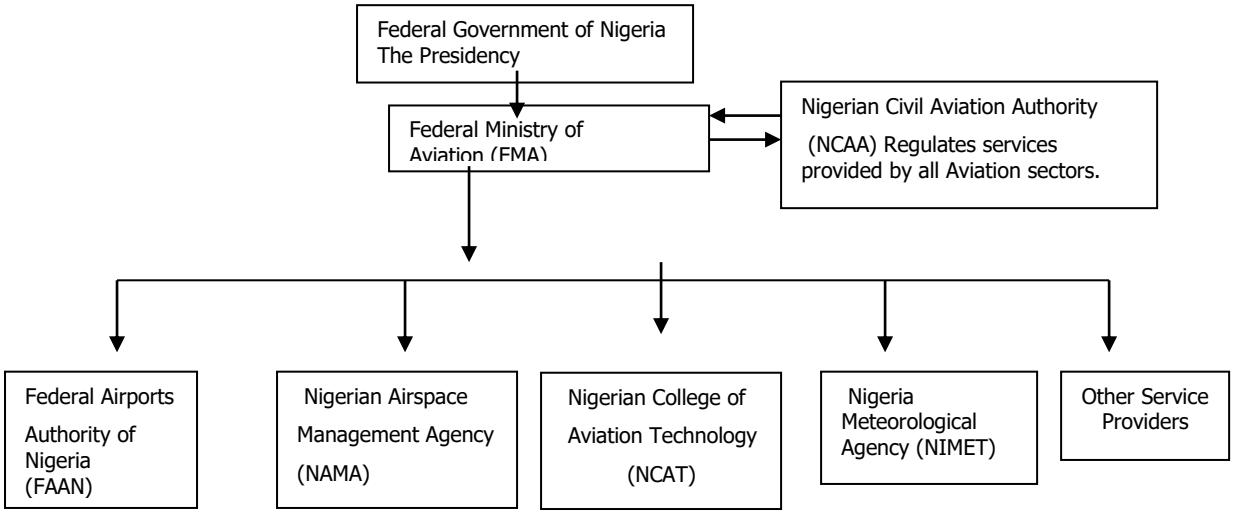
Perhaps the brightest aspect of the Company's prospects relate to the domestic supply of metal sheets as a consequence of the integration between the tools industry and the steel rolling plants in Nigeria, which are also being privatised.

AVIATION SECTOR

SECTOR DATA

THE MACRO-ENVIRONMENT

The Federal Ministry of Aviation is responsible to the Government of the Federal Republic of Nigeria for all matters concerning Civil Aviation. The Minister of Aviation is in charge of Policy formulation and overall management of Aviation Industry as shown in the following Organization Chart of the Public Sector Service providers in the Industry:



SCOPE OF BUSINESS FOR PRIVATE INVESTORS

The following are some of the key business opportunities which Privatization will open up in Nigeria's Aviation industry:

a. Development of properties on airport land within the approved Master plan.
b. Provision of Handling services for all domestic flights in Nigerian airports.
c. Expansion of business operations in the International airports in Nigeria through the Open Sky Policy for International Airlines

All over the world, Civil Aviation has become a major tool for transportation, communication and development. Hence the Nigerian Government has given prominence to the development of the Air transport sector through intensifying airport development programmes, liberalizing air transportation and expanding the provision of airports and air navigational facilities.

The primary objective of the industry is to provide safe, efficient, reliable, dynamic, customer-centric and market-driven air transport services, which will make the country a leading hub in Africa and major actor in the global aviation as well as make significant contribution to Nigeria's Gross Domestic Product (GDP). Therefore, the major policy thrust of government is as follows:

- Creation of an enabling policy environment to encourage dynamic growth;
- Enhancement of safety oversight (through improved safety regulation);
- Improved Airport and Aviation Security Management;
- Improved Air space Management;
- Infrastructure development
- Increased participation of private sector
- Revival of the National Carrier through restructuring and privatization;
- Development of Lagos into a hub for passenger and cargo transportation in Africa;
- Eradication of corruption, touting and other vices in the Aviation Sector.

THE OPERATING ENVIRONMENT IN NIGERIA'S AVIATION INDUSRY.

The statutory powers to develop and maintain airports in the country, including the provision of security, fire cover and facilities, among others have been traditionally vested in the Federal Airports Authority of Nigeria (FAAN). There are twenty-one airports in the country, which were sited and developed due more to political reasons than economic considerations. Hence most of these airports have remained unviable due to low patronage. This is why the Government now plans to privatize the airport system in the country.

International airports in Nigeria will be developed in accordance with ICAO guidelines, which provide for self-sustenance and prohibit the use of funds generated from one airport system to fund another airport. Also, consideration will be given to proximity of one international airport to the other and the full utilization of the airports in the framework for increasing the number of international airports In order to have a privatized, autonomous, competitive and highly commercialized airport system. Hence Government is encouraging private participation in the development and maintenance of airstrips and airports to assure that the Nigerian airport system provides enough capacity that will foster a strong and viable airline industry. Airports and airstrips in Nigeria are licensed by NCAA under specific guidelines issued by the Authority.

In view of its security implications Government has, so far, limited the number of international airports to five, except on the basis of special needs such as hajj operations. The five international airports are Murtala Muhammed International Airport Ikeja, Lagos, Port-Harcourt International Airport, Nnamdi Azikiwe International Airport, Abuja; Mallam Aminu Kano International Airport, Kano and Margaret Ekpo International Airport, Calabar.

TECHNICAL DEVELOPMENTS IN THE SECTOR IN THE LAST FIVE YEARS.

a. There is an on-going project on radar service. It is designed to provide a total radar coverage of the entire Nigerian Airspace when completed in no distant future.
b. Meteorological services for aeronautical services in Nigeria have greatly improved. Weather reports are received for aeronautical information services in the short intervals of half an hour at every airport in Nigeria.
c. The Runway of Yola airport has been extended and the airfield lighting system upgraded to B747 critical aircraft standard. The airport is also provided with a modern facility for Pilgrims processing services.
d. Kano Airport is being modernized with the completion of the resurfacing of the Runway and the development of a separate Domestic Terminal Building.
e. Murtala Muhammed International Airport Ikeja, Lagos Airport is being rehabilitated and repositioned to serve as a hub for the African Region. Reconstruction work on the burnt Domestic terminal Building has commenced. This project is being developed under a contractual arrangement of Build, Operate and Transfer (BOT) with a third party developer. The runway of the International Terminal is being completely resurfaced.
f. Facilities at airports are being upgraded in readiness for the Open Skies cooperation between Nigeria and the United States of America.

The Enterprises in this Sector are as follows:

Federal Airports Authority of Nigeria (FAAN)

Nigerian Aviation Handling Company Ltd (NAHCo)

FEDERAL AIRPORTS AUTHORITY OF NIGERIA

Offices/Operational locations

Offices exist at all the 21 Airports in Nigeria viz: Murtala Muhammed Airport Ikeja, Lagos,Abuja, Kano, Port Harourt, Calabar, Enugu, Maiduguri, Jos, Benin, Sokoto, Yola, Owerri, Ilorin, Ibadan, Akure, Katsina, Minna, Makurdi, Zaria, Osubi and Bauchi. Murtala Muhammed international airport Ikeja, Lagos, Abuja, Kano Calabar and Port Harcourt are the main International Airports connecting Nigeria with the outside world while Maiduguri, Sokoto, Kaduna, Ilorin and Yola Airports are mainly for Hajj operation. The other Airports are for domestic operations only.

The following three Airports are distinctly owned by other parties:

a. Makurdi is a military airport owned by Nigerian Air force. FAAN operates a small commercial terminal building and collect PSC from commercial Airlines passengers. NAF charges and collect all aeronautical revenues.
b. Zaria Airport is used for training of pilots and Aviation professionals. The Airport is being operated by NCAT.
c. Osubi Airport was built and is being operated by a private oil company (Shell British Petroleum).

DESCRIPTION OF SERVICE:

The functions of the Federal Airports Authority of Nigeria are as contained in Part II of the Federal Airports Authority of Nigeria Act of 1996 as amended in 1999 as follows:

- To develop, provide and maintain at airports and within the Nigeria Air Space all necessary services and facilities for the safe, orderly, expeditious and economic operation of air transport;
- To provide adequate conditions under which passengers and goods may be carried by air and under which aircraft may be used for other gainful purposes, and for prohibiting the carriage by air of such classes as may be proscribed;
- To charge for services provided by the Authority at airports;
- To provide accommodation and other facilities for the effective handling of passengers and freight;
- To develop and provide facilities for surface transport within airports;
- To carry out at airports (either by itself or by an agent or in partnership with any other person) such economic activities as are relevant to air transportation;
- To carry out at Airports (either by itself, its agents or in Partnership with any other person) such other commercial activities which are not relevant to air transport but which in the opinion of the Authority may be conveniently carried out without prejudice to the functions specified in this sub-section;
- To provide adequate facilities and personnel for effective security at all Airports; and generally to create conditions for the development in the most economic and efficient manner of air transport and the services connected with it.

SCOPE

The marketing scope of FAAN spans Domestic and International routes. Four Airports operate International flights to the world, five Airports operate Hajj flights, and Calabar Airport operates flights through the West African sub-region. The other eleven airports operate domestic flights only through the Network of the Nigerian Airspace.

EQUITY STRUCTURE AND PLANNED MODE OF PRIVATISATION

FAAN is a public enterprise owned by the Federal Government of Nigeria. The planned mode of privatization is concessioning beginning with the Nnamdi Azikwe International Airport (NAIA) Abuja on a pilot basis before the others, including:

a. MMA Plc comprising Murtala Muhammed international airport Ikeja, Lagos, Akure, Ibadan, Ilorin and Benin airports
b. MAKIA Plc comprising Maiduguri, Sokoto, Yola and Katsina Airports.
c. PHC International Airport Plc comprising Port Harcourt, Calabar, Owerri, Enugu Airports. and
d. Abuja Plc comprising Abuja, Kaduna, Jos, and Minna Airports.

THE MARKET ENVIRONMENT

i. Market Size.

The market for airport services is potentially large. Out of the population of 120 million people, if 10% travel by air in a year, a minimum of 24 million travelers are expected to use the airports for a return trip. It can therefore be inferred that there is a 25% potential capacity utilization of Nigerian airports.

ii. Competition.

FAAN currently enjoys the monopoly of managing the Airports in Nigeria. However, the service of the Aviation Industry is threatened by competition posed by road transport mode. It is expected that new strategies will be put in place to counter the shortfall in revenue caused by the competition posed by alternate travel modes.

The poor state of Nigerian Railways has ruled out a major Competitor in passenger movement. It is hoped that the following strategies will enhance airports' performance to maintain the competitive edge.

iii. Output and Marketing Outlets

The Authority manages 21 airports namely: MMA, Kano, Port Harcourt, Abuja, Maiduguri, Kaduna, Calabar, Enugu, Owerri, Jos, Sokoto, Yola, Benin, Minna, Ibadan, Akure, Makurdi, Katsina, Ilorin, Zaria and Osubi airports. Presently, it has potential output of generating and collecting revenue of about N18 billion annually. However, with the recent development of airports shifting from mere site for runways and terminals to global cities with support offices, hotels, retail and industrial facilities, the Authority can generate more.

Product Pricing Policy

FAAN's pricing policy is guided by the policies, rules and regulations of the Aviation Industry for airport pricing. FAAN has limited control over the fixing of rates and charges on aeronautical sources since these charges often require approvals from the Federal Government.

Product	Pricing Policy
a) <u>Landing & Parking Int. and Dom.</u> **<u>Passenger Service Charge (Internal & Domestic)</u>** **<u>Fuel Charge</u>** Port Charge	Aeronautical sources subject to Government approval.
b) Rent/Service Recovery Charge (SRC)/Concessions	Fixed by FAAN: Charges are fixed based on prevailing market rates.
c) Utilities: Electricity Water Telephone	Adoption of government rates with 5% increase for administrative expenses/charges.

Major Competitors to FAAN.

The major competitors in Nigeria are the luxurious buses on domestic routes that carry passenger and their goods to various destinations. All airports are presently owned by government. There are also airstrips developed for operation by oil companies in Eket and other places. These however compliment to air transportation in Nigeria.

The major airports in West Africa and Southern Africa are greatly improved to become the hubs of Africa. This can result in International airlines favouring to use those airports with better attractive facilities.

Technological Requirements for Success

Sourcing for Production Inputs Locally.

Spares and other inputs required for the maintenance of facilities are sourced from manufacturers through accredited representatives. The Authority in conjunction with some local manufacturing outfits is making efforts to source some of its required spares locally, such as machinery components and airfield lighting cables and fittings.

Computerization Network.

FAAN has acquired internet and personal computers, all connected to its five clusters of LAN (Local Area Network) which is linked to a WAN (Wide Area Network) through radio. The five clusters are located at FAAN Main Headquarters, Planning/Accounts, Personnel, Cargo/Hajj Terminal and Murtala Muhammed International Airport.

FAAN has commissioned its AOMIS (Airport Operations and Management Information System) and this is running on the network. FAAN has also acquired SunSystems which include Payroll, Sun Account and Human Manager. These also have been implemented on the network. All these software will be running on the network and are internet ready.

FAAN Intranet has been implemented using Microsoft Outlook and is being used to exchange, disseminate information through the network with the organization.

A Website has been designed and launched. This has made available to the internet all FAAN businesses for the world to access.

Arrangements have been made to link the WAN to an Unlimited Wireless Internet Access soon. As soon as this is done, FAAN business transactions will be available on the internet whether advertisement, purchasing requirements, information dissemination enquiries, consulting and other aviation-related transactions at FAAN's disposal.

Capital Investment Requirement – The facilities at airports are to be updated in line with International Civil Aviation Organisation (ICAO) standards and recommended practices.

ENTERPRISE DATA

The Business Opportunity:

The need for Airport Services and developments are enormous in all countries of the world today. The huge potentials of the third world countries in air transportation are yet to be fully harnessed for maximum benefit. However, the aviation industry is dynamic in nature and capital intensive, the third world depends solely on the advanced countries for 90% of infrastructure for development in the sector.

FAAN operates all the 21 airports in Nigeria and these are distributed across the country with five of them providing links to other countries. The recent strategy in airport development has shifted from mere site for runways and terminals to being global cities with support offices, hotels, retail and industrial facilities, etc. The table below is a list of some airlines that patronize the Nigerian airports.

S/N	**INTERNATIONAL AIRLINES**	**DOMESTIC**	**OIL COMPANIES**
1	British Airways	1. Bellview	1. National Oil
2	KLM	2. E.A.S.	2. Mobil
3	Lufthansa	3. A.D.C.	3. Total
4	Air France	4. Chanchangi	4. Texaco
5	Alitalia	5. Sky Power	5. Agip
6	Cameroon Air	6. Freedom Airline	6. Unipetrol
7	Egypt Air	7. Albarka Airline	7. Juhi
8	Ethiopia Airways	8. Skyline Aviation	
9	Ghana Airways	9. AAL	**Others**
10	Iberia Airways	10. Sosoliso	1. Federal Government
11	Kenya Airways	11. Afrijet	2. Diplomatic Tours
12	Middle East Airline	12. Capital Airline	3. Nigeria Air force
13	Kabo Air		4. NNPC
14	Sabena Air	**Charter Operations**	5. NPF
15	Saudi Air	1. Bristow Helicopters	
16	South African Airways	2. Aero Contractor	
17	Sudan Airways	3. Dana/Afri Air	
18	Swiss Air	4. Premiun Air Shuttle	
19	Air Gabon	*5. Caverton*	
20	Virgin Atlantic		
		Non-Sch Operators	
		1. Afret Air	
		2. African International	
		3. Balkan	
		4. Air Niger	
		5. Tap Air	

Traffic statistics report for the year 1997 to 2003, the business performance of FAAN for the last five years (1998-2002) and the overall performance of FAAN relative to the critical success factors in the aviation sector are shown in the following Appendices.

FEDERAL AIRPORTS AUTHORITY OF NIGERIA (FAAN)

BUREAU OF PUBLIC LENTERPRISES REQUESTED INFORMATION

TRAFFIC DETAIL FOR ALL AIRPORTS OPERATED BY FAAN (1997-2003)

AIRPORTS	1997				1998			
	AIRCRAFT	PASSENGER	CARGO	MAIL	AIRCRAFT	PASSENGER	CARGO	MAIL
ABUJA DOM	18,652.00	573,819.00	101,425.00	53,099.00	15,674.00	569,915.00	269,262.00	56,230.00
INT.	-	-	-	-	-	-	-	-
AKURE	419.00	316.00	-	-	338.00	311.00	-	-
BENIN	1,554.00	1,514.00	-	-	1,669.00	1,769.00	-	-
CALABAR DOM	1,702.00	46,329.00	-	-	1,280.00	30,825.00	-	-
INT.	12.00	101.00	-	-	-	-	-	-
ENUGU	2,697.00	72,107.00	2,943.00	2,058.00	2,141.00	45,568.00	-	-
IBADAN	431.00	471.00	-	-	381.00	476.00	-	-
ILORIN	534.00	3,359.00	-	-	620.00	1,779.00	-	-
JOS	2,391.00	54,761.00	-	-	2,373.00	35,809.00	-	-
KADUNA	5,637.00	143,399.00	-	254,413.00	5,088.00	127,121.00	-	-
SOKOTO	872.00	5,246.00	-	-	750.00	8,954.00	-	-
KANO DOM	5,503.00	157,951.00	86,986.00	8,025.00	5,800.00	197,834.00	250,911.00	192,374.00
INT.	2,734.00	141,820.00	2,237,661.00	18,925.00	2,456.00	153,548.00	4,314,364.00	23,947.00
MAIDUGURI	1,960.00	57,429.00	-	-	1,849.00	39,333.00	900.00	27.00
MAKURDI	368.00	1,806.00	-	-	348.00	1,202.00	-	-
MMA DOM	42,367.00	1,158,792.00	88,255.00	51,703.00	39,227.00	1,000,413.00	335,528.00	12,887.00
INT.	10,773.00	764,194.00	16,906,122.00	1,402,818.00	12,725.00	813,019.00	14,921,199.00	1,308,647.00
P/ HARCOURT DOM	8,568.00	263,302.00	-	-	7,219.00	244,203.00	-	-
INT.	859.00	28,927.00	3,627,487.00	-	761.00	43,819.00	3,591,833.00	-
YOLA	822.00	12,767.00	114,452.00	10,494.00	868.00	17,715.00	43,244.00	9,250.00
MINNA	482.00	503.00	3,770.00	133.00	518.00	838.00	2,620.00	74.00
KATSINA	180.00	1,078.00	-	-	90.00	522.00	-	-
OWERRI	1,724.00	29,427.00	-	-	606.00	5,692.00	-	-
OSUBI	-	-	-	-	-	-	-	-
TOTAL	111,241:00	3,519,418.00	23,169,101.00	1,801,668.00	102,779.00	3,340,665.00	23,729,861.00	1,603,436.00

TRAFFIC DETAIL FOR ALL AIRPORTS OPERATED BY FAAN

	1999				2000			
AIRPORTS	AIRCRAFT	PASSENGERX	CARGO	MAIL	AIRCRAFT	PASSENGER	CARGO	MAIL
ABUJA DOM	19,902.00	673,533.00	410,710.00	349,955.00	28,292.00	885,168.00	212,781.00	78,369.00
INT.	356.00	13,932.00	-	-	1,062.00	43,971.00	-	-
AKURE	428.00	288.00	-	-	260.00	199.00	-	-
BENIN	1,808.00	2,414.00	-	-	2,715.00	14,573.00	-	-
CALABAR DOM	1,924.00	45,605.00	-	-	2,349.00	62,223.00	-	-
INT.	68.00	1,922.00	-	-	106.00	3,914.00	-	-
ENUGU	2,950.00	47,066.00	-	-	3,477.00	71,847.00	-	-
IBADAN	427.00	462.00	-	-	485.00	637.00	-	-
ILORIN	752.00	2,477.00	-	-	565.00	3,614.00	-	-
JOS	1,982.00	41,236.00	-	-	1,687.00	47,442.00	-	-
KADUNA	3,960.00	133,888.00	-	-	2,322.00	114,967.00	-	-
SOKOTO	746.00	10,721.00	-	-	682.00	20,409.00	-	296.00
KANO DOM	4,637.00	231,328.00	518,600.00	259,666.00	3,847.00	129,420.00	27,320.00	7,971.00
INT.	2,435.00	208,103.00	3,778,884.00	83,993.00	2,285.00	154,082.00	2,676,219.00	16,860.00
MAIDUGURI	1,716.00	28,441.00	1,770.00	-	1,720.00	58,491.00	-	-
MAKURDI	402.00	841.00	-	21.00	150.00	949.00	-	-
MMA DOM	42,659.00	1,205,487.00	303,052.00	122,416.00	43,978.00	1,434,747.00	717,184.00	50,278.00
INT.	13,647.00	944,968.00	18,020,500.00	1,051,740.00	14,154.00	1,054,443.00	26,777,706.00	15,135,502.00
P/ HARCOURT DOM	11,301.00	299,372.00	-	-	7,612.00	243,387.00	-	-
INT.	880.00	38,612.00	2,845,134.00	-	914.00	40,937.00	2,993,057.00	-
YOLA	1,034.00	16,786.00	-	-	1,514.00	34,848.00	-	516.00
MINNA	778.00	1,793.00	-	89.00	459.00	1,045.00	-	18.00
KATSINA	96.00	700.00	-	-	43.00	328.00	-	-
OWERRI	358.00	3,173.00	-	-	573.00	6,906.00	-	-
OSUBI	-	-	-	-	-	-	-	-
TOTAL	115,246.00	3,953,148.00	25,878,650.00	1,867,880.00	121,251.00	4,428,547.00	33,404,267.00	15,289,810.00

FEDERAL AIRPORTS AUTHORITY OF NIGERIA (FAAN)

BUREAU OF PUBLIC ENTERPRISES REQUESTED INFORMATION

TRAFFIC DETAIL FOR ALL AIRPORTS OPERATED BY FAAN

(1997-2003)

	2001				2002			
AIRPORTS	AIRCRAFT	PASSENGER	CARGO	MAIL	AIRCRAFT	PASSENGER	CARGO	MAIL
ABUJA DOM	28,108.00	1,082,828.00	261,982.00	66,872.00	29,991.00	1,331,807.00	2,272,303.00	-
INT.	1,372.00	68,527.00	123,377.00	572,636.00	1,684.00	110,481.00	-	139,487.00
AKURE	276.00	325.00	-	-	186.00	1,283.00	-	-
BENIN	3,297.00	22,748.00	-	-	4,268.00	35,034.00	-	-
CALABAR DOM	2,756.00	72,926.00	11,468.00	-	2,486.00	84,651.00	7,029.00	121.00
INT.	236.00	5,996.00	3,873.00	13,216.00	128.00	6,266.00	-	-
ENUGU	4,797.00	115,578.00	-	-	5,104.00	135,747.00	-	-
IBADAN	1,005.00	4,763.00	-	-	750.00	6,955.00	-	-
ILORIN	1,626.00	7,280.00	-	-	622.00	4,913.00	-	-
JOS	1,376.00	53,168.00	-	-	994.00	35,978.00	-	-
KADUNA	1,949.00	146,118.00	-	-	2,035.00	146,114.00	-	-
SOKOTO	894.00	30,441.00	-	-	778.00	37,454.00	-	-
KANO DOM	2,655.00	96,773.00	61,326.00	3,758.00	2,536.00	105,692.00	-	-
INT.	1,920.00	121,375.00	2,489,676.00	11,857.00	1,933.00	123,788.00	1,301,474.00	12,034.00
MAIDUGURI	1,520.00	71,293.00	-	-	1,210.00	79,074.00	633,660.00	-
MAKURDI	172.00	866.00	-	-	86.00	466.00	-	-
MMA DOM	45,699.00	1,687,328.00	113,501.00	2,561.00	49,219.00	1,879,266.00	92,613.00	738.00
INT.	13,638.00	1,229,621.00	40,190,749.00	10,744,398.00	14,816.00	1,288,984.00	44,793,749.00	2,764,508.00
PHARCOURT DOM	8,283.00	324,535.00	-	-	17,990.00	506,050.00	-	-
INT.	955.00	43,812.00	2,051,551.00	-	1,391.00	59,863.00	3,446,756.00	
YOLA	1,378.00	28,306.00	-	-	1,247.00	47,103.00	90.00	-
MINNA	434.00	573.00	-	-	282.00	1,073.00	-	-
KATSINA	392.00	956.00	-	-	112.00	914.00	-	-
OWERRI	340.00	7,819.00	-	-	815.00	24,562.00	-	-
OSUBI	-	-	-	-	-	-	-	-
TOTAL	125,078.00	5,223,955.00	45,307,503.00	11,415,298.00	140,663.00	6,053,518.00	52,549,674.00	2,916,888.00

FEDERAL AIRPORTS AUTHORITY OF NIGERIA (FAAN)
BUREAU OF PUBLIC ENTERPRISES REQUESTED INFORMATION

TRAFFIC DETAIL FOR ALL AIRPORTS OPERATED BY FAAN (1997-2003)

AIRPORTS	2003			
	AIRCRAFT	PASSENGER	CARGO	MAIL
ABUJA DOM	33,175.00	1,554,113.00	-	
INT.	3,241.00	182,639.00	3,538,033.00	93,144
AKURE	232.00	1,243.00	-	
BENIN	3,827.00	46,382.00	-	
CALABAR DOM	2,740.00	116,558.00	-	
INT.	108.00	4,534.00	-	
ENUGU	5,152.00	172,650.00	4,777.00	
IBADAN	599.00	2,780.00	-	
ILORIN	799.00	6,407.00	-	
JOS	1,101.00	44,584.00	-	
KADUNA	2,031.00	130,220.00	-	
SOKOTO	886.00	41,376.00	-	
KANO DOM	3,813.00	136,909.00	-	
INT.	1,727.00	130,163.00	1,468,790.00	1,233
MAIDUGURI	1,164.00	76,781.00	-	
MAKURDI	147.00	2,271.00	-	
MMA DOM	47,682.00	1,850,958.00	73,650.00	
INT.	14,321.00	1,260,737.00	55,122,651.00	4,918,557
PORT HARCOURT DOM	30,868.00	834,340.00	-	420,169
INT.	1,577.00	76,306.00	3,177,585.00	
YOLA	1,409.00	58,604.00	-	
MINNA	466.00	2,891.00	-	
KATSINA	154.00	1,975.00	-	
OWERRI	959.00	33,823.00	-	
OSUBI	11,280.00	142,057.00	-	
TOTAL	**169,458.00**	**6,911,301.00**	**63,385,486.00**	**5,433,103.**

2 (i)

THE BUSINESS PERFORMANCE OF FAAN IN THE LAST FIVE YEARS

b)	INCOME & EXPENDITURE FROM 1998 - 2002				
INCOME:	1998	1999	2000	2001	2002
Landing & Parking	1,366,439,970.00	1,850,215,821.00	2,413,908,545.00	3,454,506,005.00	3,484,209,739.00
PSC	1,278,611,167.00	2,001,709,431.00	2,971,329,871.00	2,493,474,259.00	3,793,581,417.00
Commercial Income	441,889,958.00	403,899,962.00	561,927,250.00	760,509,950.00	973,137,687.00
Enroute Charge	279,302,664.00	311,720,995.00			
Overflight charge	592,748,923.00	965,487,898.00			
Cargo & Port charge	331,524,814.00	200,780,187.00			
Service charge	1,299,806,554.00	1,338,574,783.00			
Sundry income	76,584,155.00	114,752,360.00	197,670,315.00	447,699,552.00	440,815,138.00
Bank interest	50,318,779.00	1,150,835.00	84,729,074.00	51,124,049.00	116,653,685.00
Extraordinary income			87,762,760.00		
	5,717,226,984.00	7,188,292,272.00	6,317,327,815.00	7,207,313,815.00	8,808,397,666.00
EXPENDITURES					
Directors remuneration			2,511,500.00	8,237,581.00	8,231,960.00
Recruitment & Training	71,480,541.00	83,983,209.00	84,092,183.00	46,024,499.00	69,942,145.00
Printing & Stationery	97,204,845.00	148,968,418.00	134,338,260.00	175,724,210.00	168,557,386.00
Rent & Hire charges	18,086,282.00	26,176,175.00	21,271,343.00	18,714,910.00	19,639,330.00
Pension & Gratuity	83,702,977.00	96,922,632.00	336,415,478.00	1,145,315,980.00	997,176,336.00
Professional charges	148,058,521.00	122,585,411.00	128,879,528.00	108,172,756.00	141,169,617.00
Salaries and Allowance	614,347,678.00	1,008,104,586.00	2,194,514,340.00	2,675,479,226.00	2,875,455,510.00
Motor Vehicle expenses	40,638,581.00	59,841,962.00	131,656,218.00	151,691,338.00	118,679,726.00
Auditor Remuneration	8,622,863.00	7,500,000.00	7,500,000.00	7,500,000.00	7,500,000.00
Utility	254,497,899.00	350,514,616.00	503,077,616.00	498,668,989.00	547,720,304.00
Depreciation	722,008,091.00	781,022,135.00	937,008,236.00	1,056,208,511.00	1,589,163,014.00
General expenses	76,228,778.00	75,468,271.00	111,756,336.00	88,990,776.00	109,185,127.00
Staff Welfare cost	62,098,203.00	64,850,320.00	66,244,061.00	62,162,653.00	100,640,584.00
Financial charges	152,364,834.00	44,342,452.00	118,209,016.00	224,044,782.00	225,410,222.00
Insurance	15,802,944.00	21,709,051.00	44,015,335.00	29,896,284.00	72,242,457.00
Hotel & Travelling	151,833,833.00	173,643,584.00	220,009,820.00	201,255,702.00	236,914,871.00
Airport clearing	77,299,155.00	79,010,007.00	184,721,916.00	180,809,067.00	205,347,116.00
Repair & Maintenance	426,721,475.00	411,759,548.00	537,652,733.00	622,704,556.00	724,585,094.00
Operating Expenses	28,899,038.00	61,893,273.00	65,415,085.00	87,429,904.00	111,056,246.00
Bad Debt	15,835,073.00	41,804,576.00	297,255,168.00	188,841,034.00	325,484,497.00
Bad debts written off	137,235.00				
	3,065,868,846.00	3,660,100,226.00	6,126,544,172.00	7,577,872,758.00	8,654,101,542.00

2 (i) THE BUSINESS PERFORMANCE OF FAAN IN THE LAST FIVE YEARS

b)	INCOME & EXPENDITURE FROM 1998 - 2002				
INCOME:	1998	1999	2000	2001	2002
Landing & Parking	1,366,439,970.00	1,850,215,821.00	2,413,908,545.00	3,454,506,005.00	3,484,209,739.00
PSC	1,278,611,167.00	2,001,709,431.00	2,971,329,871.00	2,493,474,259.00	3,793,581,417.00
Commercial Income	441,889,958.00	403,899,962.00	561,927,250.00	760,509,950.00	973,137,687.00
Enroute Charge	279,302,664.00	311,720,995.00			
Overflight charge	592,748,923.00	965,487,898.00			
Cargo & Port charge	331,524,814.00	200,780,187.00			
Service charge	1,299,806,554.00	1,338,574,783.00			
Sundry income	76,584,155.00	114,752,360.00	197,670,315.00	447,699,552.00	440,815,138.00
Bank interest	50,318,779.00	1,150,835.00	84,729,074.00	51,124,049.00	116,653,685.00
Extraordinary income			87,762,760.00		
	5,717,226,984.00	7,188,292,272.00	6,317,327,815.00	7,207,313,815.00	8,808,397,666.00
EXPENDITURES					
Directors remuneration			2,511,500.00	8,237,581.00	8,231,960.00
Recruitment & Training	71,480,541.00	83,983,209.00	84,092,183.00	46,024,499.00	69,942,145.00
Printing & Stationery	97,204,845.00	148,968,418.00	134,338,260.00	175,724,210.00	168,557,386.00
Rent & Hire charges	18,086,282.00	26,176,175.00	21,271,343.00	18,714,910.00	19,639,330.00
Pension & Gratuity	83,702,977.00	96,922,632.00	336,415,478.00	1,145,315,980.00	997,176,336.00
Professional charges	148,058,521.00	122,585,411.00	128,879,528.00	108,172,756.00	141,169,617.00
Salaries and Allowance	614,347,678.00	1,008,104,586.00	2,194,514,340.00	2,675,479,226.00	2,875,455,510.00
Motor Vehicle expenses	40,638,581.00	59,841,962.00	131,656,218.00	151,691,338.00	118,679,726.00
Auditor Remuneration	8,622,863.00	7,500,000.00	7,500,000.00	7,500,000.00	7,500,000.00
Utility	254,497,899.00	350,514,616.00	503,077,616.00	498,668,989.00	547,720,304.00
Depreciation	722,008,091.00	781,022,135.00	937,008,236.00	1,056,208,511.00	1,589,163,014.00
General expenses	76,228,778.00	75,468,271.00	111,756,336.00	88,990,776.00	109,185,127.00
Staff Welfare cost	62,098,203.00	64,850,320.00	66,244,061.00	62,162,653.00	100,640,584.00
Financial charges	152,364,834.00	44,342,452.00	118,209,016.00	224,044,782.00	225,410,222.00
Insurance	15,802,944.00	21,709,051.00	44,015,335.00	29,896,284.00	72,242,457.00
Hotel & Travelling	151,833,833.00	173,643,584.00	220,009,820.00	201,255,702.00	236,914,871.00
Airport clearing	77,299,155.00	79,010,007.00	184,721,916.00	180,809,067.00	205,347,116.00
Repair & Maintenance	426,721,475.00	411,759,548.00	537,652,733.00	622,704,556.00	724,585,094.00
Operating Expenses	28,899,038.00	61,893,273.00	65,415,085.00	87,429,904.00	111,056,246.00
Bad Debt	15,835,073.00	41,804,576.00	297,255,168.00	188,841,034.00	325,484,497.00
Bad debts written off	137,235.00				
	3,065,868,846.00	3,660,100,226.00	6,126,544,172.00	7,577,872,758.00	8,654,101,542.00

Prospects – The aviation industry in Nigeria is yet to attain full potentials but is still growing. The Open Skies program will give boost to air transportation in the West African sub-region, through more flights operating in and out of the sub-region to United States Airports.

The projected revenue of FAAN based on 5% increase on annual revenues from year 2005 to 2007 is as given below:-

2005 - ₦18, 685,500,000.00
2006 - ₦19, 619,775,000.00
2007 - ₦20, 600,763,750.00

OIL & GAS SECTOR

SECTOR DATA

Nigeria is one of the world's major oil & gas producers. Currently, the country's oil & gas reserves are conservatively estimated at 26 billion barrels and 157 trillion cubic feet, respectively. 4 giant deepwater fields, Bonga, Erha, Agbami and Akpo representing six billion barrels of additional oil reserves, recently came on stream in early 2004, bringing Nigeria's total oil reserves to 32 billion barrels. Nigeria's crude oil production capacity currently stands at 2.6 million barrels per day, and is expected to reach 3.3 million barrels per day (mbpd) by 2004, excluding condensates. Oil accounts for 35% of Gross Domestic Product, 80% of Government revenue and 95% of foreign exchange earnings.

Despite these considerable hydrocarbon resource endowments and the significant role of the sector in the economy, the performance of the oil & gas sector is still below its full potential.

The combined capacity of Nigeria's four refineries is 450,000 barrels per day, with Kaduna Refinery accounting for 110,000 bpd. However, capacity utilization has been low due to operational problems associated with the refineries. Hence local consumption of Gasoline, estimated at about 8 million mt per year, is mostly satisfied through imports.

Privatization of the refineries and an enhanced private sector participation in managing the down stream of the petroleum industry are therefore very critical to the long-term growth of the sector. The main objectives of the programme include:

- Mobilizing private sector and international capital in the development of sector infrastructure, capacity and overall system reliability.
- Improving the competitive position and financial performance of the NNPC SBUs: through introduction of modern management practices, commercialisation and restructuring of operations, as well as investments in technology, plant modernization and productivity.
- Increasing the competitive intensity of the industry in the transition period from the state supply monopoly to open competitive markets.
- Improving the industry's Health Service Environment (HSE) performance indices
- Ensuring that the Government receives full value for the assets and operations of the state oil companies.

MARKETING SCOPE

Nigeria with a population of about 126.64 million provides a large market for petroleum products. The current reform aimed at the liberalization of the economy is expected to put the economy on the path of growth. In 2003 alone, demand for products was 12.6 million mt (260,000 b/d) 60 % of which is gasoline. This is expected to increase to over 20 million mt by 2015. Nigeria has embarked on the road to full petroleum products pricing liberalization. This would allow adequate and fair returns on investment.

Nigeria is the largest producer of petroleum in the West African region (ECOWAS). The region is integrating and that would provide larger markets for the exportation of Nigerian refinery products. Also the integration of West African economy is a further boost for marketing activities in the petroleum sector.

PRODUCT DEMAND

It has been difficult to establish the quantum of demand for petroleum products in Nigeria for a number of reasons including the volume of losses in the pipelines smuggled to neighbouring countries, illegal bunkering and proliferation of special markets such as international jet oil market as well as import and sales by private operators for which data are not available. However, these confirm the

robustness of demand for the products, given the large Nigerian population and the prospects of export of the products to other West African Countries.

The road system in Nigeria is the second largest in Africa (after South Africa). All personal transport is by car, except for some inter –city transport by air. The car population is very large and owned by the middle and upper classes. The cars are generally inefficient and there is little concern for fuel economy. Traffic congestion in the major cities adds significantly to gasoline consumption.

Available figures from NNPC show that demand for PMS, ATK and AGO has recorded an average increase of 5.1% from 1996 to 2002. Demand for Gasoline is currently estimated at about 30 million litres per day.

In 2003 the total Gas oil (diesel) market in Nigeria was about 2.9 million mt. The main applications of Gas oil are in four areas of the Nigerian economy namely, Industrial, Transport, Domestic and offshore. Industrial and domestic consumers are ready to pay higher prices than the official prices in order to ensure a reliable supply for generating electricity during frequent NEPA power cuts. Most companies including GSM and Internet operators and most manufacturers operate 100% on generators due to unreliable power supply from the government owned power company, NEPA. Haulage in Nigeria is the exclusive preserve of truckers and there exist a large market for bus transport. This gas oil market is estimated at 1 million mt per year. Kaduna Refinery produces 91 tonnes/day of LAB at optimum capacity and the Nigeria demand would absorb the entire production. There also exists a high demand potential for other special products like LPG, Bitumen and Base Oils.

SECTOR REFORM

The downstream sector has presented major challenges for the country over the past six years, as the NNPC has found it impossible to maintain the country's 4 refineries and to meet demands for PMS, diesel, and kerosene nationwide. Obviously, the public sector-led downstream petroleum industry has been inefficient. As a result, the Federal Government has instituted a sector reform programme to improve on the efficiency of the sector. The reform is being implemented in the following sequence.

Deregulation would involve freeing prices and the pricing procedure in a manner, which encourages private sector investment and establish a level playing field for all investors.

The review of existing sector policies is being undertaken by paying particular attention to the goals and requirements of a liberalised, competitive, private-sector-led sector. The policy will also aim at highlighting future post-privatisation structures and roles of the Government, regulatory agencies, and NNPC.

Regulation is one of the principal vehicles by which the country's competition policy will be implemented. The legal and regulatory framework review will aim at codifying the existing plethora of legislations in the industry into a new legislation that would translate the national oil and gas policy into an unambiguous, comprehensive and workable legislation.

POLICY

A broad National Oil and Gas policy is underway to provide an enabling legal and regulatory framework necessary to engender competition and move the sector towards private sector led growth and development.

The BPE through the IDA has commenced the procurement process for an adviser to assist in the reform and formulation of a new legal and regulatory framework for the downstream sector.

PROSPECTS

High prices of oil in the international market are expected to increase refining margins. In Nigeria, the high price of oil in the international oil markets would be an impetus for the refineries to operate at full capacity to take advantage of local demand as well as demand that exist in the neighbouring countries, as the low cost of transporting products will add to the high margins.

The correlation between GDP growth and oil consumption is expected to boost profit in the refining business in Nigeria. The current economic reform efforts and the programme of National Economic Empowerment and Development (NEEDS) targeted at enhancing the economic base of the Nation will translate into diversification and deepening of the economy through greater oil consumption and more production of goods and services.

These enterprises are available to interested investors

1. Kaduna Refinery and Petrochemicals Company
2. Port Harcourt Refinery
3. Warri Refinery and Petrochemical Company Limited
4. Pipelines and Products Marketing Company
5. Nigeria Gas Company Limited
6. Eleme Petrochemicals Company Limited

KADUNA REFINING AND PETROCHEMICAL COMPANY (KRPC)

Address Of Enterprise
KM 16 Kachia Road
P.M.B 2252
Kaduna

COMPANY PROFILE

The refinery was commissioned in 1980 to supply petroleum products to Northern Nigeria with a capacity of 50,000 B/D. In 1983, the capacity was expanded to 100,000 B/D by adding a second 50,000 B/D crude train dedicated to the production of lubricating oils (lubes). In 1986, the capacity of the first crude train was expanded to 60,000 B/D. The expansions have increased the current nameplate capacity of the refinery to 110,000 B/D.

- Main Plants
- Crude Distillation Unit CDU – 1 (Fuels)

CDU – 1 feeds the fuels train of the refinery. It was designed to process 50,000 B/D of Nigerian crude (a 50/50 blend of Escravos and Forcados) and later revamped to 60, 000 by adding a pre-flash column and a second heater. The unit is designed to late 1970s standards, which make it an energy efficient design.

Crude Distillation Unit CDU – 2 (Lubes)
CDU – 2 feeds the lube. CDU –2 is currently not functioning because the utilities performance is not up to par and cannot support the running of the unit.

Petrochemicals Unit
This unit consists of a production complex with a target of 91 tonnes per day of Linear Alkly Benzene (LAB), which is the major feedstock for the production of detergents. It was commissioned in 1988 and uses UOP process technologies.

Facilities
The main refining units and their capacities are shown below:

PROCESS	UNIT	CAPACITY
Crude Distillation, Fuels	CDU – 1	60,000 B/D
Vacuum Distillation, Fuels	VDU – 1	15,200 B/D
Fluid Catalytic Cracking	FCCU	21,000 B/D
Naptha Hydrotreating	NHU	24,000 B/D
Kerosene Hydrotreating	KHT	17,500 B/D
Catalytic Reforming	CRU	17,500 B/D
Sulphur Recovery	SRU	10 Tonnes/day
Crude Distillation, Lubes	CDU –2	50,000 B/D
Vacuum Distillation, Lubes	VDU – 2	23,000 B/D
Propane Deasphalting	PDU	7,860 B/D
Furfural Extraction	FEU	12,450 B/D
MEK Dewaxing	MDU	5,300 – 9,400 (depending on what base oil is being produced)
Wax Deoiling	WHU	75 Tonnes/day
Asphalt Blowing	ABU	6,000 B/D
Linear Alkyl Benzene	LAB	91 tonnes/day

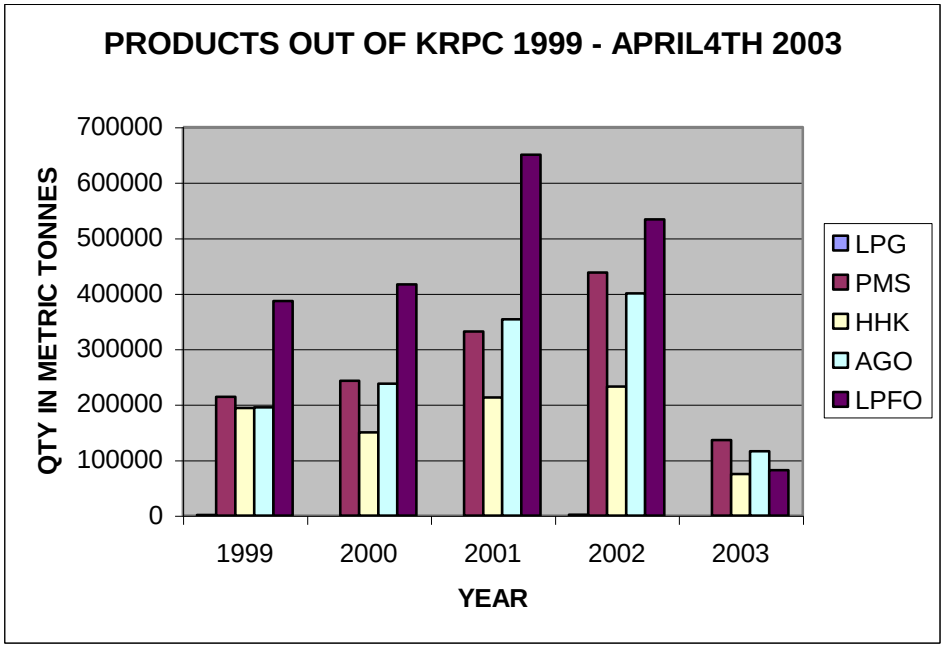
Utilities

The refinery has all the utilities (on site) required for its operation. The installed capacities of the utility plants are shown below:

UTILITY	CAPACITY
Electricity – Steam Turbines	4 X 14 MW
Steam Boilers	5 X 120 t/hr @ 42 bar
Raw water treatment	750 m3/hr
Cooling Water	18,100 m3/hr
Demineralised Water	340 m3/hr
Nitrogen	920 Nm3/hr
Instrument Air	3 X 6000 Nm3/hr
Waste Water treatment plant	N/A

PRODUCTS

The refinery produces various yields of crude oil by products as shown below:
LPG Gasoline Jet/Kerosene Gas-oil/Diesel Fuel Oil
Asphalt Lubricants Waxes LAB/Petrochemicals



PRODUCTS OUT OF KRPC 1999 - APRIL 4TH 2003

	1999	2000	2001	2002	2003
LPG	930	1	60	1617	165
PMS	214170	242810	332100	438275	136341
HHK	193840	150260	213020	232612	75123
AGO	195180	237910	353730	400447	115828
LPFO	386750	416540	650510	533800	82055

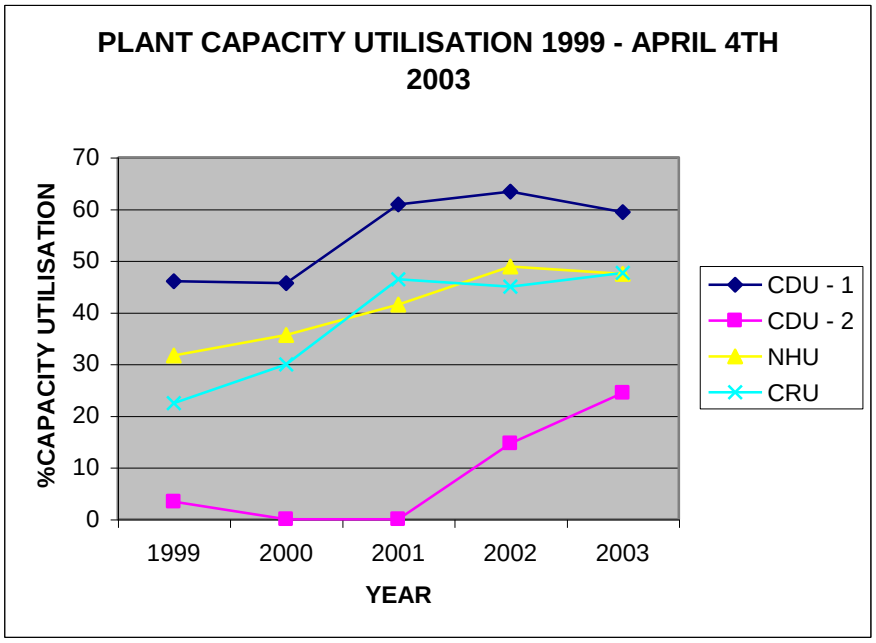
The above table shows 2003 production statistics till April 4th before the plants were shut down due to operational reasons.

From current Government pronouncements, Nigeria has embarked on the road to full petroleum products pricing liberalisation. This would allow adequate and fair returns on investment.

REFINERY PERFORMANCE

The refinery has a capacity of 110,00 B/D. However since 1983 it has never achieved full throughput and production has declined apart from the early 1990's, which saw a brief upswing in production.

The throughput for the refinery in 2002 was about 40,000 B/D as against the nameplate capacity of 110,000 B/D, which translates to about a 36% capacity utilization.



PLANT CAPACITY UTILISATION 1999 - APRIL 4TH 2003

	1999	2000	2001	2002	2003
CDU - 1	46.03	45.66	60.9	63.38	59.42
CDU - 2	3.42	0	0	14.66	24.45
NHU	31.7	35.65	41.55	48.89	47.45
CRU	22.46	29.97	46.39	44.98	47.66

The inefficient operation of the refinery could be attributed to these main issues listed below solving of which would ensure that the refinery could be run at an optimum capacity.

- Crude oil is currently being supplied by pipeline from the Escravos terminal, which is located along the volatile Niger Delta area.
- Refurbishing of the existing utilities of the plant so that they would perform at optimum and meet all the operational requirements of the refinery.

Five (5) Year Financial Summary (All Figures in ₦)

31st December	1998	1999	2000	2001	2002
Turnover	2,357,471,050	1,975,442,969	1,770,275,484	2,457,111,799	3,022,148,400
(Deficit) for the year	(222,079,124)	(6,643,660,638)	(7,397,333,812)	(4,255,220,472)	(7,319,221,190)
Earnings per share	(44.42)	(1,328.73)	(1,479.46)	(851)	(1,464)

With the size of the whole northern region of Nigeria and the countries that border the region (Niger and Chad) the Kaduna Refinery has the market to ensure that all it's output is consumed. i.e. the Nigerian market would consume all the PMS and some of the AGO, and the other countries consuming other products.

The Refinery operating at 90 – 95% capacity and with current crude prices is expected to recoup its investment and make profits in just a few years of operations.

PORT HARCOURT REFINING COMPANY LIMITED (PHRC)

COMPANY ADDRESS:
KM 2 Alesa Road, P.O. Box 585, Port Harcourt
Rivers State
Nigeria

COMPANY PROFILE

The Refinery Complex comprises two refineries at Alesa-Eleme near Port Harcourt in Rivers State. Port Harcourt II (New Refinery) is a complex, conversion refinery with a nameplate distillation capacity of 7,500,000 MTA (150,000 bpd). It came on stream in 1988 and was originally intended to serve as an export refinery. It has been subsequently dedicated to domestic market service given frequent interruptions in supply from the other three refineries in Nigeria. Port Harcourt II has considerable clean fuel capability, including lead-free gasoline

EQUITY STRUCTURE

The Company has an authorized Share capital of N5 million, divided into 5 million Ordinary shares of N1 each. Preparatory to its privatization, the Company is being incorporated as a separate business entity outside NNPC. This will lead to the creation of a new Capital structure for the company.

FACILITIES

The two refineries have two main facilities respectively- the main processing units and the utilities and tank farms.

Main Processing Units		
Old Refinery (PH I)	**Unit**	**Capacity**
Crude Distillation	CDU	60,000
LPG Unit	LPGU	60
Catalytic Reforming	CRU	6,000
New Refinery (PH II)	Unit	Capacity
Crude Distillation	CDU	150,000
Vacuum Distillation	VDU	150,000
Naptha Hydrotreating	NHU	53,560
Catalytic Reforming	CRU	33,000
Kerosene Hydrotreating	KHU	14,500
Catalytic Cracking	FCCU	40,000
LPG Merox		11,500
Gasoline Merox		24,680
Dimersol	DIM	4,850
HF Alkylation Unit	HFALK	7,020
Butane Isomerisation	BUT	3,610

UTILITIES

OLD REFINERY

The old Refinery has its own utilities and tank farm. The utilities consist of water boreholes, water treatment, cooling water tower, instrument air and steam boilers. The only utilities supplied from the new refinery are power and nitrogen by air. The old refinery is designed to generate its own gas as

process fuel. However, this is generally supplied from processing LPG from storage through the LPG plant to provide sufficient gas to operate the old refinery.

NEW REFINERY

The new refinery consist of the following utilities:

UTILITY	**CAPACITY**
Electricity – Steam Turbines	4 X 4 MW
Steam Boilers	4 X 120 t/hr @ 42.7 bar
Raw water treatment	
Cooling Water	14,000 m3/hr
Demineralised water	140 m3/hr
Nitrogen	600 Nm3/hr
Instrument Air	3 X 2, 500 Nm3/hr

PRODUCT AND SERVICES

The Refinery is configured to produce various yields of the following crude oil products:

Crude	Low Pour Fuel Oil (LPFO)
LPG	High Pour Fuel Oil (HPFO)
Gasoline	Fuel Gas
DPK	AGO

PERFORMANCE OF THE ENTERPRISE

The combined capacity of the two refineries is 210,000 barrels per day. The old refinery was designed to process 60,000 b/d of TNP, a blend of Medium Nigerian Crude oil, whilst the new refinery is capable of processing third party crude oil.

Recent processing performance is much below design capabilities in terms of both refinery throughput and the yield of a higher valued product slate. The refinery has seldom operated above 50% of design capacity and the 1990's saw a gradual decline in refinery throughput with proportionately increasing yields of lower value fuel oil product. Following the Turn Around maintenance carried out in 2000, throughput improved its level of performance. Until 1995, the yield performance of the refinery was in line with design. The design expectations were 33% gasoline, 42% middle distillate with just 19% fuel oil and 5% for fuel loss, plus 1% LPG.

Poor maintenance of facilities and inadequate manpower has over the years been the major reason for epileptic performance of the refinery. With a capacity to refine 210,000 barrels per day out of the local capacity of 450,000 the refinery, if well operated, will cater for the large market existing for petroleum products in Nigeria and West Africa.

INCOME, PROFIT, TAX

	1999	**2000**	**2001**	**2002**	**2003**
	N' 000	N' 000	N' 000	N' 000	N' 000
Income	7,398,076	4, 608, 415	8,898,535	7,466, 429	3,353,096
Profit/(Loss) Before Tax	2,590,730	(1,823,231)	(4,396,442)	(1,106,070	(4,162,162)
Taxation	(186,281)	(8,671)	(10,500)	(16,559)	(4,182)
Dividend	-	-	-	-	-
Retained Profit/(Loss)	2,404,449	(1,823,231)	(4,396,442	(1,122,629	(4,166,344

PROSPECTS

The Refinery operating at 90 – 95% capacity and with current crude prices is expected to recoup its investment and make profits in just a few years of operations.

WARRI REFINING & PETROCHEMICALS COMPANY LIMITED (WRPC)

ADDRESS OF ENTERPRISE
Ekpan - Warri
P.M.B 44, Effurum
Near Warri
Delta State
Nigeria

COMPANY PROFILE

This refinery is located at Warri in Nigeria's Delta State and was commissioned in 1978. Warri is a complex conversion refinery with a nameplate distillation capacity of 6,250,000 MTA (125,000 bpd). The refinery complex includes a petro-chemicals plant commissioned in 1988 with production capacities of 13,000 MTA of polypropylene and 18,000 MTA of carbon black. The refinery supplies markets in the south and southwest regions of Nigeria.

MAIN PLANT FACILITIES

The Company has fuel plants and petrochemical plants as follow:

NHU -
KHU – Kerosene Hydrotreating Unit
FCC –
HF Alkylation
Polypropylene
Carbon Black

UTILITIES

The refinery has all the utilities (on site) required for its operation. The installed capacities of the utility plants are shown below:

Power – There is a total installed electric power generating capacity of 125 MW
Steam – the company has a power plant that has an installed high-pressure steam generating capacity of 545 T/Hr from 3 Boilers, 2 Hrs units, a CO Boiler in the FCC unit & CRU Heat recovering unit
1,600 NM 3/Hr capacity Nitrogen plant with compressed air facility
Potable water treatment plant
Waste water treatment plant just upgraded and rehabilitated
Crude Oil storage capacity of 273,600 M3 sufficient for about 14 days operations
Crude Oil supply to WRPC is from Escravos, which is an island about 80Km from the refinery
A jetty with facilities for fuel oil, diesel, & PMS import & export as well as an ethylene import and storage facilities
Truck loading facilities for product evacuation
A futuristic railroad for products evacuation

PRODUCTS

The refinery produces various yields of crude oil by- products as shown below:

LPG (propane and butane)
PMS
Kerosene - HHK (Household Kerosene)
AGO
Fuel Oil

PERFORMANCE OF THE ENTERPRISE

The refinery has a capacity of 125,000 B/D. However it has never achieved full capacity utilization as production has declined steadily except the early 1990's, during which there was a brief upswing in production.

The inefficient operation of the refinery could be attributed to these main issues listed below which, if resolved, will ensure that the refinery could be run at an optimum capacity.

- Refurbishing of the existing utilities of the plant so that they would perform at optimum and meet all the operational requirements of the refinery.

However, a turn around maintenance has been completed recently, which is expected to greatly enhance refinery performance including throughput volume and product yield.

FINANCIAL SUMMARY: 1998 - 2002

	1998	**1999**	**2000**	**2001**	**2002**
PROFIT AND LOSS ACCOUNT	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**
Turnover	4,836,417	5,552,151	445,280	4,163,035	5,118,231
(Loss)/profit for the year after tax	(494,765)	(270,530)	(3,138,762)	178,560	(881,533)
Earnings per share	₦98.95	₦54.11	₦627.75	₦35.71	(₦176.31)
Net assets per share	₦325.68	₦379.79	₦1,007.54	₦944.02	₦1,120.32

PROSPECTS

The Refinery operating at 90 – 95% capacity and with current crude prices is expected to recoup its investment and make profits in just a few years of operations.

PIPELINES AND PRODUCTS MARKETING COMPANY LIMITED (PPMC)

Block 'c' NNPC towers
Herbert McCauley way
Central business district
PMB 459,Garki Abuja.

AREA OFFICES: (PROPOSED REGIONAL STORAGE DEPOT COMPANIES)

a) PORT-HARCOURT

- PH DEPOT
- OKRIKA JETTY
- ABA DEPOT
- ENUGU DEPOT
- MAKURDI DEPOT
- CALABAR DEPOT
- BONNYEXPORT TERMINAL.

b) WARRI- WARRI DEPOT

- WARRI JETTY
- BENIN DEPORT
- ABUDU PUMP STATION
- AUCHI PUMP STATION
- LOKOJA PUMP STATION
- ESCRAVOS TERMINAL

d) KADUNA – KADUNA

e) MOSIMI - MOSIMI DEPOT

- ATLAS COVE JETTY & DEPT.
- SATELLITE (EJIGBO LAGOS)
- IBADAN DEPORT
- ORE DEPOT
- ILORIN DEPOT
- ABAJI PUMP STATION
- IZOM PUMP STATION
- MINNA DEPOT
- SULEJA DEPOT
- SARKIN PAWA P/STATION
- KANO DEPOT GUSAU DEPOT
- ZARIA PUMP STATION

f) GOMBE - JOS DEPOT

- GOMBE DEPOT
- YOLA DEPOT
- BIU PUMP STATION
- MAIDUGURI DEPOT.

DESCRIPTION OF SERVICES

These include:

- Marketing of refined petroleum and petrochemical products in the domestic as well as export markets, marine services and efficient evacuation of refined petroleum products from the local refineries.
- Construct, maintain, lease and hire pump stations, depots and pipelines for the storage and transportation of petroleum and petroleum products, liquids and gases; transport such liquids and gases by means of such pipelines and to utilize, sell and supply liquids and gases to others, to store the same in tanks or otherwise and to lay, buy, lease, sell and operate such pipelines, tanks and other storage facilities.

- Carry on the transportation by ships of crude oil, petroleum products, and petrochemical products and to perform other activities relating thereto.
- Collect and evacuate crude oil, refined oil, liquefied natural gas, liquefied petroleum gas or other allied products from various oil fields, oil terminals or refineries in the Federal Republic of Nigeria or elsewhere and to transport such to anywhere in Nigeria or elsewhere in the World.

MAJOR PRODUCT TYPES	**SPECIAL PRODUCTS**
Premium Motor Spirit (PMS)	Paraffin Wax
Dual purpose Kerosene (DPK)	Base oil
Automotive Gas Oil (AGO)	Bitumen
Aviation Turbine Kerosene (ATK)	Asphalt
Liquefied Petroleum Gas (LPG)	Carbon Black
Low Pour Fuel Oil (LPFO)	
High Pour Fuel Oil (HPFO)	

PRODUCTS CAPACITY HOLD (STORAGE)

PMS	994,500 CUBIC METERS
DPK	430,700 CUBIC METERS
AGO	673,100 CUBIC METERS
ATK	74,000 CUBIC METRES

EQUITY STRUCTURE AND THE PLANNED MODE OF PRIVATIZATION.

PPMC is a wholly owned subsidiary of Nigerian National Petroleum Corporation (NNPC) with a legal status of Limited Liability Company incorporated in 1988, having a paid up share capital of Five Million Naira (N5, 000,000) divided into 5,000,000 ordinary shares of N1 each.

MODE OF PRIVATIZATION.

In view of its relatively large size and the huge investment funds required, PPMC is to be privatised after "unbundling of its core bulk transport business from its storage depot core business (tank farms)". This would attract more companies/ investors thus adding to industry competitive intensity. The tank farms are to be further "unbundled" to create four regional storage depot companies (RSDCs) and regulated as "Open Access" companies, as follows:

RSDC Port Harcourt Zone
RSDC Mosimi Zone
RSDC Kaduna Zone
RSDC Warri Zone.

A transport logistics company is to be created from PPMC pipeline system assets and marine transport assets, and privatised as a regulated common carrier transport logistic company.

The privatisation offer would ensure sale through International Tender for four equity share blocks of 20 percent each, with the highest bidder having the right to operate and manage the facility on behalf of other buyers.

SECTOR DATA (MACRO-ENVIRONMENT)
DOWNSTREAM SECTOR

Nigeria's downstream oil sector comprises of four refineries, an extensive pipeline transport, storage and retail distribution network, a gas company and a petrochemicals complex. All these assets, with the exception of the retail distribution network, are owned, managed and operated by NNPC.

The four refineries are located at Kaduna, Warri and Port Harcourt (two refineries in Port Harcourt). The refineries have a total rated capacity of 445,000 barrels per day. The refineries at Warri and Kaduna also have petrochemicals processing capacity.

The product transportation and storage network is the sole responsibility of the Pipelines and Products Marketing Company (PPMC), a wholly owned subsidiary of NNPC. It comprises over 5000 kilometres of products pipelines, 17 depots, 3 refinery-based product tank farms, 9LPG plants, two jetties and one export terminal. PPMC sources for and distributes refined petroleum products across the entire country. It evacuates refined products from the Nigerian refineries, and receives imported products, which is subsequently distributed across the country through a network of pipelines and depots.

Profit & Loss Account: 1997-2001

	1997 N'M	**1998 N'M**	**1999 N'M**	**2000 N'M**	**2001 N'M**
Turn Over					
Tariff Income	5,849	4,109	11,057	15, 540, 751	23, 661, 844
Other Income	86	480	202	416, 747	518, 851
Subvention	2,531	3,482	-		
(1) Income	8,466	8,071	11,259		
Less: Cost of operation					
Marine Expenses	5,212	3,503	3,338	(4, 062, 434)	(10, 215, 706)
Pipeline Leasing Charges	-	-	831	(692, 052)	(696, 094)
Pipeline Maintenance	-	655	756	(3, 179, 577)	(5, 677, 177)
Admin & Distr. Expenses	3,745	4,416	7,248	(7, 545, 992)	(8, 660, 744)
	8,957	8,574	12,173		
(2) Loss before Tax	(491)	(503)	(914)	477, 443	(1, 069, 026)
(3) Taxation	(27)	(30)	(45)	(65, 791)	(66, 921)
(4) Loss after Tax	**(518)**	**(533)**	**(959)**	**411, 652**	**(1, 135, 947)**

PROSPECTS

PPMC's infrastructure represents the largest oil and gas network of pipelines and storages currently available in the West African sub-region. The organization was hitherto characterized by inefficiency and various acts of vandalism, partly because government had 100% ownership. With recent reforms in the economy, pipelines and depots have become the main arteries through which the bloodstream of the national economy will flow. The potentials are enormous, including expansion into the sub-region. More specifically

- The pipelines will assist marketers and refiners transport their products to the market and other points.
- The depots are located inland and at the coastlines, offering storages for products preparatory to making them available in the market.
- The Jetties have already indicated high potentials; there is a temporary lease arrangement in place between users that were denied access and the PPMC.

Currently, daily demands for petroleum products stand at nearly 30million litres. With more efficient operations, PPMC pipelines can move up to 80% of these products. This is in addition to crude oil movement to the refineries. The PPMC inland depots have a combined storage capacity of 2,138,000M3 (about 80 days reserve); while the export terminal at Bonny provides additional advantage for exports.

It is envisaged that after the privatization of the enterprise, utility output of the facilities would be raised by 30-40% in the first year. A 10% point annual rate of improvement will enhance the attainment of an optimal utility level within five years.

PPMC has a leading position in distribution and storage facilities. The network would be difficult and costly for competitors to duplicate. This provides potential investors with strong customer base and the needed avenue for expansion within the ECOWAS region.

It is expected that the current, on-going round of reforms would enhance prospects for business opportunities. Reforms should also yield significant growth in industrial capacity output, growth in population and enhancement of Nigeria's per capita income, all of which enriches business prospects.

NIGERIA GAS COMPANY LIMITED (NGC)

ADDRESS
No. 1 Odin Road, Ekpan,
P.M.B 1288. Warri
Delta State,
Nigeria

COMPANY PROFILE

The Nigeria Gas Company Limited (NGC) is a wholly owned subsidiary of the Nigeria National Petroleum Corporation (NNPC). It was incorporated as a limited liability company on 25th June 1981 with an authorized share capital of N5, 000,000. The company commenced operations as a corporate body in 1988 following the establishment of additional subsidiary companies by the NNPC in response to the changing conditions of the national economic environment.

Basically, NGC is responsible for the development of an efficient gas industry that would fully serve the domestic energy needs and provide industrial feedstock requirements through a national integrated pipelines network. The company is also poised to establish Nigeria's presence in the international natural gas market, particularly the West African sub-region through the export of gas and its derivatives.

Its role as the gas arm of NNPC is:

- Transmission and distribution of natural gas from producing fields to customers
- Marketing of natural gas and its derivatives nationally and within the ECOWAS sub region
- Development of a national, integrated pipeline transmission network.
- Development and recommendation of policies on gas utilization and pricing to government.

MAIN PROCESSING UNITS

NGC's main transmission system currently consists of three (3) major pipelines namely;
Escravos- Lagos trunk pipeline (ELP) for supplies to the Western parts of the country and to ECOWAS.
Oben- Ajaokuta pipeline, which is the backbone for supplies to the North
Alakiri-Obigbo- Ikot Abasi for the Eastern trunk.

NGC's installed pipelines have a total system capacity of over 2Bscf/d, with installed costs of over US$937.47 million.

FACILITIES

The man facilities of the NGC are:
14 Compressor Stations
22 Metering Facilities
1,158km of Pipelines
2.5Billon scf/d total installed capacity
$900million invested in assets

UTILITY UNITS

NGC currently has 14-point -of- sale customers, which are regarded as being in 3 business sectors, which are characterized by the price the customer pay for their gas, viz:

Sector	Customers	Gas price, N/mscf
Commercial	Aba/Lagos Industries WAPCO Ewekoro & Shagamu PZ, Lagos	194.30- 258.80
Parastatal	ASCL Ajaokuta DSCL Aladja NEPA Afam, DeltaIV, Egbin & Sapele	11.31
q-Parastatal	ALSCON Ikot Abasi NAFCON Onne WRPC Warri	11.31 -41.00

EQUITY STRUCTURE

The Company has an authorized share capital of N5, 000,000 (Five million Naira) that is divided into five million ordinary shares of One Naira each. The issued and paid up capital is N3.00 (Three Naira) consisting of three ordinary shares of N1.00 (One Naira) each.

PLANNED MODE OF PRIVATIZATION

Detailed divestiture plans await the completion of a comprehensive master plan on gas being conducted by the World bank, and may involve some measure of unbundling. However in line with the on-going privatization programme, Government will divest at least 51% of its shareholding to a core investor or a consortium of foreign and/ or domestic investor while the remaining shares are to be sold to the Nigerian Public, out of which 10% would be sold to employees of the company.

SECTOR DATA

The Federal Republic of Nigeria is one of the world's major oil & gas producers. Currently, the country's oil & gas reserves are conservatively estimated at 26 billion barrels and 157 trillion cubic feet, respectively. As has been established, Nigeria is blessed with abundant reserves of natural gas. Prospects for the growth of the GAS INDUSTRY are enormous when viewed from the various industrial and commercial consumers that need to be served and the potential local market available for chemicals derivable from natural gas, which are currently imported. The Federal Government through NNPC and its subsidiary, NGC is committed to promoting and providing favourable economic environment to allow private companies (Local and Foreign) to participate in the Gas Industry.

GAS POLICY

Two distinctive features characterize the global gas industry namely:

a. The business requires a substantial amount of infrastructure, most of which requires large, up-front capital investments, and
b. There is intense competition for companies' investment dollar as gas opportunities around the world exceed capital reserves.

The importance of gas policy on development and utilization of Gas cannot be overstated. Currently there is no approved national policy in existence. The policy will address the following;

Inter-fuel pricing and substitution
Energy security and flexibility
Impact on economic growth
Institutional infrastructure
Efficient market function

REGULATION

There will be need for an effective structural regulatory regime to balance the interests of consumers, transporters, distributors and suppliers of gas.

FISCAL INCENTIVES

For Nigeria to successfully eliminate gas flaring, it will be necessary to provide incentives that support both the expansion of the domestic gas market as well as export projects.

MARKETING SCOPE

The development of a gas industry takes time, with long-term commitment and planning. The three segments of the gas chain (Production, Transmission, and distribution) must all operate efficiently for widespread use of gas in the country. The gas transmission phase will be the critical determinant of gas development and commercialization success.

NGC's position as the only major Transmission Company for now, places it in a strategic position to contribute to the development of the gas industry. Recent investments by NNPC through NGC in gas supply schemes have brought natural gas within the reach of a significant number of industries in the Southern parts of the country, but the long-term objective of NGC is to establish an integrated national network of gas supply pipelines.

NGC intends to expand its business to meet the needs of its customers, particularly in the Eastern and Northern parts of the Country. To this end, NGC intends to make additional capital investment to expand its business by extending its transmission pipeline systems. NGC was and is still shouldered with responsibility for an orderly development of network of domestic gas infrastructures. In playing this role, additional systems have been constructed since 1985, namely supplies to: NEPA, Afam; IGIl & other industries at Aba, NAFCON Onne, The Escravos-Lagos-pipeline (ELP), and the Alakiri-Obigbo-Ikot Abasi line to ALSCON

ENTERPRISE DATA

NGC is a profit oriented gas company, committed to extending gas to all areas of the nation and West Africa sub-region, to achieve a gas utilization culture that makes the fuel and feedstock of first choice. Presently, NGC supplies the bulk of the domestic demand for gas, which is practically all by their industrial customers, with an insignificant number of residential customers. Gas supplies for power generation accounts for over 70% of NGC's gas throughput. The expected industrial development as the Nigeria Market opens up presents unique market for the NGC.

FIVE-YEAR FINANCIAL SUMMARY: 1998-2002

NGC's financial summary would have been much better, but for the excessive debt owed it by other public enterprises

	1998	1999	2000	2001	2002
Turnover	2,831,649	3,992,956	3,306,207	4,043,088	4,778,297
Profit before taxation	370,207	1,425,088	110,076	299,418	454,152
Taxation	187,000	220,000	20,000	50,000	84,743
Profit after taxation	370,207	1,425,088	90,076	249,418	369,409
Working Capital ratio	1.24	1.41	1.35	1.76	2.14

PROSPECTS

Natural gas has become an important business in its own right. It is estimated to outgrow oil as a reserve source in the next few years. Its increased development and utilization for domestic market most especially in power generation, industrial and agricultural sectors will help enhance development of the Nigeria economy.

The future development of the gas industry and the extent, to which NGC is able to achieve its objectives, would however, depend on ready markets for gas (either in new projects, or by existing industries substituting gas for other sources of energy), and availability of gas at an economic and competitive price to encourage gas development and production. The gas transmission company must be allowed to charge an appropriate gas price to all consumers, a price that captures not only all costs, but also includes a return on capital investment, and allows for gas system expansions.

POWER SECTOR

OVERVIEW OF THE POWER SECTOR

Electricity supply in Nigeria is currently being undertaken by the National Electric Power Authority (NEPA), established by Decree No. 24 of 1st April 1972, with the amalgamation of Electricity Corporation of Nigeria (ECN) and Niger Dams Authority (NDA). From a combination of hydroelectric dams, coal and gas power generating sources, it supplies electricity power to an estimated four (4) million customers in Nigeria and the Niger Republic. NEPA, the state-owned, vertically integrated monopoly, controls about 94% of the generation capacity and 100% of the transmission, system operation, distribution and marketing sectors of the industry.

The national electricity grid comprises three (3) hydro and six (6) thermal generating stations with a total installed capacity of 5906MW. The transmission and distribution networks include:

Transmission	5000 kilometers of 330KV lines
	6000 kilometers of 132KV lines
	23 of 330/132KV sub-stations
	91 of 132/33KV sub-stations
Voltage Policy Control	330KV + 5% & -15%, 132KV + 10% & -15%
Frequency control Policy	50Hz + 0.4% & - 0.4%
Distribution	23,753 kilometers of 33KV lines
	19,226 kilometers of 11KV lines
	679 of 33/11KV sub-stations
	20,543 of 33/0.415KV or 11/0.415KV sub-stations
Frequency Control	50Hz: 33KV +/- 10%

In addition, there are 1790 distribution transformers and 680 injection sub-stations.

Like most state-owned enterprises (SOEs), NEPA has suffered from severe under-funding and under-capitalization, inappropriate capital structure, excessive executive interference, and sub-optimality in decision-making. The result has been a huge investment gap particularly in the distribution sub-sector, an uncompetitive and poorly motivated workforce, and a lack of maintenance of existing infrastructure and facilities.

The consequence of this trend is a structural imbalance between electricity power demand (estimated at 10,000mw in 2005, forecast to rise to 20,000mw in 2010), and supply. Although installed capacity is about 6,000MW, the maximum load, ever recorded, was 3,083MW. With a 40% generation and distribution losses, the resultant power outages cost the nation an estimated $1 billion per annum (2.5% of GDP).

Given the dwindling finances of government along with the inadequacy and the un-sustainability of grants and subventions to fund NEPA's infrastructural improvement, fundamental structural reforms have become imperative in order to arrest the current deteriorating conditions in the sector such as the ever-rising consumer debts, mismanagement, vandalisation of NEPA's installation, high cost of maintenance, inadequate gas supply, high cost of foreign exchange and the abysmally low tariff regime.

ELECTRIC POWER SECTOR REFORM PROGRAMME

Recognizing the importance of the availability of energy at economically acceptable costs and in sufficient quantity, the following objectives, defined by the Federal Government, constitute the framework for present and future programmes in the power sector in Nigeria:

- Promotion of competition to facilitate more rapid provision of service throughout the country;
- Creation of a new legal and regulatory environment for the sector that establishes a level playing field, encourages private investment and expertise, and meets social goals;
- Restructuring NEPA and privatizing the business units to be created out of NEPA;
- Encouraging the NEPA's successor companies to undertake an ambitious investment programme.

Thus, the power sector reforms aim at ensuring that Nigeria has efficient, safe, affordable and cost-effective electricity industry that will not only provide continuous electricity supply to consumers in all geographical areas in Nigeria but will also support a more robust economic growth in the country.

These objectives will be met largely through the implementation of the following processes:

a. Vertical separation of NEPA into generating, transmission and/or dispatch and distribution.
b. Establishment of a transmission company (TransysCo)
c. Horizontal unbundling of each of the functional segments into a number of competing, successor companies (NBUs) as follows:
d. 6 Generating Companies (GenCos)
e. 11 Distribution Companies (DisCos)
f. The creation of a Special Purpose Entity to act as a financial vehicle to take over NEPA legacy debts and stranded costs
g. The establishment of a regulatory agency that will be called Nigerian Electricity Regulatory Commission to oversee and monitor the activities of the NBUs
h. Creation and operation of a wholesale electricity market in Nigeria
i. A Rural Electrification Agency to expand access to electricity to the rural areas
j. A Power Consumer Assistance Fund to subsidize the tariff for underprivileged consumers
k. Privatization of the newly established generation and distribution companies as separate entities
l. Management Contract for the Transmission Company

CURRENT STATE OF THE REFORM PROGRAMME

The Electricity Power Sector Reforms (EPSR) bill that will provide the legal backing to the power sector reforms was adopted by the Senate and the House of Representatives in February 2005, and has been signed into law by President Olusegun Obasanjo The promulgation of the Bill into law, has opened the way for jump-starting the following processes:

1. The legal unbundling of NEPA into new business units;
2. The establishment of an Independent regulatory agency;
3. The establishment of a Consumer Assistance Fund to ensure the efficient and targeted application of subsidies to less privileged members of the society;
4. The establishment of a Rural Electrification Agency to manage the Rural Electrification Fund to ensure a separate but equally focused application of subsidies for rural electrification projects.

NEPA'S SEMI-AUTONOMOUS BUSINESS UNITS

Prior to the passage of the Bill, NEPA had commenced the internal un-bundling of the distribution business units (DBUs) along the lines of the existing NEPA zonal arrangement except for the Lagos Distribution zone which has been split into two (Ikeja and Eko distribution) zones. The existing distribution zones of NEPA are as follows:

Abuja Zone	Jos Zone	Ibadan Zone
Benin Zone	Enugu Zone	Kaduna Zone
Kano Zone	Lagos Zone	Port Harcourt Zone
Yola Zone		

These DBUs are manned by Chief Operating Officers (COOs) and their management support teams. NEPA has also commenced the use of financial statements for each of the 18 business units to provide each business unit with a good perspective of its overall cost structure and the imperatives of operational and financial viability. The launching of the Transfer Pricing Systems together with the implementation of the newly designed Market Operating Rules, tariff regimes, will institutionalise market discipline and leverage competition in the industry.

Since the commencement of the restructuring programme, there have been indications of marked improvements in the Key Performance Indicators adopted by NEPA to engender competition amongst the DBUs. For instance, NEPA's revenue has stabilized at about N5.5 billion per month (US$430 million) for the six month period ended 31st December 2004, up by almost 30% when compared with the levels prevailing in the first six months of 2003.

The generating business units (GBUs) that will come on-stream will be along lines of existing NEPA generating facilities as follows:

- Kainji Hydro Power Station
- Jebba Hydro Power Station
- Shiroro Hydro Power Station
- Afam Thermal Power Station
- Delta Thermal Power Station
- Egbin Thermal Power Station
- Sapele Thermal Power Station

The two stations (Kainji and Jebba) will be merged eventually to become one company as they are located on the same hydro source - River Niger.

INTRODUCTION OF COMPETITION

A key aspect of the reform programme is the introduction of competition through the re-structuring of the Electricity Industry through the un-bundling of NEPA as follows:

Generating and Bulk Power Market

- 6 Generating companies plus the new and existing Independent Power Producer companies
- Bilateral contracts between the Generating companies and the 11 Distributing companies
- Generating companies to pay full price for gas and other fuels
- Generating and distributing companies to initiate capacity expansions
- The Transmission Company will be responsible for projections and capacity requirements
- The Nigerian Electricity Regulatory Commission to approve capacity expansion plans and oversight tenders

The Transmission Company will manage

- Open access (dispatch 20mw generated)
- System operations (power lines>132Kv)
- Market settlement (will neither buy nor sell electricity)
- Network expansion and planning

The Distributing Companies will:

- Manage Network lines<132 kV
- Not build or own generating plants in excess of 20mw
- Not own shares in the Transmission Company

Ownership and Cross- ownership

- Generating and Distributing companies will not own shares in the Transmitting company
- Generating and Distributing companies will not cross-own shares
- Not applicable to off-grid systems

THE BUSINESS OPPORTUNITY

The huge gap of 69% between the historical maximum load of 3083MW and the 2005 level of electricity power demand (which is forecast to increase to more than 85% gap level by 2010) presents a spectacular opportunity for very capable and resourceful investors who are keen in exploiting such an opportunity in the electricity industry in Nigeria, which is rare in the African continent. This opportunity exists in NEPA's successor-companies in both the generation and distribution sub-sectors.

METHOD OF PRIVATISATION

NEPA's successor companies in generation and distribution will be 100% owned and managed by the Private sector while the successor transmission company will remain publicly owned but managed by the private sector.

DEVELOPMENT BANKING SECTOR

BANK OF INDUSTRY (BOI)

The Bank of Industry (BOI) is owned by the Federal Government of Nigeria. This bank emerged from the government's rationalization of some development Finance Institutions (DFIs) namely the Nigerian Bank for Commerce (NBCI), Nigerian Industrial Development Bank (NIDB) and the Nigerian Economic Reconstruction Fund (NERFUND).

LOCATION
Bank of Industry House
63/71, Broad Street,
P. O. Box 2357, Lagos.

SHAREHOLDING:

NAME:	UNITS	%
Min. of Finance Incorporated	297,688,401	59.54
Central Bank of Nigeria	201,822,645	40.36
Nigerian citizens and associations	488,954	0.10

The Bank of Industry has four subsidiaries from its merger with the NIDB:

- Leasing Company of Nigeria (LECON)
- NIDB Trustees Limited (NTL)
- NIDB Consultancy and Finance Limited (NIDB Consult)
- Industrial and Development Insurance Brokers (IDIB)

FACILITIES

- Initial capital base of N50 billion
- Six zonal offices

TYPES OF PROJECTS FINANCED BY BOI

- Projects in the areas where Nigeria has comparative advantage
- Projects that engage in the efficient conversion of local raw materials into finished products
- Ventures that can be least cost producers of good quality products that could be successfully marketed locally and/or internationally.

PRODUCTS AND SERVICES DELIVERABLE BY BOI

1. Medium and Long-term loans.
2. Working Capital Finance
3. Equity Financing
4. Management of dedicated funds
5. Loan guarantees
6. Co-financing
7. Investments in Corporate Boards
8. Business Development Services
9. Lease financing
10. Trusteeship
11. Stock Brokerage
12. Foreign Exchange Dealership
13. Insurance Brokerage

REFORM PROPOSALS OF THE BANK

The BOI is intended to focus on the private sector in both funding and commercial operations. The Bank has opted to adopt the existing prudential guidelines for Banks though more stringent when compared with the CBN proposal to apply some standards used by other finance companies for BOI.

The capitalization of BOI should be indexed against a strong currency preferably United States of America Dollar. This is particularly important to meet the Debt-Equity ratio criteria set by international funding agencies to enable BOI enjoy their patronage.

BOI would focus on SMEs with linkages within the broad economy with a view to enhancing overall industrial interaction, expanding output and employment and utilizing local resources to its fullest advantage. The huge SMIEIS funds currently accumulated by the Banks will help BOI fulfil its mandate.

THE DEVELOPMENT FINANCE SECTOR ISSUES.

The reduction of all six existing DFIs to two; (BOI and NACRDB) has narrowed the playing field and streamlined the operations of the DFIs. The Nigerian Industrial Development Bank (NIDB), the National Economic Reconstruction Fund (NERFUND) and the Nigerian Bank for Commerce and Industry (NBIC) have been brought together to form the Bank of Industry. On the other hand, the Family Economic Advancement Programme (FEAP), Peoples Bank of Nigeria (PBN) and the Nigerian Agricultural and Cooperative Bank (NACB) have become a single Bank, the Nigerian Agricultural, Cooperative and Rural Development Bank (NACRDB).

These institutions, before the Government took the decision to merge them, were unable to perform their roles effectively due to the following reasons:

1. Low Capitalization
2. Inefficient Operations
3. Poor loan portfolio
4. Poor Liquidity
5. Inability to access external lines of credit, and
6. Lack of capacity to finance projects

FINANCIAL PERFORMANCE FOR 5 YEARS:

PROFIT AND LOSS ACCOUNT

	1998	**1999**	**2000**	**2001**	**2002**
Income	747,375	998,592	1,151,387	748,484	1,299,964
Expenses	727,006	975,989	1,434,690	1,914,179	854,128
Profit after tax	14,228	14,708	14,916	958,706	435,636

BOI corporate Plan 2003 – 2007:

The estimated available funds during 2003 – 2007 are shown below:

	2003 **N' billion**	2004 **N' billion**	2005 **N' billion**	2006 **N' billion**	2007 **N' billion**
Equity					
Existing	**3.75**				
Incremental	**3.333**	**3.333**	**3.333**	**3.333**	**3.333**
Sub-Total	7.083	3.333	3.333	3.333	3.333
Borrowing	**3.000**	**8.557**	**9.152**	**9.776**	**10.431**
Grand Total	10.083	11.890	12.485	13.109	13.764

PROSPECTS

It is expected that the bank's contribution to the economy will grow stronger as the implementation of the economic reforms progresses to widen the scope of needs for economic/business development financing.

NIGERIAN AGRICULTURAL COOPERATIVE AND RURAL DEVELOPMENT BANK (NACRDB)

THE COMPANY

The Bank is a development Finance Institution wholly owned by the Federal Government of Nigeria. NACRDB was incorporated in 2000 following the merger of defunct Nigeria Agricultural and Cooperative Bank, People's Bank of Nigeria and risk assets of the Family Economic Advancement Programme (FEAP). The Nigerian Agricultural and Cooperative Bank began operation on 6th March 1973 as Nigerian Agricultural Bank Limited.

LOCATION
Yakubu Gowon Way
P. M. B. 2155
Kaduna
Telephone: 062-245011; 245013; 245017; Fax: 062-244612

OWNERSHIP STRUCTURE

The two government institutions own the Bank:

Federal Ministry of Finance	60%
Central Bank of Nigeria	40%

TYPES OF BUSINESS

NACRDB provides:

- Finance and credit facilities to agricultural and agro-allied industries.
- Loans to farmers, agricultural institutions, organizations and cooperative societies.
- Direct investments by way of equity participation in wholly owned or joint-venture projects.
- Provision of guarantees to viable agricultural and agro-allied ventures.
- Rural savings scheme.

LENDING CHANNELS

The NACRDB has five channels of financial support to its clients:

i. **On- lending Scheme:**
This is lending through Cooperative Financing Agency (CFAs), Non-Government Organisations (NGOs), Self Help Groups (SHGs) and some Private Sector micro-credit institutions

ii. **Small Holder Scheme (SHS)**
The Small Holder Scheme is designed for small and medium scale individual and group farming organizations and funds are provided as loans on very favourable terms and conditions. Interest charges are usually below the market rate.

iii. **First/Second Livestock Development Programme (SLDP)**
This programme projects are also designed for small and medium scale individual and group farming organizations and funds are provided as loans on very favourable terms and conditions. Interest charges are usually below the market rate.

iv. **Special Projects**
The special projects are usually undertaken in collaboration with such international financial institutions and donor agencies as IFAD, ECOWAS and ILO.

v. **Investments in projects**
This target mainly medium and large-scale entrepreneurs who have the capacity to provide collateral securities.

FACILITIES

- Six zonal offices.
- 200 branch offices.
- N50 billion capital base.

ENTERPRISE DATA

Profit and Loss Account

	1998	1999	2000	2001	2002
Gross Earnings	447,555,158	555,732,180	593,291,282	421,696,820	2,521,887,148
Net Operating Profit/(Loss) before Taxation	1,786,948	1,862,352	2,328,900	2,846,398	82,647,923
RETAINED PROFIT/(LOSS) FOR THE YEAR	1,786,948	1,862,352	2,328,900	2,846,398	82,647,923

PROSPECTS

- Sourcing of offshore credit facilities for loan disbursement.
- Participation in Agricultural Exchange Market through its subsidiary, the Food Development Company.
- Creation of local market for raw material supply to local industries.
- Diversification of operations to agricultural support services: desertification control project, tangential agro-allied projects, equipment leasing, agro-chemicals manufacture and others.

POSTAL/ TELECOMMUNICATION SERVICES SECTOR

NIGERIA POSTAL SERVICE (NIPOST)

LOCATION
NIPOST Headquarters
Muhammadu Buhari Way,
Area 11, Garki, Abuja

SERVICES OFFERINGS

NIPOST provides a wide range of services and products classified into mail services, counter services & retailing, and workshop services. It also regulates courier companies within the company. These services are as follows:

- Developing and promoting postal services
- Collecting, sorting and delivering mails nationwide
- Counter services and retailing
- Workshop services

OWNERSHIP STRUCTURE

NIPOST is 100% owned by the Federal Government of Nigeria and is supervised by the Federal Ministry of Communications. It was established as a department in the Ministry on 1st January 1995 by the virtue of Decree No. 18 of 1987. However, it became an autonomous entity on 1st July 1992.

MODE OF PRIVATISATION

NIPOST will be privatized in three phases. Phase I is essentially the diagnostic review and determination of strategic options for NIPOST privatization and the postal sector in Nigeria. Phase II will focus on restructuring NIPOST into various business units. Phase III will be the actual privatization of the entities created from the restructured NIPOST.

SECTOR DATA

1. **The macro-environment**
   - ✓ The Ministry of Communications, which has the statutory function of supervising the postal sector, has through incorporating NIPOST given it a status of a National Postal Service provider for Nation.
   - ✓ NIPOST maintains about 4,168 postal service centres and 32 territorial head offices throughout the federation.
   - ✓ Ministry of Communications regulates operations of NIPOST, whilst NIPOST regulates the courier companies
   - ✓ There is currently no sector policy. This would put in place before the end of NIPOST privatisation.

THE MARKET ENVIRONMENT

In the provision of traditional regular mail services (conventional mails, mail deliveries, counter services and retailing), NIPOST has a 100% share in this segment of the industry. It, however, faces stiff competition in the courier services segment from other players such as DHL, Fedex Redstar, UPS, Fenway, TNT, etc.

THE BUSINESS OPPORTUNITY

NIPOST maintains the following facilities for its operation: 32 territorial head offices, 4,559 postal establishments as at December 2002. There are 1,004 landed properties with 948 fully developed and 706 transportation fleet.

The future prospects for NIPOST are:

- Sole provider of regular mail services/High potential of the postal market
- Opportunity for expanding courier services
- Potential for future expansion/growth
- Landed properties

THE PERFORMANCE OF THE ENTERPRISE

NIPOST has several technical, financial and operational problems that have prevented it from providing its core services. The operational structure of NIPOST is obsolete, as a result, of which its services are very poor, thus leading to explicit customer dissatisfaction. Constraints faced by NIPOST in its operation include bureaucracy, complacency, insolvency and technological obsolescence, and inadequacy of operational vehicle.

NIPOST depends solely on the Federal Government for its capital funding requirements as well as part of its personnel cost. The subvention from government is based solely on budgetary allocations that have little or no bearing on NIPOST's financial needs, both recurrent and capital. Due to its legal status, NIPOST at the moment has no power to source funds from the capital market. Government investment in NIPOST is therefore in terms of fixed assets.

NIPOST Schedule of Mails (1998 – 2002)

	1998	1999	2000	2001	2002
Mails posted in Nigeria	120,000,000	45,862,274	43,209,789	30,808,292	43,064,121
Mails received from abroad	190,300,000	73,378,038	64,106,535	19,775,149	25,293,030
Total mails handled	310,300,000	119,239,312	107,316,324	50,583,441	68,357,151

Source: NIPOST Annual Report 1998 – 2002.

NIPOST had a total of 13, 707 staff as at December 2002.

PROFIT AND LOSS ACCOUNT

NIPOST Profit and Loss Account. (1998 – 2002)

	1998 (N)	1999 (N)	2000 (N)	2001(N)	2002 (N)
Revenue	913,890,973.79	1,103,520,162.78	1,102,001,414.00	1,806,558,931.93	2,168,599,929.30
Profit (Loss)	(1,349,984,106.)	(1,003,686,088).	(2,116,018,567)	(2,725,300,529)	(2,502,750,394.

PROSPECTS

A re-engineered NIPOST, given its vast network and infrastructure all over the country and its experienced human resources through skills acquired over the decades, is a major cash spinner for a very entrepreneurial investor. It is expected that the right investor can easily turn NIPOST around to maximize the utilisation of many of its dormant resources to enhance the efficiency of its operations.

Nigerian Telecommunications Limited

BACKGROUND
Location

Plot 251, Central Business District
Herbert Macauley Way,
Abuja.

Service offerings

The historical key businesses of NITEL are as follows:

- Fixed telephony services including international, internet, payphone and interconnection;
- Long- distance carrier including incoming international calls and satellite services; and
- Cellular, including all cellular activity carried out within M-Tel.

The Telephony Revenue of NITEL is derived from the following services:

- DEL (Direct Exchange Line)
- IDD (International Direct Dialling)
- Enhanced Digital Facilities: call blocking, call waiting, malicious call identifier, three party calling, international direct dialling (IDD)
- Operator Assistance Service
- Call Office/Public Counter Services
- PABX, PBX, and PMBX
- Direct Inward Dialing (PABX) Facility (DID) – with automatic PABX switch, DID facility will transfer all incoming calls to the extension directly without operator assistance.
- Facsimile Service/NIFAX Delivery Boxes

Ownership Structure

NITEL is Nigeria's national fixed line and mobile telecommunications company. It is 100% owned by Federal Government of Nigeria (FGN). NITEL was incorporated as a limited liability company in December 1984. It is a product of the merger between the telecommunications arm of the defunct posts and Telecommunications Department (P&T) of the Ministry of Communications, and Nigerian External Communications Limited (NET). NITEL formally commenced operations on 1st January 1985. As at June 2004, NITEL had an installed fixed telephone network of 720,000 lines, of which approximately 500,000 had been activated.

NITEL, in turn, owns 100% of M-Tel, the analogue mobile cellular communications company. NITEL and M-Tel's operations were merged in 2001.

Mode of Privatization

In line with the on-going Privatisation Programme of the Federal Government of Nigeria (FGN), 51% equity stake of NITEL will be sold to a Core Group/Strategic investor and subsequently an Initial Public Offer (IPO) of minority shares.

Demographic profile of the market

Nigeria's demographic profile – a young, growing and increasingly urban population, is conducive to the growth of the telecommunications market. Nigeria has a high percentage of its population in the 15 – 64 years age bracket. With expected population growth of about 2% per annum over the next five years, Nigeria is projected to have a population distribution by age that is increasingly young. This demographic profile is highly conducive to the environment required for growth in the use of cellular and Internet related services.

Figure: Key demographic information

Estimated population, (millions)	111.6
Population growth rate (%)	2.8
Urban population (as a % of total)	43
Age structure (as a % of population):	
- 0 to 14 years	44
- 15-64 years	53
- 65 years and over	3

Source: World Bank, CIA The World Factbook 2000, EIU Country Report

Nigeria is a multi-lingual country. Nigeria's three largest ethnic groups are the Hausa-Fulani concentrated in the far north, the Yoruba of the southwest and Igbo of the southeast. These groups represent about 71 percent of the Nigerian population. Of the remaining 29 percent of the population, about one-third consists of groups numbering more than 1 million members each, while the balance is represented by over 300 other ethnic groups.

Nigeria has an international advantage as English is the official language and is widely spoken in government, business, education and the mass media. The number of other indigenous Nigerian languages is estimated at between 350 and 400, and there are also dialects of some of these languages. The most common Nigerian languages are Hausa, Yoruba, and Igbo. Pidgin, a combination of English with native languages, is also widely spoken.

A. SECTOR DATA

The macro-environment

Since it came into office in May 1999, a primary aim of the democratically elected government of President Olusegun Obasanjo has been to restore macroeconomic stability through the reduction of extra-budgetary expenditure, the tightening of monetary policy and the introduction of structural reforms in the country. As part of this process the FGN intends to privatize the major utilities and liberalize key sectors including power and telecommunications, in order to promote competition and improve efficiency.

As part of the first phase of privatization BPE has successfully concluded a number of transactions. Those transactions involving foreign investors include:

- The sale of majority stakes in Ashakacem and 49% stake in WAPCO. The core investor was Blue Circle of UK

- The sale of a majority stake in CCNN to Scanacem of Denmark.

In August 2000, in recognition of the government's reform efforts, the International Monetary Fund signed a US$1billion Stand-by Arrangement (SBA) with the government. In addition, the International Finance Corporation has recently approved credit facilities for a total of US$ 120million to five Nigerian banks to expand options for term lending, and has supported the creation of a private equity fund.

The Government through the National Investment Promotion Commission (NIPC) Act 1996, set a liberal framework for investment in Nigeria. This act permits 100% foreign ownership of Nigerian companies in most sectors including telecommunications.

The Foreign Exchange (Monitoring and Miscellaneous Provisions) Act 1995 guarantees unconditional repatriation of dividends, profits and proceeds of sales arising from foreign currency imported into Nigeria and invested in any enterprise or security in accordance with the act. No approvals are required for foreign currency inflows.

Commercial laws are well established with a Companies and Allied Matters Act 1990 codifying various principles of company law based on English common law. The Companies Income Tax Act of 1979 is the main law governing the taxation of companies registered or operating in Nigeria. Dividends and interest payable are subject to a 10% withholding tax, but this is reduced to 7.5% where double taxation treaty provisions exist.

The telecommunications sector currently consists of three main participants including the Ministry of Communication, the NCC and the service providers, including NITEL. A new telecommunications Act – Nigerian Communications Act 2003 was enacted and signed into law in July 2003. With the Nigerian Communications Act 2003, it is important to note that participants in the industry, including potential investors in NITEL, would have confidence that the sector will operate in a controlled and predictable manner. The major elements of the new regime include:

Regulatory framework

- Ensuring the independence of the NCC;
- Clarifying the respective powers of the NCC and the FGN;
- Establishing a transparent process for licence allocation and renewal;
- Establishing clear ground rules for interconnection.

Drafting of NITEL's Carrier licence and to be issued on its privatization
NITEL is to be issued with a carrier license for its fixed line operations. NITEL already holds a GSM license for mobile operations. The carrier license will be for 20 years with a potential renewal for a further 15 years subject to payment of an agreed fee.

Clarification of Tariff setting
Tariffs for regulated services provided by "dominant operators" are subject to approval by the NCC prior to introduction and changes are subject to [a price cap.] Tariffs for unregulated services must be published, filed with the NCC and are subject to challenge by other operators**.**

Clarification of a transparent Interconnect regime
A licensed operator is obligated to interconnect based on rates, terms and conditions that are fair, reasonable and non-discriminatory.

Network expansion and setting universal service obligations
Network expansion and universal service obligations are included in the draft license. The planned legislation provides for a Universal Access Fund to promote availability of service in remote and rural areas.

Establishment of International connection rights
NITEL will be licensed to connect with foreign operators for the provision of international services.

GSM licences issued
The GSM licenses issued in February 2001 are for 15 years and may be renewed. The general terms regarding areas such as tariffs and competition are consistent with existing licenses for PTOs. There are, in addition, network rollout obligations of 100,000 connected lines within one year of commercial launch, 750,000 lines within two years and 1,500,000 lines within five years. At least 5% of the lines must be in each of Nigeria's six geopolitical zones.

The market environment
The Nigerian Communications Commission (NCC) has issued licences to provide telecommunications service to private telecommunications operators (PTOs) for several fixed telephony licences, payphone service providers and Internet service provision.

Three GSM mobile licences were issued in February 2001 to MTN, V-Mobile and NITEL. The fourth major license issued by NCC is the Second National Operator license issued to Globacom in November 2002.

In addition, several V-SAT service providers are also in operation. It should be noted that, under the terms of their licences, NITEL's VSAT and fixed telephony competitors cannot act as an international gateway and must interconnect with NITEL for international calls. The competing GSM licences have limited international connection rights.

NITEL has undertaken limited marketing activity to date. It is likely that there are significant opportunities from this in the short and long term being:

- To increase share of growing markets in all areas; and
- To increase utilisation of available but unutilised capacity.

ENTERPRISE DATA

1. The Business opportunity

NITEL has a leading position in fixed line with 720,000 lines and approximately 90% of the market in the country. This provides potential investors with a strong customer base and an existing network that can be expanded. This network, its rights of way and the strategic real estate assets of NITEL, would be both difficult and costly for competitors to replicate.

NITEL has a highly experienced and well-educated workforce and employs most of the engineers and skilled technicians in the industry in Nigeria. Until very recently NITEL was the telecommunications industry in Nigeria.

2. The Performance of the Enterprise

The Nigerian telecommunications market is to undergo significant changes over the next few years. As the incumbent operator NITEL faces increasing competition in both fixed and mobile markets. The challenge for NITEL is to remain the market leader whilst increasing the quality and range of its services and attaining the profitability expected by its shareholders.

Financial Summary: 1998-2002

	1998 N'000	1999 N'000	2000 N'000	2001 N'000	2002 N'000
Profit before tax	14,858,617	14,467,929	17,811,393	23,289,952	15,501,663
Provision for tax	(2,974,581)	-	(4,210,169)	(6,468,926)	(6,797,830)
Profit after tax	11,884,036	14,467,929	13,601,224	12,492,122	8,557,130

NITEL does have significant advantages in both the growth potential of its market and its market position, as outlined above, and has begun to face up to competition in its markets.

3. The outlook for the Enterprise

The strategic investor is expected to make NITEL more efficient and assist NITEL in facing up to competition as effectively as possible.

A summary of the potential areas in which the strategic investor is expected to provide particular benefits to NITEL is shown below:

Experience of competitive markets

- Introduce sales and marketing expertise
- Increase the range of product range and offering
- Improve quality of service within the competitive environment

Encourage change in NITEL's operations

- Improve infrastructure and its operation
- Transfer technologies and skills
- Strengthen management.

AGRICULTURAL SECTOR

SECTOR DATA

THE AGRICULTURAL SECTOR

Agriculture is the mainstay of the Nigerian economy as it provides food for the expanding population, raw materials for the industrial sector, employment opportunities for a large percentage of the population, increase in rural income/welfare and a source of foreign exchange earnings. Nigeria is one of the most endowed countries in the world, it has abundant land, water, and human resources and enjoys temperatures capable of supporting agricultural products all year round. The agriculture sector employs over 75% of Nigeria's population living in the rural areas and engaged in subsistence agricultural activities. Agriculture has witnessed poor performance since the 1970s when oil was discovered in commercial quantity. From a contribution of about 60% to GDP, agriculture makes an annual contribution of about 32% to GDP. Various programmes had been implemented over the years to restore agriculture to its lost glory. The resuscitation of the Nigerian Agricultural and Cooperative Bank and the increased budgetary allocation to agriculture by the present administration is designed to improve the agricultural sector.

OVERVIEW OF THE NIGERIAN FERTILIZER INDUSTRY

In Nigeria, fertilizer consumption rate is very low. In 1995 in particular, Nigeria's average rate of fertilizer consumption was estimated as 23kg/ha compared with the FAO's recommendation of at least 200 kg/ha. Nigeria's fertilizer consumption is thus one of the lowest in the world and is grossly short of the agronomic optimum requirement consistent with sustainable production and food security. Nigeria has only two manufacturing enterprises, namely National Fertilizer Company Of Nigeria (NAFCON) located at Onne near Port Harcourt and the Federal Superphosphate Fertilizer Company (FSFC), Kaduna as well as 10 fertilizer blending plants including Fertilizer and Chemicals, **Kaduna**; Morris Limited, **Minna**; Agro-Nutrients Chemicals and Kasco in **Kano**.

Over the years, due to poor governance, mismanagement, non-maintenance of equipment and poor funding, the productive capacity of the fertilizer companies reduced drastically to 22.4% in 1997. Current production level of the fertilizer companies is less than 10% or 85,000 metric tonnes. The implication of the low production level of the fertilizer companies was that it intensified pressures on the importation of fertilizers by the Fertilizer Procurement and Distribution Department as domestic demand had to be met. Given the high cost of importation and subsidy, the Federal Government decided to leave fertilizer procurement, distribution and pricing to market forces in 1997. It is against this background of price deregulation, weak production capacity of the fertilizer companies against high domestic demand pressure that FSFC is being privatised. In essence, current federal Government policy including privatisation is positive and favourable to the fertilizer industry.

SECTOR'S LONG-TERM PROSPECTS IN THE NIGERIAN WEST AFRICAN ECONOMY

In addition to these opportunities, there are more opportunities for expansion to meet the growing demand for related agricultural products especially in the northern parts of the country and countries in the African sub-region. These include the opportunity for the establishment of a blending facility to extend product lines installation of a sulphuric acid plant to reduce cost of producing SSP fertilizer support industries for the production of sulphuric acids

The following enterprises in the agricultural sector are available to interested investors:

1. Federal Super Phosphate Fertilizer Company

2. Iwopin Pulp and Paper Mill Company

3. Nigerian Newsprint Manufacturing Company

FEDERAL SUPERPHOSPHATE FERTILIZER CO. LTD.
4, Nassarawa Road, Kaduna South Industrial Area,
P.M.B. 2203, Kaduna-Nigeria. Tel: 062-231005,232130
Fax: 062-234411. Telex: 71396 (NG)

BACKGROUND

Federal Superphosphate Fertilizer Company limited (FSFC) Kaduna was incorporated as a limited liability company in 1973 with 100% Federal Government of Nigeria ownership. The Company, which is strategically located within the Southern Industrial Area of Kaduna, produces fertilizer in line with the Government strategy to develop and modernize the agricultural sector.

DESCRIPTION OF THE PRODUCT

In addition to its designed capacity of producing 100,000 tonnes of Superphosphate fertilizer per annum, the FSFC has also diversified into secondary line production of water treatment chemicals, hydrated lime and aluminium sulphate (alum). The company produces 30,000 tonnes of aluminium sulphate per annum. It has a 42,000 capacity sulphuric acid plant from which it produces Super Sulphate (SSP). FSFC is one of the two prominent fertiliser-producing companies in Nigeria. The other being NAFCON. These products are very popular and in high demand among the consumers. The company hardly meets the demand of the products

In an attempt to financially restructure the company, FGN loan amounting to N4 billion has been used to write off the accumulated losses in 2003. ECOWAS loan amounting to N938, 924,782 has been taken over by FGN and converted to capital reserve as a prelude to eventual conversion to equity.

PRIVATISATION PLAN

The government is offering 100% of the company's shares for sale to a core investor or a consortium of foreign and/or domestic investor with deferred public offer of 49% at a later date.

ENTERPRISE DATA

BUSINESS OPPORTUNITY

FSFC is the only plant in West Africa that produces Single Super phosphate Fertiliser (SSP) required for the production of leguminous plants grown in the northern parts of Nigeria and neighbouring African countries such as cowpea, Soya beans and groundnuts. This opens several opportunities to the company as follows:

- FSFC is the only manufacturer of SSP fertiliser for local consumption
- Opportunity of export of SSP fertiliser to West African and other countries
- Satisfy the local demand for aluminium sulphate (alum), which was projected at 100,000 tonnes per annum
- Availability of local (highly skilled) technical staff
- Low substitution factor for the company's products

FACILITIES

The company has facilities to produce:

- Single Superphosphate (SSP) fertilizer
- Aluminium Sulphate (Alum) for water treatment
- Sulphuric acid

FSFC had conducted research into other marketable products and had commenced production of same:

PRODUCT	APPLICATIONS
Hydrated Lime –[Ca (OH) 2]	Water softening, manufacture of insecticides, animal feed, refractory
Copper Sulphate – [CUSO4.5H20]	Production of insecticide, Bordeaux mixture, wood preservation (to kill algae)
Dicalcium Phosphate – [CaHPO4]	Animal feed supplement
Soda Ash – [Na2Co3]	Glass, chemical, pulp and paper, soap and detergents, water treatment

CORE AND EXTENDED USERS OF THIS PRODUCT

The core and extended users of the company's products (fertilisers) are the millions of Nigerian farmers whose demand the company hardly meets and for the sulphuric acid, the users are:

Further opportunity to sell sulphuric acid to other industries

- Kaduna Refinery
- Katsina Rolling Mill
- Jos Steel Rolling Mill
- Soap and detergent factories and
- Automobile battery manufacturers and chargers
- Educational institutions

TECHNICAL DEVELOPMENTS IN THE COMPANY IN THE LAST FIVE YEARS

The refurbishment of the SSP Plant that was funded by ECOWAS since 1994 was eventually carried out and completed in 2003. In addition a Cat pay loader was purchased as well as the importation and delivery of parts and equipment for the revamping of the alum plant.

PERFORMANCE OF THE ENTERPRISE

FIVE-YEAR FINANCIAL SUMMARY

	1998	1999	2000	2001	2002
	N	N	N	N	N
TURNOVER	101,455,637	204,469,625	139,530,115	93,812,697	**107,904,650**
	==========	=========	=- =========	=========	**=========**
Loss before Taxation	(135,255,494)	(43,126,598)	(153,636,083)	(204,815,601)	**(144,608,822)**
Taxation	(3,422,101)	(3,732,476)	(4,294,756)	(4,458,398)	**(10,379,062)**
Loss after taxation	(138,677,595)	(46,859,074)	(157,930,839)	(209,273,999)	**(154,987,884)**
Dividend	-	-	-	-	**-**
Earnings per share	-	-	-	-	**-**
Dividend per share	-	-	-	-	**-**

COMPETITIVE RANKING AND LEADERSHIP POTENTIAL

There is little or no competition in the fertiliser industry in Nigeria. FSFC and NAFCON are the major and primary fertiliser manufacturing companies. While FSFC is the only manufacturer of single Superphosphate in the West Africa region, NAFCON is the only manufacturer of Urea compound

fertiliser in Nigeria. The fertiliser industry is favoured with high entry barrier due to high capital outlay requirement, low level of competition, low bargaining power of buyers, (although, government would not encourage exploitative pricing), as well as moderate level of influence of strategic suppliers and low product elasticity as product substitution with other products is weak.

THE COMPANY'S STRENGTHS

FSFC is the only plant in West Africa that produces primarily the Single Superphosphate Fertiliser (SSP), which is a recommended fertilizer requirement for leguminous plants/crops grown in the Saharan part of Nigeria. In addition, these following attributes are noteworthy:

- A large market demand for the company's product
- Extensive factory land area of 42.37 acres with about 65% developed
- Effective product distribution network
- Availability of raw materials at competitive prices
- Low product substitution of the company's products

THE COMPANY'S CHALLENGES

- Lack of a sulphuric acid unit, which is a vital chemical for the production of the single Superphosphate fertilizer (SSP)
- Sulphuric acid is bought at the open market prices which causes the price of the company's bagged products to be higher than imported products
- The discharge facility at Ijora Lagos needs to be upgraded. This is where imported phosphate rock and sulphuric acid are discharged.
- Inadequate water and power supplies from the State Water Board and National Electric Power Authority respectively
- Company is highly leveraged

PROSPECTS

- FSFC is the only manufacturer of SSP fertilizer with local consumption
- Revamping of the fertilizer plant will enhance production capacity from current production level of 8% to 100% production output.
- A fully installed sulphuric acid plant will reduce the cost of producing the SSP fertiliser.
- The complete rehabilitation of the Alum plant will enable the company tap business opportunities and potential demand for alum, which is currently 100,000 metric tonnes as at 2001
- Other potentials that have been researched by the company include commercial production of hydrated lime, copper sulphate, dicalcium phosphate, and soda ash.
- Potential selling excess sulphuric acid to users such as Kaduna refinery plant company, Katsina rolling mills, soap and detergent factories nationwide, vegetable oil producers and auto-battery manufacturers.

IWOPIN PULP AND PAPER COMPANY (IPPC) LIMITED

BACKGROUND

Iwopin Pulp and Paper Company (IPPC) Limited was established in 1975 as the Nigerian National Newspaper Manufacturing Company Limited under the Companies Act of 1968 and was incorporated under its present name on December 17, 1992 as private limited liability company with the corporate mission to be the best and leading manufacturer of quality bond paper and pulp in Nigeria and the West African sub-region. It commenced commercial production of paper in February 1995. The company is located in Iwopin, Ogun Waterside Local Government area of Ogun State. Iwopin is two hours' drive from Lagos.

DESCRIPTION OF THE PRODUCTS

The Products offered by the company include:

- Bleached short-fibre wood pulp from Gmelina Arborea;
- Fine paper for printing, writing, duplicating, book paper, envelopes and bank paper; and
- Air-dry bleached pulp for export to West African and other world markets.

The scope for marketing the paper product(s) of the enterprise is wide. This is because there is a very high demand for the product in Nigerian / other West African countries as well as South Africa.

OWNERSHIP STRUCTURE

The ownership structure is *100%* Federal Government Equity.

PLANNED MODE OF PRIVATISATION

The planned mode of privatization is *100%* Core Investor Sales.

SECTOR DATA

THE MARKET ENVIRONMENT

The growth potential of the sector is very high with adequate funding/supply of modern equipment in the sector, efficiency will increase to grow the enterprise in order to achieve its original mission.

CAPITAL INVESTMENT REQUIREMENTS

The average capital expenditure requirements for establishing a paper mill such as IPPC or even larger than IPPC is within the range of $150 million and $165 million. The revitalisation of IPPC to attain international operating standards may require between $40 and $50 million. The profitability ratio in the sector should be comparatively high considering the cheap factors of production in its operating environment.

ENTERPRISE DATA

THE BUSINESS OPPORTUNITY

By the Installed capacity in 1975, the enterprise was billed to produce as follows:

Installed capacity	38,000 metric tonnes per annum of Bleached short fibre pulp and 65,000 metric tonnes of cultural grades of fine writing and printing papers including Wove for publishing, envelop and Bank paper.
Production capacity	above 96% of installed capacity. (At this production level, the product was still scarce.)

The production of Limekiln and re-causticizers are the by-products of the company's products.
The enterprise's major customers were among others:

- Newspapers Proprietors Association of Nigeria (NPAN)
- Publishing Companies and Book publishers such as Oxford University Press, McMillan, Longmans
- Paper converters such as Thomas Wyatt, Onward Paper Mill, Tripple Gee, etc
- Printers such as Academy Press
- Schools etc.

THE PERFORMANCE OF THE ENTERPRISE

The financial performance of the enterprise in the last 5 years in terms of Sales and Profit, Assets and liabilities, technical, commercial, human capital resources etc. was profitable up to the period operation stopped. However, the price of fine paper maintained a fairly cyclical trend while the average price usually increased year on year. For instance, IPPC sales price in 1996 was US$937 / MT. While average US market price in 1999 was US$790 / MT. Based on the available statistics, the company was selling its paper at a price that was higher than the World market price.

3-YEAR FINANCIAL SUMMARY: 1999-2001

	1999	**2000**	**2001**
Turn Over (N)	16, 484	43, 453	39, 915
Profit (Loss)	(343, 089)	(279, 907)	(244, 658)

This trend of performance in the past was consequent on its poor funding and poor management, which led to the frequent closure of its operations.

PROSPECTS

The overall business outlook of the sector is expected to be very profitable, given its strategic position in the West African sub-region. Even, some South African countries also depend on paper and paper-related products from Nigeria. This is because the constraints like price variability, weak input/output control of the enterprise through importation, customer resistance due to poor quality products and obsolete technology with which the enterprise has been contending, would have been removed through its privatisation. As an example, long and short fibres are now sourced locally.

BACKGROUND INFORMATION

Nigerian Newsprint Manufacturing Co. Ltd is a Limited Liability Company established to manufacture newsprint and allied products. It is located in Oku-Iboku, Akwa Ibom State.

The company was incorporated in 1975. The equity share holding of the company is as follows:

Federal Government of Nigeria	90%,
Akwa Ibom State Govt. (AKSG)	5.5%
Cross River State Govt. (CRSG)	4.5%

Nigerian Newsprint Manufacturing Company Limited is the first pulp and Paper Mill in the world to use the tropical hardwood – gmelina arborea for the manufacture of newsprint. The raw material, gmelina arborea is sourced from local forestry located at Awi, Obom Itiat, Edondon and Nsan in Cross River State, Oku-Iboku, Ikot Umo Essien and Ntak Inyang in Akwa Ibom State. In all, the plantation land area covers 15,391 hectres.

The company has 21,700 hectres of undeveloped land for expansion of gmelina plantation at Nsan while, it had acquired additional hectares of land at Ndon Eka- Nkop, Usung Odot and Odot Ediong in Odukpani L.G.A of Cross River State as part of its plan to expand its gmelina plantation. At inception, Gmelina arborea accounted for about 80% (eighty percent) of the total raw material content, and was blended with 20% (twenty percent) imported long fibre pulp. Research and experimentation at NNMC have since reduced the imported long fibre content to about 17.5 %.

There is a pilot scheme for the production of pinewood, which is the main source of the long fibre, hence the plantation of nursery pine exists at the Foster Wheeler Housing Estate on Oku-Iboku. Eventually it is hoped that 100% of NNMC's raw materials can be sourced locally in Nigeria.

NNMC was established by the FGN as part of its strategic plan for the production of paper and pulp in the country. The current Mission Statement of the Mill is to "be a paper manufacturing Company that produces and provide newsprint for local print media and for other end users as well as export, save /earn the Country the much needed foreign exchange. In the process, it will be providing Nigerians with the technological base and the basic skills for paper production and fulfill the twin objectives of industrialization and self reliance".

FACILITIES

The Company has paper production machinery with a combined installed capacity of 300 metric tonnes per day or 100,000 metric tonnes per year of newsprint. During its period of operation, the Mill produced three standard grades of newsprint from the newsprint furnish for both domestic and export markets. The three grades produced in the factory were:

- Standard Newsprint, 48.8 g /m^2 (NPW 59)
- Machine Finished Mechanical Printing Paper, 60 g/m^2 (MFP 60)
- Machine Finished Mechanical Printing Paper, 75 g/m^2 (MFP 75)

These grades were produced in jumbo reels of 4,200 mm wide and then cut to customers' sizes ranging from 600 mm to 1400 mm.

DESCRIPTION OF PRODUCTS

The products were used to produce the following end - products:

- Newsprints
- Periodicals
- Magazines and Journals

- Exercise Books
- Low-cost Text Books
- Books for Literatures
- Office Stationery (writing papers, duplicating papers, photocopying papers etc.)
- Writing Pads and Jotters
- Stencil Papers
- Pools Coupons
- Telex Rolls
- Calculating Machine Papers
- Envelopes etc

SECTOR DATA

THE MACRO-ENVIRONMENT

The Economic-fiscal policies on Pulp and Paper Industry are investment- oriented. The Federal Government of Nigeria encourages investment in the sector by allowing some levels of rebates in import/export duties and tariff.

The Technical-development in the sector in the last 5 years has been very poor considering its declining conditions for the past ten years and more. To this end, it is obvious that the industry has a set-back in the areas of industrial development and technological advancement.

THE MARKET ENVIRONMENT

Considering the market for paper products, the growth potential of the sector is highly encouraging. Although, the sector has suffered a setback in recent years, with adequate funding and technological advancement in its processes, the Pulp and Paper sector is bound to be one of the most promising in the Nigerian economy.

NNMC is the only newsprint manufacturer in Nigeria and, indeed, in the West Africa sub-region. Its major competitors are the Newsprint Importers – both Nigerian and Foreign Firms.

CRITICAL REQUIREMENTS FOR SUCCESS

The critical requirements for success in the pulp and paper industry include, but are not limited to the following:

- Quality of technology as it concerns the machinery, which are obsolete as compared to the new machinery (up- to- date plants)
- High raw material stocks
- Up-dated technical skills for effective utilization of the machinery
- Proper maintenance culture

PRIVATISATION PLAN

Government is offering 90% of the company's shares for sale to a core investor or a consortium of foreign and/or domestic investor.

THE PERFORMANCE OF THE ENTERPRISE

NNMC over the last ten years has not been in operation; therefore a critical review of its performance cannot be carried out. However, prior to this time, the plant was producing below optimal level due to inadequate funding. It is expected that once the enterprise undergoes reform and restructuring through the privatization of the enterprise, the level of production will increase and the demand for the product will be high considering the level of demand for the product.

THE BUSINESS OPPORTUNITY

The need for the enterprises' products is enormous considering its product range to both local and foreign consumers. Locally, the Company operated a direct-sales policy to all end-users with own facilities. The buyers of NNMC,s products were in the following categories:-

- The Print Media
- The Converters
- The Publishers and others

The local demand for NNMC's products was, and is still, very encouraging and remains unsatisfied due largely to irregular production. Today, the price of one metric tonne of imported newsprint in Nigeria varies between **₦120, 000.00** and **₦150, 000.00** per tonne. The following Table shows the Company's newsprint market share from 1988 to 1992.

NNMC's NEWSPRINT MARKET SHARE FROM 1988 TO 1992.

Year	Quantity Produced (Metric Tonnes)	Market Requirement (Metric Tonnes)	Percentage Market Share
1988	24,682	60,000	41%
1989	28,889	60,000	48%
1990	37,581	70,000	53.7%
1991	21,781	70,000	31.1%
1992	13,300	72,000	18.4%

NNMC's newsprint was also fully accepted in the international paper market because its quality met international standards. In October 1987, 600 metric tonnes of 48.8 gsm newsprint produced by NNMC were exported to end-users in Minneapolis, Minnesota, USA and in November of the same year, 1450 metric tonnes of 48.8 gsm of NNMC's newsprint were exported to Europe. Both customers, being fully satisfied, gave favorable commendations on the quality of NNMC's paper. Thereafter, NNMC's paper had been exported to:

- **Ghana**
- **Togo**
- **Cameroun**
- **Zimbabwe**
- **Thailand**
- **Hong Kong**
- **Taiwan**
- **USA**
- **United Kingdom**

while new requests were received from:

- **Liebig (Germany)**
- **India**
- **Bangladesh**
- **Kenya**
- **Iran**
- **Canada and some European Countries prior to the shutdown of the Mill.**

There is therefore a viable and profitable local and export markets for both short fibre pulp and newsprint manufactured by NNMC. On the reactivation of the Company and start-up of production in the factory, the availability of export incentives should encourage any prospective Investor to explore the export markets more aggressively while, at the same time, the dynamics of the Nigerian domestic market offers an assured basis for substantial growth.

PROSPECTS

The prospects for the success of this sector are very high considering the enormous demand for the product in Nigeria and some West African countries. The increasing number of newsprint media companies in Nigeria and other sub-Saharan Africa will make the demand for the newsprints materials even more higher.

It is believed that in the event that the enterprise is privatised and there is capital injection into the enterprise to resume the production process, the NNMC will maintain its status as the only newsprint manufacturer in Nigeria and in the West African sub-region.

Therefore, we request prospective investors, buyers and experts in the industry to invest and turn this enterprise around to attain a high standard with world class technology given its position as a major newsprint manufacturing company in Africa. Its excess output has ready market in exports to earn foreign exchange. Consequently, the commercial attractiveness of this enterprise cannot be over-emphasized.

HOSPITALITY SECTOR

HOSPITALITY AND TOURISM INDUSTRY

The Tourism Policy of the Federal Government of Nigeria as initiated by the Nigerian Tourism Development Corporation Acts of 1992 is for the industry to contribute meaningfully to the wealth-creation efforts of the nation and its citizens, largely through foreign exchange-generation and employment-creation, while providing interesting hospitable and worthwhile experience for visitors. Tourism administration in Nigeria received a boost with the creation of the Federal Ministry of Culture and Tourism in 1999.This is in addition to the Nigerian Tourism Development Cooperation, the State Tourism Boards and Federation of Tourism Associations of Nigeria.

Nigeria is endowed with many tourist attractions. They include:

- **Game Reserves**
- **Water Falls**
- **Wild Life Parks**
- **Bar Beach, etc**

There has been an increase in the inflow of tourists to Nigeria. Annual average growth rates of 17.5% and 5.3% have been recorded for a number of tourist arrivals and receipts respectively.

The hospitality industry is becoming increasingly global with the search for new markets and increased international travel, has an important requirement for players to develop a strong identity and promote recognizable brands in order to succeed.

There are many things in place in Nigeria, which are stimulating the growth of the hospitality business. These include:

- The new democratic environment in the country is increasing the size and growth of both foreign and local business travellers.
- Government's favourable policy towards foreign investment as well as encouragements to local entrepreneurs would spur growth in the hospitality industry.
- Nigeria's economic reforms have opened more business opportunities to foreign investors, thus strengthening business travels and boosting the demand for hospitality services.

- The very dramatic political visibility of Nigeria in West and Pan -African affairs in generating sustained international interest in Nigeria.

The domestic air traffic between Abuja/Lagos and Lagos/Abuja is the highest in the country. There are nearly 20 local flights into Abuja on a daily basis. With more international flights into Abuja, hotel room nights demand by aircrew is expected to increase significantly.

There are about 650 hotels, motels, inns, and commercial guesthouses in Nigeria today. About 10% of these are of international standard, mostly concentrated in the Federal and States capitals including Hilton, Sheraton, Le Meridian etc.

ABUJA INTERNATIONAL HOTELS LIMITED (LE MERIDIAN)

Company Profile

Abuja International Hotels Limited ("AIHL") was incorporated on 25th November 1980 with registration number 36217. It is a private limited liability company and its main objects are to carry on the business of hotel, restaurant, café, tavern, beer-house, refreshment rooms and lodging housekeepers.

Prior to the re-capitalization of the foreign loan, the authorized and fully issued share capital of the Company was ₦100, 000,000 (One Hundred Million Naira) divided into 100,000,000 million ordinary shares of ₦1.00 each of which 37,250,000 ordinary shares were fully paid up as follows:

	Shareholders	**Shares held**	**Percentage**
1.	Federal Capital Development Authority	23,200,000	62.3
2.	National Insurance Corporation of Nigeria	7,000,000	18.8
3.	Nigeria Industrial Development Bank	3,300,000	9.0
4.	UNIC Insurance Plc	1,750,000	4.7
5.	Crusader Insurance Plc.	500,000	1.3
6.	NPA Pension Funds	500,000	1.3
7.	American International Insurance Plc	500,000	1.3
8.	Plateau investment Company Limited	300,000	0.8
9.	Niger Insurance Plc	200,000	0.5
	Total	**37,250,000**	**100**

The Federal Government's interests are held by the first three shareholders with a total of 33,500,000 ordinary shares representing 33.5% of the issued share capital and 89.9% of the paid up capital of the Company.

Following the recent capitalization of the US$141.399million being owed to Algamene Bank of Netherlands at N102.55 to US$1, the authorized and fully paid share capital have been increased to N14, 537,250,000, hence the existing shareholding structure as follows:

S/N	***Shareholders***	***New Holding***	***%***
1	Federal Capital Development Authority	23,200,000	0.160
2	National Insurance Corporation of Nigeria	7,000,000	0.048
3	Nigeria Industrial Development Bank	3,300,000	0.023
4	UNIC Insurance Plc.	1,750,000	0.012
5	Crusader Insurance Plc.	500,000	0.003
6	NPA Pension Funds	500,000	0.003
7	American International Insurance Plc.	500,000	0.003
8	Plateau Investment Company Ltd.	300,000	0.002
9	Niger Insurance Plc.	200,000	0.001
10	MOFI	14,500,000,000	99.740
		14,537,250,000	**100.000**

Note: Amounts already paid and future maturities of principal / interest, all totaling US$40.132million, have not been capitalized.

Location

The Hotel is situated on Plot 908 Tafawa Balewa Way, Garki Abuja in the heart of the Central Business District of Abuja municipality at a close proximity to various government parastatals such as the Revenue Mobilization Allocations Fiscal Commission, the Women Center, the Radio House, the ongoing Central Bank of Nigeria Headquarters and the Federal Capital Development Authority ("FCDA") secretariat. From the roof top of the Sofitel Hotel a panoramic view of the Abuja municipality is presented.

Existing Structure

The Hotel is a 14-floor structure arranged on plan as a C-Shaped structure and appears to be rhombic in shape, complete with a Plant House and a 451 No. Lavish car parking space on 2 wings surrounding the building. Access into the Hotel is through two gates located along Tafawa Balewa Road. The left-side gate provides access to the main reception area whilst the right- side gate provides access to the Ballroom/conference Hall and the presidential wing. Each of the gates provides independent entrance and exit facilities. Construction is of reinforced concrete columns and beam framework with sandcrete fillings and curtain walls. The design, construction and finishing despite the long time i.e over 20 years still appears relevant to modern expectations.

General details of accommodation

Basement (Level 98)

Plant Rooms, Linen Store, Laundry, Cellars, Storages etc.

Ground Floor (Level 99)

Stores, Freezers, Squash courts, Plant rooms, food stores, kitchens, changing rooms, restaurants, ball room/conference facilities etc.

Upper Ground Floor (Level 00)

Changing rooms, Sauna, Rest rooms, Administrative rentable office, gym etc.

Table 3

Floor (Level)	Guest Room	Business Suites	Luxury Suites	Presidential Suites
2	36	-	4	-
3	36	-	4	-
4	52	4	2	-
5	52	1	2	1
6	52	1	2	1
7	48	2	2	1
8	48	2	5	1
9	52	5	-	-
10	52	5	-	-
11	52	5	-	-
12	52	5	-	-
Total	**532**	**30**	**18**	**4**

13TH Floor:-Lift Motors and Machines Room 1

Categories of Hotel Room Accommodation

The Hotel room accommodation is designed and categorized into different units namely:

- Presidential Suites
- Luxury Suites
- Business Suites
- Guest Rooms

The details of a typical unit of each are as follows:

A: -<u>Presidential Suites</u>

- Lavish sitting room
- Guest WC/WHB
- Guest bedroom from 1 to 3 rooms
- Servant room
- Servant wc/shower
- Extensive lobbies
- Lavish ensuite wc/bath/bidet

B: -<u>Luxury Suites</u>

- Sitting room
- Guest bedroom ranging from 1 bedroom to 2 rooms
- Guest wc/wub
- Lavish ensuite wc/bath/bidet

C: -<u>Business Suite</u>

- Living room
- Guest room
- Single wc/whb

D: -<u>Guest Room</u>

- Single room
- WC/Bath

External Developments

Landscaping

The entire landscape of the Hotel premises is in good structural condition..

Lawn Tennis Court

The lawn tennis court is in good structural condition.

Swimming Pool

The swimming pool is located at the centre of the main Hotel complex. Access is directly from level OO or alternatively from the right wing car park and from the lawn tennis court.

The swimming pool consists of 3 segments namely:

- Adult pool
- Children pool
- Shower pool
- Car Parking

The site is developed into 2 different areas for parking purposes with a total capacity for about 451 parking spaces.

Toilets (General, Guest Rooms, Kitchen Units Etc.)

The toilets are generally in an excellent state with high quality ceramic tiles in perfect conditions.

Fixed Assets

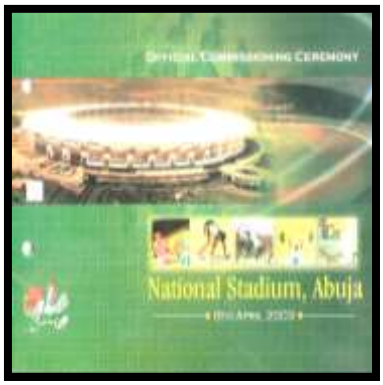
The Hotel Property: The property on which the hotel is built at Plot 903 Tafawa Balewa Way, Area 11, Garki, Abuja is covered by Certificate of Occupancy No. FCT/ABU/MISC. 3723 and Registered as No. FC35 at Page 35 in Volume 5 at the Lands Registry, Abuja. The Company has an un-expired term of 78 years on the property.

Other Facilities include:

- 3 (three) Specialized restaurants & a dining area
- 2 (two) bars & one discotheque
- 2 (two) meeting rooms and a big conference room
- swimming pool
- 3 (three) tennis court
- 3 (three) Squash court
- Sauna Cabins with showers
- Lettable offices on 2 floors

SPORTS/ EXHIBITION SECTOR

ABUJA NATIONAL STADIUM



BACKGROUND

The Federal Government approved the award of the contract for the construction of the National Stadium Complex and Games Village Abuja on 18th July 2000. The construction was to be completed in time to host the 8th All African Games, which took place in October 2003.

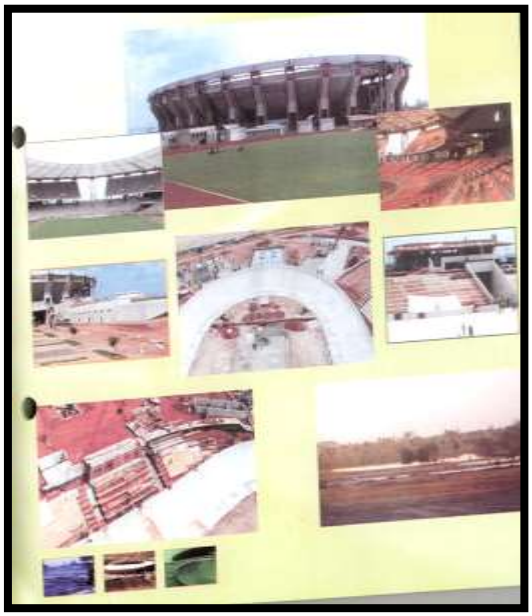
The National Stadium, Abuja was officially commissioned on 8th August 2003. The Federal Government of Nigeria owns 100% equity holding in the Stadium.

The Stadium has been slated for full privatization by **concession.**

LOCATION

The Stadium is located along the airport road close to the Abuja City Gate. It is accessible to both those coming from within the city and those arriving via the domestic and international airports. The stadium is practically adjacent to the City Gate. The neighbourhood is well served with tarred roads of new construction, together with other infrastructure and facilities.

THE STADIUM FACILITIES



The Stadium itself consists of:

- 60,000 capacity covered main bowl
- Presidential Suite and Viewing Area
- 56 Corporate Suites
- Media Facilities
- Two Score Boards and Flood Lights
- Spectator Conveniences
- Kiosks for Snacks
- A standby Power Supply System
- Helipad
- 3000-capacity Indoor Sports Hall
- 2000-capacity Gymnasium
- 2000-capacity Swimming Pool
- 4000-vehicle capacity public parking lot
- One artificial lake
- 3000-capacity Hockey Stadium
- 400 capacity VIP Car Park

The project has been divided into two packages, namely **Package A and Package B.**

PACKAGE A

Package A comprises the following facilities:

- 60,000 capacity covered stadium
- Presidential Suites and viewing area
- 56 Corporate Suites
- Media Facilities
- 2 Number Scoreboards and Floodlights
- Spectators' conveniences
- Kiosks for snacks
- Standby Power Supply System capable of taking all the facilities in the stadium
- Helipad

PACKAGE B

The package consists of

- Indoor Sports Hall (3,000 capacity)
- Gymnasium (2,000 capacity)
- Swimming Pool (2,000 capacity)
- Public Parking Lot (4,000 vehicle capacity)
- Maintenance Building, Landmark structure
- Artificial Lakes
- Landscaping 143 hectares
- International Zone for Recreational facilities
- Ancillary buildings: Cafeteria, Church, Mosque, Clinic, Fire Station and Bank.
- Hockey Stadium

EQUITY STRUCTURE AND PLANNED MODE OF PRIVATISATION

The Federal Government of Nigeria (FGN) through the Bureau of Public Enterprises (BPE) will grant a concession to a sole Concessionaire who will enter into an investment commitment, and essentially operate the National Stadium with the goal of revenue generation from the proceeds of sporting events, concerts, religious activities, corporate sponsorship, corporate advertising and other such promotional activities.

The Concessionaire will either act as Facility Manager for the property encompassed in the National Stadium and the Indoor Sports Complex, or employ a firm to do so.

The BPE will act as the monitoring party in the arrangement, and the Concessionaire will report to the FGN through the BPE.

A minimum tenure of 20 years has been recommended, subject to review every five years.

The Concessionaire will be responsible for the maintenance of the Stadium and its external areas.

The Concessionaire will make both a **lump sum payment**, and **annual rents** from profits generated by the activities of the Stadium.

LAGOS INTERNATIONAL TRADE FAIR COMPLEX

MANAGEMENT BOARD

LOCATION AND ADDRESS:

Trade Fair Complex,
P.M.B. 0199, Festac Post Office,
Lagos-Badagry Expressway,
Lagos, Nigeria.
Telephone: 234-1-5890798
Fax: 234-1-5890796

ACTIVITIES:

The enterprise embark on Estate Management (Renting out offices), organization of exhibitions and trade fairs, publication of information booklets on trade fairs, and renting out facilities like halls, and open spaces for seminars, conferences and weddings.

OWNERSHIP:

The Federal Government of Nigeria wholly owns Lagos International Trade Fair Complex. It is operated as a parastatal under the supervision of the Federal Ministry of Commerce.

PRIVATISATION PLAN: CONCESSION

The concession arrangement provides for a single Concessionaire/Facility Manager with 20-year duration in the first instance that would pay a fixed concession fee for the entire period as well as annual rents, which is subject to review every 5 years.

CONCESSIONAIRE'S QUALIFICATIONS AND REQUIREMENTS

- Strong management team,
- Adequate experience in related industry,
- Adequate investment/rehabilitation plan and appropriate timeline for the assets,
- Good sources of finance –Equity/Debt mix with evidence of required financial
- Resources to rehabilitate and enhance the performance of the asset, and
- Good future plan for open land mass.

ENTERPRISE DATA

Lagos International Trade fair Complex has the largest trade exhibition arena in the country and located at the commercial nerve-center of Nigeria. However, Kaduna and Enugu Trade Fair Complexes are the present comparable operating trade fair complexes in terms of size and status in Nigeria.

FACILITIES

- 12 exhibition Halls, of an average of 1,050 sq. metres each
- An office/administration complex with Banking halls, auditorium, and reception halls
- A Motel Complex with 100 chalets
- A luxurious park restaurant with artificial lake
- A mini stadium
- A warehouse complex
- Standard lawn tennis courts and football pitches
- Staff quarters complex with airstrip
- Open Land spaces for further development.

SUMMARY OF COMPETITIVE ANALYSIS OF THE ENTERPRISE

	LITFC	**National Theatre, Iganmu**	**Golden Gates Restaurant**	**MUSON Centre**	**Federal Palace Hotel**	**UNILAG**
Ownership	Public	Public	Private	Private	Private	Public (Non-Govt.)
Total Seating Capacity	5,570	8,400	1,415	1,537	1,110	7,700
Total Open Space for hire	821,872	-	-	-	-	-
Manpower	198	173	N/A	60	N/A	N/A
Location	City Suburbs	Non Business - Urban Centre	Business district	Business district	Business district	University Campus
Capacity Utilization	7.1%	9.4%	70%	90%	N/A	60%
Revenue generation per staff (N)	12,919,000	61,490,000	N/A	651,817,000	N/A	N/A

POST CONCESSION ATTRACTIVENESS

The International Trade Fair Complex has strong commercial value, which has not been optimised over the years. Consequently, the successful bidder will have the advantages of:

- Large expanse of land with prime commercial development potentials – more than 3, 085,620 square metre with good road network, strategically located along the Trans-ECOWAS highway, leading to major commercial cities in the sub-region,

Multipurpose complex, with various facilities to accommodate multiple functions at the same time, little competition, some level of private sector participation already in place.

PERFORMANCE

The Complex is replete with a history of mismanagement, poor maintenance and unprofitable operations. Various facilities are in an obvious state of disrepair and abandonment.

CONCESSIONING OF INTERNATIONAL TRADE FAIRS COMPLEX, LAGOS					
ACCOUNTING ADVISER'S FINAL DRAFT REPORT					
CASH FLOW STATEMENT/FORECAST					
	2001	2002	2003	2004	2005
	N	N	N	N	N
Rent on Accomodation	2,310,000	2,540,000	2,800,000	3,360,000	4,032,000
Hiring of Halls and Open Spaces	2,100,000	2,310,000	2,540,000	3,048,000	3,658,000
Lease of Building facility	1,050,000	1,050,000	1,050,000	1,050,000	1,050,000
Lease of Open Space (if authorised)	15,770,000	95,770,000	135,770,000	100,770,000	100,770,000
Others	3,260,000	3,590,000	3,950,000	4,740,000	5,688,000
TOTAL INFLOW	**24,490,000**	**105,260,000**	**146,110,000**	**112,968,000**	**115,198,000**
EXPENDITURE					
Personnel cost	40,800,000	44,880,000	49,370,000	54,310,000	59,740,000
overhead cost	62,540,000	68,790,000	75,670,000	83,240,000	91,560,000
Capital Expenditure	34,200,000	600,000,000	325,000,000	225,000,000	150,000,000
TOTAL OUTFLOW	**137,540,000**	**713,670,000**	**450,040,000**	**362,550,000**	**301,300,000**
CASH SURPLUS\ (DEFICIT)	(113,050,000	(608,410,000	(303,930,000	(249,582,000	(186,102,000
BALANCE BROUGHT FORWARD	22,590,333	47,080,333	152,340,333	298,450,333	441,418,333
BALANCE CARRIED FORWARD	(90,459,667	(561,329,667	(151,589,667	48,868,333	225,316,333
Recurrent\Capital Expenditure	137,540,000	713,670,000	450,040,000	362,550,000	301,300,000

PROSPECTS

A bustling mini city with trade and convention facilities, sports arenas etc,

- Signature venue for meetings & conventions,
- Excellent location that provides perfect setting for products exhibition, and
- A generally memorable events venue comparable to world standard.

Conclusion

The number and diversity of the Public enterprises profiled in this Investors' guide highlight the zest with which the Bureau of Public Enterprises seeks to provide all potential investors improved professional assistance in terms of an illumined direction towards acquiring the enterprises which best match their resources and expertise. The Bureau is thus seeking to achieve optimal and greater success than hitherto by fast-tracking the implementation of the privatization programme as a key component of Nigeria's Economic Reforms with a responsible sense of urgency. The success required for privatising these very large and complex enterprises is anchored on the compelling need to release access to the capital resources that have been tied in them over several decades. These resources are not only impossible to re-generate but the opportunity costs have also become unacceptably high if the economy is to achieve a faster turn-around.

This document has thus been prepared painstakingly as a necessary tool for increasing the success of the privatization programme because it offers all potential investors an unusual depth and scope of the marketing capacity and capability of the key enterprises vis-à-vis their foundational business vision, mission and strategy along with the essential background information on their sectors. The comprehensiveness of the data on these enterprises should offer all customer groups a productive congruence of interest towards increasing their level of participation in the privatization programme. This expected effect will be manifested in the number and quality of response to the Expressions of Interest at the start of each enterprise's privatization process.

Certainly this expectation will increase the level of competitiveness among the investors with a view to matching the right/credible investors to the right enterprises at the right prices in order to strengthen their post-sale market values/positions. Thus in a benefit-for-benefit paradigm, the best of the investors will acquire the enterprises which match them best and Nigeria will also attract the best investors. The expected multiplier effect of the increased volume and improved quality of output of these enterprises by the new owner-managers will accelerate the tempo of the re-structuring of the economy.

As Nigeria truly becomes a 'global market place' by magnetising investors from all corners of the world through this very fast channel of privatization, we in the Bureau of Public Enterprises strongly recommend this Investors' guide as the primary 'road map' for each investor to access it smoothly and profitably. If the investors take advantage of this excellent support, our efforts and resources in providing it would have been well justified.

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