



FGN getting full value from Its land at Tarkwa Bay - Ladol

Response to the Article – Titled:- “FG Deserves Full Value from Its Land at Tarkwa Bay - Bala Usman” Published in the Daily Trust of the 5th August, 2020 written by Eugene Agha.

LADOL Group (including GRML) wish to rebut several false assertions made in the publication titled “FG Deserves Full Value from Its Land at Tarkwa Bay - Bala Usman” published at Page 17 in the Daily Trust Newspaper of Wednesday the 5th August, 2020 brought to our attention by our Stakeholders.

The true source of this article is unclear as LADOL does not believe that a public officer of the calibre and person of the Managing Director of NPA would have granted such an interview, filled with untrue smears against LADOL while using falsehoods to advocate for a foreign contractor and castigating the Federal Government of Nigeria. Particularly since this same contractor recently took the NPA to court and is in an arbitration against LADOL in London, where such an article could be used to prejudice the proceedings against LADOL and FGN. FGN concluded over 18 months ago that this contractor is not an Investor. In fact, the accounts of this contractor show that they have taken over USD 2 billion out of Nigeria in the last five years in contract sum, while not investing a penny in the Zone or Nigeria. The matters raised in the article have already been addressed, and thoroughly debunked by FGN, this includes NPA’s purported unauthorized and unlawful attempt to tamper with GRML’s lease. FGN has reaffirmed that GRML’s current 25 years lease granted in 2018 is valid and subsisting. Various court cases are ongoing including the court action filed by Samsung Heavy Industries Nigeria against the NPA in June 2020 on these matters.

That said, it is important to set the records straight as much in our interest, as in that of the public at large, government authorities and all other stakeholders.

Firstly, LADOL Group is one of the largest private investors into NPA land and has not “short-changed” the Federal Government of Nigeria in any way whatsoever. In 2001, the founders of LADOL answered the call of the Federal government for private sector to develop infrastructure and facilities for Nigeria by leasing a disused swamp from NPA effective 2003. In over 19 years, the swamp was transformed into the Industrial Zone that is LADOL Free Zone of today. The vision of the Chairman of LADOL Mr. Oladipo Jadesimi when he took on this challenge of investing in a swamp demonstrably goes far beyond his private interests and he sees LADOL as the legacy of 60 years of his working life. The commitment of the other indigenous partners is no less. The decades of struggle it took them to reach this point has not diminished their commitment to their vision and mission.

The Chairman does not expect to benefit from the development of LADOL in his lifetime, at over 78 years of age now, but remains fully committed to growing LADOL year on year to help make Nigeria the “Industrial Hub for West Africa” – domesticating projects that for most of his life were done outside the country, even though painfully Nigerian assets were paying for this work. Over the years many stakeholders have joined LADOL and its success was only

possible due to the investment, hard work and perseverance of several Nigerian families, banks, institutions and FGN itself. As tenants of the NPA, all the investments and developments LADOL Group have and continues to make into the land ultimately belong to the FGN..

Throughout most of its tenor LADOL was not making any money and had no major contracts. Nonetheless development took place in the Zone every year from 2004 onwards – starting with the logistics base, then adding residential accommodation and offices, roads, and utilities, by 2014 when construction of the Shipyard started LADOL had been fully operational for 8 years and had already broken records. The existing facilities, infrastructure, operations, plans, approvals, and know-how of LADOL made the construction of the Shipyard so efficient that fabrication started in the yard less than a year later.

LADOL is one of the few wholly privately developed NPA terminals and is a beacon that NPA has held up as an example to attract more private sector investment. This was highlighted on 10th August 2018 when His Excellency Vice-President Oluyemi Oluleke Osinbajo SAN, GCON toured LADOL Free Zone. He commended the stakeholders in LADOL and stressed the importance of continued private investment and local content to driving the economy. Managing Director of NPA, Hadiza Bala Usman was the chief host of the day and the guests in attendance included DMD of Total and MD of Shell. While speaking to stakeholders during His Excellency's visit, the Managing Director, NPA, Hadiza Bala-Usman, said that the successful berthing of Egina FPSO was as a result of operational efficiency and very robust synergy between the NPA, LADOL and other stakeholders. While the Managing Director of Shell confirmed that his company had gained 40% cost savings from working with LADOL, saving Nigeria hundreds of millions of dollars, and helping to make Shell's investments in Nigeria internationally competitive.

The relationship with NPA is one of landlord and tenant – there is no profit-sharing agreement in place between LADOL and NPA. LADOL is fully compliant and has paid its rent in full to NPA, an amount totalling N880.6 million for the last two years. Ironically NPA's purported lease to Samsung Heavy Industries Nigeria Limited (Samsung) exactly mirrored the terms of the LADOL lease and would have halved NPA's income from the LADOL area to N230.3 million – the amount NPA purported to charge Samsung. Consider that, if, as the article falsely claimed, LADOL is "short changing government", how could a purported lease to Samsung on the exact same terms be an acceptable solution – unless it is acceptable for Samsung to "short-change" the Federal Government?

Secondly, a purported attempt to irregularly tamper with LADOL's lease cannot be justified on the pretext of investor protection because the contractor the article claims NPA acted on behalf of, that is, Samsung, has not invested into the shipyard, a view the FGN strongly holds and have expressed in its directives. Attempting to allocate the land on which the shipyard stands is tantamount to a gift to Samsung of a strategic asset belonging to the Nigerian Nation being a legacy of the multi-billion dollars national investment made into the Egina field development, while destroying the 19 years investment made by LADOL in converting a swamp to the asset that it is now.

The private investors that need protection are the LADOL stakeholders who have invested hundreds of millions building the Zone for 19 years and from whom Samsung collected an

additional USD 40.5 million dollars as part payment for the construction of the Yard, which Samsung built as an EPC contractor for which FGN is ultimately liable in repayment. The FGN directives issued on 27th March 2019, based on a thorough investigation by the Federal Government, concluded that Samsung built the yard as a contractor to Total. The Total contract awarded to Samsung was for approximately USD 3.2 billion for the works needed for engineering, procurement, and construction of the Egina FPSO. The works in this contract included the construction of the Yard, with the sum of USD 214 million allocated for this. Samsung collected the USD 214 million as milestone payments while the Yard was constructed. This USD 214 million is in addition to the USD 40.5 million Samsung collected from LADOL to build the yard. As per the FGN report on this matter, Total's payments to Samsung will be reimbursed by FGN, making FGN the primary investor in this Yard. The investors in the Yard are LADOL, its stakeholders and the FGN. Samsung was a Contractor and a tenant of LADOL, not an Investor in the Yard. The Yard itself is an important local content legacy capacity development that is a key near term benefit left in Nigeria from the Egina project.

Thirdly, there is no profit-sharing agreement between LADOL and NPA, reflecting standard NPA terms and the high level of investment in infrastructural / facility development from the stakeholders in LADOL. The sublease agreement was a willing seller willing buyer relationship and both parties had options. Samsung entered into the sublease after it had won a multi-billion dollar contract in Nigeria, in part due to a local content plan that largely relied on LADOL. Even though LADOL was entitled to collect the contracted income from that sublease – they did not, instead allowing Samsung to hold back 90% of the rent due, USD 40.5 million for construction of the Shipyard. Leaving LADOL with USD4.5m for five years, i.e. USD 900,000 per year, which is less than the current rent paid to NPA per year by LADOL.

Fourthly, the allegation that LADOL failed to obtain consent from NPA for the sublease granted to Samsung is false. This was a term of the Lease. Ladol made disclosure to NPA of the sublease. NPA approved the sublease in a letter dated 12th March 2014. Samsung tried to deal directly with NPA on several occasions, leading NPA to write to Samsung in a letter dated 16th November 2017 informing them that they must deal directly with their landlord, GRML.

NPA has, up until the recent misunderstandings, been a fair and just landlord, protecting the rights and investments of its tenant LADOL. NPA has also played a significant role in levelling the playing field in the maritime, industrial and petroleum sectors – ensuring that all Nigerian companies can participate. It is therefore perplexing that the writer of this article claims that NPA would now undo all this good work by punishing LADOL for participating in the market and attempting to drive them out of business for the benefit of a foreign contractor that has taken billions of dollars out of Nigeria. LADOL and its stakeholders are compliant, law abiding and committed to continuing their vision and mission – which will continue to benefit all its stakeholders including NPA and FGN. LADOL looks forward to continuing its long-standing cordial relationship with NPA and all other government agencies working with the Zone.

Oladipo Jadesimi

LADOL Chairman