

THE VERBATIM REPORT

OF THE AD HOC COMMITTEE ON THE
MONITORING OF SUBSIDY REGIME BY
THE HOUSE OF REPRESENTATIVES

The inside story of the
fuel subsidy scam. **April 2012**

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INTRODUCTION



Fuel subsidy: The Day of Rage

Nigerians woke up on 1st January, 2012 to learn that the price of premium motor spirit (PMS), commonly called petrol, had more than doubled. The impact of the development came with unprecedented force. Almost immediately, transport fares doubled and many people who had travelled home for the Christmas holidays were stranded. Predictably, there was resentment against the federal government as Nigerians began to vent their frustrations on any media outlets available to them.

Even when there were (and still are) compelling arguments that Nigeria is a victim of its oil resources, critical stakeholders (including organised labour unions and the civil society groups), responded with anger and condemnation while vowing that they would challenge the federal government by calling for a strike.

To be sure, there has been so much inefficiency about the management of the oil sector and sometimes defending its excesses against even the most temperate of its critics is not an easy thing to do. Despite being a major producer of crude oil, Nigeria has not invested in the infrastructure needed to refine enough to meet national need, thus making it mandatory to import much of the petrol for domestic use. In January 2012, it was hard not to be aware of the inherent irony. And indeed, it was one of the extraordinary times in our history.

With the nation evidently on tenterhooks, the House of Representatives convened an emergency session on Sunday, the 8th of January 2012, and decided among

other things, to probe the management of the fuel subsidy scheme so as to unearth the factors responsible for the rot and find out how to tackle the structural and procedural deficiencies that have contributed to our woes as a nation. At that same session, the House also appealed to President Goodluck Jonathan to suspend the fuel price hike until a more fortuitous time.

To achieve its objectives, the House set up two ad-hoc committees. The first one, headed by Hon. Patrick Ikhariale, was to interface with the executive and organised labour with a view to finding a common ground on what had become a serious national crisis. Other members of this committee were: Hon. Ajibola Muraina, Hon. El-Badawy Hassan, Hon. Onawo Mohammed, Hon. Aminu Sulaiman, Hon. Peter Akpatason, Hon. Ogbuefi Ozomgbachi and Hon. Khadija Bukar Abba Ibrahim and Hon. Essien Ayi. The second ad-hoc committee, headed by Hon. Farouk Lawan, was to verify and determine the actual subsidy requirement and monitor the subsidy regime. It had seven other members. They were: Hon. John Enoch, Hon. James Faleke, Hon. Abbas Tajudeen, Hon. Abubakar Sade, Hon. Ali Ahmed, Hon. Gerald Irona and Hon. Eucharia Azodo.

In a national broadcast in the evening of 7th January 2012, President Jonathan told Nigerians that the subsidy regime was unsustainable and that the government would not back down on its removal. Pleading for understanding, the president said he shared “the anguish of all persons who had travelled out of their stations, who had to pay more on the return leg of their journeys.”

After highlighting why the subsidy regime was detrimental to national economy, the president added: “If I were not here to lead the process of national renewal, if I were in your shoes at this moment, I probably would have reacted in the same manner as some of our compatriots, or hold the same critical views about government. But tough choices have to be made to safeguard the economy and our collective survival as a nation...the truth is that we are all faced with two basic choices with regard to the management of the downstream petroleum sector: either we deregulate and survive economically, or we continue with a subsidy regime that will continue to undermine our economy and potential for growth, and face serious consequences.”

In response to the broadcast, the Nigeria Labour Congress (TUC) and the Trade Union Congress (TUC), in collaboration with civil society groups, vowed to shut down the nation. When the national strike started as planned, rallies and protests were organised, particularly in Lagos, Abuja, Kano, Kaduna and Ibadan. Encouraged perhaps by events in North Africa (dubbed ‘Arab Spring’), where coordi-

nated protests uprooted some dictatorial regimes, protesters poured into major streets across the country and disrupted the daily routine of life and the economy.

Many businesses, shops, offices, schools and petrol stations were shut down on the first day of the strike on 9th January 2012. In Lagos, thousands marched on the streets. In some parts of the city, police and the demonstrators clashed, leading to some fatalities. In Kano, Nigeria's second-largest city, at least 30 people were injured as police used tear gas and fired in the air to disperse protesters. Two demonstrators later died. In the federal capital, Abuja, trade unions and civil society groups organised a march and protesters closed the Dr. Nnamdi Azikiwe Airport.

However, on 15th January 2012, after six straight days of persistent strikes, and following series of negotiations, the labour unions suspended the protests. By then, the President had agreed to slash the price of fuel from N145 to N97 per litre. But the cost of the strikes was enormous. To compound the situation, it is evident that we have merely postponed the resolution of the problem.

Without any doubt, the fuel subsidy regime has been a major source of multiple-level scams that have short-changed Nigerians and enriched very few people over the years. And revelations from the House committee confirmed the fears of most Nigerians. Incidentally, the scope of the committee was limited to cover only three years, from 2009 to 2011; while the Terms of Reference (TOR) was simply "to verify and determine the actual subsidy requirements and monitor the implementation of the subsidy regime in Nigeria."

The Lawan Committee conducted its sessions in public (beamed live on television), and received memoranda from Nigerians from all walks of life. The committee also invited major stakeholders in the oil industry to testify before it. From the federal government side, some of the principal testimonies were taken from the Coordinating Minister for the Economy, Dr Ngozi Okonjo-Iweala; Minister of Petroleum Resources, Mrs Diezani Alison-Madueke; Attorney General of the Federation, Mr. Mohammed Bello Adoke, SAN; two Central Bank of Nigeria (CBN) Deputy Governors (Dr Kingsley Moghalu and Mr Tunde Lemo); Chair of the Federal Inland Revenue Service (FIRS), Mrs Ifueko Omougui-Okauru; Director General, Budget Office of the Federation, Dr Bright Okogu; Chairman of the Revenue Mobilisation Allocation and Fiscal Commission, Mr Elias Nban; and the Group Managing Director of the Nigeria National Petroleum Commission (NNPC), Mr Austin Oniwon. Some other officials who testified included heads of relevant institutions (like NPA, Customs, PPPRA, PPMC, PEF etc.) that

had something to do with subsidy. From the private sector were former Finance Minister, Dr Kalu Idika Kalu; legal practitioners, Mr. Femi Falana, SAN and Mr. Olisa Agbakoba, SAN and several others.

Other stakeholders invited to the hearing (and who testified) included 93 oil marketers and importers, senior officials from the Nigerian Navy, the auditors appointed by the Ministry of Finance to verify subsidy claims, members of the professional bodies in the downstream oil sector, foreign oil traders, officials of the Nigerian Labour Congress and Trade Union Congress as well as the managing directors of the Port Harcourt, Warri and Kaduna refineries.

At the end, the committee took testimonies from 130 witnesses and received in evidence 3,000 volumes of documents between 16th January and 9th February, before submitting its report to the House on 19th April, after sitting for three months. The House adopted the report on 24th April 2012.

In response to the House report, the presidency said it would seek further investigation before prosecuting the alleged offenders. The Attorney General and Minister of Justice, Mr Mohammed Bello Adoke, SAN, said that there was need for such exercise to ensure that there were no misplaced or wrong prosecutions. There was nothing patently wrong with this position. It made sense for government to ensure that those accused of wrong-doing were not improperly charged. Essentially, that was what the plethora of committees eventually set up by the executive was to do: verify the propriety of the House probe report. But to date, nobody has been brought to justice on account of the report.

However, the report was good enough to earn the immediate termination of the two accounting firms that were engaged by the federal ministry of finance to verify and re-compute the claims submitted by independent marketing companies on the Petroleum Subsidy Funds. The report also led to the establishment by the executive of several other committees to verify and reconcile all fuel subsidy claims and payments made between 2009 and 2011. And the reports of those committees have more or less confirmed the findings of the House of Representatives ad-hoc committee as it nailed a number of fuel marketers for abuse of the fuel subsidy funds.

From the Aigboje Aig-Imoukhuede Ministerial Verification Committee which metamorphosed into a presidential committee to the Dotun Suleiman Commit-

tee on Governance and Control Task Force to the Petroleum Revenue Special Task Force headed by Nuhu Ribadu, the conclusions were that all is not well with both the upstream and downstream operations of our oil and gas sector.

However, shortly after the House investigation sessions were completed, Mr Femi Otedola, chairman of Zenon Oil, publicly confessed to bribing Hon. Lawan, chairman of the ad-hoc committee to the tune of \$620, 000 in what he described as a “sting operation” in collaboration with the State Security Services (SSS). The House, which was on a brief recess, had to call another emergency plenary session on 15th June 2012. The House promptly suspended Hon Lawan and asked the committee on Ethics and Privileges to investigate the veracity of the bribery allegations while Hon. John Enoh was appointed as the new chairman of the probe committee to complete the exercise.

Given the controversy that trailed the Ad-hoc committee report, the credibility of its findings is now questionable. But the verbatim report of what transpired in the course of the sessions which lasted 12 working days should help in providing insight into the nature of our oil industry and the danger the subsidy regime poses to the economy. That precisely is the essence of this effort.

I must, however, put it on record that this has not been an easy task to undertake. For several months between 2012 and 2013, I liaised with the secretariat of the committee headed by Mr Boniface Emenalo, who would later also be charged to court along with Hon Lawan (for allegedly collecting bribe from Mr Femi Otedola). He was assisted by Mr Ezennia Nwanekezie. With the authority of the House leadership, Emenalo was kind enough to avail me all the reports, the audio tapes and the raw transcripts from the committee secretariat and was ever willing to provide clarifications when needed.

I must therefore express my special appreciation to the Speaker of the House of Representatives, Hon Aminu Waziri Tambuwal, his deputy, Hon Emeka Ihedioha, as well as Hon Lawan without whose cooperation this work would have been impossible.

While those interested in muckraking will find enough materials with which to peddle their trade from the testimonies of all the principal stakeholders, serious minded people will find sufficient proof (in the report) of the waste and corrup-

tion that are inherent in an unbridled regime of subsidy that is beyond reforming. Perhaps with that, we can begin an honest conversation about whether it is indeed in the interest of our country to continue with the regime of fuel subsidy that has made emergency billionaires of some rent-seekers in the private sector and their collaborators in government while making nonsense of our oil and gas sector..

Olusegun Adeniyi

CHAPTER 1

Day One: 16th January, 2012

HON. FAROUK LAWAN (Chairman): My Hon. Colleagues, let me, on your behalf, formally welcome the Hon. Minister of Finance; the Director-General, Budget; Chairman, Revenue Mobilization, Allocation and Fiscal Commission; the former Chairman, Revenue Mobilization, Allocation and Fiscal Commission, as well as the Managing Director of Conoil for responding to our invite to this Public Hearing this morning. You are aware that the House of Representatives, at its emergency sitting of 8th January, 2012 resolved, among other things, to set up an Ad Hoc Committee to verify and determine actual subsidy requirements and monitor the implementation of the subsidy regime. The 8-man Committee, since then, has been working tirelessly to establish some framework; identify key stakeholders and design a mandate to ensure that the recommendations of the committee is objective, fair and further promote good governance. The House of Representatives, being aware of the growing concerns among Nigerians on the issue of subsidy that has become the most tedious topics of the moment, set up this committee to guide the decision of the House on this matter. There are separate issues begging for answers among which include:

- What is the volume of daily consumption of petrol in Nigeria?
- How much is the cost of importation per litre of the product?
- What should be the retail price of a litre of petrol in the market?
- Is there any subsidy paid by government and if there is, how much is it?
- What is the process of this payment, and whether due process is followed

- Is the bidding process of importation contract open and transparent?
- Is there a cabal, as we have come to hear over a couple of weeks, associated with the importation and marketing of the refined products?
- And if indeed there is a cabal, who are members of this cabal and why has government failed to tackle the corruption associated with this cabal?
- How much was paid as subsidy in 2011?
- Who authorized the payment and how much of such funds were paid in the 2011 Appropriation Act passed by the National Assembly?
- What is the state of our refinery and how much is their output capacity?
- Are the products distributed and marketed efficiently?
- The 445,000 barrels per day which the government gives out as condescend, what happens to it?

These are the issues we hope to unravel with the cooperation of those involved and other patriotic Nigerians who have been calling and sending e-mails since the publication by the committee in some dailies. The Committee is fully aware of the expectations of Nigerians and the likely challenges ahead. It is also committed to delivering results in an open and transparent manner. We are glad that even the decision taken by the President this morning still makes the work of this committee very relevant. From the executive decision, it presupposes that the phases of subsidy will continue and Nigerians will continue to demand whether the process of this payment is accountable, transparent and open, giving value to the Nigerian people. That is why we, in the discharge of this work, will try to be fair and objective and we will not shy away from asking any relevant question that will ultimately lead to fair and correct assessment of the real issues associated with subsidy. Apart from those already invited, the Committee welcomes any company, organization or individual omitted but who may have any information that will assist in the work of this Committee. While soliciting for the cooperation of all Nigerians, especially those in the oil industry, it is my pleasure to welcome all of you to this opening ceremony and the commencement of submissions aimed at verifying and monitoring the implementation of the subsidy regime by the Federal Government. Today's session is one of several that we will be having in the next two weeks. Tomorrow, the Minister of Petroleum will be here and other stakeholders. NNPC and some other stakeholders will be here on Wednesday. The Central Bank governor will also be here and several other invited guests. We have also invited major marketers to come and equally explain their positions. The key is that Nigerians demand certain answers and this Committee is desirous of ensuring that Nigerians get answers on this matter. I welcome all of you and assure you that we will have a very frank and open discussion which we hope will add value to our quest for good governance in this country. I want to mention that the testimonies we are going to take will be on Oath so whoever is going to speak will be on Oath. I also will like to tell those who will be making presentations to

please properly introduce themselves for the purpose of official reporters. We have verbatim reporters who will be taking the report of the submissions made by those we have invited. I hereby invite the Hon. Minister of Finance to make her presentation.

DR (MRS.) NGOZI OKONJO-IWEALA (Finance Minister): I would like to note that the invitation asking us to appear before this Committee was dated 12th January, 2011 and we received it on the 13th of January, 2012 at 6.00 p.m. The invitation requested quite a number of pieces of information and data that are relevant to the Committee's work. This is the kind of information that we are working on. For example, how much was spent on subsidy this year. We had an estimate before and this is the end of the year, we are trying to put the figures together and to reconcile those figures and the balance. Some of these vital pieces of information are being put together. Between Friday and now we need adequate time to do that and get additional information from NNPC and PPPRA on some of the questions you have asked. Basically, you asked us to make a detailed submission and presentation on the activities of our organizations with regard to importation, distribution and consumption of petroleum products and payment of subsidy. This is quite a piece of work and we would request that the Committee allow us a little bit of time to put together the information requested because we have not been able to put it together since we got the invitation on Friday. So, I will crave your indulgence to request that we reappear with this information.

HON LAWAN: First of all, let me know how much time you require.

DR OKONJO-IWEALA: I think that we do not need much time because we have already started work. We did not wait, but as you know we have also been working on topical issues of the discussions that we have been having over the weekend with labour on the negotiations. We have been vitally involved. I think we will need just a couple of days to be able to put it together in a format that will be accepted.

HON LAWAN: How many days?

DR OKONJO-IWEALA: I think two days will be all right.

HON LAWAN: Just two days?

DR OKONJO-IWEALA: When I said two days I have just been reminded that Federal Executive meeting is on Wednesday. I think by Thursday we will be ready to do this.

HON LAWAN: The Hon. Minister of Finance was in the forefront for creating awareness and sensitization of Nigerians on this issue. I believe that all the information are on your finger tips; and that is why we expect that there is no point in giving much time, but if you cannot make it tomorrow since Wednesday will be Federal Executive Council we will give

you up till Thursday to come and make your presentation. Let me say, however, that we really expect comprehensive presentation on Thursday. I will also expect you to give us an idea which I do not think you need to work on, on the role of the Ministry of Finance on this subsidy issue. On that, at least, you do not necessarily have to go and seek for information from either NNPC or PPPRA. If you have some information on NNPC or PPPRA, that will be all right but we will expect them to come and speak for themselves. If you have information we will grant you up to Thursday to come and do your presentation on these issues. Before you leave, I will expect an overview of the role of the Minister of Finance on the whole issue of subsidy.

DR OKONJO-IWEALA: I just want to say to you and your Committee that many of the figures that we have been given have been estimates. You will recall at a previous hearing with the Senate Committee, we gave a figure up to October that we had actually consumed about N1.3 trillion and we gave an estimate to the end of the year. Now the reconciliation is to be able to get a figure that is based on what has happened so that we can come to you having talked to our colleagues in the NNPC and the PPPRA to get those numbers together. That is what we are trying to do at the moment and that is what the work is about. With regard to the issue of the process itself, payment of subsidy to beneficiaries, I think the general and broad role of the Ministry is to verify the volume that has been imported and consumed through independent auditors. The auditors again verify that the amount are correct and then make payments to the marketers on those audited figures. That is the broad role of the Ministry of Finance in the payment system. Of course, this involves a whole set of procedures. In the case of NNPC, it usually deducts its portion of subsidy that is payable to it at source. In other words, instead of disbursing money to the treasury, NNPC receives a certain amount of crude that is allocated to it which if it does not refine and gets money, it is supposed to use that money to pay for imported petroleum products that are consumed in the country. What typically happens is that NNPC deducts its portion of the subsidy at source. For the marketers, there is a procedure for the payment of subsidy to beneficiaries. First of all, there is this petroleum team that manages these chains of activities. An oil marketer has to register to participate in the scheme; he has to get an approval to import products that is typically given by PPPRA. The product importation then takes place by the marketers. There is witnessing and confirmation of discharge of the imported products by PPPRA operatives, the Department of Petroleum Resources and Auditors which is Akintola Williams Deloitte and we have also added Olusola Adekanola & Co., Independent surveyors are also there, they are appointed by the marketers to confirm the quantity of the imported products. The Nigerian Navy is also at the gate. There is the verification of the import document by PPPRA and DPR. There is compilation, completion and analysis of import document and determination of under recovery by PPPRA. There is a forwarding of the verified document and subsidy claim by PPPRA to the ministry and

the budget office of the federation. There is the forwarding of the import document to the budget office then to the appointed auditor. There is submission of the audited claims by the independent auditors to the Federal Ministry of Finance and the Budget office of the federation. There is approval of funds and forwarding of the audited claims to the Accountant General of the Federation by the Hon. Minister of Finance. Typically, this process is expected to be completed within 45 days because beyond that, the marketers begin to charge a rate of interest. This is roughly the procedures that are followed in terms of payment of the subsidy to the independent marketers and the role of the Ministry of Finance in all of these.

HON LAWAN: From the briefing you have given, let me ask for one or two clarifications. I think you mentioned that NNPC deduct their payment from source. Who authorized NNPC to do that because you and I know that even the cash calls that are associated with the lifting of crude oil are normally provided for in the Appropriation Act? When we decided to provide for a cost of collection for both Federal Inland Services and Nigerian Customs, those ones were also provided for through the Appropriation Act. So, if NNPC is deducting directly from source, who authorized it?

DR OKONJO-IWEALA: What I am saying in response is that to NNPC their own understanding is that they needed to get money to continue to fuel the importation of these products. In order to support their liquidity position they need to be able to deduct this money to pay those who are also working with them to supply them. I think it will be appropriate to ask them since they are coming before you. You can ask them this particular question.

HON LAWAN: Hon. Minister, since you are coming back on Thursday, I hope that some of these answers will be provided, for instance, on the question I raised. Yes, NNPC should be able to explain but the control of the Finances does not lie with NNPC, it lies with the Hon. Minister of Finance. So anybody that is taking money from any source, from funds that are rather available to the Federation Account or is available to the Consolidated Revenue Fund of the Federal Government, then there must be an authorization from the Ministry of Finance. If NNPC is deducting money directly without authorization, it is doing that illegally. I will assume it is illegal because due process was not followed. But we will allow you to go and come back on Thursday.

HON ALI AHMED: I just want to ask a general question that bothers on good governance. The information is out now that your ministry ordered an investigation by KPMG. Is it correct to audit and look at the process that you have just spoken to us about now?

DR OKONJO-IWEALA: Yes, it is correct.

HON AHMED: The question Mr. Chairman is that this whole issue about subsidy is

about the Constitution because we know as the Chairman said, that what NNPC is doing is contrary to Section 162 of the Constitution. Would I be right if I say the whole subsidy procedure payment is left to get rotten so that you can give a dog a bad name and hang it? Otherwise, if a Government Agency directed an audit and a report specifically says that NNPC should not remit, it should be the Ministry of Finance through the Petroleum Support Account, that gives it back to NNPC; and it recommends that it should stop. The Ministry of Finance did not do anything about it. The rot continues until it consumed everybody so that the subsidy regime is rotten and we throw it overboard. My question is, do we now have the moral authority to come back and say that this subsidy is not sustainable?

HON JOHN ENOH: Mr. Chairman, although we follow this from the beginning that the Minister should come back on Thursday, my attitude to this issue is that there has been subsidy for several years now but in 2011 subsidy appears to have thrown up quite a lot of issues. I know in the beginning year of democracy, the issue of subsidy and provision for subsidy and all that were never part of the National Budget. But from 2007, it became an element of the budget to the National Assembly to the extent that for 2011 budget we have a figure of N245 billion. Is it that there is something wrong with the year in which you have a provision in the budget of about N245 billion and by September or October, the government audit brought up the fact that there was about N1.3 trillion already being spent on subsidy? That means by the time figures and records are all put together by December 31, 2011, that figure is going to be much higher. Is it that something is wrong with that situation for 2011? That is my question.

HON JAMES ABIODUN FALEKE: My question is just a follow up to the question raised by my honourable colleague. Hon. Minister, can you tell this Committee how much is in the 2012 budget for the payment of arrears on subsidy for 2011?

HON UMAR ABUBAKAR: Honourable Minister, during your short brief, you mentioned some procedures of control. In 2007 and 2008 companies that did not qualify or pass the pre-qualification were awarded contracts to buy from this country some crude oil. These companies are Covalent Trading, Petrobas, Desire and the rest. Why do we go into that with all the agencies put in place?

HON LAWAN: Honourable Minister, I think without prejudice that you are coming back on Thursday for a detailed presentation, let me join my colleagues in following up on the issues raised on budgetary allocation. My colleagues have requested to know what went wrong that N245 billion was appropriated in 2011 and the amount paid we have been hearing is of N1.3 trillion. We also know that N155 billion was also appropriated in 2012 for the payment of arrears. Now, in appropriating N245 billion in 2011, why was it N245 billion

instead of N1.3 trillion? Was it short sightedness or was there any decision that was anticipated that recommended the figures to be N245 billion rather than N1.3 trillion?

HON ABBAS TAJJUDEEN: Honourable Minister, my question is very simple, I know you by reputation, being a very sound professional accountant and an economist, by virtue of the fact that you are managing economic affairs with accounting principles and so on. I just want to ask a simple question, do you think it is transparent for an organization that benefits from subsidy to be the one to approve for itself? You are the consumer and at the same time you are the one who authorized the consumption; I just want you to reflect on that since you are coming back on Thursday. Why I said that is because we have been made to understand from your statement that NNPC deducts its own subsidy at source. How would somebody who is a beneficiary to consumer be the one to authorize its own consumption?

DR OKONJO-IWEALA: Honourable Chair and honourable Members, for the questions you just asked, I want to say that I am an economist by training and not an accountant and maybe Accountants are too clever for me. (Laughter). But I will definitely reflect on the issues that you have raised. I will answer a couple of questions and then I will ask the Director General (Budget) who is here to also respond to some. I am not sure if I follow the questions about the NNPC Audit's Report. As I understand this report was ordered by Mr. President, part of it arose out of the fact that the NNPC was also claiming that the Federal Government owed it some money in addition to what it had deducted; some backlog of payment. It was because what was being deducted was not sufficient to pay for the subsidy on the products that it was supplying. As a result of this, Mr. President ordered that the Ministry of Finance have this audit carried out to ascertain the amount being owed. That was my understanding of what went on. So that was actually what came out and in doing that, the activities of NNPC who owed what to whom was what the KPMG's Report looked at. I am not sure if I am getting at your question as to the moral issues involved in that. We are just looking strictly at the numbers, what are the numbers, who owed what to whom and when? Those are the issues that were examined in the process; I just wanted to clarify that. With regard to the issue that has been raised by some of you on the budget and why it was in budget 2011, and whether there was something peculiar about that budget year. Why was it that N245 billion was not in the budget but in the Fiscal Framework? There is a distinction between the two since the subsidy comes out from the Federation Account; not out of Federal Government share alone but also from the Federation Account. Usually when we submit the Fiscal Framework for the year, detailing how much money the entire Federation Account is expected to earn, then from these, we would indicate the portion of the Federal Government. It is in that framework that we then talk about these figures but I will hand over to the Director General (Budget). We are very lucky that we also have the

same Director General of Budget that was here in 2011 and here in 2012 and we can also have him to explain what the thinking was when the Fiscal Framework was done in 2011.

HON LAWAN: Honourable Minister, we have granted you an allowance to go and prepare and come up back on Thursday and that is limited to Minister of Finance. DG (Budget) was invited in his own capacity as DG (Budget) today, so he is going to remain here and make his own presentation. He could not say that his own presentation is directly tied to your presentation; otherwise, he is invited separately as the Director General (Budget). So we want him to respond to the issues that we put across to him. But if you want him to respond now and come back with you on Thursday again, we will consider that.

DR OKONJO-IWEALA: Honourable Chair, I just want to say that of course, the DG (Budget) is the DG (Budget) in his own right. The Ministry comprises several elements and there is really not that much difference of what he is going to say from what I will say, because it is one Ministry. I regard him as part of my team and I will come with my team and as it is permitted any of the questions relevant to any member of the team if the Committee does not mind; I will call upon them to also assist me in answering. When you have a team that you work together to produce the overall result for the financing of the country, I do not think there is any sort of separate entities. So, we see ourselves as part and parcel of the same. I do not know if you will permit him, with due respect.

DR BRIGHT OKOGU (Director General, Budget Office): On the specific question regarding the provision of N245 billion in the 2011 fiscal framework rather than budget per se, it can be clarified of course when you compare that to the eventual figures of over a trillion naira. Clearly one can understand the reason why people are raising this question and wondering. Basically, you will recall that we submitted fiscal framework to you around June/July, 2010. At that time all the indication that we had was that the removal of subsidy will actually take place. What we did was to put some kind of notional figures. We have no idea of the exact time the thing will be removed, and of course it dragged on because of so many things that happened within our environment. That was the principal reason. At the time we submitted it, the Chairman of the Finance Committee was the honourable Member who is here. We know the way we do this work generally. In the previous year, we have put something close to N500 billion and issues were raised. On the side of the Executive, with a lot of consultations, this has been on since 2008, to my knowledge. We started looking at the issue since then and a decision was reached that we would go forward with the removal of subsidy. So, under those circumstance even the amount we put in those years were like put such an amount because we do not know what time and if we do not spend all of it, it would not be wasted. But at the specific time for 2011 we have done the fiscal framework, you approved in, I believe some time in August or September, 2010. That was the

basis for doing it in 2011 budget. We have assumed that at some point during that particular year, this subsidy issue will be done. The second point is that even with all of that, there is no way of knowing exactly how much subsidy you are going to need. This is because it depends on international price of oil, it is an estimate and that was what it was in the year before that. The big difference for 2011 is that the gap between the provision made then and what eventually is today was very wide. It depends on the exchange rate, it depends on the consumption and it depends principally on the international price of oil and we have no idea that price of oil will rise to as much as \$112 to \$112.9 per barrel. The previous year, 2010 average price was \$81 per barrel, if you look at that escalation; you will see a big difference between the two years. So that estimate was done with the best information available to the Budget Office and the Ministry of Finance at the time that we put together the fiscal framework which we submitted to this honourable National Assembly and the Chairman at that time is here with us today. That is probably the explanation. The exchange rate, the volume consumed, as well as knowledge about the international price and timing.

HON ENOH: I think the attempt to play-down on the subsidy provision has been part of the fiscal framework instead of the budget. I really do not think that difference exists, it really does not. I have the budget and there is the revenue side, it has an expenditure side. Under the revenue side you have your revenue framework and all that and all those issues that are tuned up there. When the National Assembly passed a budget, we passed it with both components in spite of our law. So there is really no difference in the way we say the money we spend in spite of appropriation. The National Assembly is right, there is really no difference. The second element really has to do with the fact that unlike 2012 budget, the 2011 budget was never contemplated to be deregulation budget. The provision sum was made because it was expected that in 2011 there was going to be deregulation. It was never captured as part of the budget for that year and then if you say the fiscal framework was June/July, when did the budget come? The budget came much later in the year, November or thereabout and the Fiscal Responsibility Act does not make the fiscal framework sacrosanct than the one we have approved. It accommodates modification as the President may deem fit. All these issues of giving the time that it was approved, what figures eventually came and all that actually do not really add up to making explanation that are valid about a certain provisional sum. We do not think that in the course of the year, the Ministry of Finance, the Budget Office or the Executive should be able to know what exact figures the subsidy would amount to. But the gaps between N245 billion and N1.3 trillion does not give an impression of a serious people, in terms of budgeting and I think, I will like us to understand and appreciate that. We should not try to justify it by the fact of approval of fiscal framework. The question is, where did that money that was used to pay up come from? I think Mr. Chairman, we expect some information on that as well.

HON LAWAN: Honourable Minister, before your DG respond to that, let us also add one or two elements from what the DG (Budget) has mentioned. In his explanation, he said N245 billion was a mere estimate and it could not help anticipate the actual amount of money (subsidy) of the likely variation in the price of crude oil in the exchange rate as well as the consumption level. Now, we do our budget based on a benchmark price of crude oil and I would have thought that whatever conservative estimate we are providing in the budget for subsidy, it should at least be able to take care of the price of crude oil based on the benchmark that we are setting for ourselves. In 2011 the benchmark was \$75 per barrel. What that means is that I would have expected the Budget Office to budget for subsidy, at least to accommodate \$75 per barrel and N245 billion was a far cry from subsidy that is meant to take care of price of crude oil at \$75 per barrel. Honourable Minister, when you are responding to questions, perhaps I will leave this for Thursday, but it should be food for thought. When you were responding to the issue of the NNPC deducting money from the source, you allude to the fact that maybe they were doing it to maintain equality in order to either invest or whatever. I would have thought that that should not be a reason why people should do things without proper procedure. That was the debt funds that are supposed to go into Federation Account for instance. What that means is that the Federal Inland Revenue Service (FIRS) or the Nigerian Customs Service or any of the revenue generating agencies can unilaterally wake up one day and decided to withhold the amount of money they are generating because they need to maintain some level of equity or they need to invest or they need to do certain things. I suppose the essence of government is to ensure that due process is followed in the way payments are done. That is the basic and most important responsibility of the Minister of Finance. Honourable colleagues, we will just take one or two more questions and we excuse you and then take you on Thursday.

DR OKONJO-IWEALA: There was a question I did not respond to with regard to companies that did not qualify for contract that were given. I just want to clarify that the Ministry of Finance is not involved in contracting process for the procurement of oil. So I cannot answer that, I think it will be best to discuss it with the NNPC and the Ministry of Petroleum Resources when they come. With regard to the issue of withholding and deducting monies, I can tell you categorically that the Ministry of Finance and Minister of Finance do not support that. We continuously ask agencies to remit money. We have many agencies that have internally generated revenues as you know and they are supposed to remit this money to the Federation Account. After which, we can then dialogue with them on what is needed to fund their expenses. This is what they are supposed to do. I want to make that absolutely clear when you asked who gave the authority. The Ministry or the Minister in any way does not remit money to the Federation Account. We do not. That is part of our job; we are continuously talking to agencies to remit what is due to the Federation Account.

We enjoin all agencies and we use all the powers we have to compel them to make remittances but with some margin. Again we are embarking on an agency by agency discussion on this particular issue and we have constituted a working group in the Ministry of Finance. We have written to these agencies and Mr. President has backed us up 100% and we are going to insist that they remit money. So, I just wanted to clarify that point and that is our professional duty and indeed that is what we do.

DR OKOGU: Mr. Chairman, on the specific question you raised about the N155 billion in the 2012 Budget, we have put that amount in anticipation of the fact that there is a lag between when marketers submit claims and the time that it is fully processed. With the experience we had in the past, there may be some overflow from December submission of claim by these Independent Marketers and we do not want to be in a situation where in 2012 they make a claim for product they supplied in December and we were not able to pay. We have estimated to the end of December if you like as you saw in the various submissions; so if there is an overflow which there will be because you will not finish paying everything by that December 31st. It is from this provision that we made that payment so that we can totally close the issue and be in a situation where we are going to be strengthened.

HON LAWAN: Hon. Colleagues, this Committee has already granted Hon. Minister of Finance and the DG Budget to prepare adequately and then come back on Thursday. But before they leave, please let us take the former Chairman Revenue and Mobilisation Commission. Engr. Hamman Tukur, please make your presentation.

ENG. HAMMAN TUKUR, (Former Chairman, Revenue Mobilisation, Allocation and Fiscal Commission, RMAFC): Let me just begin by saying that we should look at the subsidy issue from a slight different angle from my own point of view. As you can see, government says there is subsidy and that the subsidy is going to be removed. Hon. Members, given definition of removal, in the meantime did not government remove subsidy from kerosene and diesel and to give infrastructure development if they withdraw subsidy from PMS? If every Nigerian buys a litre of petrol he gives government N75 additional money. In view of that, are you withdrawing subsidy, or closing it or are you passing it to Nigerians? It was N65 and you said you want N141, the difference is about N75. If I buy a litre of petrol I should give government N75 extra; then what are you stopping? On the issue of budget discussion about subsidy, we should really ask who is paying for it. When you withdrew it from kerosene and diesel, where is the infrastructure you provided? You now want to withdraw subsidy on PMS in order to provide infrastructure, better railway, better education, better this and better that; did you do so before with the money you withdrew from the kerosene and diesel? I cannot see kerosene. Yesterday, I sent my driver to buy kerosene and he could not get. It is neither available nor is it cheap. On this kind of issue, we are

now asking whether subsidy exists at all. Secondly, why are you relating subsidy of only petrol to infrastructural development for a change in Nigeria? In fact, let me just remind Hon. Members that the issue we are raising here is about the 445,000 barrels. It is for internal consumption outside OPEC quota. So the government is still selling that crude from the multinationals and all the royalties and the monies are increasing. When did the Ministry of Finance become broke? What makes it broke? It is because the whole economy will now be centred just on 445,000 barrels of domestic crude. Is it for domestic consumption? You either refine it and we take it or if you cannot refine it you will make agreement with the refiner and bring back every single barrel of it refined. Bringing it back, that is the condition for OPEC and it is in one of my submissions. The OPEC condition is that it must not be imported by government on whole or in part to another country for revenue or be sold on the spot market. However, it could be exported or sold to foreign refineries for processing and back loading of borders in Nigeria. Mr. Chairman, you see, that 445,000 is what we are arguing. I am now saying that government is still earning her money from exporting crude given to us by OPEC; about 2.3million barrels per day. The price of that barrel is increasing reference to your benchmark which is \$65; from the figures I have, it is \$65 from 2011. How can you possibly tell Nigerians that you pay for your infrastructures by donating to government N75? It is incredible. Where is the money you have been receiving and you continue to receive? It is increasing. It is like in General Gowon's time when it was \$65 benchmark and you are selling it at burning light or whatever at N112 or N115. The difference between N65 and N115 is what you are thinking of going to keep it in Europe. In other words, there is so much money and you do not know what to do with it, you are thinking in that difference and establishing National Sovereign Wealth Fund for future generation and you are now telling me you are broke, you are now telling every Nigerian give me another N75, I will now give you infrastructure and you are keeping that money there. Are we back to the same problem or we have so much money and we do not know what to do with it; let us return it to Western Europe. The issue is, is there subsidy at all? Nigerians are saying if you say subsidy exists please do not make me pay for my infrastructural development. What is your responsibility as the government? You are earning, the revenues are there, you access everything; go and give me roads, education, health and so on but do not keep asking me to make donation. I made this presentation to President Obasanjo regime when it was diesel and then kerosene removal. Do not ask Nigerians to pay for it. Why should I? It was only PTF where some reasonable naira was given and development was seen. Do not go and say I have increased the price now without discussing about education, health improvement, etc. It is not fair to me. Where do I have to find N75 extra from my income to give you and how can you tell me how you are going to do it. You did not do it in subsidy removal from kerosene and diesel, why can I trust you now that you will do it with PMS? You are talking about deregulation, deregulation of what? Why are you deregulating single item in the

petroleum sector? If you refine Hon. Chairman, Sir, one barrel of crude oil depending on the type, how many products do you get? The PMS, Kerosene and Diesel and one other are the only four of the topmost items that come out of that refinery. You can get 15 to 18 other products from it. NNPC is giving 90 days credit against the 30 days to multinationals as far as I know. This 90 days is to enable it refine it, produce all the by-products up to coal tar, start processing them, produce engine oil, lubricants and other products; and then you pay to government what you are getting. It does not happen. This is where if there is subsidy, the money you are making from those by-products you can now supplement so that Nigerians would benefit from having crude oil in their country to buy petrol and kerosene. Kerosene in an ordinary home and you are telling me no subsidy and I cannot see it? No Sir, I will now pay N75, haba! These are kind of issues why I want the Hon. Minister with all due respect to listen to. She may now leave the House. The question is, is there any subsidy? What I am saying is, if there is infrastructural development for Nigerians and we need it desperately, no road, no rail, there are other ways to go about it. Japan is flying its train at 400km an hour while Nigeria is running hers at 25km an hour, Chineke! That should not happen; and we are talking of moving to year 20-2020. Hon. Chairman and Hon. Members, Nigerians depend on you, move us forward, use crude oil funds to develop infrastructures. Very simple way, if you now pay your benchmark \$65 you are selling it at say \$100, you are getting \$35. From the \$35 deduct \$5 from every single barrel sold every day to develop rail, take \$3 to develop power, and use \$1.5 for roads. The \$35 is there every day. Every barrel sold take it for infrastructure, it will not affect your budget because if you are paying \$65 all your budget proposals are already there. It will not affect your capital or recurrent. Please Hon. Members, get this country out of this dilemma. Use its crude oil to provide infrastructures. Let us get education, better roads, better health care, let us be proud of ourselves as an entity in this country. We have the money, we have the resources, do not give me an excuse you are now pinning down my development to 445,000 barrels of crude oil, no! I was thinking less than that. It is clear it is 445,000. NNPC says it would deduct it because it is independent. NNPC says it is going to sell it, if you sell it you keep the Dollars and make all your deductions, are you a government? How much did you buy 445,000 from the government? You cannot sell it, keep the Dollars and you now give contractors LPOs to import petrol. Are you going to import from what you have refined, your petrol, your kerosene or are you going to import from any other source? What about the one I refined from 445,000 for domestic consumption? If I do not compel you to buy it from there then there is something wrong, it is for internal consumption, the petrol is coming therefore, buy it from my source where I refined since I cannot refine it. The 445,000 as you know Sir, was during Gen. Babangida regime when Port-Harcourt 2 was completed. It was 310,000 barrels before. When Port-Harcourt 2 refinery was completed he appealed to OPEC to make it 445,000 barrels. You take Dollars from Central Bank reserves and then you buy from the

NNPC refined, which is already being paid for, and the NNPC despite budgeted provision is now going to sell that. Throughout my stay as Chairman Revenue Mobilisation Fiscal and Allocation Commission, the NNPC was unfailingly taking N45bn per month for petroleum subsidy. Where is that money going? From where, who authorised it? We asked these questions time and time again during Obasanjo regime, during Late Umaru Yar'Adua regime, during Goodluck Jonathan regime even then because I worked with him for few months. I did ask President Goodluck Jonathan these particular questions. It is still not resolved. We have to change things. Hon. Members, please get us to move with the rest of the world. We have the resources. Use crude to give us infrastructures, it is there. Do not pin us down to just 445,000 barrels of crude oil. It cannot be accepted any longer in Nigeria with 150 million people. My submission is that it does not exist.

DR OKONJO-IWEALA: Thank you Hon. Chairman, since you insisted that I wait for the presentation, I think it will be better for me to say a word or two about the presentation that has just been made, just so to make sure that Nigerians are not confused. I want to say that I have every respect for the former Chairman of Revenue Mobilisation and I want to thank him as one of our elders in Nigeria for his contribution to this debate but I must say that it would not be helpful to us to leave some of the pronouncements he has made without some response because it would end up confusing Nigerians and I could see several heads nodding at some of the issues that were being raised when we know that these are not the ways that they are supposed to be. Let me just take one; the issue of whether or not there is subsidy. This has been raised in some quarters repeatedly and I want to with your indulgence, just explain what this subsidy is. I had made a presentation at the Town Hall meeting in Lagos and in various fora to explain what a subsidy is and why there is a subsidy. I do not think given the situation in the government and what we have gone through that if there were no subsidy the President would go about removing it. So let me just explain what it is. Now the price of refining and bringing back a litre of petrol (PMS) to Nigeria is N123 a litre and if you have to add the distribution cost and we can debate that, many people say that there is inefficiency within it, we have to look at it, there is a demurrage cost, we can debate all of that and I agree that we can look but right now with all the debates and the inefficiency involved, the cost of bridging profit margin, distribution of this landed litre of petrol is about N15.49 per litre. When you now add the two you get about N138.49 a litre. So you will now see that the cost of one litre of petrol is about N138, call it N139 roughly per litre but at the pump, people are paying N65. There is a difference of about N74 a litre. That amount is the amount being absorbed by the Nigerian Government and that is what the subsidy is. If the goods were to be sold at its market price you will be paying almost N139 a litre but because the government says no let us pay most of this cost for Nigerians you are paying N65, the difference between what it costs to produce that product, sell it and distribute it and what

Nigerians are paying actually, that is what the subsidy is and that is what this debate is about. I think it is like most other commodities that they sell in the market, people bring the goods, it cost them something to produce it, transport and bring it to you in the market and you pay. If the government now decides to subsidize rice today or garri or any other thing and garri is costing whatever in the market or rice per bag or per cup and then government says no this rice is too high we would allow people to sell it to you at half price and it would pay the difference then you are getting it at half the price that the market woman would have sold it for. The other half is the subsidy being paid by government. You cannot now get up and say there is no subsidy. So I just wanted to be very, very clear so that Nigerians are not confused because one thing that I found in this country is that there are so many people putting out information that people get confused about. What is the correct information and what is the information that is not correct and sometimes people are doing it genuinely because they are not clear and at other time it is mischievous. So I want to clarify that. Second, I want to say that kerosene has not been deregulated, only diesel was deregulated during the time of President Obasanjo, I believe. Kerosene is still subsidized at an official price. It is true that it is very difficult to find it and that it does not cost the N50 that government is selling. We actually did a survey and found anywhere ranging from N97.00 to N140.00 for Kerosene only for NNPC Station but it was the government that subsidized it at NNPC Station. So, when people say you are donating money to government I do not understand that word, because nobody is donating, it is the government that has been bridging the cost of the particular products that is being consumed in this economy. Now, people say the country is broke. I want to clarify that. We have never said that the economy is broke, the economy is not broke. I want Nigerians to know that, but you were saying that we are spending far ahead of what we are able to generate as a country. To bridge that expenditure both for subsidy and for infrastructure and so on we are borrowing more and more domestically and as a country we need to sit back and say is this what we want to do? It is not that we are borrowing so much abroad, what we are borrowing abroad is very limited and at very low interest rate. But inside, with the very high interest rate sixteen per cent, nineteen per cent we have continuously floating bonds and who is buying those bonds? You, me, the institution, if we do not pay as at when due, it means that people in this economy would not get the payment for the investment they made and that could be very damaging to the investor. So for the domestic debt we need to watch it, we cannot say that let us continue spending. I often cite examples of Greece and some of the countries in Europe that are now suffering at a time when they could have stayed back and taken a tough decision that what we are doing in this economy is not right, they allowed people to retire at very early age, fifty something. People did really pay tax and they just decided that they will continue at the same rate and keep borrowing the difference. What happened? This is a country that is supposed to be a developed country, they were spending ahead of

what they could collect at the end of the day, today they crashed, they cannot pay their salaries, they cannot find job for young people, the economy has collapsed, they have to go to the European Union to borrow money even to pay salaries and if we continue on the path we are on, down the road, it would be bad. That is what we are saying and we are seeing it as we look at the finances and say we must not allow Nigerians to go down that road, we should not mortgage the future now. There is no reasons to get into this very top fight now about subsidy; it is very easy to say let us just continue, this year is N1.1trillion, we are about to borrow N1.1trillion if you support us and we said we cannot keep doing that let us put a break, let us not pile up debt for our children to come and pay or allow this economy to go down. So it is not a question of being broke now, it is the question of down the future. In five years we would not be able to pay and we are saying this is not right, that people of this generation should take a decision now, not to allow their children to be confronted with such. I think I have explained that very well. Then on infrastructure, we are not saying that it is the 445,000 barrels that go to NNPC or the subsidy alone that will pay for infrastructure in this economy. We need about N1.6trillion a year for infrastructure of all types from power, roads, aviation, transport, if we were really to have the type of infrastructure that Nigeria will need. Why we are a large country, people have forgotten that we are growing. I have an estimate of about (167million people), now last year it was (140million people). The National Bureau of Statistics has made an estimate by now we are going to 167million. If we have a household that you are taking care of with a certain amount of finance, your finances may be increased, your salary may also be going up, but you keep having children. Will the same budget you have before be able to take care of them? No, you will have to get more and more money to care for them. If you have five children and then you have increased the number to ten and fifteen and twenty, you will need more money to take care of them. So you cannot just say that we are rich, every day in this country we are adding more to the population. That means we are expanding and that is why we need all these money, infrastructure, the demand for schools is increasing, the demand for health services is increasing, the use of our roads is increasing and we have to have the resources to run it that is the estimate to meet the infrastructure needs and other needs in our economy. It means we have to work harder to get sources of income so anywhere we can get it part of the proceed of the subsidy, the money for the regular budget even some borrowing to a limited extent, all these would be needed to put off this together in other to be able to even get part of the infrastructure needed. What I want to submit is that we need to pay for infrastructure. So those are some of the clarifications that I want to make so that Nigerians do not become confused by the discussion. The DG Budget wants to add something.

DR OKOGU: Hon. Chairman and Members thank you very much, I think I have two clarifications I want to add to what had already been said. The first one is that the production

that Nigeria currently enjoyed about 2.4million barrels, we do not get hundred percent of that because some of the productions are joint ventures activities. Nigeria owned over 25 per cent of the GP crude oil produced, it refused to ship it before it was shared. We do not want to give the impression that the 2.4million barrel per day is all there for Nigerians to just look at it. The second point to make is very important. People talk about OPEC allowing Nigerians have 445,000 barrels. In negotiating with OPEC you do not price to negotiate with OPEC as a sovereign member of OPEC. The way OPEC is structured; everybody has veto which means they are very mindful of what they tell members to do. OPEC encourages members to have their own refineries, yes but OPEC does not say go and refine your own products and then waste it. OPEC does not say the one you refine at home to consume before they allow 445,000 barrels a day. We do not count it as part of your quota of course they count it. I can say that authoritatively because I worked in OPEC. I worked in OPEC for eight years and I think Nigerians need to understand that there are certain things, certain basic facts that must guide the discussion that we have on this issues. We should not have statements that are made which are not correct. OPEC does not say to you 4.5 is this, we do not count it to your quota. They do count it. If you want to spend all your quota consuming domestically, it is alright because if you no longer have something to export you are no longer a partner to OPEC which is one thing that confronted Indonesia in the last few years because they basically have run out of production. I just wanted to correct this little element.

HON LAWAN: Let me assure you that by the end of this year what we intend to achieve is the accurate rate and figures. We want to guide the government properly and accurately, so we hope that in the course of this interaction we should be able to have exact figures that would be gainful to everybody, the government and to the Nigerian people and most importantly the Nigerian Parliament and mostly to the Members of the House of Representatives. All we are trying to do is to ensure that we get those figures.

HON ENOH: I think the Honourable Minister has been concerned. What people have spoken about is the fact. As the figures begin to come like when he spoke he talked about the cost of getting the goods, what would the cost be compared to the cost of crude when you export and then go ahead and report? So when we make argument about deregulation I want to look at the gap between N65 and whatever figure that the merchant cost is and limit our entire argument to that cost that is foreign without also trying to look at the local cost. This is because it would have also been possible that all crude out of the 445,000 that is given to NNPC could become the basis upon which it calculated cost of the pump price of fuel. So it is important that we look at these things and check them because people who talk about this also talk about the fact that that gap would really not exist assuming we have a chance to refine all our crude here for domestic consumption. So it is important we get all

these as much as possible.

HON AHMED: Hon. Minister, this landing figure of N123.00 that the Federal Government has given to us, it is given to us as something that you cannot argue with, and from all information and I believe this is one of the fundamental work of this Committee to really look at government's figure and look at other alternative figures. I wonder why a government whose duties it is to be transparent to provide good governance and you see that N123.00 is good enough. In my view, it is inefficiency. Why can you not ignite yourself and deduct that cost of inefficiency and arrive at the figure minus inefficiencies so that if you believe that these inefficiencies restrain you from providing infrastructure you will be on your toes to address those inefficiencies and then correct and arrive at acceptable figure? So if Nigerians are saying there is no subsidy Madam, what they are saying as far as they are concerned is that government is buying it at N123 but as far as a Nigerian that expect a minimum standard of good governance and transparency from government, it should deduct the cost of inefficiencies. We know that NNPC said it pays dollar rate less than the given Central Bank rate. If you ask them they will say call Central Bank to get the figure. Central Bank gives a figure; NNPC gave its own dollar less than the figure. That is corruption and it should not be accepted. We know that the average delay for demurrage by NNPC is about 31days so Nigerians are made to pay for that demurrage. We have to agree with what Nigerians are saying and this Committee will do that. We are not bound to accept that N123 as landing cost. We would look at those figures and deduct the cost of inefficiencies. If the government is ready to deliver infrastructure then it should bear those inefficiencies, correct them and I think we should arrive at the same page before we can accept the N123.00. We must know how much NNPC is getting out of us, how much is being transported out. Some have said that the figures you have are inconsistent. People do transport 200 tankers out of Nigeria a day. If people can transport 200 tankers out of Nigeria a day that is gross inefficiency. We want government to deduct those cost of inefficiency. You cannot force it on Nigerians and want us to accept N123. So, my conclusion is that for us to agree whether there is a subsidy or not, we have to agree on the landing cost. And for us to agree on the landing cost, government has to convince us that we have to take in all these inefficiencies to arrive at N123.00 landing cost.

HON LAWAN: Honourable colleagues, let me assure you that before the end of this year, we should actually have a landing cost minus the cost of inefficiencies. Hon. Minister, we would come back to you. We would take all your comments, we have already allowed you to go and come back on Thursday, so do not worry.

HON ALPHONSUS IRONA: Mr. Chairman, the Honourable Minister of Finance is trying to justify that there is a subsidy. I want to ask a simple question; the N123.00 per litre

you stamp as the cost of refining and landing, is it the cost supplied by the International Fuel Traders or is the cost of refining it from the offshore refinery? If it is from the International Fuel Traders we have it on a good authority that the date of Bill of Landing was falsified to reflect (Interruption)

HON LAWAN: I will receive a comment on her presentation on that, please.

HON FALEKE: I just want to ask this question so that when you are coming on Thursday you assist us with some details. The first is that your Ministry is responsible for the payment of this subsidy for all the importers, if it is yes; we want to have your bank statement where these monies are paid from. Secondly, has your Ministry set up a system to actually determine the volume of consumption in this country, if yes; can we have your details as to how you arrive at the volume of PMS.

HON LAWAN: Honourable Minister, I will just request that you respond to these issues and you are free to go and see us on Thursday morning.

DR OKONJO-IWEALA: Thank you honourable Chairman. I just want to start by saying that I think we are all in government. National Assembly is also part, is not some distance agency that does not have anything to do with government activities. So when people talk about what government has to do, we are all part and parcel of this and I believe when we say government is not some distant element, this is all of us trying to make this country work. I want to state categorically that nobody in my Ministry or me is in support of waste, inefficiency or corruption. I think people know my antecedent, that I am strongly against corruption and in fact one of the reasons you see all kinds of articles about me is because of my stand. So I want to get that clear. We are against corruption; government is fighting and laying ways in which to tackle this corruption in this country. I am not here to defend waste, inefficiency or corruption. In fact, part of the reasons I came to do this is for us to fight against these things as Nigerians. So, I am totally in support and we are trying to find out where is the waste, where is the corruption and I hope that when we start fighting this corruption and when Mr. President gives a directive and say go to this sector and try to fight that, we get the support and must be frank with you, that when we went, we have been to the port to try to reduce waste, inefficiencies and corruption. When we go to the sector, the same people who are saying fight corruption would be the first to ask us why we are doing that. So, is the country really ready to support those fight against corruption or you want to throw them to the dust when they start? It is very nice to talk about, look at what we are trying to achieve in the port. With the support of the President, when we show that we could clean up, the private sector was saying what is happening in the Nigeria Port? There is corruption there and there is waste, there are inefficiencies and it is holding us back, it is making the cost of doing business high. So we want to fight corruption. What

is the first thing that happened? Attack right left and centre, summon for this hearing and that hearing. So, when we go to fight corruption, please support us. Protect us so that we can get it done. If you are in a place to fight corruption and no one supports you, you can get attacked and the attackers will win the day. I am very passionate about this. Now in this business of the Oil Sector, we must fight corruption and the President has made a broadcast this morning saying he is irrevocably committed to fighting corruption. We must fight the waste, we must fight the inefficiency, that is the commitment that we have and I personally have and people know me for that. We are not here to defend anything but all I am saying is when we are fighting these things let us fight on the basis of fact, you cannot fight a battle when you are fighting on a basis of fiction. People have found that in Nigeria, people are very gullible so they invent figures and invent "facts" and circulate them so as to confuse the population because they know that when we are confused and there is chaos then they will win. The people you are fighting are not just sitting down, they are very clever people. Do not let them confuse us. When we say something just know that they are ready to spend their money to confuse this country. So let me get back and say we are fighting. Yes, we must know that the cost of refining; every Nigerian wants the oil to be refined here and that should be the case. We are very much for that because we do believe it will reduce some of the costs, but from what I am told, I am not a petroleum engineer, 82% or more of the cost of refining petrol is the crude, and crude is an internationally sold and marketed commodity which has to be valued at that price. I stand to be corrected, if crude is sold at zero here when it is selling at \$82 or \$100 per barrel at the next door, what is going to happen, what will happen? Either the crude or the refined product would disappear over the borders because people will smuggle all of it. If you are handling it and know you can make for ten times more than what is here will you take it? So, we have to think about some of these issues. That is why every country that produces crude values the products at the International price. They may now decide that having done that they are going to pay a subsidy from their budget or their resources to support the country. Even if we build our refineries here you are going to see that this crude that we buy would make up about 82% of it. On our value at International price, if we dare to value it at zero we would not see any of it to refine in this country and Nigerians are good at making things disappear. Let me just say that we have to think through this. I know that majority of people in this country are honest hardworking individuals who just want to get on with their lives; but few of us will device many clever ways to undermine. I agreed with you that there should be some deduction because the cost of transporting, distributing and all that will be less. I am with every Nigerian that says let us try and have our own refinery. Let the private investors come and invest. I do not believe any government should run any refinery again because we are competent to do it. Let private sector run it. The government can take an equity share to encourage them but let them come and invest. But before that, they would not invest unless the price

at which they can sell what they refine is a market price. Many of you here are business people, if you cannot sell to make some kind of profit, you will not invest. Why do people go into business? Is it to support government? People go into business to make something for themselves. If you do not create the environment where they can make something, they will not invest. We also need to understand that this is preventing investment. Once you can get that environment, those in the private sector will invest, government will put something as equity and then we would be able to reduce some of the costs. I am convinced that if we could handle ourselves well all those margins and inefficiencies would come down and then we would also have lower cost products. That is my belief. I am not an engineer; but just looking at it, I think this is what will happen.

HON LAWAN: Honourable colleagues, we have heard the Hon. Minister in her presentation. We want her to take her break and come by 10.00 a.m. on Thursday with the details of some of the questions and such issues that are very critical. The information from the details she would provide would assist this Committee in determining the accurate figures. I believe that it is in the course of having those kinds of figures that we would be able at the end of the day do a job that will satisfy good governance in this country.

DR OKONJO-IWEALA: Mr. Chairman, I have a question. The question is this; many of the questions you asked are not related to the Ministry of Finance. You asked why the refineries are not working. This is the question for petroleum engineers.

HON LAWAN: What you have to do is to make your submission relating to the Ministry of Finance. Other agencies are waiting for us; we can direct some of those questions to NNPC or to the Petroleum Ministry. Some of the questions can also be directed to the PPPRA, BPE, Accountant General of Federation is going to be here, the CBN Governor, etc. So respond to the ones that relate to the Ministry of Finance and the Budget Office. If there are some issues and questions that are related to other agencies which the Ministry of Finance can equally give us information on, we want such information. For instance, for the payment of subsidy, certainly the Ministry of Finance has it as a responsibility even though we know NNPC, like you said, deducts their own payment from the source but that does not take away the responsibility of the Ministry of Finance. The NNPC would account for what they have done, but let us also get the information from the Ministry. With that Hon. Colleagues, I will like to thank all of you. Hon. Minister, we expect you on Thursday morning by 10 o'clock. Hon. Colleagues, we still have some agencies to make their presentations. The Chairman of R.M.A.F.C is here. He will make his representation. I know MD ZENON Oil is also here. We would hear from him whether they are part of cabal.

MR ELIAS N. MBAN (Chairman, RMAFC): I want to confirm that as at this morning we have not received any invitation letter. Our response is based on the publication

we saw in the newspaper on Thursday and we do not know exactly what you want us to bring; but based on what we saw we have a presentation on that. If our presentation does not meet what you required from us maybe when we get a letter we will be able to appraise all what you want directly. I want to say that the issue of subsidy is a serious concern to the commission. We have a different forum, different challenges of subsidy which includes over expenditure beyond a budgetary provision. The management of subsidy, the lack of monitoring, the uncertainty of the quantum and volume of petrol consumed and some illegal institutions deductions from source and of course, this source belongs to the three tiers of government which ordinarily should be appropriated for the three tiers of government. So we are really concerned. An opportunity like this has come for us to share our concern with the honourable Members and Nigerians. The issue of subsidy has been reoccurring over the years. This is due to international cost of crude oil and the exchange rate and the volume of consumption. In this regards, as the cost of crude oil rises in the International Oil Market, it all affects the prices of products derived from crude oil. Furthermore, since crude oil is normally priced in dollars, any fluctuation in exchange rate would have effect in local price of the petroleum products. Consequently, the Federal government has always been operating the fuel subsidy with the purpose of making the petroleum products available at less than true market price of the products; and that is actually the subsidy. If you look back in history, you will find that from 1973 when the PMS was sold at 95k it has progressively increased. In 1979 it was N1.53, in 1986 it was N3.95k, in 1987 it was N3.95k, in 1987 it was N4.20; in 1992 it was N5, in 1994 it was N11, in 1997 it was N15, in 1999 N20, in year 2003 N30, down to the current price of N65. Now we also collected a template from the PPPRA (Petroleum Products Pricing and Regulate Agency) and I have here the tables that summarize as at Friday 2nd December, 2011, the cost of refining and importing the products. If you look at the table paragraph 4 on page 2, you will see that the cost of crude is N111.38. Down the line we have other charges including lightening expenses, NPA, Financing, etc. that made up the expected price of N138.92. If now the price is N65 with this one, between the N138.92 and N65 will be N73.92. That is what we would now pay as government subsidy. Substituting subsidy regime has resulted in huge deduction of revenue from the federation account, particularly by NNPC as well as direct payment to Petroleum Products Pricing and Regulate Agency (PPPRA) for payment to marketers. There are two aspects of payment of subsidy; one to the NNPC and the other to PPPRA, both make payments to marketers. I also have tabled on that page below where I have from January to September, 2011 all subsidies paid to NNPC or deducted by NNPC and all those payment make to PPPRA marketers. From January to September, I have a total of N615,670,535,191.68 as payment of subsidy to NNPC. The PPPRA within the same time have been paid N647,660,947,082.13. If you add the two payments it will give you N1,263,331,482,273.81. This figure has actually been studied for just 9 months. Many of us are not comfortable with this because if you do

a little arithmetic you have question to answer. If we for instance have millions of litres of petrol, I will subsidize N73.00 and for 9 months you will not get up to one trillion. There are certain issues when we start suspecting the figures that we received and this really gives the Commission some concern. So we have a lot of new challenges in this subsidy regime. Some of the challenges include the legal funding, management and monitoring. We say that NNPC deduct from source, Section 162 of the Constitution provides that all revenues should be paid into the federation account. We only have three beneficiaries of Federation Account but that is a Federal State. Ordinarily, nobody is permitted by law, by virtue of that provision, to deduct money from source without paying it to the Federation Account. Secondly, the appropriation usually borne at federal level, the National Assembly does not have legal right to legislate or appropriate funds going to states or local governments. In other words, the fund that is appropriated by the National Assembly should only be on Consolidated Revenue of the Federal Government. So, whether it is the state or not, it is supposed to be appropriated to states and local governments. Also, we have problem of funding. There is no doubt that the funding of the subsidy is becoming a heavy burden on government and economy. Presently, the funding is being deducted from source while only the balance is remitted to the Federation Account for distribution. This by implication reduces the distribution to the three tiers of government thereby affecting their capacity to perform their statutory responsibility. As of now, the management of subsidy is not clearly defined between NNPC, PPPRA, the Ministry of Petroleum Resources and the Ministry of Finance. We do not know really who will hold responsible. It is not clearly defined who manages the subsidy. This expresses doubt on the quantum of subsidy proceeds in their possession and the total consumption of petroleum product in the country. On the issue of monitoring, there is no effective monitoring process of subsidy regime to determine the actual subsidy requirement of the country viz-a-viz, the local and imported products. Having stated the challenges, the Commission wishes to recommend as follows: The passage of the Petroleum Industry Bill (PIB) into law without any further delay. This is expected to facilitate the deregulation of the downstream sector of the oil industry; The present subsidy regime is unsustainable and therefore the major Stakeholders should meet to resolve its challenges; and The government should create an enabling environment for the establishment of more domestic refineries. On behalf of myself, Members of the Commission, we wish to thank Members of this Ad-Hoc Committee for this opportunity. It is our hope that the issues raised in this submission and the recommendations would assist your Committee in your assignment.

HON LAWAN: Thank you the Chairman of R.M.A.F.C., even though you have stated the position of the Commission but for the purpose of clarity, let me ask this question. Constitutionally, the responsibility of maintaining the Federation Account lies with your Commis-

sion. So you are supposed to be custodian of the Federation Account. Where payments are taken or deducted at source, of course, it is a breach of Constitution over the years. What has your Commission done to draw the attention of whoever is responsible to the breach of the Constitutional provision? In responding, bear in mind that when we realized the need for customs collection for both Nigerian Customs Service as well as FIRS, what we did was that the process was realized, a certain percentage was approved for them for collection, now in this case the Minister of Finance has told us that NNPC deduct the money directly from the source. Now, as a custodian of the Federation Account, what have you done?

HON ENOH: In terms of the management of the subsidy issue, you mentioned various people and various agencies. In your judgment, who do you think is the right person to manage it. If you look at your page 2, the last table after month, the next column has to do with subsidy deducted by NNPC that means, you also accepted and admitting with the Minister of Finance that NNPC does direct deduction of its own share of subsidy. Is it right or wrong? What are the issues surrounding this? What has Revenue Mobilization done about this? The former Chairman of the Revenue Mobilization was actually the first person for several years who was calling the attention to the fact of how much NNPC was indebted to the Federation Account, and indeed there was a gap between the crude the NNPC was taking and how money being deducted. What do you think is the whole issue surrounding this as the custodian of the Federation Account? The other chart has to do what your claim in page 3(1), the legal issue on the subsidy. You said that the National Assembly knows. How come you isolate this? Whatever the National Assembly approves does not in my estimation amount to having to appropriate for state or for local government. What do I mean? One of the things that are measured out is this subsidy that we talking about and it is not the only item there. Even this 4%, 7% that is paid to FIRS and the Customs as the case may be is also part of the money that are deducted before a figure is arrived at for which the federal government will take 48.5% and the states and local government will take. Why do you isolate only that figure of subsidy and think that by the fact that the National Assembly is making provision for that it means that legally we are not doing the right thing? What happens is that you do not have to be appropriating for states. We are not trading to take money, the same money that are deducted are the same money for which you are deducted for Customs and FIRS.

HON AHMED: Since the announcement of the 20% reduction of the salaries of political office holders, we know that it is only the Commission that is legally authorized to do that in conjunction with the National Assembly. Have you started any process in that regard?

HON FALEKE: The Chairman, with due respect, your presentation to us here has clearly shown that your Commission is purely on the side of government. I say this because consti-

tutionally you are supposed to be neutral. You are empowered by the Constitution to be in between, to share revenue for the three tiers of government. I cannot see anywhere in this your presentation where you have queried these issues of NNPC deducting on their own. This document has just affirmed that the N1.3 trillion is actually the case. As a Commission that is supposed to guard the interest of local governments where the people actually reside, to guard the interest of states and the federal government, what I expected is for you to come here and tell us in your own opinion as a Commission where the culprits are, where the funds are, what is the way forward rather than telling us that if we do not pass the PIB Bill there is no way forward. I think you need to go back and tell us the whole scenario about these challenges. These challenges to me, adapting the figures as presented by the federal government is not fair to the entire states of the federation.

HON ENOH: Arising from your admission that N1.3 trillion and that you took a rough estimate of N35 million in the case of consumption multiply by 73 or whatever; that the figure will not actually give you this. Every month you go to FAC, and every month you allow these deductions to go ahead until this matter started to occupy centre stage. We have not heard of Revenue Mobilization decries this. Since September, the figure of N1.3 trillion had been in the public face. As the custodian of the Federation Account and you are actually not working for the federal government, you are working for all the tiers of government. How much do you think that Revenue Mobilization has protected the federation from these tendencies?

HON LAWAN: You can now respond to the number of questions that we have asked.

MR MBAN: The beauty of democracy is free expression. I will take it that whatever comment that is raised here is based on that free expression. It is not true that the Commission only protects a part of the government. We do not believe in shouting for shouting sake. We expect that whatever comes out of the Commission is verifiable and is a fact. If you have been monitoring our activities, I was here in October or so and we made detailed submissions about the operations of the Federation Account. I made submissions about all the issues requiring revenue mobilization and I am happy the Chairman of that Committee Hon. Jigwi is here. I made a detailed submission and one of the issues I brought is on the position of Section 162 of the Constitution where it says that all revenues should be remitted to the Federation Accounts including all these issues. I also went further to request the House never to approve for remittance into the Federation Account. I went further to argue that the management of the Federation Account needs to be proofed and that it should be domiciled in the Commission as an umpire, neutral and enjoying the confidence of the three tiers of government. All these submissions I made. I even attacked NNPC saying that their operations were truly in deceit. If this people who were here cannot testify to that it

means that I never do any job. In effect, the Commission is committed to the service of the three tiers of government and if the federal government is right I should support it. If the state is right I will support it. In this circumstance, I can assure you that a lot of these challenges made the issue of subsidy to be difficult to solve. I am not saying for the purpose of saying it, you cannot sustain N1.2 trillion in nine months. How much is our national budget? Because it is government I should criticize it, we should make statement of fact for posterity. It is important from the question arising here to explain the operations of the Federation Account. The Federation Account is domiciled in the Ministry of Finance while the Accountant General of the Federation is at the Federal Secretariat. The Minister of States for Finance is the Chairman, the Commission has a representatives acting as the Deputy Chairman. Other members are from the 36 states of the federation and the FCT. The Federation Account is not domiciled in the Commission, we are contesting that. We are saying that we are the most appropriate body to be in charge of the Federation Account and we have made so many submissions in that regard. We have talked about it, even in this Hon. House we have made presentation on it saying that the Federation Account should be domiciled with us. We should have two Accountant-generals, one for the Federation and another for the Federal Government. We are asking you as Hon. Members to assist us to realize this. For now, we are only a member of the Commission and it is a question of number. We have one vote and they have all the votes. All the issues you have mentioned here have been received by my predecessors because I did it in the past and we are continuing with it. So we are asking for that type of support from the National Assembly to realize some of these frame works that will enable us to be more transparent, to have to enjoy the confidence of all the rest and reduce the problem of management. On the remuneration that was announced, we are yet to receive official communication and I am not in a position to react to it until I know what is contained in the official communication. I read it in the newspapers like any other person. When I receive official communication I will react on it. On who should manage the subsidy, from what we have said, if the Federation Account is domiciled in the Commission and the laws are properly respected and all payment goes to the Federation Account and the Accountant General of the Federation who is also supposed to report to the Commission should be the Secretariat of managing the funds. In other words, all payments whether to NNPC or PPPRA should now emanate from the Federation Account and should not be a direct deduction. I think every other thing is overlapping because I have responded to most of them before when I was making my presentation. I do not know if there are issues that you feel I have not touched please remind me. The figure we have here is the figure that is being deducted from the account in time past. All that is said here are verifiable facts.

HON LAWAN: I still have an issue; you have spoken of the direct deductions by the NNPC

but from what we know from what everybody seems to agree to, which is that payments are done from two sources. NNPC deducts its own payment directly and then, for the other major marketers that the payment is done by the PPPRA. The amount of money deducted from the federation account belongs to the three tiers of government. How about the payment made by the PPPRA? Does that equally come from the Federation Account and if it does, the payment to the other independent marketers is not deducted directly from the source. The one that is deducted from the source is the payment that is meant for the NNPC itself but for the other marketers they are paid outside the deduction by the NNPC. What role do you play as Revenue Mobilization and Fiscal Commission because that payment does not come from the consolidated revenue fund of the federal government? It equally comes from the Federation Account. If that payment comes from the Consolidated Revenue Fund of the federal government which means it is only the federal government that is paying the independent marketers without a commensurate contribution by the other two tiers of government? The second question is, if you look at your submission on page 2, paragraph 2 where you have deductions by the NNPC as well as direct payment by PPPRA for petroleum marketers. Are you confirming to us that NNPC is not paid by PPPRA through the Petroleum Support Fund? Are you saying that only payment that is done through the Petroleum Support Fund is the one that is done to the other marketers but NNPC is not paid through that, are you confirming that?

MR MBAN: What I am saying is that there are even two things. While the marketers through PPPRA are paid by CBN or AGF which by implication means that the PPPRA does not pay NNPC. They deduct from source, they only deduct and tell them this is what we have after the deduction of subsidy. Since they have deducted they cannot go back to be paid by PPPRA. PPPRA collects that of other marketers and are paid by AGF and CBN. That is the difference.

HON LAWAN: They deduct and give you the balance so; you have no way of verifying whether truly what they have deducted affirms to what they are supposed to be paid. They just deduct whatever amount they want and they give you balance, and say to you that this is the money and this same amount of money represents subsidy. But is that right? Do you have any agency that verifies what NNPC has deducted from you? Even if it means that you are not deducting the right amount you are paid, but at the same time, it will satisfy your conscience as to whether there is no one accountable and transparent. Is there any other way or whatever they deduct and whatever balance they bring to you is all right?

MR MBAN: The issue has been a recurrent issue. NNPC gives you what they want and not what you want. It is not the details of how they arrive at and that is the issue. They do not give you the details of how they have arrived at that and as a Commission; we are

not directly in charge of the management of the funds. The operation of the NNPC is not open to stakeholders, so we cannot get the information as relates to how they arrived at the amount of subsidy they are deducting. We do not play any role, in fact, it is not even presented to us. It is presented to the Federation Account Committee meeting. Let me try to also assist. The issue of subsidy deductions directly by the NNPC was raised and a very large meeting was held with General Olusegun Obasanjo the President of the Federal Republic of Nigeria then. In fact, the submission I made if you look at an attachment here, we directed after the meeting, we agreed as it reads: NNPC should cease to deduct anything from what he sells, it has to be budgeted for. NNPC obeyed this for a couple of months. After that, it started reporting to the Presidency directly, not even to Minister of Finance or even the statutory Ministry. He did not have control. NNPC is managing the CFD, the problem we have in the country is that it reports to the Presidency directly and that is why sometimes even if the National Assembly summons them they could refuse to come and nothing will happen. If the Minister of Finance calls them they can refuse, and if data is requested from them, they can refuse. I do not know how we can get NNPC under control. This is going to be very difficult. Everything that we are talking about is around the 445,000 barrels. The issue of corruption, the questions and the non transparency, etc. all rally around the 445,000 barrels. If there is anything that can be done about it maybe, we can be better for it.

HON LAWAN: We have one of us, a former Senator who wants to contribute, please go ahead.

A FORMER SENATOR: I have listened to this issue from the beginning. As a Nigerian I am worried just as you are and every other Nigerian about the happenings in the country especially as regards the revenue of this country. I think the major problem that we encounter is with NNPC as the main source of revenue generation to the Federation Account. I do know that at various times the National Assembly both the Senate and the House of Representatives have tried to dig into the account of NNPC and often times there is lack of cooperation from NNPC on this issue. I remember in one of the Ad Hoc Committees when I was a serving member of the Senate; we had to subpoena the GMD of NNPC before he appeared before us. I do know that recently, there was this issue of N450 billion debts by the NNPC to the Federation Account which the House constituted a Committee we were here and nobody in the House has come out to tell us anything, that issue just went like that. So, for a proper work to be done in the House it is important that the National Assembly that has the constitutional responsibility for proper investigation should really go in to investigate NNPC and its accounts. They seem to be larger than every other person. So, that is my appeal to the Hon. Members of the House. Generally speaking on the issue of subsidy, like the Minister of Finance spoke, Nigeria could go broke after a while looking

at the amount of money that is being spent on subsidy. If we continue at the rate that we are going, I do believe that Nigeria will have a problem. There must be proper auditing of the subsidy issue to determine the actual amount that this country is paying for subsidy. The amount should be properly audited. I know that the President has urged that they will bring in other auditors to look at the issue. But I will implore this House to look critically into an audit of the Petroleum Industry. We will soon discover that we are being rigged off by a few criminally minded Nigerians. That is my plea to this House, to look at it so that this volume will be reduced drastically. We are afraid of them because we do not have the constitutional mandate to take anybody before the House. That is my own submission and suggestion to this House.

HON LAWAN: Let me really express our gratitude to our distinguished colleague for those words of wisdom. In fact when the Chairman of Revenue Mobilization, Allocation and Fiscal Commission came, I said the man must be a very lucky person and he is man enough to plan to have the two distinguished Senators on his left and right. That will qualify him from whatever is coming from this end because even in the Legislature we also have to make a call but he tries to turn it down. I believe that we will open up to NNPC and conduct an investigation so that we can guarantee that type of trust. I will assure you that this National Assembly, the House of Representatives in particular is committed to its task. In the course of doing this exercise, any official of government that is invited is expected to stay here. If it means issuing warrant of arrest, we can do that. We are doing this in our national interest, we are doing this because we believe in the outcome of whatever we are going to do for the good governance of this country. We are not going to shy away from discharging our responsibility as provided for in the Constitution of the Federal Republic of Nigeria. Yesterday, we were carrying out investigation on the N150 billion that you mentioned and I assure you that that investigation is ongoing, it was committed to a Joint Committees of the House made up of Committee on Finance, Committee on Petroleum Up-Stream, Committee on Petroleum Down-Stream and Committee on Gas as well. So four Committees were assigned that responsibility and there is a former distinguished Senator. Also, know that the process of the investigation and legislation usually takes time. It is not something that people will just wake up and do in a day. Even this assignment, we were assigned to it, Sunday last week. I will now invite the Managing Director of Zenon Oil. I want to express our gratitude to the former Chairman of Revenue Mobilization and Fiscal Commission, Engineer Hamman Tukur, I think he deserves to take his leave. Let me sincerely express our gratitude to you. Unlike others who have made presentation and they have done it on government money, we have to pull you out of retirement to come and do this, we are very grateful. For Minister of Finance, the Chairman of Revenue Mobilization and Fiscal Commission, at the end of the month they will still pay for the time they have

spent here. But because of the interest, patriotism and commitment that you have for good governance in this country and we are grateful for your response, we are grateful for the time you took to prepare this paper and anytime that an issue requires to seek for your opinion, for your idea, we hope you will be ever ready to respond. Now, the Managing Director of Zenon Oil, I do not know whether you have received our letter and if you have.

MD (ZENON OIL AND GAS LIMITED): Thank you honourable Chairman and Members of the Committee. I want to thank you for the opportunity given to Zenon Petroleum and Gas Limited to come to clear its name and by extension the name of the Chairman, Mr. Femi Otedola from the mischievous and erroneous information being peddled, particularly, through the social media platform that we are part of the cabals benefitting from the subsidy. I want to state categorically here and now and make it absolutely clear that Zenon Petroleum and Gas and by extension, Mr. Femi Otedola never participated in the Petroleum Support Fund Scheme. We were not qualified to participate, we never sought for subsidy and we never collected any kobo of subsidy.

HON ENOH: MD, Zenon Oil, I am not too sure that Zenon Oil or indeed Femi Otedola is supposed to be on trial at this Committee, no. I think part of the reason for your invitation is that as a player within the sector, this Committee would be greatly enriched by listening to you. It will share your own thought, your own ideas and needs. You are a Nigerian and most of all; you are a player in the sector. I am not too sure it is just sufficient, first you are not on trial, secondly it is an investigative hearing, I think that you owe us something.

MD (ZENON OIL AND GAS LIMITED): I think this is a very good opportunity for Zenon to make certain insinuation clear, I mean to debunk some allegations. I am ready to answer any question relating to the subsidy regime, I am prepared and I can assure you of my full cooperation.

HON LAWAN: Sorry, it is unfortunate that our letter did not reach you but the essence of inviting you is because you are a major player in the importation and marketing of refined product. You are aware that this matter has become very important and very topical to Nigeria today. The Senate, I think referred the matter to a Committee to investigate. The House came to sit and usually on a Sunday to discuss this matter and it resulted in setting up of this Committee. Just this morning in the broadcast of Mr. President, he also made mention of some measures that the Executive intends to take. Even yesterday night, the Minister of Petroleum equally admitted to some steps they needed to take on this matter. Essentially, our responsibility is to get facts. We feel it will not be proper if we take submission only from certain quarters and leaving other quarters. As you know, there are some agents that listen to some government officials and you know that, it is an open secret. It is always on the pages of newspapers the existence of cabal; it is this cabal that is doing all

these things. We cannot prepare a report; submit it without hearing from key important stakeholders like you. That was why we decided to invite you; you are not the only one invited. You are the only one appearing today. There are others that will appear tomorrow, throughout the exercise we will make sure that the Managing Directors of those companies appear before us so that if they have information they want to share with us, we will avail them of that opportunity. There is no injustice like denying someone opportunity of fair hearing. In the course of this work we are desirous of hearing from you on some of the issues that have been raised, on whatever you believe you can help this Committee so that we might do a work that will address the matter. The letter we sent to you let me read it: that you are expected to make a presentation on the activity of your organization as it affects the importation, distribution and consumption of petroleum products and of payment of subsidy by the government from the year 2006 to 2011. Perhaps you have not received the letter and you have not prepared on this, we can still give you another day and give you a copy of the letter so that you can prepare and submit this. But we need this information because it will make us arrive in there. We need a report that will represent the true position of things. We do not want to do a bias thing. Whatever we are going to do we want it to be thorough. This is the essence of your invitation.

MD (ZENON OIL AND GAS LIMITED): Thank you Mr. Chairman. As I earlier on stated, Zenon is a petroleum product marketing and distribution company. Our area of core competence in petroleum marketing is diesel but that did not preclude the fact that we have not been doing small importation of PMS. But by the Act that set-up the Petroleum Support Fund, we are not eligible to participate in it because we do not own retail outlets; I mean a number of retail outlets which is the key criteria. So we have to centre our business on the importation of diesel and marketing of diesel. For PMS, we do not market PMS. We did not participate in the Petroleum Support Scheme and we never collected a subsidy.

HON LAWAN: You did not import PMS?

MD (ZENON OIL AND GAS LIMITED): We import, honourable Chairman.

HON LAWAN: You import PMS?

MD (ZENON OIL AND GAS LIMITED): For refined PMS. If they can give us contract, we import for them. But the importation that will require asking for subsidy, and we do not do that.

HON LAWAN: I see.

HON ENOH: The difference between Zenon Oil and African Petroleum, there is a difference. You are MD; you are MD of Zenon Oil not African Petroleum.

MD (ZENON OIL AND GAS LIMITED): That is right.

HON ENOH: MD, Zenon Oil, you have just told us that your area of core competence is the AGO.

MD (ZENON OIL AND GAS LIMITED): Yes, Sir.

HON ENOH: That you do import PMS based on the order from Independent Marketing Companies. Can you tell us the names of those companies that sub-contract you for importation of PMS, very important for us?

MD (ZENON OIL AND GAS LIMITED): African Petroleum Plc is one. We did a work for them, maybe on one or two occasions and that was it.

HON LAWAN: Do you import PMS on behalf of other companies' right?

MD (ZENON OIL AND GAS LIMITED): Yes, but on request.

HON LAWAN: I understand, I know. Companies or organizations that will take this product put a request to you and you import it on their behalf and that those companies and organizations pay subsidy because you know they are the one who are retailing the product, not you.

MD (ZENON OIL AND GAS LIMITED): We have not been paid subsidy.

HON LAWAN: That is what I am saying but they do get subsidy. It is all right, can I ask you this question? What is the per litre cost of PMS from your own importation?

MD (ZENON OIL AND GAS LIMITED): The last regime that is the pricing regime, the petroleum product are priced and sold all over. It fluctuates, so we cannot ascribe a certain price now. For instance, the price of importation for December 6, 2011, the total cost of PMS into Nigeria will be N141.38.

HON LAWAN: Is it to the port?

MD (ZENON OIL AND GAS LIMITED): Yes, to the port.

HON LAWAN: For December 6?

MD (ZENON OIL AND GAS LIMITED): Yes, to the port. That is putting every margin in place; importation fees, administrative cost, dealer margin; everything to the port is N141.38, that was for December 6.

HON LAWAN: Can we have the details of your cost of importation for the year 2011?

MD (ZENON OIL AND GAS LIMITED): We did not import in the year 2011 at all.

HON LAWAN: For the whole of the year 2011?

MD (ZENON OIL AND GAS LIMITED): We did not import at all.

HON LAWAN: When last did you import?

MD (ZENON OIL AND GAS LIMITED): We imported PMS in 2006.

HON LAWAN: So since 2006, you have not imported?

MD (ZENON OIL AND GAS LIMITED): We have not imported PMS.

HON LAWAN: Even AGO? You have not imported for anybody at all?

MD (ZENON OIL AND GAS LIMITED): For anybody, no.

HON LAWAN: Nobody has made request?

MD (ZENON OIL AND GAS LIMITED): No, nobody Sir.

HON LAWAN: So your main import has been on diesel?

MD (ZENON OIL AND GAS LIMITED): Yes, Sir.

HON LAWAN: What of AGO?

MD (ZENON OIL AND GAS LIMITED): AGO is diesel.

HON LAWAN: For 2006, did you import AGO.

MD (ZENON OIL AND GAS LIMITED): Since 2006, we have not imported PMS. We did some AGO until it got to a point we could not do it again.

HON LAWAN: So what do you do now? As we are concerned, since 2006 what have you being doing?

MD (ZENON OIL AND GAS LIMITED): Well, we have been trying to restructure the company.

HON LAWAN: Since 2006?

MD (ZENON OIL AND GAS LIMITED): Since 2007, we were trying to restructure the company.

HON LAWAN: You were not doing anything.

MD (ZENON OIL AND GAS LIMITED): We were not doing anything.

HON LAWAN: Were you importing Fuel?

MD (ZENON OIL AND GAS LIMITED): We were not importing fuel.

HON LAWAN: I see.

MD (ZENON OIL AND GAS LIMITED): Because we made a loss.

HON LAWAN: Was it a huge loss?

MD (ZENON OIL AND GAS LIMITED): Yes, a very huge loss in our diesel importation due to the drop in the international price of diesel and the devaluation of the naira. It really affects us.

HON LAWAN: You are trying to recover.

MD (ZENON OIL AND GAS LIMITED) Yes, we are trying to recover.

HON LAWAN: How comparable this figure would have been throughout the year, would you think that it would be the highest figure or the lowest figure?

MD (ZENON OIL AND GAS LIMITED): Like we have been hearing throughout the year 2011, the price of crude oil have been high, it was something between \$90 and \$110. It depends at what month of the year 2011. We are trying to compare with December but as at December the price of crude oil was about \$101, \$102 per barrel, so with the exchange rate situation in Nigeria.

HON LAWAN: Honourable Colleagues, any further comment?

HON FALEKE: Just to remind him that he is on oath.

MD (ZENON OIL AND GAS LIMITED): We will make them available to your Committee.

HON LAWAN: Thank you very much and we hope and pray that you will come back again so that you can become a greater player in the oil sector. Once again, I want to thank you for the time you have taken with us and please try to make that information available before the end of this week because we intend to conclude our work around it latest by Tuesday. This will be the last presentation will be taken today. We will start at 10 o'clock tomorrow and tomorrow we will take on the Minister of Petroleum Resources, Professor Tam David West, the Comptroller-General, Nigerian Customs Service, TUC, NEITI and the Managing Director of MRS Oil Nigeria; that is for tomorrow. On Wednesday, of course the Group Managing Director of NNPC will be here, the Accountant-General of the Federation will also be around, the Managing Director of ISON Nigeria Limited, Mr. Olisa Agbakoba, SAN; DPR, PPPRA and the Managing Director of African Petroleum Plc.

CHAPTER 2

Day Two: 17th January, 2012

HON. FAROUK LAWAN (Chairman): My Hon. Colleagues, let me on your behalf formally welcome the Hon. Minister of Petroleum and her team. I also welcome our distinguished invitees and members of the press. Without wasting much of your time, I want to call on the Hon. Minister of Petroleum Resources to make her presentations. It is our tradition that you have to be on Oath. You can therefore affirm before you make your presentation.

MRS DIEZANI ALISON-MADUEKE (Petroleum Resources Minister): Let me first of all thank Honourable Members of this House Ad-Hoc Committee on monitoring of the subsidy regime for the opportunity that you have given the Ministry of Petroleum Resources to provide further clarification on the issue of subsidy and its management. The issue of payment of subsidy has been very topical and has generated a huge debate in recent times and to call for its complete removal in order to free funds for more productive projects. Let me say first that the Ministry of Petroleum's main functions are to formulate and monitor policies, regulations, standards and codes for the orderliness and lawful development of the nation's petroleum resources so as to secure maximum values for those resources and to render best services to the nation; while at the same time, maintain international relations at critical times and protecting Nigerians' interest in the oil industry. Based on that Hon. Chairman, may I also point out that as you rightly mentioned, I am here with various heads of the Parastatals under the Ministry of Petroleum with particular reference to those Para-

statalts that deal with the issue of petroleum subsidy. Since there is operational heads, I will try not to take too much into technical details. They are here so as to make comments on issues that affect their area of jurisdiction. Let me say that prior to 2003, domestic crude was sold to NNPC at a discount both in terms of price and in terms of exchange rate. Petroleum products were also sold at highly subsidized rate. NNPC was in the whole transaction. On October 22nd 2003 government directed that NNPC should pay the prevailing international market price for 445,000 barrels per day, and the crude oil was meant for domestic consumption. However, the Petroleum as we all know, are sold from this crude as approved by government, therefore the major imbalance it created in the market is determined by the free International market price, while the Revenue side is paid at an imposed fixed price. In order to address issues arising from the Policy, the Committee chaired at the time by Senator Ibrahim Mantu was put together to find out ways and means in order to compensate stakeholders and address the impact of impending deregulation of the sector on consumers. The Committee advised government to setup a fund scheme, which is known as the Petroleum Support Fund (PSF), and that scheme was to be administered by the PPPRA. The PSF was not however established until 2006, but even then the stakeholders underfunded it. The budgeting and funding of the Petroleum Support Fund has remained solely within the purview of the Ministry of Finance, while the PPPRA makes the recommendations on the payable of the debts that are verified by the inter agencies. I think it is also necessary at this time to mention to the Committee that the PPPRA has twenty six (26) member board and that board includes the Central Bank of Nigeria (CBN), Ministry of Finance, NACA, NLC, TUC, PENGASSON, NUPENG, NATO, NURTW, NGE (Nigerian Guild of Editor) NAXIMA, NUMAN, IPMAN, and in fact the Media amongst others. Of course, PPPRA pricing template, which was established by the board and members and all the stakeholders, are part of the establishment of this same pricing template and it has been used on daily basis as a landed price of regulated products, which has formed the basis of this subsidy claimed by participants under the Petroleum Support Fund. I said before that Federal Government of Nigeria funds the PSF but it is administered by the PPPRA and the Ministry of Finance supervises it. The negative impact that subsidy has had on government revenue is that government's inability to fund development or programme. This has been of serious concern to all of us. I think it is a situation whereby a substantial amount of National Budget is spent annually on subsidy in addition to the commensurate issues of corruption that follow it. It is neither desirable nor sustainable. This Committee is therefore a welcome opportunity. I think it will help all of us to better understand the issue of subsidy and what it requires to tackle it. As you are all aware the Ministry of Petroleum Resources is responsible for all upstream and downstream activities of which the subsidy regime applies to the downstream sector of our business. The Ministry of Petroleum Resources carries out its functions through the department, agencies and parastatalts which includes the NNPC,

Department of Petroleum Resources (DPR), the Petroleum Product Pricing Regulatory Agency (PPPRA), Petroleum Utilization Fund (PUF) Management Board, Petroleum Technology Development Fund, The Nigerian New Regulatory Agency, Nigerian Content and Management Board and the Petroleum Training Institute. The roles and functions of these Agencies mean that DPR, NNPC, PPPRA, etc. have direct and indirect relationship with the subject of this discourse. The PPPRA as part of the statutory functions, regulate and monitor prices to ensure a reasonable return to players in the downstream petroleum sector. Other agencies of government worked in collaboration with them to ensure that only verified claims are allowed for subsidy reinvestment and this is the way it supposed to work. It is pertinent to note that the Ministry of Petroleum and its agencies are not responsible for preparing and managing the budget for the subsidy. Our valuation of the situation indicates that subsidy payment has been increased tremendously during the last two years. The underlying reason for the dramatic change is that in recent times we see national demand rise on an average of thirty-five million litres daily, sometimes more, the growth is supported by corresponding increase in part payment, resulting from increase in bridging. In addition, crude prices have risen and this has a direct impact on International Product Prices. It is the combination of these factors of increased demand by the country's population as well as increasing requirements and cost in "bridging the product" around the country that have resulted in the increase that have been observed in the subsidy claim and payment. The process of verifying subsidy claims is quite rigorous and it involves several agencies of government and external editors and inspectors which include the following - the PPPRA, DPR, Nigerian Customs, Nigerian Navy, Federal Ministry of Finance, appointed Auditors, Cargo Inspectors which is appointed by PPPRA. Although in this payment process, at a time I replaced the Head of Regulatory Agencies last year. We were demanded to go in and reform the agencies immediately. The marketers and traders also appointed IYAN Cargos Inspectors. The section that deals directly with the ministry is the downstream sector that deals with subsidy regime at the NNPC, the PPPRA, DPR, and Petroleum Equalization Fund Management Board (PCFMB) and I will just give a very brief summary of what they do. NNPC has been the only refiner that is in the country that handles the issue of subsidy on the locally produce PMS and DPK in addition to what is locally produced in subsidiaries. The PPPRA has a mandate in its Establishment Act No. 8 of 2003 to determine the pricing policy of the petroleum products and to regulate the supply and distribution of petroleum products, to establish information and data base to all relevant agencies to facilitates the making of informed realistic decision and pricing policies, moderate volatility in petroleum products prices while ensuring reasonable returns to operators, to maintain constant surveillance over key indices, relevant pricing policies and approve bench mark prices for all products and to prevent collation and restrictive pay practices harmful to the sector. PPPRA as we all know is equally important in our midst for petroleum product and also oversees

the administration for Petroleum Support Fund (PSF). The DPR is responsible for each wing of import licences for petroleum products. There are other major regulatory agencies in the industry that are also responsible for ensuring that the quality of the product imported meets the specification. We also witness the quantity of products discharged at all terminals. The DPR also enforces compliance of any approved price of the petroleum products throughout the country. The petroleum deregulation fund involves the distribution of the petroleum products in the country and ensures that the deregulated petroleum products are sold at equal prices around the country by paying bridging rate to standard owners who distribute the product. The Petroleum Support Fund (PSF) has since inception in 2006 been ensuring that the nation does not run out of stock and equally has reduced the monetary supply to various sectors. Its mode of payment is based on under recovery or over recovery. Under recoveries occur when landing of products is more than the approved e-step profile and over recovery occurs when the landing cost of products is less than the approved e-step price. In late 2008 and the beginning of 2009, marketers inclusive of NNPC have paid back into the government account the sum of approximately N15 billion when the market price was below the regulated price as an example of over recovery. In Nigeria, our consumption rate has changed over the years. Daily consumption was approximately 20.9m litres and as at 2008 it has increased to approximately 22.5m litres. At this point as I said, we are looking at approximately 25m litres or slightly above that and so in the same vein, the subsidy we pay has also increased. From 2006 it has gone from N261 billion to N1.3 trillion. The August 2011 final figures will be available for 2011 when all volumes have been captured for the year. At this point I want to mention some of the challenges in the administration in PSF. One such challenge of course is popularly known as smuggling. Again, I have spoken on this severally when you have a market like this clearly regulated, it also created a major opportunity; and for smuggling to occur across our borders. We have of course neighbouring ECOWAS countries, security post, the entire borders of the country as everybody knows has become chaos, and our borders are very porous. We had up to January 1st 2011 the pump price of about N65 per litre. We have a number of areas around the country where our staff, other places where the cost of logistics and bridging costs meant that the indigenes were certainly not enjoying it at the N65 per litre, does certain areas of maintenance. Some other persons were enjoying it; sometimes it goes closer to the same as that of the manufactured products. Of course, when you look at the cost of the pump price it becomes clear that it is coming up to N175 per litre. The chart is N290 per litre, which I believe is the pump price for kerosene. It is interesting to note that in the last two weeks when the cost was high, we saw a situation where petroleum is not being sold as it used to be normally across the country. In our neighbouring ECOWAS countries it was being sold even worse than Nigeria indicating very clearly that the price jumped up suddenly. In fact, we are receiving more worrisome experience with regard to the issue of staff because it has been

subsidized in other ECOWAS countries in the sub-region. Smuggling is a major issue and it will continue to be a major issue as long as subsidy is being paid. We have tightened the controls throughout the major industries. We have changed the leadership in December last year. We have already seen in this period of time the tightening and there has been more control reduction in a number of figures. We expect to see a greater reduction over the next few months. Having said that and given the reduction, unless there is uncertainty on the effort in tightening the border among other things, it will be virtually impossible to effect so many changes. Even though I have given you some hopeful consumption profile for 2011, it is clear that the various parts lack the will to which will take a spread of four months or so in which it will grow properly. It does not include of course the period of the strike. In fact, the entire January may not be included in that spread. To have an accurate estimation of average consumption figure for this country I think we will have to look at about 4 months spread under normal situations as we tighten our control. Also, with the slightly reduced subsidy of the pump price, we will put in place some things; although as you can see the figures of the pump price is N97 per litre. Nigeria is by far the lowest pump price in the entire sub region. So, we still have a major battle among others. Another challenge we have seen of course is funding. However, as I said before it is our hope that, we have slightly reduced payment of subsidy. Here, it will not be on someone but I believe some other areas will be cut down to some degrees to strengthen our revenue mobilization. Again, I say this in a very holistic way that the way that subsidy scheme has been managed and monitored takes a very quick action before we can think of how we can actually handle the subsidy. At this point I want to thank this esteemed Committee for inviting us to be here today. It is my sincere hope that at the end of these proceedings we will all be much better informed on the issue of subsidy and also the effect that it has had on the economy and how best we will all collectively find solution to the public.

HON LAWAN: First of all, let me thank you for giving us your own point of view and let me also note that we have invited all these agencies separately and so they will be here to make their own presentations and we take them on the issues that will be raised. But, I think that you also shared your own views on some of the issues that have dominated the debates on this issue of subsidy. In your presentation you did not speak much on the refining capacity of our local refinery. In 2011 for instance, you mentioned that the average consumption rate is about 35 million litres per day. How much of that come from our local refineries? How much of that is imported by our independent marketers and how much of that is imported by the NNPC. If your figure of 35 million litres per day is anything to go by a simple arithmetic will indicate that the payment of N1.3 trillion by the end of 2011, there is a big problem because it is not backed by the figures. For instance, from the price, the deregulated price that was given last week or so, the price of a litre of petrol was to

cost N141. The official price then was N65 per litre. If you work out the different between N65 and N141 you will multiply that by 35 million per day and multiply that by 365 days; what you will have is certainly far less than N1.3 trillion. Let me also point out that even the N1.3 trillion is not for 2011 because I have seen in the proposed budget that Mr. President brought to the National Assembly a provision of N155 billion as arrears that should be paid for 2011. This means that the N1.3 trillion is actually for 9 or 10 months which means it does not cover for the year 2011. Let me even assume that it covers the entire 2011. Given the amount here, it will be much short of the N1.3 trillion. Yesterday, the Minister of Finance was here. In the course of her presentation she indicated the ways payments are made; that PPPRA verifies and pays the other marketers. That NNPC unilaterally and arbitrarily and unconstitutionally deducts its own payment from the source. That is to say they deduct pump funds before they declare the balance for the federation for sharing to the three tiers of government. The constitution is very clear on this that all revenues accruable to the federation should go to the federation account and it is only after sharing that ultimately the cost of collection could be deducted. I recall that sometime in 2005, when I was the Chairman House Committee on Finance, we resolved that we needed to pay Customs and the Federal Inland Revenue Service, and the National Assembly did that through legislation. We want to know who authorized the deduction by the NNPC. Who determines how much NNPC is to collect, its payment of subsidy, who authorizes it? I will like you to clarify on even the process for the verification of this payment. For instance, you have mentioned that the PPPRA and some other agencies are responsible for verifying what is supposed to be paid to other independent marketers. Who is responsible for verifying that of NNPC and what is the role of your ministry? Talking about smuggling, perhaps smuggling might take place but what has your ministry and other agencies done to address this issue. I would believe that if Nigeria is losing huge amount through smuggling I would have said that it is the nature of our inefficiency and ineffectiveness if we know it is happening and we pretend that there are economic saboteurs but we do very little to address this. We have made a request for the report of the importation by these major marketers and what actually constitute the landing cost when it comes to those figures. Why do you not determine whether they are 139 or 138? Let me also draw your attention to a submission by the Revenue Mobilization Allocation and Fiscal Commission yesterday. They claimed that in 2011 the amount of money that was paid to the other major marketers was a little over N600 million as subsidy and that NNPC also equally deducted over N600 billion as subsidy, bringing the figures to that N1.3 trillion that we are talking about. Now, we need to have an idea of what constituted the over N600 billion paid to the other marketers and the one that was paid directly by the NNPC.

ALISON-MADUEKE: You asked a very important question on refining capacity. Let

me try and answer all the ones that I have captured. I have said before that we have been bringing more than 55,000 barrels of crude oil and 12 per cent of the products in the country are refined locally. Of course, the Group Managing Director will be here tomorrow so, I am sure he will bring them to you. We have full set of figures for you that I think we should spend some time explaining thoroughly to this esteemed Committee. We import about 80 to 90 per cent of our products at this time to the country. In terms of the N1.3 trillion that was mentioned, the figures that the Hon. Chairman has mentioned referred to calculation referred to as founded correctional. That will be a little bit reviewed but that figure actually represents PMS. The N1.3 represents both PMS and kerosene together. If you take the kerosene arrears which created the fight last year that started the issue of part payment, the arrears for 2008 and 2009 that NNPC has carried solely and was trying to recover was added to that amount and those amount were roughly N250 billion. Of course, there were currently the issue of kerosene as well that brought the kerosene figures to slightly above N300 billion. That will be part of the entire figure. I would like to add too that the kerosene subsidy, which was very high, was based on the price of N50 per litre. You may recall that this Hon. House insisted that it rotates at all times and we did our best to maintain it officially although, there were again variations across the country for various reasons. The issue of NNPC deducting at source again has come up severally. NNPC deducts at source by their law, which states very clearly that they should deduct at source the subsidy payment. Appropriation Act No. 14 item No. 18 on domestic fuel subsidy are the areas that are directed by law to be deducted at source by the Joint Venture Cash calls among others. That is the mandate by which they deduct at source and it is not out of any illegality whatsoever. It will be difficult for a sector as critical as this to be deducting illegally in this manner for years and years. In terms of what we have done to control the issue of smuggling, I think it is normal in terms of what we can do to control smuggling. It is a joint responsibility to man our borders. As I said, we have put in place much more stringent control again. The Heads of our Parastatals are here, the Director of PPPRA is here. I think he should go into details having given them the mandate that I have given them as to what they have done in the last few weeks to tighten up control and what we are doing presently. Let me also mention that ECOWAS protocols allow by law free movement of goods and services throughout the ECOWAS sub region particularly with special reference to hydro commerce. And that same protocol will insist that it is for us that is, the countries that are affected, to manage our issue properly. It is actually a question that we have to look at very closely as we go along. There is no question about it; we have to continue stringently tightening our control looking at every possible measure to try to stop stealing and movement of our crude out of the borders. We know that the borders are opened and so, we will continue to work robustly with all agencies concerned not to mention our internal control. I think that PPPRA has done quite well in beginning to make a mark with regard to control in

marked volume, etc. I think there was a question on what constitutes the amount of subsidy paid by NNPC and also PPPRA. Again they have in-depth figures that both parastatals chiefs will like to share with you. I do not want to gloss over it superficially.

HON LAWAN: First of all, let me thank you for responding to those issues. The deductions, you have alluded to the Appropriation Act passed by the National Assembly. I am also aware that that same Appropriation Act for 2011 provided for a figure of N245 billion as subsidy. This means that even if there is a contemplation of the amount that should be paid, it is the N245 billion. It is apparent that what has been paid is N1.3 trillion. If that figure was not captured in the Appropriation Act, who authorized that payment because what that means as far as the budget is concerned, is that it is an extra budgetary expenditure that is committed. We would want to know who authorized the payment because the budget could not have contemplated the payment and that you see should simply deduct any amount. It is like the same argument you have been giving on the issue of subsidy. That subsidy is unsustainable because it is N65 plus infinity whatever else comes as government pays the actual figure. I do not think that it would have given NNPC powers to deduct any amount of money believed as subsidy. The budget for 2011 approved N245 billion and that is the figure that actually came from the Ministry of Finance and the Budget office. I do not know whether NLC or anybody else is aware that there was no contemplation of subsidy removal in this country in 2011. If it was not contemplated, if there was no policy statement, how come the figure that was provided for in the budget was only N245 billion whereas in the end, it will amount to N1.3 trillion? It shows some level of short sightedness in the sight of those who are preparing the budget. If I know that my consumption is N1.3 trillion and the only amount I provided for is N245 billion, it truly shows that somewhere along the line there are problems. N245 billion was provided in the budget, N1.3 trillion was paid. Who authorized that extra budgetary payment? Again, when you take away the locally refined product, you mentioned 12 per cent. One other issue that I think we need to clarify is this, you said in 2006 the volume of consumption was about 26.9 million litres that means 27 million litres per day. In 2011 it was 33 million litres. But, the figure of subsidy paid in 2006 was about N200 billion for a consumption of 27 million litres. Agreed that there will be argument of exchange rate, there will be argument of crude oil rate. But, has the price and the exchange rate raised to the level where over N200 billion will now become N1.3 trillion? We are even talking of N1.3 trillion plus infinity because this N1.3 trillion was for January to October 2011.

HON FALEKE: I have some observations. Following the statement made by the Chairman based on your calculations, you have told this nation that the subsidy amount is about N1.3 trillion up to September. And you have just confirmed to us this morning that this amount actually include part of arrears for 2010. May we know how much was the arrears

on kerosene and PMS. They are two separate products; we want to know the actual amount paid on kerosene and on PMS. Secondly, you are aware and your Ministry is also aware that you included in the 2012 N155 billion for the payment of arrears of subsidy. May we know the composition of this N155 billion? It is very important for us. Again, while you were making your statement you said the Ministry is involved purely on policy formulations and ensuring better practice. You are aware of Section 162 of the Constitution, which you ought to uphold. If you are aware of this Section, what have you done with the direct deduction of NNPC, this is very vital. The NNPC Act is not superior to the Constitution of this country. We want to know what you have done as a supervisory Ministry to ensure that this illegal act is stopped. Thirdly, you gave us the composition of members of the Board of PPPRA. The PPPRA, according to your statement is responsible for pricing and fixing prices and ensuring payment to importers of petroleum products. We want to know how you arrived at choosing importers for petroleum product. Then, we want to have Board Resolutions approving those importers and the prices or the contract award from 2007 to 2011. I am aware that in 2006, NNPC was involved in direct importation of over 92%. That importation of petroleum products was valued at about N221 billion in 2006 while the other marketers; Daverage, Chevron, Total, etc. were involved in over 7.98% valued at N19 billion. When you put the total figures of N221 billion and N19 billion together we will know what it takes. The NNPC suddenly stopped from doing this wholistic direct importation rather using Independent Marketers to make more money to the detriment of Nigerians. The Chairman, I did not ask a question, just a follow-up. Honourable Minister, you alluded to smuggling activities through our borders and you said that according to the ECOWAS Agreement, they allow free movement. I am sure that what you meant to say will be that we allow free movement of legal/illegal people. If that is the case, do we suppose to stop the smuggling? If it is the responsibility of the government to stop the illegal smuggling why are Nigerians being made to pay for the activities of these illegal smugglers based on government not been able to stop this smuggling? Sometime ago, Honourable Minister you were on the Floor of the House, where you told us that the refineries presently have increased in capacity from 30% to 60% production capacity. Can you tell us precisely, what is the volume of this 60% capacity, which you told us some months back?

ALISON-MADUEKE: The first question I think is on the amount again that was put into the budget in 2011 for the payment of subsidy, which is N245 billion. Let me just say that the N245 billion was put in the budget for the period of two months and it was calculated for the period of two months. That at the time, it was calculated on the basis that deregulation was expected to have taken-off thereafter, of course that did not happen. It is the Ministry of Finance that authorizes the payment on subsidy; not the Ministry of Petroleum Resources. I think that the issue to deal with inadequacy or adequacy; need to be referred to

the Ministry of Finance. But I will just hasten to add that if in fact we multiply N245 billion by 6 months we will probably come closer to what the main average will be for subsidy for that year which is approximately N1.5 trillion. Also just to mention, even though I cannot speak for Ministry of Finance that on our own side we have to be recognized that as the Ministry of Petroleum Resources we have obligation and responsibility as well to the people of this country. If indeed for any reason we stop the processing for fuel suddenly at any point in time, it causes what is known in the system as supplying shock, which means that for approximately one month there will be virtually no fuel in the country. I think that this is one of those situations when heads - you lose, tails - you lose. If at any time we get that now or in the future, I am sure that it is very possible this same esteemed House would bring me before them for failing in my responsibility to the Nigerian public and for keeping the country dry of fuel for an entire 3 to 4 weeks. I do mean dry due to scarcity and really dry which is why we called it supply shock. So it is a mere checking situation again but in time of alteration I think Ministry of Finance needs to talk about that. The other issue is on the quantum of daily consumption volume which as he pointed out approximate N27 billion in 2006 and N200 billion was spent thereafter etc. I think it also points out that in 2009 the situation was somehow different. We had global crude prices a barrel at about \$40, it went down quite dramatically and then that factor that dealt with exchange rate, which means that we will have a mark difference from what we have. Today, we have crude at approximately \$115 per barrel in tandem with today's exchange rate, we rather have different situation. In fact, it is nothing; you cannot compare the situation with that of 2009. So we have to look very clearly at the indices, even though there are, I understand the issue that we are all cracking the brain over concerned about the figures, like I said were grappling with them which is why we are now looking at coming to clearer figures. But we must take into consideration, the very clear differences in exchange rate and the price per barrel globally, because out of this, the impact is at very high degree. The arrears of kerosene in 2011 were approximately N250 billion as earlier mentioned. The current kerosene cost brought it up to over N300 billion again, the Group Managing Director of NNPC has detailed figures and he can provide that. I think I need to say very clearly that since I have given my affirmation before I started that we have done nothing unconstitutional as a Ministry at all regarding the action, particularly on issues that have to do with deduction at source since the Appropriation Act has very clearly defined that. I want to mention at this point as well that we do not take any money from Federal Appropriated budget, at least in terms of NNPC etc. NNPC stopped importing at some point. Well, we are practicing a free market economy at this time, it is not that we could not do it and there may be reason for the country to refer to that in the future for various reasons. But in order to ensure that there was open competition in line with the marketer in indices there should be free trade, free competition etc, etc. Otherwise, it will mean that nobody will clear NNPC. Like I said there are times

government has to take that decision for certain reasons which are to protect the economy and to protect the sector; and I think when that time comes we will say so and government will say so as well. I also want to finally mention that the Constitution also pointed out that no money shall be deduct from many public fund of the Federation other than the Consolidated Revenue Fund of the Federation, unless the issue of those money have been authorized by an Act of the National Assembly Appropriation Act.

HON LAWAN: Thank you very much. Just for the purpose of clarification. Can I ask what the average consumption level was in 2008? In 2006, it was 27 million litres per day, 2011 it was 33 million litres per day. What of 2008?

MRS ALISON-MADUEKE: It was slightly over 33 million litres per day for 2008.

HON LAWAN: How much do we pay for subsidy in 2008? I think we have the figures here, I think it is about N630 billion in 2008. Now in 2008 the average price of crude oil was a \$100 per barrel. In 2011 the average price of crude oil was \$100 per barrel. How come we held 33 million litres per day in 2008 and we pay N630 billion as subsidy and in 2011 the same price of crude oil, the same level of consumption but we are paying higher than N1.3 trillion? Secondly, when you are explaining this issue of the N245 billion that was provided for in the budget of 2011, you alluded to the fact that you understand that that money was for two months, which means there was contemplation that the price will be deregulated by March 2011. I do not know how easy; but it could be of course 2011 was an election year and I do not know whether the President truly wanted to withdraw subsidy a month to the Nigeria Election. I am a member of the PDP and I am not aware that there was any discussion for us to consciously plan on a monumental failure in the election because if the subsidy was withdrawn a month into an election, obviously it would have had serious implication. So I do not know that actually any politician would contemplate withdrawing subsidy a month to general election. But you have said that we should have the Ministry of Finance to respond to those issues. Now, for details what is the capacity of wide fuel that can be stored in Nigeria at any given time?

HON AHMED: Honourable Minister, I will ask you 3 specific questions and I would want true assurances. I understand that we have been debating this issue about who authorizes this extra budgetary allocation and the Honourable Minister in one brief said that she never approved it and in another brief she said NNPC has the backing of law to deduct as it did. Now the fact is very clear to everybody, NNPC deducted over and above N250 billion and somebody must have authorized it. It is the function of this Committee to determine who did this authorization. We asked the Honourable Minister of Finance yesterday and she declined, she said she did not. She drew everything back either to the Ministry of Petroleum Resources or to NNPC. Somebody authorized this payment whether it is in

the Constitution or not, we are not arguing that. What this Committee wants to know is who authorized this extra budgetary payment beyond N255 billion that was appropriated? The second question is, it has been said but I just want a specific answer because the proceeding of this Committee governed by the Legislative House, Power of Privileges Act, anybody who appears here is under penalty. I just want specific answer to the second question and that is the meteoric rise in the subsidy payment. We have all the crude prices from 2002 up to 2011 and as the Chairman said, the average cost of crude in 2011 is \$100 and we have seen from what the Chairman of the Revenue Mobilization Allocation and Fiscal Commission gave us yesterday. In March, payment of subsidy was N60.7 billion, April N132.2 billion, in May N153.9 billion. So you can see the meteoric rise from N60 billion to N132 billion between March and April and between March and April the crude price was \$108.6 in April, it was \$116 in May it dropped \$108. So the question is what accounts for this meteoric rise. You alluded to it that population is responsible. We have more cars, etc. Then thirdly, what is the consumption figure and if you do not know, say so. Please let us have the consumption figures for PMS and for Kerosene for Nigeria. What I have is 35 and 25 but as the Minister of Petroleum Resources, what is our level of consumption for petrol and what is the level of consumption for kerosene and what are your bases for arriving at that? Of course, you have alternative figure? What are your own bases for arriving at those figures? Those are my questions. Because of time, I want an assurance that as of today, 17th of January, 2012 you would assure us, give the nation assurance that you would take action to regularize, formularize guidelines for the administration of PSF and all subsidy regime. Whatever you said we know that NNPC has been deducting at source before it pays to the Federation Account; and this is wrong. We want an assurance that as of today NNPC would do the right thing as indicated in the guidelines of the subsidy regime. The second assurance Honourable Minister, is that I want you to ensure that as from today there would be no payment for subsidy unless those payments are duly verified and the volume as well, volume of products that are lifted from depots are verified rather than products that are imported. Payment of subsidy should be on verified products that are sold not the one that are imported. Those are the assurances that I want.

HON MUSTAPHA DAWAKI: I just want to align myself with the Chairman of the Committee on the 445,000-barrel per day allocated to NNPC for refining. I just want the Honourable Minister to tell us the capability in term of refining of the 4 refineries combined. At the same time we want a schedule, month by month showing each and every refinery - Warri, Port Harcourt and Kaduna refineries, and the percentage of that 445,000-barrel each refined. What happened to the balanced of the unrefined crude oil?

(a) Do you have a bilateral agreement with a refinery outside the country to refine on behalf of the NNPC and bring it back to the country? Or do you swap the crude oil with

another company, which will serve as an intermediate to refine that crude oil and bring the refined into the country? If that is the case why do you have an intermediate agent between NNPC and the refinery outside the country?

(b) I want also to align myself with Hon. Ahmed on the domestic consumption in which you mentioned 35 million litres per day. Should we go by your calculation, if you take the N75 based on the template I have from the PPPRA, it is N73.92 subsidy; if you take N75 and multiply it by 35 million litres per day and even take the entire 2011. Even if you make a stock of 150 million litres, that is 35 million litres per day, multiply it by 30, you will have 1,000,000,050 litres storages; but if you combine everything together, it is not up to.

The next question I want to ask is, what actually do you refine within the country or in our local refineries? We all know that the crude oil is an intermediate products, it is not only the PMS that is coming out of the crude oil. We have gasoline, gas oil, we have Kerosene, we have aviation oil, and we have so many products. What are the processing costs from crude oil to PMS, from PMS to DPK, from DPK to NABTA, etc.? What quantity of each product did you produce at each level from one barrel of crude oil and how much do you sell it? How do you accrue the revenue, which account does it go? The last question is about the Board of PPPRA, very interesting. So many stakeholders have been taken care of but to my surprise, one of the mandates of PPPRA is to maintain constant surveillance over key industries relevant to pricing policy and periodically appropriate mark prices for all products. Then to establish information that has to do with OPEC through liaising with all relevant agencies to facilitate the making of informed and realistic decision on pricing policies. The last one is to establish firm leakages with key segments of the Nigerian society and to ensure that the decision can enjoy the widest possible understanding and support. So PPPRA has actually announced the increase from N65 to N141? You have a board, I wonder if the board has sat down and approved. If the board had sat down for that, then definitely the strike would not have happened because all the stakeholders are in the board, thank you very much.

HON. FALEKE: Hon. Minister, to my earlier question, you did not answer all. You left out the issue of what is the volume of this 60% in terms of PMS and other products? Secondly, Hon. Minister, is there a comparative advantage for NNPC to import just like the Independent Marketers? Does NNPC have a comparative advantage in terms of landing cost and pricing? Again, Hon. Minister, one of the reasons you have for the high subsidy payment was the issue of smuggling but you have not told Nigerians that we also export the same oil to other African countries like Senegal. Do we export to Senegal using the MRS? Do we export to the Republic of Benin using Sahara Company the refined product, which of course has been subsidized? Do we export to those countries?

HON. LAWAN: Hon. Minister, it seems that I would allow you to respond to those issues but before you do that let me also ask a few very, very specific questions and these are meant to guide us in coming out with actual figures. I believe the Ministry is responsible for giving out contracts for importation of refined products, what process do you use to award those import contracts to the Independent Marketers, is it through a competitive open tender process? What are the criteria for the allocation of products and the volumes that are usually given to different importers or suppliers? Who determines the subsidy claims? The PPPRA determines that of Independent Marketers, who determines that of NNPC, who determines the subsidy claims, is it the NNPC itself, or is it the Minister of Petroleum, is it the PPPRA, is it the Minister of Finance, who determines what should be paid to NNPC as the subsidy? Who verifies those claims before they are paid? Of course we have requested to know who authorizes the payment. When you were making your presentation you spoke about PSF Account. You said it has suffered underfunding. To what extent has it been underfunded and how has that affected the efficiency of the process? In responding to the 1.23 trillion I also heard you talked that about 300 billion of that was for the kerosene. Can you tell this committee the daily consumption of kerosene and what volume of kerosene attracts subsidy? At least, we know you have mentioned the volume of consumption of PMS; we now want to know the volume of consumption of kerosene especially in 2011 when the product was quite scarce. I have heard you in one of your televised discussions alluding to that, that you have challenges in the supply of kerosene and this is a well-known fact. Every Nigerian knows that in 2011 the product was very scarce. Presently, what was the volume of consumption in giving that scarce environment and whether the level of subsidy should amount to about N300 billion? Hon. Minister, please I would be glad if you could respond to those issues.

MRS ALISON-MADUEKE: Thank you Hon. Chairman, I will answer in that particular order. Is there a comparative advantage for NNPC to import, compared to other marketers? Not really because we all buy our crude in the same global market at the same global price. Do we export refined products to other West African countries? No, we do not. The issues of who determines subsidy claims for NNPC? Again as I mentioned earlier it would be through PPPRA. Then authorization is the Ministry of Finance. The process of selecting importer, again I would allow PPPRA who has a long list of process to go into that. And what is the daily consumption of Kerosene, for 2011, it was approximately 10 million litres daily. There was a question on their figures for 2009, which had risen quite a bit. I just wanted to point out that the exchange rate in 2009 had also risen to about N150 to \$1 and of course, the HHK amounts were again added into that final amount, we have to leave allowance for that. Of course, the issue on N245 billion, we have all agreed that the Ministry of Finance should answer it so I would not be going to that again. Who author-

ized the payment, I have already talked about that. These are the previous questions and some of the questions are on the same line. Again, I think I have answered the issue of what caused the metrical rise in the subsidy payment of the April for the various reasons I have already mentioned before. The issue on the entire swap arrangement, I would allow the Group Managing Director who is the Operational Head of NNPC to give a detailed account of that either now or tomorrow. Again the entire or few of the questions have to do with posting cost for PMS and that of kerosene. There were about four questions that have to do with cost payments. We would give you full details; it is already in the notes that we have prepared for you at this time. There was an issue of assurance, which I was asked to give, which I think to my understanding is related to deduction at source if I understood this clearly; that I should assure this esteemed Committee that we would again if I understand it properly, not deduct at source. With all due respect, I want to remind your esteemed Committee that I have sworn on Oath and therefore cannot swear an Oath and also give you assurance, which is actually outside the law itself.

HON. ABUBAKAR SADIQ: Hon. Minister during your discussion you told us that your Ministry during your deregulation policy formulation goes into bilateral relations with other countries that relate with petroleum. If that is the case, to reduce our wastages, reduce cost. Why do we not go directly and buy using our bilateral relationship with these countries that deal with petroleum? Why do we not go direct and purchase from the companies or refineries that we have bilateral relationship with? Secondly, why is NNPC paying into the Federation Account the Dollars and the Naira? Well, this Committee may want to know from where did they get their rate and the CBN gets its own rate, which led to so many disparities, and this account is about N85.2bn in three years? The third question is that; during the presentation of BSD somebody told us that there are charges paid on storage whereas NNPC has storage capacity of about 18,000 cubic metres that were not used for three good years. Instead, it leased it to third party and then we are crying of getting out of fact in this country. Hon. Minister, I hope there are measures you put to control all these leakages?

HON FALEKE: Just a final question Hon. Minister, I want to know if the 445 thousand barrels of crude which is meant for local consumption is charged at current OPEC prevailing rate. I want to know the basis, of which it is charged, is it at the market price?

MRS ALISON-MADUEKE: Why we do not go directly to purchase this from countries or refineries where we have bilateral relations with, for which we would be great actually if we could do that, but we do our purchases based always on commercial relations and bilateral relations. We do not come in to a business because it is done on commercial and competitive grounds. Where does NNPC get its rate? We should expect exchange rate to

come from Central Bank of Nigeria always and we use the rate at the date of lift-age; not at the date of payment. There is a difference but it is at the date of lift-age not at the date of payment because you have to have a cut off, so it is only the way to control it to be honest. The other issue, I am only glad the Committee member brought it out, is the one regarding the NNPC storage tank. He is right in saying that we have quite a bit of capacity in term of storage tanks dotted all across the country. We have had major incidences over the last few years and that is particularly on the product pipelines that would carry the products to various storage depots and others and even on the tanks themselves. In fact, it got to the stage a few months ago where the loses from vandalism to the pipe lines taking products to Port-Harcourt Refinery was so great that it appeared much more commercially sensible to shut down production for a while until the security forces get the situation under control and we have of course been in several discussions with the security forces amongst others about the issue of vandalism because we must get it under control, we must get our pipe lines to work within the next 18 months or so. Otherwise the issue of bridging cost in taking from the source to our various major refineries such as Kaduna is becoming more and more exorbitant whereas we have full map of blue print of product pipe lines round the country which if they were working, if they were not being badly vandalized, would ensure that we had critical fall in the price of our products because they would be piped through the product pipelines instead of being taken by trucks up and down the country. So, I would actually use this opportunity to plead with this esteemed Committee in the House of Representatives of the National Assembly to look at passing an Act that would severely be punitive to vandalism around the country particularly on the nation's critical assets. Anything to do with oil production etc is a critical asset even while we have to deal with security forces. Like I said, we have had many discussions with them and the present Presidency has taken it up very, very robustly in the last few months to try and get it under control.

HON LAWAN: Hon. Colleagues, I think what we do is maybe we give the Hon. Minister some time so that she can get her breath back and then we take another agency (Interruption)

MRS ALISON-MADUEKE: Can I go?

HON LAWAN: No, you cannot go, not yet, you remain here but before I give the break just to ask you a very quick one. Is there a cabal and if there is any, who are the members of this cabal?

MRS ALISON-MADUEKE: Esteemed Chairman and this esteemed Committee, I think I have to say at this time under Oath or under Affirmation that you have sworn me to that it would be most improper for me to speculate on the existence or not of a purported cabal. However, let me just say for the record and I am sure I have said this severally I think that

we cannot afford as a country to criminalize either a certain group in one swoop or one brush for all as in one cap fits all so to speak just as we cannot actually afford to criminalize the actual policy of subsidy itself. The government that was trying to do the best at its time for the people of Nigeria enacted the policy on subsidy I believe and I think it was done with the best of intentions at the beginning. When you ask a group of marketers many of which are bona fide marketers who do very good, very legal work for this country and I am saying this advisedly because I have been severally taken to task and I have been called all sort of names for saying this but as Minister of Petroleum Resources, it is my responsibility and I have the courage to say such a thing. Yes, there has been manipulation in the sector, there is no question about it, yes, we are looking into it very well, very aggressively and we have made certain changes from last year once we have taken time to look at the situation on ground to begin to institute those aggressive changes which are already reaping rewards for us. Having said that, we would continue to do that as I am sure the entire country has seen a lot of things happening and would continue to happen until we are able to root out those who have actually corrupted the system and manipulated the system to their own advantage and to the detriment of the entire country and the economy as a whole. Having said that, we must recognize that marketers as a body are by and large going about the legal business of marketing and in all honesty, many of them have been doing so. Like I have said before we could not have kept Nigeria fuel efficiently for the last 16 months, which was not the case before that time. So many of them have worked hard to do that, there are elements who have not done so and who have gained a lot from manipulating the system and we expect that we would find them in the soonest possible time but I think that we should not criminalize the actual act of legal marketing or in fact the concept of the subsidy itself. Thank you.

HON. LAWAN: Well, in the light of that comment, this Committee would formerly request you to give details of those sharp practices you alluded to and those that are involved. We need to have the details of who is involved in doing what and please since you spoke of it on oath, we would expect those details be given to us. We are also in custody of the Audit Report that you gave out to PPMC and in that report there are quite a number of issues that have been raised but I do not know whether you are prepared to respond to some of those issues that are raised there.

MRS ALISON-MADUEKE: No, esteemed Chairman, the Audit Report by PPMC has not been discussed by me or the Ministry of Petroleum Resources and the Ministry of Finance. Normal procedures are that we would have had in-depth discussions on that first and I am sure we would have if the event of last week had not taken us over along with them. So I would plead that we are allowed to have a very in-depth discussion on that which would happen anytime from now and then I would be happy to talk about it.

HON. LAWAN: Well, let me assure you that before the end of this whole Investigative Hearing I believe this Committee would invite you back again. Let me invite the Nigeria Extractive Industries Transparency Initiative to make its presentation before I go to the President of NLC and I think TUC is here, TUC is here. Well, let us take NEITI.

PROF ASSISSIE ASOBIE (Chairman, NEITI) Let me begin by indicating that the mandate of NEITI is actually transplant room, it covers both the domestic and national issues as well as issues dealing with international system. We operate on the basis of NEITI Act, which was passed by the House and assented by the President in 2007 and by that Act we are mandated to ensure due process and transparency as well as independence meant by all companies operating in the industries, not just Fuel and Gas. The companies obviously include NNPC, which is a state company. We are also enjoined to ensure the monitoring of accountability in the revenue receipt. These stress two aspects of our market, which is inter-changing what we are supposed to present to Nigerian people and the world. It is not just figures on projects but data that can be reconciled. So we get information about payment from company to the federation account and we get data on receipt independently and try to reconcile them but more importantly, we ensure that before we present the figures to the public all the stakeholders that are concerned approve of these figures. Before we came here to present anything on report, it has been approved by the multi-stakeholders and among the regulatory agencies that are members of that governing body at the NNPC, FIRS, Office of the Accountant General of Federation (OAGF). Before 2008, it included the DPR, and PPMC. There were about fourteen public budgetary bodies that were members. We are also mandated to ensure transparency and accountability by the government, that is, Federal, states and local governments, in application of resources from the revenues arising from the extractive industries sector. We are also enjoined to eliminate all forms of corrupt practices in the determination, posting, receipt and payment of revenue from companies and government. Finally, it is our responsibility to ensure that Nigeria complies with the principles of global NEITI. Let me also say that since NEITI was established in 2006 Nigerian has been consistently entering into the NEITI Global Fund. It is therefore proper that I should again say a few things about the philosophy of NEITI, which is like a summary of the several principles that make up NEITI, doctrinal basis. First of all, NEITI believes that the prudence of natural resources wealth is an important mark of sustainable development. Secondly, the NEITI believes that it is the responsibility of the sovereign government to use those resources so prudently as to maximize the benefits that accrue to citizens. Thirdly, in order to do that, NEITI emphasizes the necessities for due process, transparency and accountability, but it also believes that the only way that it can be done is that civil society should be given as much information as possible about how the extractive industries are managed, what revenue are accrued to them so that they have information not only to

hold government to account at any level but to ensure proficiency in the administration. More importantly, NEITI is encouraging participation in debate about what should be the challenges of national development so that when we believe to talk about deregulation for example, NEITI will hold the view that civil society and the legislature must also know about this. Our legislature must play a key role in debating the issues surrounding deregulation. This is important because if you go through a historical period when we were told that SAP had no alternative, there are these two alternatives to SAP. Whenever you talk about the deregulation, you are talking in the content of national development and NEITI believes that civil society should be given freedom, it should be allowed to be active, to participate effectively in collaboration with the legislature in participating in debate for national development. I thought that was important in order to put NEITI position very clearly. In other words, NEITI should welcome what has happened in terms of debate but more so, it would expect that the debate will more fundamental take place. The second thing I did not want to discuss is the management of deferred products. We want to refer to the audit, which was done over the 10 years, from 1994 to 2005, 2006 and 2008. Let me say very clearly, and I am saying this authoritatively because I was a member of NEITI Board from inception in 2002. It took a clear decision in 2004 to do what it is doing presently. We have some figures here but I do not know whether the secretariat has circulated them. We have some figures there when we were dealing with the Petroleum Minister. I do not think it is different between the figures you were quoting and the figures that we have here. Let me just give you some of the figures. The figures we have here are produced month by month. I can just give you the summary. We have here what was subsidy for 2004 because that was the year when we started implementing this international market price of N154.6 billion and in 2005 we have N220.1 billion. In 2006 we have N219.73 billion. In 2007 we have N236.64 billion; in 2008 we have N260.8 billion.

HON. LAWAN: In 2008, you said it was N260.8?

PROF. ASOBIE: Yes, please.

HON. LAWAN: Is it for PMS or is it for the entire subsidy for PMS and kerosene?

PROF. ASOBIE: I think it is for PMS only.

HON. LAWAN: Do you have that of kerosene?

PROF. ASOBIE: No, Sir.

HON. LAWAN: All right, go ahead.

PROF. ASOBIE: It is important for us to begin from the accuracy in volume of import. It is also important for us to be very specific about who imports. When we did the first one in

1999 and 2004 it was clear that most of the importers were actually people who ought to be helping us to build refineries. But what we have is, if you create a situation that encourages people making a lot of money in import, the refinery will never be built, deregulation or no deregulation.

HON. LAWAN: I was wondering because usually when you give an opportunity to a Professor you will end up receiving a very professorial lecture. Thank you so much for that very elaborates presentation.

MR. JULIUS NDUBISI NWOGWU, (Nigeria Customs Service): Mr. Chairman, permit me to tender the apologies of the Comptroller General of the Customs who would have loved to be here but for some issues that cropped in. Like I said, we appeared before this Committee based on the publication, which was made in the newspapers. As I speak, we are yet to get the invitation. However, as critical as the matter is, the Nigeria Custom Service put together a presentation, which I am going to make. The general outline of this presentation predicated on the following: As it has to do with the report of discharge of vessels importing PMS into the country; As it has to do with the clearance of the imports generally and to fill it into the clearance of PMS, and Finally, the duty status of imported PMS. Vessels importing PMS into this country are referred to as mother vessels. These mother vessels never get to the ports in Nigeria. These vessels normally are anchored off shore. If you see the manifest covering these imports, what you will see as the source is off shore Cotonou, off shore Lome. They never get to the ports. Rather you have smaller vessels that pick these products from the mother vessels and they report to the ports and report to customs in line with the provisions as contained in the Customs and Excise Management Act. Because these mother vessels do not report to Customs, we do not get revenue from them. We only board vessels that are in our territorial waters and have reported to Customs. These smaller vessels like I said, ferry these products in the ports, it is not all the ports in Nigeria that has facilities to receive weight cargoes. That is why a port like Tinian Island for instance will not receive petroleum products because it is not built to receive weight cargo. You have Apapa Port, you have Warri Port and you have Calabar Port. These are ports with the facilities to receive weight cargoes. Each transaction by these smaller vessels is recorded in Customs and each of the vessels is given a rotation number. As a result, you can have one vessel do 4-5 voyages coming from the mother vessel to the ports. Each one even though it is the same vessel, is recorded as a transaction of its own and the manifest will normally carry the quantity that is on board on each of those transactions. The Ministry of Petroleum Resources normally issues permits to importers of the product, whether PMS, DPK or AGO. The law provides under Section 12 of NESEMA that vessels from foreign countries must not call at places outside the port as defined under section 12 of NESEMA, which specifically states that it is the prerogative of the President to designate

the place as a port in Nigeria. Customs, pursuant to the law, did put out a circular, which was also published in the newspapers. THISDAY newspaper of January 7, 2009 that stated that vessels from foreign must not call at places other than the approved ports. The import of this is that for us in customs, any vessel operating outside the ports was regarded as illegal place. You may wish to know that pursuant to this, several meetings were held and NNPC in particular did state that if we insist for vessels to report at the place of the port that there was going to be scarcity of petroleum products. Customs yielded to pressure and allowed some of these vessels to discharge in these places such as Ibadan for instance. That was like I said when they cited the issue of congestion at the port that it was going to take twice the time to get these vessels to come to discharge the products. That is as it gets to do with the report and discharge of vessels. Generally, we have what we call destination inspection registration now. We have the guidelines governing imports into Nigeria under destination inspection. This guideline is the product of a road map committee, which comprised of Customs, CBN, NAFDAC and all other agencies including NPA that has interventions with clearance of goods. The external guidelines on imports are very clear on the processes that should be adopted for purposes of importation. These include but not limited to the following: You have to open a Form "M" and that form "M" which will be opened in the authorized dealer bank will have to be sent to any of the risk management companies contracted by government. We have Contender, we have SGS, and we have Global Scan. The risk company now issues what we call a Risk Assessment in the ports. Other documents that will normally come with importation include: The Combined Certificate of Value and Origin, Packing List, Bill of Lading, Laboratory certificate, etc. In the case of PMS, imported PMS does not come with Form "M" document to Customs. The CBN in a circular titled documentation requirement for importation of petroleum products dated May 7, 2004 excluded the issuance of form "M" and rug as requirements for importation of PMS into Nigeria. No invoices are attached. We also made it abundantly clear that whether goods are to pay duty or not, normal documentation should take place. They should purchase an SGD (Single Gross Declaration). Statistical returns are also one of the functions of Customs. If we say that goods are not dutiable and that documents will not be processed when requests are made to Customs, what then forms the basis for us to issue returns, which we are not sure of? As we speak, most of the imports of PMS have no documentation. Now, the level of documentation that we have is only by private marketers. NNPC refused to give declaration they are not cooperating. Several meetings were held at the level of CBN and one of them a Technical Committee on CISS (Comprehensive Import Supervision Scheme) where Customs was directed not to ask for those documentations. We have circulars on all the citations we are making here. The Federal Ministry of Finance in a letter dated October 20, 2008 advised Nigerian Customs Service to withdraw a circular issued by it dated 27 August 2008, which was the import of the circular we issued. We were

saying that the extant guidelines on imports should be followed. The Federal Ministry of Finance letter among other things did say that if we insist on the rules it was going to cause crisis on the supply of petroleum products. Copy of the Federal Ministry of Finance letter is also here with us. In 1999 government introduced specific rate of N3 per litre on imported PMS. This is contained in a letter ref. SA/HQ/PR/046 of 8th February 1999 from the Office of the Special Adviser to the President on Petroleum and Energy. In the year 2002 the duty was reduced from N3 per litre to N1.50 per litre. Federal Ministry of Finance's letter dated 8th February 2002 conveyed that approval. CBN reiterated and issued her own letter dated March 7, 2002. All these letters are annexed. In the same year 2002, the duty was removed entirely and this was conveyed via Federal Ministry of Finance letter dated 28 August 2002 and several other letters both from the office of Special Adviser to the President on Petroleum and Energy also. However, one thing came clear and which we would like to touch on. That is between 1999 when per litre was introduced and 2002 when it was removed, Nigerian customs Service undertook an audit of all the vessels that imported PMS into this country. We requested that the duties be paid. As we speak, only the private marketers paid theirs totaling about N18 billion. The import by NNPC, which totals N46 billion, remains unpaid till date. Now, touching on some of the issues that were raised earlier, we have directed the field officers to pick out hard copies of all manifests of imports of PMS since 2006 to date. The system we have in place now, which is the hard decoder, makes things easy for returns on such products to be rendered. However, to get some of the shipping agents to play by the rules by sending electronic versions had always been a problem. That is why we would request the Hon. Chairman and Members of the Committee to give us up till next week because what we are doing now is to get the hard copies of the entire manifest one by one and key them in to be able to give you an accurate data of all imports into this country. Let me also mention that on the issue of the mother vessel for as long as these vessels are anchored off shore and they are not boarded by Customs; we are not in a position to tell you the quantum of petroleum that those vessels brought. That is why when we talk about smuggling we have to make it clear. To make a difference between diversion and smuggling, this is very important. Why I said so is that we also have records of seizures we have made of products. In the year 2005 in one single operation by Customs, our officers intercepted a boat that was loaded with PMS, upon discovery that there was no way to escape, what the importer or his agent or whoever did was to open fire on the petrol. We lost 10 out of the 12 officers in one single operation. One of the survivors said that he was going in for it and though all of them may die and we lost out 10 officers in that single operation. On the issue of verification for payment of subsidy, I make bold to say that Customs is not involved in the process. The issue of ETLs, that is ECOWAS by the protocol to be eligible to be dredged under the ETLs the products and the enterprises has to be registered. ECOWAS has the records of all enterprises and products that are registered to

be dredged under the ETLs for as long as they are industrial products and of course, PMS is an industrial product. In the course of the discussion I also mentioned of the fact that Kaduna refinery as we have it, does not run on local crude. Kaduna refinery runs on imported crude. One of the grey areas which we also have issues with NNPC is that all the crude that has been imported into this country for processing at Kaduna refinery, no duty has been paid on them till date. There is no doubt like I said that smuggling is an issue. The population of Nigeria and if you put together the population of all other countries on the corridor and also take into consideration the number of vehicles imported into all these countries; put it side by side with Nigeria we would have an idea of maybe the quantum of PMS that is said to be smuggled. We need actually to account for the dislocation the way we see it. When you go to the borders and you see these petroleum products smugglers, some carrying jerry-cans, some on donkeys back, I think it is something that is worth looking into so that we have the records straight.

HON. LAWAN: Honourable Colleagues, let me express our gratitude to our Comptroller-General of the Nigerian Customs Service who is here represented and who has made this very candid, very frank and very elaborate presentation. Now before I yield the floor to my colleagues let me ask a few questions. I understand that from what you have said that some of these investors do not go to the designated approved port. Is it possible for back-loading to take place? Is it possible for some of the investors to come in into the country, go through the relevant documentation only for them to take back the refined products and perhaps load it again and run into the country again? Number two, I also understand that there are instances where investors come in into the port without the approval of the Nigerian Customs, some only seek the approval of the Nigerian Navy which means the Nigerian Customs is in no position to actually accurately determine the vessels that come in into the country because the approval is not only limited to the Nigerian Customs Service? Now thirdly, with the decision that Customs should not charge any duty on imported refined products, that implies that as far as revenue from Customs duty is concerned that Nigeria does not benefit anything in terms of duty from refined products. Of course since the NNPC is going to be here tomorrow, I would want NNPC to give us a break down of what constitute the actual levy cost of refined product in Nigeria. I know that from the general debate, NNPC or rather the official of the government will provide different figures, N131, N138, N139. I think yesterday the Minister of Finance talked of N131 even N139 and that N139 included demurrage, included duty as well. So I am amazed that the Nigerian Customs is now saying that no duty is paid. So tomorrow in the course of your presentation, I will want some answers to most of the issues that have been raised by the Nigerian Customs Service. From your own experience, from your own assessment, would it be correct to say that some of the allegations that have been made including the ones that

the Minister of Petroleum Resources confirmed under oath today that there are sharp practices in the importation of these products. Is it correct to say that these exist and that these constitute the very serious economic sabotage on the resources of this country? Honourable Colleagues, do you have questions?

HON. ABDULMUMUNI JIBRIN: Thank you Chairman, I just want to assure the last speaker, I think this is an issue of law; and that him and any other witnesses that will appear here are constitutionally protected. The Legislative arm protects by its law any witness and accords him privileges, so everybody should be free to bring whatever document and issue.

HON. JOHN ENOH: Mr. Chairman, just a very brief comment on the issue of designation inspection. I think this is very important and we really need to look very deeply into it and as the Chairman Finance of the House in one of my engagement with the Federal Ministry of Finance at some point I actually discovered going through the pre-shipment scheme, there is a pre-shipment inspection for oil and gas. But I discovered that there is no designation inspection for oil and gas and I have queried the Ministries separately; Ministry of Finance because they have the responsibility of appointing all these agents. I have asked them separately why we are still operating without designation inspection for only petroleum products there is petroleum designation. Until today, I have not gotten answer, I am happy that this Committee has started its work and we need to pick it up with the Minister of Finance when she comes by tomorrow. For the Federal Ministry of Petroleum Resources, I think it is a moral question we should ask them to be feeling comfortable that such products, massive products have been imported into this country and they are not going through any designation inspection.

HON. JIBRIN: As a Customs Officer, you heard what the Minister of Petroleum Resources just said this morning that smuggling will continue until and unless subsidy is removed. Do you allow that to continue?

HON. LAWAN: But rather, let me put it in a different way. First of all we share the same opinion that yes; the only solution to the smuggling of refined products is the complete deregulation of the price because from the assessment given by the Honourable Minister of Petroleum Resources, the price attraction will still be there. Last week the price of petrol was N141.00 and what she has mentioned in some countries is actually 200 and something. So maybe removing it would not address that problem if major attraction in a deferential in price. But do share the same opinion and I want the position of Nigerian Customs Service on that.

HON FALEKE: My question is on this issue of mother vessels and daughter (smaller) vessels. Can you confirm that you normally have Bill of landing on these daughter vessels?

Are these Bill of Lading issued by the mother vessel or from the country of origin? The Bill of Landing on the daughter (smaller) vessels, are they issued by the mother vessels or from country of origin of the products? You also said NNPC owe over N46 billion of un-paid duty, in the same vein you told us all shipments of petroleum products never came with invoices. How do you ascertain these figures? Is it based on volume you received from the daughter (smaller) vessels? I want to know how you come to arrival at these figures. Also these daughter (smaller) vessels, you told us they could make 4 or 5 trips from the mother vessels, does each trip come with a Bill of Landing as required?

HON DAWAKI: My question is almost aligning with what Hon. Faleke asked. When the mother ship arrived and they stay in the off-shore and the daughter (smaller) vessels maybe like 15,000 tons take from the mother vessels during SGS, sometime what measure did you put in place to come to a particular jetty and discharged. Because sometime you will see that 3 different companies would have a cargo inside the vessel that would be discharging in different jetty. Sometime they would come into Jetty "A" discharged into particular company 5,000 metric tons. She goes to another Jetty and discharges another 5,000 metric tons. What effort, because in the process of doing that, if she discharged in Jetty "A" and now trying to move into Jetty "B" to discharge another 5,000 metric tons, there might be some problem there. It might go back to the High-Sea maybe find a way of leaving the country and getting a spot in another country. What effort is the Nigerian Customs Service ensuring that the cargo is fully discharged without any a product inside the cargo?

HON. LAWAN: Sorry, before you finally respond, just a quick one. The subsidy that is paid is it on the documentation of the mother vessels or the daughter (smaller) vessels? I am talking of subsidy, if you are paying subsidy of course you should have documents records; is a Bill of Lading of the mother vessels or since you play a role and do play a role in the verification exercise, PPPRA pays subsidy and of course PPPRA will appear here tomorrow. Did the Nigerian Customs Service in any way play a role in the verification of the products that comes in into the country either payable to the major marketers or to NNPC? If there is any role whatsoever that even though it did not collect duty but is there any role are you involved in the verification exercises, in the process of the subsidy that is paid, given the fact that you are the custodian of what comes into the country?

REP. OF CG, CUSTOMS: I remember, I think I did say earlier that the Nigerian Customs Service is not in any way involved in the verification vis-à-vis payment of subsidy. That is a statement of fact. Sir, going forward maybe, what apply in the administration of the Export Expansion Grant of Government (EEG) through which Export Promotion Council issued what we call the Negotiable Duty Grading Certificate which in turn is use for payment of duty, may serve as a lesson. Before issuance of the duty pre-certificate, verifi-

cation is carried out. In fact NABC appointed Price Walter House and Customs also take part in that verification and in the course of that verification we have discovered certain transaction for which EEG would have been paid but when we raised objection by querying the documents they withdrew. Maybe that could come into play in this case because even though we are not custodians, custodians of cargo used to be Nigerian Port Authority (NPA) until the Privatization process that took place in the port, wherein the concessioner now took over. The involvement of Customs is in the clearance process. So in answer to that Sir, we are not involved in the verification of the claims prior to the payment of the subsidy. We do not know the documents that are used to process the claims. The issue of Jetties vis-à-vis vessels back-loading and front-loading, upon report of the vessels they must be boarded. When you board a vessel, you collect documents and you must witness discharge. I do not think it is visible for product to be brought in and the same products taken out and for purposes of round tripping on those small vessels. Like I said, the area to look at is to look at a vessel, the mother vessels. If you go to the Law School you will have an idea of the capacity of the big vessel. You also take a look at the various voyages of the daughter (smaller) vessels from the modern vessels to the port and see what they add up, maybe that will give you an idea Sir. But like I said, we do not board the mother vessels because they are not reported to Nigerian Customs Service in view of the fact that they are located offshore. The issue of vessels not reporting to Nigerian Customs Service at all, it happened particularly in the petroleum sector also, maybe not down-stream but off-stream. Because some of these vessels that take part in the operation on water either as tugboat or whatever, sometime, they sail in. We have cases at hand whereby we have arrested some of those vessels. In fact as we speak, we have a particular body charged with looking at the status of these vessels and that is under our Marine Unit and they make catches, some are presently being detained and in some cases also when we arrest them, we force them to pay duties because sometimes they have not prepared to pay duties. They will claim ignorance of the law, which in any case might not be applicable. Sir, you also asked whether Nigerian Customs Service does not get anything since duties is not paid. Like I said, since 2002 when the waiver so to say was given, I call it a waiver because, if you look at the tariff, there is a provision that petroleum (PMS) should pay duty. It is liable to duty at 10% and it is also liable. But being that Mr. President, in exercise of the powers conferred on him under Part 1, Item 12 of the same Tariff, he has the power to remove or to add, all we do is to ensure compliance. We do not, in fact since 2002, we have not collected, what we have as outstanding accruing from the N3.00 per a litre and which was later reduced N1.50 remains unpaid and that supposed to go into Federation Account. The sharp practices exist, it is possible, as to whether smuggling if subsidy is removed whether it will stop some of these practices, I think we would rather look at it from the bigger picture. Let's look beyond PMS because PMS is not the only item being smuggled into Nigeria today, even fiscal policy

of government can encourage smuggling. If you impose high duty on an item, you are indirectly encouraging the smugglers to look for other means or other avenues to bring in this product. So in answer to that I will say I am not limiting myself to the issue of PMS rather we should be looking at smuggling in general. However, no society in the world has succeeded in eradicating smuggling, even in America, what we are saying is, we should not assume a dimension to distort the economy of the country. The issue of PSI and PI as we speak there is no law governing the designation of inspection into Nigeria, whether PMS or whatever, it has not been amended. The Pre-Shipment Inspection law of 1996 is still holding its wave, we started there since 1st January 2006, the 1% CIS which we collect is based on provision of the PSI; there is no law yet in place to cover designation of import into Nigeria. Who issued Bill of Landing? The manifest contains all the information that you find on the Bill of Landing. Now what I am holding here is a typical manifest for a vessel that called at Calabar in December 2011 and this is a vessel of PMS and the importer here is NNPC. So even the issue that NNPC has done importation, this document here has something to the contrary. NNPC is still importing in her name, this is a manifest and what a manifest is reading is that it is coming from off-shore to Calabar with the name of the master, shipper, the consigning, master's number, packages, tonnage and that was what is here and these are the documents we rely on. We decided to come with some of these so that you will see exactly, sometimes when we make reference to some of these documents, let it not look as if it is something that is out there in the moon. These are things we work with everyday Sir. Does each trip come with its own Bill of Landing? Yes sir, every voyage of PMS made comes with its Bill of Landing; it is on transaction-by-transaction bases. We do not know where the country of origin is. The manifest is saying that it is offshore Cotonou or Lome with the name of the beneficiary that is the consigning. Lastly Sir, I think I will also make this recommendation that having listened to what NEITI has done, it may not be out of place to even get NEITI to do a forensic audit of the vessels that are in this country or that visit for purposes of transparency.

HON. LAWAN: Sorry a very quick one and before I do that you are going to tender all those documents that you have cited and the report to please before leaving this place, you will turned them down. We would not want any pressure from any quarter to stop you from giving us these documents. So we want to take these documents, all the documents you have there, we are taking them. Is Nigerian Customs Service aware in any way some refined products as exported out of this country, that there are instances of refined products, not smuggled, exported outside this country maybe to neighbouring countries and does Nigerian Customs Service collect duty on that.

REP. OF CG, CUSTOM: Sir, I do not think we have records of export of refined products outside the shore of this country. Generally, in the tariff all exports are duty-free, there is no exports of any kind that attract duty in the Nigerian Customs Service post

CHAPTER 3

Day Three: 18th January, 2012

HON FAROUK LAWAN (Chairman): Hon. Colleagues, if you could recall this is the continuation of the hearing of the ad hoc committee on subsidy regime. As you are fully aware, on the 11th of this month when the House met in a special session, this Ad hoc committee was constituted with the mandate to verify and monitor the level of subsidy as well as guide the House in the provision of funds that should take care of the issue of subsidy. It is also our mandate to monitor the implementation of the subsidy regime. This public hearing started two days ago with the appearance of Minister of Finance and other stakeholders in the polity. Yesterday, the hearing continued with the appearance of other key stakeholders including the Minister of Petroleum Resources. Today, as you are aware, the resumed hearing as expected is to start now. I expect we are going to hear from some of the very major critical stakeholders on issue of subsidy in this country. The PPPRA is here, I suppose the NNPC and DPR are going to make presentations. We have invited Olisa Agbakoba who possibly will also come and chip in something. AP oil is also to make a presentation today. Let me on behalf of Members of this Ad hoc committee welcome all those who are here today. Let me assure you that whatever information you are going to give to this committee is meant to ensure that we do a thorough, objective and fair assessment of the situation. So, that at the end of the day the report we are going to tender would be a report that will factually reflect the issues at stake. It is our desire to make sure that we do a very thorough job and we have no intention to leave any stone unturned in ensuring

that the relevant details and information on this matter are obtained from key stakeholders. As you are aware, Nigerians are very keen to know what is happening to the issue of payment of subsidy because the issue of subsidy has become one of the topical and controversial issues in this country today. As long as the issues are not properly addressed, it will remain so. The interest of the House of Representatives is to ensure that Nigerians get value for their money from the government and the best way to do it is to ensure that we look into this full issue of subsidy and whatever information and details that need to be brought to the fore are brought out. I, on behalf of my colleagues welcome the key stakeholders that are here and I hope you will avail us with the details, the relevant information that is available to you so that at the end of the day this country will be properly guided on the issue of the subsidy. So much have been said out there on this issue on different sides of the divide. For those supporting the removal of subsidy, a lot was said; for those against, a lot has also been said. Our role essentially is to bring out the facts as they are. In the course of doing this we will be asking you relevant questions. We will try to elicit the best response from you so that at the end we can be properly guided. We will also enjoin you to provide us whatever relevant information in terms of documentation that is available to you so that at the end of the day this will further guide the work of this Ad hoc committee. Once again, I welcome all of you. I think the starting point is to invite the PPPRA who perhaps more than any other agency have the greatest role in the issue of subsidy because the NNPC is just one out of the many importers of the refined petroleum products. So, we will start with the PPPRA. Let us hear from you.

MR REGINALD STANLEY (Executive Secretary, PPPRA): The Chairman of the Ad Hoc Committee on Subsidy Regime of the House of Representatives, esteemed Members of his Committee, distinguished ladies and gentlemen, let me start by thanking the committee for the opportunity to be here today. Along with me are my colleagues from the agency to speak on this very topical issue of the subsidy regime. First of all, the PPPRA derives its powers from the Act No.8 of 2003. The Act provides the following:

- Maintain constant surveillance over key indices relevant to pricing policy,
- Approve benchmark price for all products
- Moderate volatility in petroleum product prices while ensuring reasonable returns to the operators.
- Establish parameters and codes of conduct for all operators in the industry sector of petroleum industry.
- Prevent collusion and restrict trespasses in the fuel sector
- Exercise military roles for all stakeholders in the sector.
- Regulate the supply of petroleum products,
- Establish an information databank through liaisons with all relevant agencies to facilitate

the making of the reform and realistic decisions on price and policy.

- Identify the micro economic factors ranging the price of petroleum products and advise the federal government on appropriate strategies for dealing with them.
- Establish firm linkages with key segments of Nigerian society and ensure that each decision enjoys the widest possible understanding and support of all.

The present Support Fund Scheme was announced by the President in his 2005 Independent Day broadcast as a policy of government to mitigate the effects of volatility in international crude and refined products prices on domestic price of the products. This was after four years of incessant retail home price increases with the attendant stiff resistance by the labour union. The guideline for the implementation of PSS scheme was prepared by PPPRA in consultation with Industry's stakeholders and was approved by the government while the scheme commenced in January 2006. Consequently, the overriding objective has been to ensure that all necessary steps are taken to avoid product stock out and limit monopoly into the barest minimum. The PSM mode of payment is based at either under or over recovery of incurred costs. Under recovery is when the landing cost of product is more than the approved price. During the period of under recovery, government is expected to pay the difference between the landing cost of the product and approved price. Over recovery on products occurs when the landing cost of prices is less than the approved ex-depot price; and marketers are expected to pay back into the fund. I am glad to inform this esteemed Committee that in late 2008 and beginning of 2009 when we had crude oil crash, prices was about 40 dollar per barrel. Marketers including NNPC paid back into government account the sum of N15 billion.

The PS team has the following objectives: –

- To stabilize the domestic price of the petroleum products against volatility in international growth market,
- to create a level playing field for active participants like NNPC and other marketers in the product supply and distribution,
- to guarantee effective products availability and distribution nationwide,
- to entrench transparency and accountability in the administration of the scheme in line with government objective.

In administering the fund, we ensure the maintenance of international standard and practice. The pricing principal known as input parity is adopted using plats published product prices thereby assuring transparency and accountability. The plat is internationally recognized and service providers rely upon it globally for the provision of reference prices of petroleum products among its other functions.

I will like to take you through our procedures and modalities.

- Registration by marketers to participate in the PS Scheme

- Notification to import by the marketers
- Approval to import even by the PPPRA based on the level of product availability and other relevant factors due appropriate by the agencies
- Witnessing and confirmation of the discharge of the products by the PPPRA staff. The Federal Ministry of Finance, appointed auditors - Akintola Williams Deloitte and Olushola Adekanola and Co. The DPR recently introduced independent inspectors, verification of the import documents by PPPRA and DPRS, processing of import documents and determination of under or over recovery as applicable by the PPPRA on the basis of volume endorsed by the PPPRA and even inspectors and the published plats product prices for the period of the imports. There is the submission of the verified document and subsidy claims to the Federal Ministry of Finance by the PPPRA. Submission of documents of subsidy claims to the Federal Ministry of Finance appointed auditors Akintola Williams and Olushola Adekanola and Co by the Federal Ministry of Finance through Budget Office of the Federation. Summary debt statement is issued by marketers by PPPRA based on verified volumes. The DMO prepares summary debt note and refers to CBN and PPPRA.

CBN redeems matured documents to marketers. Federal Ministry of Finance sources fund and coordinate subsequent settlement. Verification/audit of marketers, subsidy claims by Federal Ministry of Finance auditors. Federal Ministry of Finance reconciles payment of marketers against the auditor's report and advises the DPRS appropriately.

Chairman Sir, what we have seen over the years with inspection of the PSF is that in 2006, the average daily consumption was 25.9 litres per day. In 2007, this moved to 26.3 million litres per day. By 2008, we have 33.5 million litres per day. In 2009 this figure averaged 36.8 million litres and in 2010 we had 46.9 million litres. For 2011 the entire figures are not yet in but what we have right up to October stands as 58.9 million litres per day. The pricing template is an issue that has been very widely discussed here which in itself has the following components: You have the product price which is for North West Europe; you have the French rate which is the shipment that you pay to bring these to our Lagos route. You have traders margin, you have lightening expenses, you have MPA charges, you have finance, you have jegetrebut charges, you have storage charge, you have retailers margin. These are the margins for the marketers who have stations. You have the transportation which is the local transportation around the depot area, you have the dealers' margin, you have the bridging fault which is for PEF which stands at N5.85 per litre to ensure that there is no price differential in the products all over the country. You have marine transport average administration charges. Before I move to this I just want to divert your mind to an issue that I think may be quite of interest to this esteemed committee. Just between the product

price and different elements is 81 per cent of the entire cost of the product that we pay for at the pump and that as it stands today, just a rough calculation that equals US\$29.5 million Dollars to bring a vessel of 30 thousand metric tonnes. If we convert it to Naira at an equivalent rate of N160 to \$1, it means US\$4.73 billion. This is only the cost of the product just to bring it to Nigerian borders. So all other items under that only constitute 19 per cent. I have taken time to say this because we have heard so much on the issue of the template, whether it is fair, whether it is padded. We are open at the agency at any point in time to review this because the ownership of this template is vested in Nigerians. It is a template that can be reviewed by the governing board of the agency and the law setting up the PPPARA is clear on the membership. The current template operating today that generated the N141 pump price that is no longer operational was reviewed on 1st of July 2011 by all the stakeholders. The template as it is adopted today has the following as members of the governing board. I repeat Sir; no one can override this template without this esteemed group. It is made up of the Chairman and one representative each from the following:

- Nigerian Chambers of Commerce and Industry,
- Mining and Agriculture,
- The Manufacturers Association of Nigeria,
- The Nigerian Labour Congress,
- The Major Oil Marketers,
- The Independent Oil Marketers,
- The Petroleum and Natural Gas Union Staff Association (PENGASAN),
- The Transport Owners (NARTO)
- The Nigerian Employment Consultative Association,
- The Nigeria Media on Rotation every year between the Guild of Editors or the Nigerian Union of Journalist and the Newspaper Association of Nigeria,
- The Federal Office of Statistics,
- The National Union of Road Transport Workers (NURTW),
- The Ministry of Petroleum Resources,
- The Federal Ministry of Employment, Labour and Productivity,
- The Federal Ministry of Transport
- The Federal Ministry of Finance,
- The Central Bank of Nigeria
- The Presidency,
- The National Manpower Board,
- The NNPC,
- The Institute of Management,
- NUPENG,
- The Trade Union congress,

- The Depot and Petroleum Product Union Marketers of Nigeria, DPPMA,
- The Petroleum Equalization Fund (PEF), and
- The Executive Secretary.

I just want to state that the template remains the property of the country as represented by the cross section of people who reviewed this last in 2011. I do not want to get you through the mechanics of calculation. I am sure we will have time for that. Over the years, we have had from a very gradual subsidy level. In 2006, the subsidy we had was N261.1 billion and in 2007, it was N278.8 billion. In 2008, we had N630.5 billion. In 2009, it went down to N463.5 billion. If you recall, I did talk about the time when we had over recovery, when the crude oil prices failed. So, NNPC along with other marketers contributed to refund N50 billion. That was the time prices fell. In 2010, we had N673 billion. In 2011 up to August for NNPC and October for other marketers we had N1.3 trillion. Within this fall if I could break it down a little bit, it is within this sheet which you may probably have, out of the N1.348 trillion for 2011, there is a component of kerosene arrears which was N250 million. So, if you distill kerosene out of it, PMS will be N1.09 trillion. On subsidy process, the payment has always been strictly on the federal government appointed auditor's report. The aim is to constantly ensure the transparency of payment made under the scheme. At the beginning and up to February 2010 payments to eligible marketers were effected post-audit at the PPPRS recommended subsidy to the Federal Ministry of finance. However, within the introduction of the alternative payment approach which is the sovereign debt note by the Federal Government to minimize the turnaround posting time for payment, it became compelling to settle subsidy claim pre-audit. The precaution occasionally leaves variation between PPPRA and so many corporations and the approved government appointed auditors. Variations are resolved by issuance of debt note against any marketer found to have claimed in excess and the auditors recommended subsidy value since the agency ensures that the government is fully indemnified against the over payment to pay any marketer. A review of the PPPRA subsidy recommendation compared to federal government auditors' approval from 2006 is presented below: In 2006, there was a variation of .004 per cent. In 2007, there was a variation 0.003 per cent. In 2008, it was virtually nil, in 2009, it was virtually nil and in 2010 it was .001 per cent. What I am saying is that, should there be any difference between our recommendation and what the auditors have recommended that is the reason for the variance. We make sure that the marketer is debited and he pays for it. Let me take you through the process of admission into the payment. We have expression of interest to participate in the scheme. We have due diligence for prospective participants, conveyance of approval for participation. We have quarterly allocation of volumes. Thereafter, you have the approval for volume importation, Importation and witnessing by relevant stakeholders, submission of import documents and claims, verification and processing

of under recovery. The documents are issued to marketers by PPPRA, DMO prepares SDN and notifies CBN and PPPRA, CBN redeems matured obligation. Federal Ministry of Finance sources the funds and coordinates subsidy settlement. That closes that process. I must say that there are a lot of stake holders involved in this. One of them is DPR. They are responsible for the analysis of quality specification, verification and the certification of quantity and quality of the product imported or supplied by the marketers. They also monitor the product supplied and distribution chain from jetties to depot and retail outlets. DPR is responsible for the enforcement of price set by government. We have independent inspectors. They are responsible for measurement and certification of the quantity imported both on the vessel and the tank at the jetty which is called product origin, certification of the quantity and the vessel to avoid adulteration and fuel distortion. The Federal Ministry of Finance is number 3. Office of the Accountant General of the Federation, approval of payment due to marketers, issuing of payment mandate through the Office of the AGF to the Central Bank. Federal Government auditors, Akintola Williams, Deiloite, Adekanola and Co. witnessing and confirmation of the quantity imported by marketers by the Federal Ministry of Finance auditors, participate in the product origin, provision of product's statistics, supply and distribution for depots and jetties through the retail outlets. There are independent cargo inspectors which we triggered as soon as I got into office, to work as a team at arrival, discharge and truck out of products. We have GMO inspectorates, SGS, etc. I must say that these are carefully selected inspectors. Out of the six that were selected, four have very extensive global rich line with best practice in industry; if you see most of imported materials you will see either Sailboat or you see SGS or Intertech. The credible thing about this is integrity. They have insurance and if there are mistakes, you will sue them, you should be able to claim extensive damage from these organizations. We also shift to our local environment to make sure we give a local flavor to it and come out with the very best of tools in this area which is general marine and vibrant energy to establish veracity and import through the family train. What do we mean by family train, Sir? This is also what we have introduced in recent times with my coming into the Agency. The family train tracks the product. Is it coming out of the refinery? Is it coming out of storage? We need to know when you loaded this product. What quantity did you load? What is the quality of the product? We do not care whether you are in Cotonou or whether you are in Lome or you are doing STS there. We must know the origin of that material, so that when you arrive for example, if you say you arrived with 30,000 metric tons and you did of shift to shift (STS) with 3 vessels of 10,000, the moment you finish those 3 STS that vessel is empty. So you cannot come back and tell us that the vessel that came in with 30,000 metric tons is now discharging 45,000 metric tons. From where you do the STS, we track you all the way down to the depot where you are discharging. We will not only track you down, when you arrive, we do not care whether the STS, Bill of Lading is showing 30,000 metric tons, when you

arrive the Depot we want to know, did you arrive with 10,000 metric tons? Or whether your ship has a hole and leaked out. We certify on arrival, we also go further to certify when discharged and I will come to let you know the measures we have put in place that are very stringent as they are today. What governs it is what we call the Double Trade Tools System. Three independent inspectors on arrival, three independent inspectors on discharge and two independent inspectors on truck out. We must reconcile these trade figures for you to make your claim. Where there are differences between your Truck-Out which actually tells you the consumption and your arrival quantity vis-à-vis what was discharged, then you have query to answer and that is what we are doing today. Did you have Central Bank of Nigeria (CBN) which is the custodians of the fund and payment confirmation parameter? Then our role Sir as PPPRA is witnessing and confirmation of the quantity imported by the marketer at the Jetty, monitoring of prices at the Depot and retail outlet, monitoring product evacuation from the Depot to retail outlets, curb the bridging and local delivery, determination of appropriate prices, subject to the approval of government. It also includes the determination of industry operators, approval and determination of appropriate prices, under and over recovery with the approved Ex-Depot and establishing landing costs. Based on the Ex-Depot price Sir which we have today, if you work it back with the margin which is N15.49 that automatically tells you what pump price will be. We have the Nigerian Navy that issues clearance for vessels to enter Nigeria waters. We have Nigerian Customs Service doing issuance of clearance to discharge and authority to unload products or goods with what is stated. We have the Nigeria Port Authority (NPA) with the issuance of clearance to allow the vessel depart at Jetty after necessary payment of port dues based on the size of ship and volume of products as stated in the Bill of Landing and you have the vessel by this schedule. There are Facilities/Depot Owners who have spent volume into tanks. They must observe because they must know the quality of tanks and what goes out in terms of inventory management. Then finally Sir, we do have the Debt Management Office (DMO) responsible for the issuance of sovereign debt and guarantee marketers payment within 45 days, issuance of SDN and guarantee security of petroleum products imported by the marketers. Chairman Sir, please permit me to digress a little bit. If you recall we had quite a lot of challenges owing to the marketers on their deliveries and that actually led to short supply of stock. Where marketers were owed for a very long time, they stopped importation and the country witnessed extensive and prolonged scarcity. It was after that that this alternative settlement system was devised which has a 45 days circle and that was what brought back confidence in the system that at least if you bring in product within 45 days you will be paid. I think in the course of this investigation we would be able to talk very freely on some of the challenges that we as a nation will face on supply of products and the alternative that must be put in place very fast to be able to ensure that we do not go into supply shock, because as you know what we consume today is very close to over 90% of the

material that is imported. There must be a payment mechanism that gives assurance to suppliers bringing in the products that they will be paid. Our consumption here might be big but it is actually very small when we talk about the global trade of refined products in the world. I just want to take you through the entire checklist for import, that should be with the esteemed Committee but let me just also touch a little bit on some of the factors affecting subsidy. We observed yesterday that in 2006 when the scheme started, the average crude price was \$65.14, by 2010 the average crude price was \$75.49, this is average, so within the year there would have been some slight increase but by 2011 the average as at October was \$111. As we know, if you log on to CNN you will see the crude prices as posted on the screen of the footage, hovering around \$115 and thank God we are through with the strike, there were no shutting down of our productions, we would have seen crude oil in the range of perhaps \$120 and with that comes also the derivatives, it would move the product prices up. You see PMS cost alone, in 2006 it was \$619.76 per drum and today at the most current template it has gone up to \$663, but if you take the average for the year in 2011 it was \$997. The exchange rate also plays a very important factor. In 2006 it was N128.43 per dollar and for the year 2011 we averaged N155.00 per dollar. That has also impacted on the subsidy. From a modest start of N22.74 per litre in 2006, subsidy on the average today as average about N77 per litre for the year of course based on last increase of N141 per litre, subsidy with the level was about N76 per litre but that still being with the buy-back. These are factors that have affected subsidy in terms of whatever migration in the subsidy price per litre, I thought I should just put that. Now we have had instances of historical movement of pump prices from 2003 when this was just about N30 per litre to the pick which we have had for the first time in the country which is N141 per litre. These prices are from 2003; today we have a previous subsidy regime that pegs the price at N95 per litre. Let me say Sir, there are quite a few challenges which we had along the line. One is none passage of Petroleum Industry Bill (PIB), we also have crude oil price volatility. We have State owned Petroleum Corporation monopoly of logistic facility. No capacity utilization by the nation refineries, unfavourable foreign exchange rate. Resistance by pressure groups on deregulation policy of government, the equalization fund vis-à-vis the reality of the price equalization in the land to the inland areas. Sub optimal of utilization of pipeline network, inadequate road transportation system resulting in heavy reliance on inefficient trucking systems, non-utilization of inland network is always heavy reliance on trucks and mobile storage facilities. Inadequate of import recession and Tricia facilities did to delay discharge of petroleum product and high demurrage. One of the points that may be thought about on the template is demurrage; it would be good to participate in the discourse as this comes up because as it is today, there are very few facilities that can take an MR. An MR has 30,000 or 33,000 metric tons capacities. What does that do to our business? Clearly it takes away efficiency. If you take a vessel today to Lister facilities, you come in and you go,

it takes it away. If you go to Folawiyo, which was a former cement port for heavy vessel, it takes it. If you go to Atlas Cove, a draft is enough to take an MR. If you go to Single Point Morning (SPM), you can also drop that. That is just 4 facilities in the country out of 46 Depots littering all over. In fact Sir, in Calabar, you could navigate a vessel that is more than 8,000 metric tons. Recently a private capital developed the OCM and the maximum capacity is 15,000 metric tons. Is it that the mother vessel can only go to 4 facilities in our entire country? meaning that you must lighter and if you lighter that is an extra cost, someone must bear that cost while I am still talking about inadequate import recession and facilities leading to higher demurrage. Can you do that in Cotonou? No Sir. Cotonou has got an e-port. Can you do that in Ghana? Tema facilities has got an e-port and that is why in a deregulated regime you will just realize that the man who is in Cotonou that depends on Nigerian products because it is regulated we find out that his price is far more cheaper because of all these inefficiencies. Now, are they real? yes they are and I would crave the indulgence of the Committee to take a trip on some of the facilities so that these things will be seen. There is nowhere in the world where you do not have this facility that is shared by everyone, be it Jetty, be they pipelines and the rest of them. This is something that must be taken to higher level and to make sure that we implement that, I dare say, the passage of the PIB becomes necessary, to make sure that this is available. Inadequate appropriation of annual petroleum subsidy funds, provision of alternatives to energy. Proper production of import recession facility to minimize demurrage, deregulation of down-stream industry, to pave the way for efficient and continued product supply and enhance investment. Provision of incentives to encourage private sectors participation in refining, JTS and pipeline operation, restructure government own corporation in a manner that our subsidiary will not hold the main market position. Deregulation of the down-stream petroleum market would free government fund for infrastructure development. Development of a sustainable fuel reserve policy for petroleum products as a security against emergency situation in the country, this is already being considered in the proposed PIB. Chairman Sir, permit me to talk a little bit on strategic fuel reserves, this is a must for our country. It is similar to what you call strategic petroleum reserve in the United States and different countries around the world; Germany has it, all ECD countries, all make up of Economic Corporation and Development (ECD) which are of more developed countries, all have it. Today, we do not have strategic reserves in our country. This is something that should be very serious contemplated, building strategic reserves within the country, it could be on geo-political zones, it could be strategically located anywhere. So that at any point in time our country can be sustained for reasonable days of our consumption and I said for example that strategy reserves cannot be less than one month of the entire consumption of the whole country. While I am saying one month, it could be more than that because it takes a minimum of 2 to 3 weeks for cargoes to come in to West Africa. Some of the gases we consume in Nigeria

come all the way from Iran and India. So we must have stock that if there is any shock today in supply given our dependence on imported petroleum products, the country would just dry up. It is very important that you lend your support to this. We also have as a way forward stringent measure on permit insurance. Finally Sir, I just want to let you know what we have done in the last couple of days or weeks. We have been able to come down on supplies of this product in a way to make sure that we can track the product on to their Jetties. We have also put in a double-two-three system of independent inspector having to certify what is brought in, what is discharged and what is trucked out. We really want to come to claim what is our consumption. So we triggered an end of the year stock taking to say what we earned in the year 2011 weigh what our opening balance is. Because whatever comes in and it is full drop out is an approximation of what our consumption is and this is an exercise we intend to religiously follow every month so that on a month by month basis we can tell you that this is what came into the Depot, this is what left the Depot and by the end of the year we can tell you excitedly what it is. We will also trigger the system by which every discharged is chained. As soon as you finish discharging we will physically chain it; you cannot break the chain until your next vessel arrives, when it arrives we inspect, ourselves PPPRA components so that it is tamper proof. The measures that we will put will definitely align with best practice and we do hope that in subsequent months we should be able to report the effect on our environment. Thank you very much.

HON LAWAN: Thank you very much the Executive Secretary of PPPRA, I am sure my Colleagues have listened very attentively to your presentation and I believe that there are quite a number of issues that would seek for clarification from you. We decided to take you on, first because your responsibility is very critical in what goes on with regards to subsidy. First of all your agency is only responsible for determining all imports of petroleum products, in the first place. You are also responsible for the issuance of contracts. What is important is how to meet the quality and the quantity of the contract that were issued and your Agency from my understanding may also be responsible for determining how much to be paid as subsidy to these importers and of course having been here yesterday, you must have heard various issues raised on this matter that there is open conception that there are sharp practices associated with this issue. Before I get that, let me ask you a few questions for the purpose of clarification. What is the middle process? How transparent are you to the importers. What process do you use in giving contracts to fuel importers? I think the approach this time around will be asking questions and you will respond to the questions, we will all load you with our experience with the Honourable Minister of Petroleum Resources yesterday. We are not going to load you with so many questions, will you respond to these questions and I will reserve other questions.

MR STANLEY: Thank you Sir, you talked about the building process. What we have

Chairman, we have guidelines for the administration of Petroleum Support Fund and this guideline is a document of the Agency approved by the stakeholders. All there is need for us is to follow the guidelines as they apply to having companies listed for the importation. In addition to that Sir, we do have quantity of the products to be imported and as you recognized different Depot have their different capacity. So you do not load at Depot that does not have much capacity but they do have a second facility. Based on that we would work out what the capacity is for any of those supplies in a fair manner. But our guiding principle here is the PPPRA guidelines on importation. In terms of prices I just addressed what you talked about on the building, the template is the company's document of the price because a price itself like I said to you is internationally quoted by plats. It is a trading platform used all over the world, it is transparent, you can assess it and that is it. So when the marketers agitate that the template is not fair to them and they are having difficulties to import because they cannot have full recovery based on that template, the governing board of PPPRA will then meet to review the guideline and the review team is the same that I did mention to you that approved the template for the importation. So the two are actually hand in hand and all you need do is plugging in and it tells on day to day basis what is the landing price of that material into our country. There are two components, the landing cost and the margin. The margin component is N15.49 kobo which compensate for the dealers margin, retailers margin, the breaking fund and the marine transporter range and national transporter range, those are fixed and also negotiated by the parties itself.

HON LAWAN: Do you apply the same guidelines in NNPC?

MR STANLEY: Sir, we do not apply those same guidelines to NNPC. We are very stringent on it; there are two companies of NNPC import. We have the import and we have the locally manufactured goods. The locally manufactured goods, we do not provide for their financing, we do not provide for their transportation, we do not provide for their demurrage, all that put together is N13.3. NNPC does not benefit from it, and I think that is an advantage that we have locally and if we are able to improve on that capacity utilization then NNPC must be able to be more proactive in whatever they do. The other aspect of it is that all their imported products under the scheme, we do not provide financing. It would be wrong for PPPRA to pay NNPC for their local production when you know that there are no transportation charges, there is no financing, and there is no provision for laboring and all that. When we compute the template, we knock out these items, traders' margin, freight, and financing. These are all transparent and they are all on our template fully laid out, so that guarantees they do not benefit from these and when you compute these in naira terms it is N11.3K, so we automatically knock it off and its rigid. The Finance auditors also monitor them. So for every other imported volume by NNPC the financing which again is on the template while we calculate for other marketers using the template all the way down

when it comes to NNPC funds financing we knock it off, so that is very transparent because it comes off the templates which is in public domain and anyone can check that because it is a clear straight something.

HON LAWAN: Let me request that you supply the details of all the contracts issued from 2006 to date, the criteria used, and the profiles of the companies that were awarded these contracts because we want to determine whether your guidelines are followed strictly as stipulated. On page 5 of your presentation, where you have the columns of PMS discharge, for 2011 January to October, you have 58.9million barrels per day, but the figures we got yesterday was 35million barrels per day, so how did you come by this huge crude barrels and these are the figures that has been going out there.

MR STANLEY: Today there are two things I have been talking about. One is consumption and on the other side is what discharge is? Discharge as witnessed by inspector is what is discharged into the tanks but what is trucked out is what is consumed. I think the discussion we would have had I understand is what actually is consumption and what is it that people have pumped into their cars to drive and paid for. What is it that Mama Iyabo has put in her small generator to power generator to grind her pepper in the neighbourhood .What we have here are the discharged that can lead to what physically we actually consumed.

HON LAWAN: Do you pay subsidy on the discharges or you pay subsidy on consumption?

MR STANLEY: The subsidy is paid on the discharged, what is into tank. But we also come with a scheme which is a 332 system of witnessing what the ship are coming with, and what the ship has discharged and what you have physically trucked out. This system ensures that you can track what actually has left the tank and that is the basis now for you to process your SDM. In the past what is discharged is what is used for subsidy but we have come up with a double print system that would collaborate your vessel figure, your discharge figure and your truck out.

HON. LAWAN: In 2011, did you pay subsidy on the discharge figure or on the consumption figure?

MR STANLEY: When I came to the Agency which is just about five weeks what I met on ground was on discharge figures but I have introduced another system that has international Independent Inspectors with best practice that will witness your arrival quantity, which is the practice all over the world. To reconfirm that what you loaded at your load port, be it refinery, be it storage, be it offshore Lome, or Cotonou, to be honest I do not really care because my interest is what I physically get into the tank. Off tank by Independent Inspectors, these are international inspectors, they do it for America, they do it for UK, they do it in Shell or Mobil why can't they do it for us properly here? In addition to that, the

Independent Inspectors now monitor the truck out and for me the truck out is consumption because that is what we eventually distribute to all part of the country. So we have that scheme. We did the first one 1st January, 2012 to be remitted on a monthly basis all the Marketers, NNPC, all of them are aware. What actually came in and what actually left the depot and then that is anchored on the subsidy layout.

HON LAWAN: This practice I believe will bring two to three challenges. Take 2011 for instance, if the discharge is 59billion barrels per day and the consumption from what has been presented to us here is at an average of 35billion barrels per day. What that means is that the difference of 14billion barrels per day being paid for by Nigerians as subsidy is not utilized in Nigeria. This underscores the over payment the Minister referred to as sharp practices. If clearly the level of consumption is 35billion barrels per day and we are paying 59 billion barrels per day, it means someone, somehow is being surcharged and that is of course ordinary Nigerian by 14billion litres per day. The second implication is that you are encouraging smuggling. If our level of consumption is 35million litres per day and we are paying for 59million litres, it means we are making available the 14million litres per day for those who support marketers to smuggle out because it cannot be consumed. So this is the system to me and I do not encourage it. To me first of all the over payment is defraud Nigerians by 14million litres per day. It also encourages smuggling. Another question, what parameters did you use to determine the level of consumption, how did you arrive at the level of consumption?

MR STANLEY: I expected you'll ask us questions on how we came by consumption. The main driver of the fuel consumption is the GDP code and I have seen this over the years in the industry. I have seen in the industry where it has worked perfectly, perfectly coordinated and as a matter fact whenever the growth target is not achieved, they are forced to reverse their fuel consumption. As it is today, I think that is probably the best index we can use in determining what the actual consumption is. What we have done at the agency is look at this top issue of what is our consumption and we roll back to when the subsidy started, when the subsidy started what was our consumption, our consumption was 25.6million per day, now we use our GDP code which I have here from the world bank. In 2007 our GDP code was 6.4million which is statistically very sound, in actual fact what was recorded as our consumption of this year was 26million as against what we got here as 27million, so the variance is more. Up to 2008 the actual was 33.5million whereas from our growth, actual was based on the GDP of our country and 2011 the figure quoted 35 basically on the spot because independently using our GDP growth to a good approximation of consumption is at 36.3million so the variance actually is much. Our projection for 2012 is 39.2, 40million litres per day. This figures I must say are based on our GDP growth, there is no way you can fault it, even if you say our GDP growth is driven by high crude pricing, what that

means is that you have all revenue for government, you have more capital project being handled, you have more micro-economic activities in the land and of course the capital projects are actually the key economic drivers. Together you are building roads or you are building infrastructure, you must employ Nigerians, so that is central reflection, but what this has not been able to capture is if you do not have power, does mama Iyabo buy a small generator to grind the paper in my neighbourhood, or are people not having the opportunity to have buses or KekeNapep or Okada this has not taken that into consideration. The other side of it which I had earlier mentioned is the apparent combination between what stock and consumption are. Based on what I stated here, I think there is no different opinion as to actual consumption viz – a- viz stock, and this is why I had earlier on mentioned in my presentation that it is about time for our country to go on to have strategic stock. So that in event of any supply shock we can take it away, what is happening in Iran is real, and if that ever happens here a lot of shipments that is coming from far East will be affected. We cannot have a country of 60 million people and there is no strategic stock around. As we move on in this discourse, there must be a clear distinction between actual, that is what has left the depot that entered my tank and what is left at the depot and then the principles of payment of SDN, is on discharged quantity and the trucked out. In the few weeks that I have been there, I have seen the tripple two system (222) fully communicated and we attested to it as something that changes the dynamics. And you are not asking for too much, because Nigerians pay for subsidy and they have every right to know where their products have gone. We have this to make sure that we track it and make sure it is implemented to the letter.

HON LAWAN: Talking about this duplication and certification that you mentioned, how agencies are involved, is it only the PPPRA that monitors, certified import, etc.?

MR STANLEY: There are many agencies involved. DPR, Independent Inspectors, Ministry of Finance, Appointed Auditors, Suppliers Inspectors, MPA mostly do have interest because you pay the dues based on the quantity that has been brought in. To answer your question, at the witnessing point you have PPR, Independent Inspectors, Inspectors of the Suppliers, PPPRA, Naval Clearance, in order to bring in, so there are many agencies involved not one single agency.

HON LAWAN: Going back to the issue I raised earlier on. Your estimated 14million from the discharged consumption, do we have storage facilities in this country that can fully store 14million litres for 365 days, do we have those storage facilities in Nigeria.

MR STANLEY: I am not sure of that but I know DPR will probably say more on this because they actually license storages, but I think we have somewhere in the region of about 1.4m litres storage capacities in the country, but DPR will throw more light.

HON LAWAN: What criteria do you use in paying subsidy to NNPC for locally refined products because unlike major marketers whose responsibilities is to import , they do not refine locally obviously they import whatever materials they are selling, NNPC is involved not only in importation but also in the refining products locally, now do you use the same criteria in the payment of subsidy on import and then locally refined products, if you use different kind of criteria what is the criteria for payment of subsidy on locally refined products.

MR STANLEY: Thank you Chairman, NNPC has two resources like you mentioned, one, from local refinery and one from import. Every subsidy claim in the land comes up the template. It is illegal to go outside that because that template is used unanimously reviewed and approved by all the stakeholders as stipulated by the Act of PPPRA. The only difference is that we knock off those items that NNPC is not entitled to being a local refiner. We cannot treat them differently, we can only tell them the reality on ground that you are not entitled to this because you are a local refiner and there has not been any dispute whatsoever. On their import NNPC follows strictly the template because they do not raise local finance we knock that off, it's still on the template and there has not been an issue, whether imported or refined locally, NNPC does not receive full subsidy as other marketers for very obvious reasons. While other marketers will go to the bank, raise funds, do their bidding and everything, NNPC trades on open credit. As a matter of fact, most state corporations around the world trade on what you call open credit. Open credit is because NNPC is the largest petroleum corporation in the country, her name is her funds. What that does actually is that if managed well it should be able to bring in the product at a cheaper cost because the financing is not part of it, whereas the Managing Director of NNPC can only do that by establishing a letter of credit which has to be confirmed because the bank giving you open credit does not believe that you will not run away with the money, so you must confirm it and confirmation means independent of whatever the transaction is, at due date the bank must honor that payment. Unconfirmed is, if I do not get my proceed from the Central Bank that is there are delays then you have that exposure. So these are the little differences, but they are not treated the same way because of their being one, a corporation that supposed to trade on open credit. Being a local refiner you just get crude next door from excavos or you get it next door from Bonny and pump through so you are not entitled to those transportation.

HON LAWAN: Thank you very much. Can you see huge sum directly taken from funds meant for the three tiers of government through direct deduction, what role does the PPPRA play in this?

MR STANLEY: We are involved in the processing of the PSF we actually do not pay; the

Ministry of Finance is responsible for the payment. Mr. Chairman, what we do is to ensure that the product is verified and then at the end of the day we prepare the relevant papers and after that we push it to the Ministry of Finance for the marketers. For NNPC, we process their papers, verify the volumes that have been brought in, discharged and then we issue them a note and our job is finished. So we do not go into payment Sir. That role and responsibility lie with the Ministry of Finance.

HON LAWAN: Well, in the course of this presentation I think today as a whole we are made to understand that the PSF Account itself is usually underfunded and it is from that fund that you recommend for payment of the major importers rather than NNPC. I now have two questions:

(i) In what you have just said does that mean you determine how much NNPC should be paid but then you submit to NNPC to pay itself while for other importers you determine how much they are paid and then you now recommend to the Federal Ministry of Finance for them to be paid through the PSF Accounts?

(ii) Given your very central role in this whole matter I cannot believe that you are not completely involved in the issue of the management of the PSF Accounts because you need to know what is there, you need to know the level of funding because it actually determines when you are succeeding in your job or you fail. Now what is the level of the under-funding of the PSF Accounts and how have that put to play or affected the payment of the subsidies?

MR STANLEY: Thank you Sir. First we process the subsidies for both the Marketers and NNPC and we process this using a standard template nobody is exempted from. We make sure that NNPC in their transaction does not benefit those things that do not accrue to them. So in real terms whether it is imported or whether it is locally produced, NNPC is paid less per litre. Let me just say this that PSF is a virtual fund. What do I mean by that sir? With the exemption of 2011, there was a provision in the budget of N245 billion. So there was no time you would say that this is an amount that has been earmarked for subsidy payment. First, it does not reside in PPPRA and all there is as our role as an agency is to process and verify that document. We are not involved in signing any cheque or any transfer of subsidy to the recipients. We do not have that power, Sir. All we do is to use the template and compute what is appropriate for the different suppliers of which on one side is NNPC and the other side are the other Marketers and we push it and recommend to the Ministry of Finance. The sourcing of the funds from whichever accounts there is, is the role of the Ministry of Finance. As a Nigerian, given the high dependence on import of petroleum products I listened to my fellow Nigerian yesterday when he talked about the difference in place for bulk products and the rest of them. Sir, petroleum products trade is slightly different both in terms of the hazard in handling and also in terms of the discharge

sequence. Sir, let me just say here that no supplier today would want to bring any molecule to Nigeria without clearly understanding the payment mechanism. As we progress here sir, there is something that we must very fast and radically address. The issue of subsidy, how it is paid so that even our local banks would have the confidence in having to fund this transaction. If we do not address it urgently I think that was how the issue of SDN in the first instance was grafted to have a 45 days circle. If the SDN is still working we need to very radically and quickly let the importing community know. If it is going to be budgeted for it has to be on a fast track so that it is provided for. The last thing I wanted to say is when it comes to budgeting for subsidy it is a very difficult exercise, why is it sir? It is not a straight line, it is driven by the volatility in the international market so that is something that we must know and that is why when you asked about provision for subsidy I said it is a virtual fund sir because having been told that there is an account holding this amount of money to be paid on subsidy that is why I said it is managed by Ministry of Finance. The only thing I can remember was the provision for the N245 billion in 2011 Budget but of course that is history today given the figures we have on hand. Thank you sir.

HON LAWAN: First of all, let me take you on very briefly on the last comment you made. I do not think there is any difficulty in budgeting for subsidy. After all our entire budget is predicated on the volatility of the price of crude oil because it is our major revenue earner. So if we budget or our spending is basically determined by the volatility by the price of the crude oil I do not see why we cannot equally budget on subsidy. Secondly, do not forget that our system allows for supplementary budget so even why we provide an amount and perhaps something happens and we realize that we need to adjust the amount the Executive can always on the recourse of the supplementary budget that can take care of that so there can be no problem. I have several issues honestly I want to take you on but I would not want to appear as if I am a sole administrator here so I would seek the position of some of my colleagues and I will come back to you because there are quite a number of issues that we need to sort out on this matter but let me correct my simple error of arithmetic; the difference between the discharge and the consumption is actually 24 million litres per day and not 40 million because the subsidy you pay is on 59 million litres per day and the consumption is 35 million litres per day then we are talking of a difference of 24 million litres per day which Nigerians are paying for daily but which they do not consume. The floor is open please.

HON. ALI AHMED: Thank you very much Mr. Stanley, your exposé has opened our eyes to what we did not know previously. In your second page of presentation, the volume for 2011 March is 561m and in April 635m and the question is from the figures we have payment for subsidies for March was 60bn and for April it was 132m, that is more than double but the figures you are giving us does not correlate 561 and 635 that is about 60%

increase why the subsidy claim that was actually paid was 60bn and 132bn and it kept rising to two hundred and something billion in 16 months so (Interruption) am I missing something?

MR STANLEY: Thank you sir, what I have here which I can put my finger on is what has been reconciled between the Federal Ministry of Finance, PPPRA and NNPC. In the spreadsheet I have here there are arrears of kerosene that were paid but I do not know exactly the month but it is something we can give to you. I must say Sir that when I started, I did say in the component of the N1.348trn which was presented, N250 billion of that was for kerosene and there were kerosene arrears paid at different points which are also listed here and so the component of PMS which is Premium Motor Spirit alone built into this reconciled figure which was at 15th November was N1.09trn. So, Sir that goes. Your figure is correct I think what has happened here is that the figure we are giving you is on PMS whereas on the spreadsheet is an introduction of PMS and Kerosene subsidy payments but we can distinguish this sir and put DPK on its own and put PMS on its own so that it's not confusing. I do not think your figures are wrong Sir. It is just that there was a component of DPK arrears that are paid on that month so we have PMS and DPK together.

HON. AHMED: Sorry sir, this first issue of kerosene arrears I have the information that this kerosene arrears was presented in 2009 to the Late President who declined and in 2010 it was not paid. Who approved its payment in 2011 because the N245bn was for 2011? If something has been presented in 2009 and declined by Mr. President and in 2010 declined who approved the payment in 2011?

MR STANLEY: Sir, at this particular point I did say to you that I have just been to the Agency five weeks ago. I met it on arrival but I cannot say Sir. I am not that old so I cannot say specifically anything about that process but there was a predecessor of mine who was here and perhaps instead of having to say something that I am not sure of, I would like to decline to that sir. Thank you.

HON. AHMED: All right, I leave that to Mr. Chairman who will take it up later. The other question Mr. Stanley, are you aware that sometime in June 2011 there was a Marketer that was given supply of 15 thousand tons of petroleum products. He actually supplied 5 thousand tons and he put up request for payment for 15 thousand tons and somebody raised red flag saying that this man actually supplied 5 tons of this product, do not pay for 15 tons but you people, some people went ahead and paid him for the price of 15 thousand tons of petrol. Are you aware of that?

MR STANLEY: Sir, I am not aware.

HON. AHMED: Another issue, apart from the document that Mr. Chairman asked, we

would like you to submit to us the guidelines for the subsidy and then the names of all officers of PPPRA that are directly or indirectly connected to the approval payment of this petroleum subsidy, we would need a list of all of them. Finally of course the Chairman has asked for the list of the importers and how they qualified, thank you very much.

HON. FALEKE: I want to know, you told us you assumed office five months ago, can you tell us your background and how you were employed? Was this position advertised?

MR STANLEY: On my background, I have 32 years experience in the oil and gas industry of which I have traded oil as a desk trader. I have been involved in planning, I have been involved in gas and I have experience in the commercial aspect of the downstream oil and gas industry sir. My appointment was by the President, Federal Republic of Nigeria and that is much I can tell you. Thank you.

HON. FALEKE: Thank you, whom do you report to?

MR STANLEY: I report to the Hon. Minister of Petroleum Resources. When the Agency was created it was part of the Presidency and on the President's directive we have a reporting line to the Ministry of Petroleum Resources, thank you.

HON. FALEKE: What is the role of the Board of the PPPRA in the administration?

MR STANLEY: Sir, the Board sets broad policy guidelines for the Agency and one of that broad guidelines is the guideline for the importation of products, is the Board, the template is also by the Board and after that the Executive Secretary is the CEO who is in charge of the day to day running of the Agency sir.

HON. FALEKE: Thank you very much Sir. If the Board sets guidelines for which the PPPRA operates and your reporting line is directly to the Minister of Petroleum Resources don't you think something is wrong there? That a Board is set up to administer how a system runs and you do not report to that Board, your reporting is to the Minister, can we then say that the allocation of importation of products is entrenched by the Ministry of Petroleum Resources?

MR STANLEY: Sir, I am not aware of that. Let me also say just to add to what you have said may be it can provide some clarifications. The Board is enshrined in the PPPRA Act, however it is also the prerogative of government to either dissolve or constitute the Board. What we have today is that the Federal Government dissolved all Boards of Parastatals, they are yet to constitute the Board so what we have done is to stay within the boundaries and what the existing Board Policy says as at the time, we are more than happy when the Board comes on to take their role because it is enshrined in the PPPRA Act and actually gives good cover and effect to what we do as an Agency.

HON. FALEKE: Thank you very much; on the issue of the Board. The Board was actually dissolved at a particular time. How often does this Board meet before the dissolution and can we have all the Board resolutions relating to all decisions regarding whatever it takes, the Board resolutions.

MR STANLEY: Whatever you say sir, the Board Statutory meets at least four times a year however in the event of an emergency the Chairman is empowered to call on Board Members and if you have six and above you would have formed a quorum, that is it sir, for all the resolutions we are more than happy sir to provide them and you would have them, thank you sir.

HON. FALEKE: You told us that the consumption in 2006 was 25.9m it rose to 26.3m in 2007 and then rose to 33.5m in 2008, 1m above in 2009, what do you think is responsible for the increase in 2007 and 2008 and up till today that you are having 58.9m? You talked about GDP, is GDP increase or economy performance directly related to how much fuel I consume in my own vehicle?

MR STANLEY: Thank you sir, the GDP growth basically aggregate all the indices in the economy to show you whether you are making progress or not. The Gross Domestic Product gives you how it is manufactured, the services and of course the aggregate volume so it is a very good indication sir for you to mirror the level of activities.

It is also a good indication for you to mirror the prosperity in the country because I do not know any other thing that can tell you whether you are making progress or not but sir something that has come out of this which I would like us to take away is we must draw a very clear distinction between consumption and discharges and I think that is the point where I would make further explanations. Consumption Sir is what you have pumped into your car and you have gone and it starts by you trucking it out. Discharges are what you have received. They are all important in terms of your inventory management and in terms of the growth in your consumption. As we go on in discussion, I would put in some other things on petrol.

HON. FALEKE: You told us that the Agency that verifies the discharge apparently the PPPRA is an independent inspectors in Ministry of Finance, auditors, suppliers, inspectors, NPA, PPPRA even why duty is not being paid by NNPC or whatever why did you exclude Customs, why did your Agency exclude Customs from the verification or otherwise of these products?

MR STANLEY: Sir let me just say this like I said before, the item is not dutiable, there is no Customs duty paid on the product as long as the process is not encumbered because if you are receiving revenue the onus is on you to make sure... (Interruption) Thank you Mr.

Chairman so like I said petroleum products are not dutiable, yes, and I think the man from Customs confirmed yesterday PMS, HGO and DPK that is my first pass on that but sir let me just also say that we are part of global community having traded oil everywhere. The standard practice and best practice is the appointment of independent inspectors and that is what we have done to make sure that we have independent inspectors that have a global reach. If today you are enrolling in Rotterdam Oil in Amsterdam you do not have more than two, three people at that terminal. All their risks is independent inspector in terms of quality assurance, in terms of quantity their report is final and binding. So Sir, I appreciate the group of people that witness these entire things sir but let us align it with best practice. I am more than comfortable to have the international independent inspectors as the case in Ghana, in Lome, in Cotonou and as the case in Australia, Papua New Guinea to do their job and where they are found wanting you not only sue them you can take them out sir. What took out Arthur Anderson today from the global radar was the mistake they made in their auditing. I am sure my children would not know there was Arthur Anderson. This is the reputation that these companies have and that is why we got back to the basis to get them; in fact I had a meeting at the level of the CEOs. I was shipping NLG around the world so I dealt with Intertech Inspectorate, SGS Bureau of VERITAS and sat them down and say Nigeria is not different from the other countries, we pay you money and we must get the service that is commensurate to what we pay. Sir, that is what we need to verify.

HON. FALEKE: Thank you, I want to believe that your explanation to the effect that petroleum products are not dutiable; is not enough to exclude Customs from verifying quantities because I know that so many products are imported into this country that has government waivers yet they are being verified by Customs. We are aware that this country does import palm oil and kerosene under waiver yet the verifications are made.

HON. UMAR YAKUBU: Mr. Stanley, you have just told us that what we import is about 90 per cent of our consumption?

MR STANLEY: Yes, Honourable.

HON. UMAR YAKUBU: When we had interaction with the Hon. Minister of Finance, she told us that our refineries are at 30 per cent production capacity. Yesterday she said, it is now at 60 per cent. If you look at the difference and you have just told us that we do not have enough storage capacities. When we refine 60 per cent of our consumption, and then we import 90 per cent. If you look at the difference it is too much. Where do we put it, where do we store it? I have heard you respond to the Chairman's question where you said this or that person do this or that. Even at that, we still have balance where do they go?

MR STANLEY: Of course, you will be taking on the GMD NNPC so, he will provide

some answers to that. But, let me quickly clear some air here. When we say 60 per cent capacity at the moment you are talking of the capacity utilization of the refinery. That capacity utilization comes to what you call the minimum turn down or can you run a refinery at 50 per cent? You run it at a minimum turn down. Let us bring it to fore. If Warri today is running at 60 per cent and the pipe line supplying crude from Escravo to Warri is bridged that is all. You have to come down because there is no feed. If Kaduna is running at 60 per cent capacity and you bridge that line at Obudu somewhere in Delta State, it goes down. So, when we say we are running at 60 per cent capacity utilization, it is not 60 per cent of the nation's consumption. We are telling you what the refinery is doing at present. You cannot go ahead and say, I am making this quantity of kerosene, diesel, and petrol from it. But, the moment the pipeline coming from Bonny to Port Harcourt is bridged somewhere in Ogoni that 60 per cent is off. The figure I have given you, if you look at the cumulative how many times have you been able to keep the refineries running before the crude supply is cut off. If you aggregate it, you find out that if you do not have the dependence of as high as 90 per cent to meet your local requirement, you go into supply shock. That is the point I was making. That 60 per cent is not that of our consumption, it is 60 per cent of the refinery capacity and that is the aggregation of Warri, Kaduna and Port Harcourt complexes when they are running. But, when NNPC presents, they will be able to give what it was like in 2011, they will have the figures of what is the refinery function in January to March. When you aggregate the PMS they made then, juxtapose with what is our consumption then, you begin to fall in place.

HON. ROTIMI MAKINDE: With due respect, I am of the opinion that NNPC appears working within limited powers especially on importation. If you share that opinion, I do not know how you will describe why NNPC is not positioning itself maximally to undertake the issue of importation. At least, with our bilateral arrangement with other countries, I believe there will be difference in comparing the landing cost. As an accountant, mention was made that the auditor satisfies the confirmation of subsidy to marketer, will I be correct to say that this auditor recommends extra judicial subsidy?

MR STANLEY: Let me take you back. Like I said, the whole essence of creating a regulatory authority is to create a level field. It is not to create anything to advantage or disadvantage. It is to create a level playing field where people can conduct business in a free and fair manner. So, the template provides that platform. It is a fair platform. It is a platform everybody refers to and it is a platform that tells you whether you can bring in the product and make money or make losses and if NNPC uses its business from a commercial point which I suppose they do, all these is eloquent to that and they can actually tap into any bilateral agreement that is available to them. But, let me just say that this business is purely driven by a commercial reality on ground. Even if you have a bilateral agreement, that coun-

try calls against the template that is the trading platform and nobody changes that. The refiner builds its price module best on plate, the supplier builds on plate and the consumer also builds their products on plate. Let me just tell you a very little thing which will actually interest you. You know that Chad has a refinery. Niger also has a refinery. There are 20 thousand barrels at their refineries and they also refine their local crude which is very heavy and sour. The pricing template was based on plat and because of our price differential which is regulated this is on record the refinery in there cannot operate because they could not compete. So, they finished the test run and shut it down. They only opened it not too long ago. So, what I am saying here is bilateral agreement is good but when it comes to petroleum product the commercial really would prevail. The other side of it is the auditors that are involved in the witnessing. That is why I said the auditors are not only present at the terminal at the discharge location. They are also the final authority in terms of what finally is paid by Ministry of Finance. So, what you then have is even at PPPRA when we finish processing, the final authority to certify that value is vested on them and we have no control on them because Ministry of Finance makes the payment.

HON. DOWAKI: My question to the E.S is on demurrage. I have your template here. There is no provision for demurrage claim in the template, I do not know whether in the document or in the processing of subsidy payment whether there is any time that you make payment to the marketers or to the NNPC with regards to demurrage. This is because what we normally hear is that there are so many tankers off shore waiting for two weeks, three weeks. So, who is bearing that demurrage? How do you also recognize it in your payment of subsidy? Secondly, I want to align myself with the Chairman and the Committee on the issue of payment of subsidy to the NNPC on the domestic growth and also the crude that they bring into this country. To refine in Kaduna refinery is a public knowledge that crude oil processing these not only use PMS there are other intermediaries products. When you are paying NNPC, do you take care of all these products because all these products are expected cost for example maybe, allepo cost about N75 from NNPC. Have you reconciled the cost of this product that is realized from processing of that crude oil and many others. It was the cost of producing PMS and it is as business that cost of faulting all these products and comes out from it and from their processing cost. Even ensure that the prices that they are reporting to you are correct pricing and use that as a basis of payment of subsidy. Then, the last question is on the issue of what the Chairman had asked which you did not clearly answer. That he has given out is the issue of the eyes because PPPRA is processing the invoice they do not make the payment but they recommend based on what has been imported or what has been discharged or whatever it is. The invoice you process you send to the Ministry of Finance for payment or you recommend to Ministry of finance for payment the invoice for the NNPC because we know that the NNPC deducted

at source. Who do you adduce the payment of NNPC is it going to the Ministry of Finance or is it going back to NNPF to deduct at source and who determines NNPC's import?

MR STANLEY: First of all, let me take on the demurrage. I do have the template here with me and the template you have is divided into two sections. One is the cost element and one is the distribution margin. So, the template as configured in its present form has got different expenses. So, it's either the shuttle is very high or very low. Let's not get into all the issues of technicalities but what is important here is that due to inadequacy discharge facilities in the country, the PPPRA has unanimously made provision for five (5) days demurrage built into the template for calculation of PMS strength discharge. Separately built into it as part of your subsidy claim. However, if for any reason you have problem with the jetty you cannot connect in or you went for 30 days that centrally is the headache of the supplier. What that means is that it digs a big hole in your margin. The only provision is for five days. On the other hand, if you are doing an STS cargo ship to ship; a mother vessel first arrives, she drops anchor at Lagos and then you go on and you take smaller vessels there is an inbuilt demurrage for that shuttle that you will engage. She will stay on the queue and then eventually goes on to take the product, what is built into that is about 10 days maximum of that demurrage. I must say that the template we have is a good template but the template is domestic based on the realities on ground. You have to adjust them but if you want to import today, and you take the template and go item by item you can trace it down to the last kobo and convince yourself whether to import or not to import. I think I should take the opportunity of this platform to say here that there must be a fair balance between who uses the template to import and the consumer on the other side. This is because if the template is not working everybody will give away and so whoever can make it happen let him do it. On the other hand, the template cannot also be padded out of reality. So there must be a fair balance but the danger we do have is that if we have a template that is not in tune with market realities and we become dependent as we are on imported product we will go into supply shock. You talked about subsidy on local crude and for crude yes, NNPC import foreign crude for its lubes plant in Kaduna. Outside that NNPC does not import any other product. Any other crude from abroad and it must be heavy because you produce lube oil; you produce waxes, grease oil for making engine oil and the rest of them. Of course, the attendant charges for having to discharge into extra values spot to Warri and then ship to Kaduna. Having said that the transaction is purely commercial business, the crude that you buy whether its Arab blend or whether isissogoma crude from Venezuela you must pay for it at the standard international price. It is also because NNPC at the end of the day must make sure that the derivatives of these products are priced at international rate because if your revenue from the products does not upset the cost of the growth then, you are not in business. The other one is on local growth. The foreign crude has got all the characteristics

if you are buying from Venezuela, you have to freight it to Escravo. You have to discharge it to Escravo, you have to pump. There are different cost associated but with it but the bottom line from the commercial start point you must be able to recover your cost on the local crude refining. Today, what we are interested in paying is petrol. That is the issue at the moment. What about the other products derivatives is entirely NNPC to say. How they sell it but I believe that NNPC must sell these products in such a way that they have to pay for these crude at the international. I take you back to when lead crude oil was deregulated Act No. 22 of 2003. From that day on NNPC takes crude at international price officially posted. So, as a commercial concern they must make sure that if you are buying crude today the template I have here which was on the 13th crude oil price was 11 hundred and 12 Dollars per barrel. That is what NNPC pays per crude in Naira at the prevailing exchange rate as posted by the central bank. So, the other components that come out of it which is gas PG, the Nafta which is blended into cash line, the kerosene, the diesel the fuel oil build for them to sell at the international price, they do not sell it at that price. They are out but what we have recognized is that when you take crude oil from Bonny you are not shifting it at LRT, a loafer or ULCC to Nigeria so you are not entitled to freight. We also recognize that we are not paying demurrage as to heading who brings that product to Lagos road and you have to pay demurrage. We knock it off; you are not going in for financing. So, when you are out, the component that gives you that local advantage, you then realize that it comes to that number. So to answer your question point blank we do not pay subsidy on other products except this product PMS you know NNPC deals with that. Lastly, the invoice process for NNPC I must say we are very stringent because the platforms are not different from other marketers except for the peculiarities of NNPC and we have done that more than anything you know. We verify them the same way what the arrival quantity. What is the discharge quantity and we have the bill of Lading if there is any daughter Bill of Lading we also do the same and that is just it. We make the necessary deductions and where done then when we finish that and confirm then, we write NNPC and said we have confirmed these value these is the subsidy they take it from there.

HON LAWAN: Who verifies the crude ones before I go back to my colleagues? On the issue of amount of subsidy paid he gives us the figure of 2008 of about N600 billion yesterday. The Nigerian Extractive Industry Transparency Initiative gives us a figure of N300 billion of 2008 and you have spoken of global best practice. In your breaking system, you need not to rely on the existing government agencies like customs, you have independent inspectors and virtually that the basically almost the role that need it place as far as the management of our petroleum and resources are concerned. Now, if there is such a huge gap between N600 billion (\$30 Million) and N300 billion (\$50 Million) you know apparently that subsidy both kerosene and PMS and the figure if need who so refers to subsidy

on PMS and kerosene. Even if it is only on PMS first of all, you need to clarify the huge gap between 30050 and 60030. These is coming from an agency that representing your sector, your global best practices because I will rather you know we except there figures that you figure for the purpose of the issue.

MR STANLEY: Thank you Mr. Chairman. First what I said to you earlier is the refund I have put in place on my arrival. I have gone on to a point international independent inspector in line with the global best practice. I did not meet that on arrival and I am very comfortable to have them because their reports can be tendered in a law court, it can be tendered in arbitration and it is very clear that when there is any dispute between the team the independent inspector report is final and final. I did say that I introduced that and that is in place now. We have to give him time to work. Secondly Sir, for NEITI, I do not know the basis for their calculations to come to 350, you would recognized that a lot of number have been flying around on all these. So the one I can put my fingers on, I have the records are the one through my Agency. I have not communicated for the first time with NEITI or any of these figures, I never knew where they brought it out from but for N630 billion, this is the figure for 2008 I do have the record in my system for the N630 billion, so I cannot at this point tell you that different, I have heard the figure for the first time, I like to know the basis. I also recall at some point in the presentation when a question was asked he put a little bit on it but I think he has put it on to the table, it is something that I have to be looking into. But at least for N630 billion we have that documentation in our system and that is what I can defend.

HON LAWAN: One of my Colleagues, requested to know the role and I think I put this question across to you as well. The role of the PPPRA in the payment and you said basically yours is to determine amount of subsidy and it is the responsibility of the Ministry of Finance to pay. Now given the fact that NNPC pays itself and to know what the role you play when you determine what it should be paid to NNPC. Do you now write to NNPC, advice it to the extent of the amount they should pay to themselves or do you write the Minister of Finance, advice the Minister of Finance to pay NNPC from the Petroleum Support Account? Just say in simple what do you do, do you write the NNPC, advising NNPC this is the amount you should pay yourself or do you write the Minister of Finance, telling the Minister of Finance this is the amount that is payable to NNPC, so that let us have the line of communication. If you write to the Ministry of Finance then I will assume that it will be Minister of Finance who will now write NNPC and tells them to deduct this money or they deduct this money without writing to you or without any clearance or any approval from the PPPRA?

MR STANLEY: Chairman Sir, the system in place, we process. We still process all their

documents, certify the volume and confirm the payment that is due them. We write them officially and notify them, I think the NNPC will throw more light into this because I think appropriation has give them right to upset. Provision gives them right to upset and when they upset there are certain notification that is passed on to the Accountant General of the Federation or to the Ministry of Finance for that provision to be paid into Federation Account. But what we do is that periodically Sir, PPPRA, Ministry of Finance and NNPC meet to reconcile our figures with all the records and everything in place. I just have to draw your attention to this that this spreadsheet where we have the N1.348 trillion is reconciled summary of subsidy payment between NNPC, Federal Ministry of Finance and PPPRA as 15th November, 2011. Thank you Sir.

HON LAWAN: Hon. Mustapha can you just make it brief please.

HON. DAWAKI: With your permission Chairman, I will like the ES to forward to the Committee the document consistent of all demurrage payments, even though it is not an item that is included in the template and I will advice that since you have already made a provision for mother vessel to have 5 days demurrage in the shuttle vessel I do not know how many days. I think it is advisable that you put that demurrage, as an item, it is just an advice since it is a dynamic template. Report to the Committee the comprehensive details of demurrage payment to marketers and NNPC. Another schedule document that we want you to forward to the Committee is that in the late 2008 and early 2009 in your presentation you made mentioned that the prices of crude oil nosedived which by extension the prices of product also went down. So in that period we expect that the marketers and the NNPC need to make some refund to the PPPRA. So we want to see a schedule of payment, we do not how you do it, maybe you deduct from their payment or maybe they make a payment to PPPRA so that it also assists the Committee. Thank you very much.

MR STANLEY: Chairman, can I just quickly answer this question.

HON LAWAN: Very quickly.

MR STANLEY: Thank you Chairman for the opportunity. Let's just say that the template, the demurrage is in the template, it is part of it, it is not an item you distill out. I think it is very important. Secondly Sir, I did in my opening statement say here that when there was a nose dive on crude oil price and subsequently the product follow there was an over recovery of N15 billion, we can provide you with all these details. So I did mention it so that you will bring it up and we can provide you all these details. But for demurrage we do not calculate it differently it is just there but the formula for calculation, I will give you, it is actually within the bundle I gave you, it is in there, telling item by item how it arrived and this is by the PPPRA board. If that is going to change the board must be reconstituted to review it.

We only take ownership when it is approved.

HON LAWAN: Have you had an instance of any of the marketers or NNPC requesting for payment above what is due to them?

MR STANLEY: The answer is straight no.

HON LAWAN: Honourable, I will start with Hon. Azodo.

HON. EUCHARIA AZODO: You have made so much mention of this independent inspector and auditor, how are these people being appointed? Is it by competitive open bidding or what? I will like to know.

MR STANLEY: Thanks Ma, for that very brilliant question. The independent inspector all over the world are known as long as you are in this business, you know where they are. Now when we send you the Bill of Landing around the world, you see Seaboard, you will see SGF, you will see Intertech Calibrate, you will see Inspectorate which is Bureau of Verital. They are standard and they are in all over the place. How do you appoint them Sir, its not a matter of bid, it is the matter of the expertise, it is like do you want to appoint KPMG to audit your books, you know that it had a fair of international flavor or do you want to import Reginald Stanley and Daughters to do it, the choice is yours. They are the best in this business, so you just have a selective appointment because they are the same. You just do not have to go back to start looking for their sales because what do they sell, their business is integrity. But do them do is what rate are they charging, those rates must be transparent, those rates must be benchmarks what prevailing in industry and those rates are available. The same rate that they give to Oando, they will give to AP Plc, Mobil but of course depending on the volume of business that you do they are there to give a discount along the plan of their parents' companies' office. You cannot decide to appoint anybody but I can tell you when it comes to the issue like this pre-resolution, court arbitration, the court will tell you they do not know this company but no court will tell you they do not know Seaboard, no court will SGF and that is it Ma. What is critical here is that the companies have the highest level of integrity because that is what they sell. But are you getting value for in terms of the rate, I can tell you that their rate are all well below what is available in the market place. Thank you, Ma.

HON. ABBAS TAJUDEEN: Mr. ES I have only two questions for you and they are all direct. The first one relate to the submission you have made concerning some innovations you have started within the last 5 weeks on the issues of discharged, which coincidentally align with what the Minister of Petroleum Resources made yesterday, mentioned that there are some systematic failure or wastages that have happening along the supply chain and efforts have been made to actually address them. I do not know whether this innovation

that you have come up with is to address one of the loopholes that is question number one. Number 2, the demurrage issue that you have just explained now and they made to understand that demurrage is supposed to be paid after 5 days, if discharge has not taken place. How do we know, how do you assess the ship that has actually landed is due for demurrage because almost all of them are applied for this demurrage. Is there any way you can be able to make sure that the landing of a ship or the arrival of a ship and the discharged take place within the period that demurrage will not be paid. Thank you.

MR STANLEY: Thank you Hon. Abbas. First let me talk the about the reforms which is being put in place. Let me just say given my experience in the industry and I have here been referring to global best practices. Just a matter of coming in and having a review with my staff. I said now we have to begin to put things in place. I have not been able to roll back into what has been in the past but as from the point I hit the ground running I made it very clear because I have cheap products around the world; I have traded crude, as a desk trader in London and Paris and these are the same thing. So based on that we have had to articulate all these things and it is only time that would tell that with this measure put in place the dividend that it will bring to us. Two Sirs, in terms of the demurrage you mentioned, the demurrage the way it works is that it is blended in the template. It is provided for, what the definition for me on demurrage is the cost for inefficiency. Because when you fix a ship to come to Nigeria, whether it is mask or whether it is a storm, the broker gives you 48 hours for you to discharge and go and that is the standard practice anywhere in the world. Give you 6 hours to tender your readiness, 42 hours to discharge and turn around and go, that is what is built into it. That 2 days is build into the freight, if you go beyond that then your time will begin to count. So what you have in practice is a template that recognizes that if you are efficient, you can make some money, if you are less efficient, the money you think you will save actually gulps you. The ways it works is that it is there, if you are efficient it is a bonus for you, you put it in your pocket. But if you are not and you keep your vessel out on Lagos road for 25 days, you cannot enjoy more than 5 days which is already embedded in the template. As to summaries there the template does not care whether you arrived in morning and you discharged in the evening neither does it care whether you arrived on the 1st of December and you discharged on 30th of December, it's up to you to manage that.

HON. TAJUDEEN: So are we saying that as far as efficiency is concerned we are yet to get there? For us today we are not able to get a ship discharged and turned around, Is that what you are saying Sir?

MR STANLEY: Yes Sir, that statement is correct and it is also the reality in our environment and I did request that, Chairman Sir, I think the esteemed Committee should take a tour to know the challenges at the port, then a physical, yes it is inefficient but what is

the alternative. If you do not do STS you cannot come into port and shallow, the facilities cannot handle big vessel. If you want to handle big vessels you have to invest in infrastructure, build the port and then we can pass the dividend to our consumers. Thank you.

HON LAWAN: But you can be rest assure, we have already planned to take those facilities tour. So we would go there and see for ourselves.

HON. GERALD: Thank you Mr. Chairman. I am an engineer by training; I will like to take you on figures. Yes, your office last year to be precise October made presentation to the Joint Committees of the House of Representatives on the non-remittance of N450 billion to the Federation Account, all right. Do you have a copy of the presentation with you now?

MR STANLEY: Sir, I just want to respond that why I ask, that N450 billion does not apply to the PPPRA, I think it apply to the NNPC.

HON. GERALD: I say do you have a copy of that presentation because my question will arrive from that presentation.

MR STANLEY: Sir, I am not aware of N450 billion, I was not there in October. If it is N450 billion remittances I think it has to do with NNPC. Chairman Sir, you can help me here, I was not there, I was not in the PPPRA in October, I was not aware of that presentation. But if it is N450 billion, I think if my memory is correct, it has to do with NNPC.

HON. GERALD: I think you do not know the question I want to ask. I say your office, I did not say you, made presentation, if you do not have it, I can avail you because my question will arrive from there.

HON LAWAN: Sorry before he continues, you know you requested for protection. You know the way we conduct this hearing is totally deregulated. So there is no protection and no subsidy to anybody. (Laughter).

HON. GERALD: Chairman, the document presented by the office is here, I can avail it so that you can have a look, because my question will arrive from there. Chairman, with your kind permission, turn to page 13 of that, first of all identify that that is from your office, not from you, from your office. The Chairman of that Joint Committees is here and by virtue of my position as the Deputy Chairman of Gas, I was equally a Member of the Committee, so my question comes from there. Have a look at page 13; you presented a paper this afternoon, go to page 5 of your presentation. Now, look at 2008 in the figures your office presented and the figures you presented today, 2008. Your presentation today, Volume Discharges. Yes please Mr. Chairman, with your kind permission, I would like you to read it out yourself. You will read what was presented by October and you juxtapose it

with what you just presented today and let me just have it for 2008 not all, 2010 and 2011. Then I would ask my question, just look at it and then. Can you reconcile the figures?

MR STANLEY: Yes Sir.

HON. GERALD: So for 2008 what do you have in the paper presented by your office? All right, in 2008 what was presented as a daily consumption was N30, 890,120.77 confirmed?

MR STANLEY: Yes Sir.

HON. GERALD: All right, look at what you presented today, for 2008 what you have is N33,526,633.94, if you calculate it, it will give you a difference of N3,636,515.17 you can confirm it. Secondly, look at 2010 what was presented in October is daily consumption N43,107,667.30. Now, today what you presented is N46,905,969.54, it will give you a different of N3,798,302.24. Go to 2011, what you presented is N58,951,581.08, now the figure your office presented in 2011 with a foot note there was N40,512,746.27 now those are the differences, now you have a different of N18,338,834.81 these are the surplus ages. Now again NNPC presented this document, juxtapose it with what you presented and what was presented October last year. If October last year, your record for NNPC is N8,692,498,965.87, now what NNPC presented in this document I have, I will just have this document and I want to believe it is from NNPC.

HON LAWAN: Hon. Gerald, I have a feeling that document is from PPMC.

HON. GERALD: It was from the PPMC, you can see the source.

HON LAWAN: PPMC, that is right. Just go ahead and make your point.

HON. GERALD: Sorry Sir, Chairman I hope I am protected. (Laughter).

HON LAWAN: You are protected.

HON. GERALD: Thank you Mr. Chairman. Let me just take a sample of 3 years; 2006, 2008 and 2010. In 2008, in 2006 what we have is from the record that was produced by PPPRA in October is N8 billion. In PPPRA in October, 8,692,498,965.07 (Eight Billion, Six Hundred and Ninety Two Million, Four Hundred and Ninety Eight Thousand, and Seven) and if look at what PPMC you will have 7,269,236,762 litres, this is annual consumption, and if you do the mathematical difference it will give you average of 1.4billion litres. Now just give me for the three years, 2006, 2008 and 2010, so let me have the confirmation, the sources of the documents, the computation, and the discrepancies.

MR STANLEY: I have two documents here with me, one is the one that has been submitted by me, and the other is the one that was inherited by me. If you look through the

pictures, 2006 there was alignment, 2007 there is an alignment, 2008 and 2009 you will see that there was a wrong posting, why I am saying this, is that in 2008 the figures was 30million and in 2009 the figure was 39million, it just like that there was wrong posting because if you take the two figures you will still come to the same thing. So what you then see is the reverse figure for 2008 which is 33million and a reverse figure of 2009 which is 36million, so that is the fact on that. The other figures that was talked about was the figure of 2010, with a total 43 as against 46, let me say I think it behooves on us that if there was a mistake that were made we do not cover those mistakes, so I will like to think that after reviewing this they just realized that there was something wrong and they reported. But if there is mistake we should be bold to admit that there was a mistake and I think that is what is happening here. Back to your question, the figure of 2011 on both papers are still professional because the year is not conflicting so when this was reported here, it was made very clear that this figures is part figures for the year and when it was survey, I think they were just probably somewhere around August or September, whereas this one has come down on to October. When everything is paid we should be able to report a final figure which we would stand on but in our recent submission and earlier submission it was clear that those figures already present were the annual average.

HON LAWAN: Give us the discrepancies, which documents do you want us to use, is it the one you submitted earlier or the one you just submitted now, because if you admit that there is an error it means that we have to rely on one of the documents, which one do you want us to rely on, the one submitted today or the one that was submitted to that committee.

MR STANLEY: Very clearly, the one we have submitted today. I just want to clear this one before we proceed in the discussion. The document that was presented is correct, the figures that was read out are confusing two figures, it is clearly stated on this document that this is import, if you just read pages after this page and you add the sum of what was refined in the refinery to the sum that was presented here it will amount 8.million litres that was reported. Please there is no discrepancy, so everything is contained in document just go through the pages and you will get the correct figures. Thank you very much.

HON. GERALD: On the submission made by the GMD of the NNPC, when it's time we will take him on that but on the Executive Secretary of the PPPRA, it is true that the report of the Joint Committee is yet to be submitted, are you now saying that those documents you submitted that are in conflict with what you submitted today are no more relevant and should no more be used by the Joint Committee of the National Assembly, I want you to take a position on that so that we would be clear.

MR STANLEY: The figures that we have presented here, there are two major areas which is the one we have here, 2008 and 2009, like I said it could be a wrong posting here that took

place and we stand by this, we stand with our last submission, at least for us what I must say that the figures of 2011 falls here and I think we were very clear that it was probation figure. Even in our submission here today, this is temporary because we need to eventually when the figures are in to say that this is actual computer error.

HON LAWAN: I actually have a lot of questions, but the truth is we are supposed pick presentations from about five agencies today. All our time have been spent on one agency. You now have the protection of the chairman, we would give you a little break, we will take on NNPC and others if there is need we will invite you on another date to continue this discourse, but I think the issues are by no means exhausted. We still have quite a number of areas that we need to address but because of the need to take on the presentations of other agencies we would allow you to go for now. Let me invite the Group Manager of the NNPC (GMD -NNPC).

MR AUSTIN ONIWON (GMD of NNPC): Honourable Chairman on the House of Representative –Ad Hoc Committee on the monitoring of the subsidy regime, the Honourable Members of the Committee, Ladies and Gentlemen, on behalf of the NNPC I will like to thank you and the leadership of the House of Representative for setting up this Ad Hoc Committee on monitoring of the subsidy regime. The Committee on his letter requested that we submit certain documents that will assist the committee in effectively carrying out its assignment. I do hereby confirm that we have submitted ten (10) sets of these documents to assist your committee in carrying out its functions. NNPC was established as a Statutory Corporation by the Federal Government through the NNPC Act 1977, which is currently referred to as NNPC Act Cap 123 of 2004 with a mandate to among other be referred to agreement entered into by the Federal Government with a view to securing participation by the Federal Government and all Corporation in activities connected with petroleum. I will cite a few of the duties of NNPC which includes ; refining, drilling, processing and generally engaging in the handling of petroleum for the demand and production of petroleum products and its derivatives. It also gives NNPC the duty of purchasing and marketing petroleum its products and by-products. It gives the NNPC the power to enter into contract for partnership with any company form or person which in the opinion of the corporation will facilitate the discharge of the side duties under this Act. It gives us the power to envisage and maintain subsidiary for the discharge of such functions as the corporation may determine. It also allows the corporation to maintain a form which shall consists of such money as may from time to time be provided by Federal Government for the purpose of this Act by way of grant or loan or otherwise howsoever. And such money may be received by the corporation in the call of its operation or in relation to the exercise by the corporation of any of its function under this Act, and from such fund there shall be the deprive all expenses incurred by the corporation, these are just relevant portions I will like

to cite in the Act. The subject this morning is about the subsidy, I will crave your indulgence to allow me from time to time to display a chat to help me explain and illustrate some of the points I will like to make. The first thing I feel we should do this to clear this cloud of this perception out there that there is no subsidy in this country, I will like to use the first chat illustrate and explain in our opinion what subsidy is. What this chat is trying to display is to show the worth of one barrel of crude when you turn it through refinery, it assumes that no effort is made to covert it from crude into petroleum products, that is there is cause on this chat attributed to converting crude into petroleum products. The products that come out from one barrel of crude in liters (159litres) and the heeled is 4 per cent of the crude comes out LVG, 32 per cent of that crude comes out at PMS which is the product that we are interested in today, 15 per cent of it comes out at dual purpose kerosene and 24 per cent comes out of as Diesel while 17 per cent comes out as Diesel oil. If you use that percentage to multiply the total volume of 159 you will see that 6.36litres of LVG will be produced, 50.8 litres of PMS will be produced, 23.85 of litres of PPK will be produced, 38.16litres of Diesel will be produced and 27.03litres of Fuel Oil will be produced. If you apply the current pricing regime to those volumes it will show that from LVG we shall realize N82, the X depot price for LVG is N82 and if you multiply that N82, LVG will contribute N5.21 to the barrel, PMS at N81, N81 is worth the NNPC rebuild ex-depot, the remaining is for the distribution and for retailer as their margin. Out of that N97 people pay at the pump NNPC only receives N81 for PMS. If you multiply N81 with 50.88litres you will get N4,121 as contribution from PMS. You will do the same thing from DPK, LGO, and Fuel Oil, at the end when you aggregate everything it means that processing one barrel of crude which is 159 litres under the current regime which cost us N18, 388.05 to purchase at \$155 per barrel, you will only be able to recover N13, 186. Without the cost of processing already it is N36, 000 and that N36, 000 should be covered by somebody otherwise, the refinery will go under and that is the beginning of subsidy. It is either government subsidizes and pays that difference or the consumer pays it at the pump, but under the subsidy regime decision has been taken that the consumer will be relieved and government will pay the subsidy. Now add to it the cost of processing which is shown on the chat, the next loss to a refiner (NNPC at the depot) will be N49.81 on every barrel of crude. Operating under this regime, NNPC will never be able to break even. If this trends continues the only person that will be able to invest in refinery in this country will be government because no private investor will invest his money in this industry and hangs a loss of N49 per barrel of every crude he pays for every person and that is why we believe that subsidy where it exists should be eliminated so that more people will come in and participate in this industry. NNPC will not enjoy this monopoly that we are having, we do not want to play monopoly, we want other people to come in but the environment has to be made right. It is also critical to evaluate key impact the price of crude oil has on the pump price of petroleum, the next chat tries to display what

role price of crude played in the pump price of PMS, if you look at the chat over 80 to 98 per cent of the pump price is accounted for by the price of crude oil. All the efforts we are making is to improve on the remaining less than 20 per cent and any improvement made there we only translate to a very small savings, unless the intervention is done at crude level and Nigeria being exporting country will never pray that the price of crude should fall because that directly affect our economy. So any high price of crude while we as a nation benefit from it when we export the crude but when you process the crude into product where 80 per cent of that cost is attributed to that high cost of crude then the pump price will equally go up proportionately. It is important for us to try to understand these fundamentals in building up the case for subsidy. There are three other elements that affect the price of products, what I have here on the chat shows the import cost of the product from glance and if you can look at the first chat in 2009 petroleum product was about 50 dollars per barrel. In 2011 that same product has gone almost at 150dollars. In comparing the increase in subsidy payable between 2009 and 2011, we would appeal to the honourable Members to put this graph at the back of their minds that in reality the price of the commodity has gone up almost three times during that same period. Also the cause of freight affect the landing cost of our products and unfortunately for us as a Nation because of the high level of piracy at the sea, Nigeria today is being capitalized as war zone, you pay premium on the insurance, and most of the vehicles that want to come also come at the premium so that cost has to be carried by somebody, its either the consumers face that cost or it goes into subsidy. Thirdly, the naira/dollar exchange rate is also a major factor because you would not buy this product in dollar, you pay them in naira. So anything that happens naira and dollar exchange rate directly affect the cost at the pump and if you look at the bottom chat you will see that foreign exchange, Naira/Dollar has gone from under 120, 115 to up to 159 today so that increase has to go to the pump price or landed price of petroleum products. It's either that cost is passed directly to consumer or it is passed on to subsidy. This attempt to show some of the reasons why subsidy cost was increasing over the years in addition to the increase in the volume, I will try to share with you in my own understanding of it after consumption of the petroleum product in the country. Having set that foundation, I will like to address also a few issues that has been raised over and over which we must not run away from, the issue of petroleum products coming from domestic refineries. It is very clear to everybody how the refineries have performed over the years. This has resulted in huge importation but we have in the document that we have submitted to you, we do have as requested the production on refinery by refinery basis. From 2006 to 2011 you will see that in 2011, the three refineries combined contributed about 1.1billion litres of PMS, 713 million of Kerosene and 1.01 billion litres of AGO (Diesel) you can check the details when you go through the paper. This is not good enough for us and that is why Mr. President ordered management and Ministry of NNPC and ministry of Petroleum to rebrand and

rehabilitate the refineries within 24 months. I wish to share with you how we intend to go and what we expect to have at the end of this exercise. The refineries as we have said currently runs at the capacity of about 60 per cent but not on sustainable manner and I will use another slide to explain why we have that problem. The vandalism that we are having is unprecedented and I will take one particular slide to it. And I will like to seek the assistance of this honourable committee to help us do something about the vandalism. The first refinery that we are going to do turn around maintenance on is Port Harcourt refinery and these activities will take place in September and December this year. We have to do it that period because we have only opened up the tanks during rainy season. It has to be during dry season otherwise the rain will spoil the whole lot of things and everything inside the planks. That is why we try to do turn around maintenance during dry seasons.

HON LAWAN: The GMD, NNPC I suppose my colleagues have listened to your presentation and I believe that there would be some areas that they will seek for clarification or they may have their own comments. But, before I give the floor to my colleagues, let me raise a few issues. First of all, I think we need to really understand that there is need for a distinction between the cash calls and the subsidy issue. You have literally admitted that you pay yourself subsidy. You have virtually accepted that you do it the same way as you do the cash calls. I am aware that for the cash calls, normally when the budget is presented, provision is usually made as first line charge. The issues are usually resolved before the budget is passed between the NNPC, the budget office and the National Assembly. I recall when I was the Chairman of the Committee on Finance, it used to be a very controversial issue because sometimes, what NNPC requests is usually from our calculations, far higher than what we believe government should pay as cash calls. This is particularly because the National Assembly then and I believe the National Assembly even now still has some issues with regard to some of the arrangements on this lifting of crude oil. I believe that all well meaning Nigerians know that we have reservations. We have in the past acted on the arrangements that to me elementarily were unfair to the Nigerian people. For instance, we have the issues where guaranteed margins are provided in some of the contract grant funds, some of the production sharing contracts that you have entered into. Some of the terms were clearly not in favour of NNPC nor will Nigerians benefit and that was why any time there was an issue on the payment of cash calls it usually become an issue of debate. The major distinction between the cash calls and the subsidy issue is I believe NNPC deducts what is appropriated for it in the budget on cash calls because the revenue frame work that accompanies the Appropriation Act is also part of the budget. If you take 2011, the entire amount that was provided for in the budget was N245 billion. But, the amount deducted by NNPC alone even before the end of the year was in excess of that amount. That obviously, is not legally provided for by the Appropriation Act. I think it is very important for us to

understand that the issues do not make the two to assume that they are one. Let me ask you one other issue then I can give the floor to my colleagues. From the presentation by the PPPRA, it is very clear that NNPC collects subsidy on imported products and locally refined products based on the funds calculated. You have attributed to the fact that you lift the 445,000 barrels per day on prevailing market price. Should I take it that no discount on the crude oil of 445,000 barrels contested that NNPC is allowed to take? What is the difference in terms of subsidy between what you are paid on the product that you import and the product that you locally refine? I ask this because these refineries were established by using government resources. I would assume that there are certain costs associated with importation which certainly will not be there on the local refined products. So, what is the difference in terms of the subsidy that you collect? Let me put it more clearly, on average, how much is the per litre price of imported PMS and the locally refined PMS? I know it varies with the prevailing market price of crude oil but on the average, in 2011, what was the per litre price of locally refined PMS and then the imported PMS because that will now represent the 65 plus whatever subsidy government pays.

MR ONIWON: I cannot take you on the issue of law because you make the law. So, I will take you on what the government can do but I will just like to put it on record that we make the budget proposals and we defend it. For subsidy we do not, another body NNDC makes that proposal and they defend it. I believe they will be able to explain what happened in 2011. You raised an issue relating to the cash call replacing into Nigerians being short changed in some of the deals that I entered into verifying into the PM Bill. The time that the first Bill was signed was a very trying period not only for Nigeria but globally. That was around the time when the price of crude oil dropped for as low as \$9 per barrel and nobody was willing to invest. We had to look for incentives to encourage the players which otherwise, our production would start declining. At the same time government did not have money to continue to pump in for joint venture. So, the PSA (production sharing contract) came into play. Under the PSD, the contractor spends 100 per cent of his money in prospecting and developing the blocks. If after spending all this money he finds nothing, he will shake hands with you and say bye-bye. But, if after drilling he finds oil, government can put it on the table and then will say let us share the profit and not the revenue. That was the first time were going into deep off shore so, a lot of unknowns around the deep off shore, the body was young, nobody was very sure whether they can really make profit or not. A lot of incentives were given. If you look at that agreement of contract, it says any location deeper than 1,000 metres attracts zero royalty. Royalty is like rent and in my own opinion, whether you go deep down to 1,000,000 or 10 feet down that ground belong to somebody therefore, you should pay rent. But, the condition that accompanied it that time made it impossible. All these things had been effectively reviewed and revived in consequent PSAs

and I can present to you copies. This particular aspect has been fully addressed in the draft PI Bill and we hope that once it is passed this condition will never exist again. There are number of other things which we are going to work on trying to improve on government take because that clause also provide that if you produce a volume of crude after that one you can review what government takes. We are working on that one as at now. It is going to improve but it was our first experiment with PSD and that is why it was so pact. On the crude supply to NNPC, I will like to put it on record that we do not enjoy any discount whatsoever from government on the price of the crude that we take. It is the same official selling price that any other lifter pays that we also pay for the crude. So, we do not enjoy any discount. The savings between imported products and locally refined products unfortunately, has been negatively impacted upon by the price of the crude oil itself. Over 80 per cent of that cost is crude. So, the only savings that can be in the remaining 20 per cent and even that 20 per cent is what pertain to the ex refinery because other costs are for people who are going to transportation retailing, etc. What is within the refinery that you can save between what we refine and what is imported is in the neighborhood of about #11 per litre based on PPPRA template. The chart I was showing up there was actually the model that we use to compute the operating cost of refinery and then put it on the crude to get the total cost of what we are going to do. I will present to you a more detailed document tomorrow so that you can look at the cost of each one following that particular model but the operating cost of the refinery in Nigeria is about N7 per litre.

HON LAWAN: Judging from what you have said, exactly two weeks ago, the PMS was sold at deregulated prices. Were there distinctions by NNPC in the pump price of the product between what you refined locally and what is imported from outside? I can recall, if you are talking of the deregulated economy then, you expect the production, the market and all other elements to show in the prices. What price was NNPC retailing PMS and at what price were the other major marketers retailing? What was the difference because if there was difference because of the local refining and ordinarily I will expect that to reflect on the pump price as well? Those your mega stations, is it only the locally refined products that you sell in the mega stations or do you also sell part of your imported products?

MR ONIWON: The price guide line that was given by PPPRA was maximum price which means they have put so many things into consideration and say all right, anybody going beyond this one is profiteering. It should not go beyond it. For us because we have two sources of supply imported and domestic, what we did in order to retain our own market share was to do a weighted average of petrol and say all right, we shall survive at this level and therefore, we sold at N138. Other people sold at N140, some people sold at N141. In fact, some people sold at N137 for a short period and then I do not know they changed back again. We did not take undue advantage of anybody. What we did was to take a weighted

average of both import and locally refined products to come out with that price of N138 and in a deregulated environment you have to take advantage of your strength to moderate your price so that you can attract more customers to yourself provided you are not losing money.

HON LAWAN: You have spoken of the turnaround maintenance of the refineries and you said when the entire exercise is completed, we will have about a little maybe, 90 per cent of utilization of those refineries and that this will now provide about 20.3 million litres per day which is about 50 – 55 per cent of the daily consumption. How soon do we expect this turnaround maintenance exercise to be completed?

MR ONIWON: The first turn around maintenance will be Port Harcourt refinery and we should conclude that exercise and re-commission the plant by December this year. January next year we will take Kaduna refinery. By the end of that first quarter of 2013 we should complete Kaduna refinery then, we shall have two refineries available at 90 per cent. We will have to wait through the rainy season in Warri to the next dry season which will be around September next year then, we will do Warri refinery. God willing by December, 2013 the three refineries will have been fully rehabilitated and turned around and we should be able to guarantee the nation 90 per cent in each of the refineries hopefully on a consistent and sustainable manner provided the pipelines allow the crude to reach the refineries.

HON LAWAN: The GMD, you have this swap arrangement of crude oil with some international companies. A couple of questions, how competitive is that arrangement against the back ground of a post bi-lateral arrangement as mentioned by one of my colleagues yesterday whereby you can take advantage of the bi-lateral arrangement we have with some countries which may possibly bring down the cost of the refined products. So, how competitive is the swap arrangement and we will like to know the partners of NNPC on this swap arrangement. We would also want to know the volume in terms of crude that NNPC spot for the swap arrangement and the volume of the refined product that NNPC imports on this arrangement. We want the documented details on this but how competitive is this arrangement?

GMD NNPC: The full details that you have requested, we will submit it to you however, I just like to briefly say that we do not have bi-lateral relationship for crude. We do have what we call government-to-government crude sales. That is, a country applied mainly African countries applied to government to supply crude to their nation for their energy consumption. Upon approval that crude is allocated to them but they pay the same price as anybody else. So, they are just like one of the lifters, it is only that they do not go through the competitive bidding but they came through government to government relationship. In that agreement they are not supposed to give us any product but they are supposed to pay for their own consumption in their own country. The swap arrangement off shore process-

ing compared to sale crude and buy product we did the exercise very well. Apart from the fact that we have a competitive health going the way we have gone, we were also having some challenges with the marketers because of the level of indebtedness at that time to them so much that when you give them order they were not supplying. We had to go and find a route that makes it easier for us to make sure that we continue to supply the product without loses to the nation. But the details like you have requested I promise we will submit to the secretariat.

HON. TAJUDEEN: I want to know the capacity of Port Harcourt refinery, Kaduna refinery and Warri differently if they operate at 90 per cent as you said. If the vandalization taking place in Port Harcourt refinery as you said is virtually on daily basis and you are not able to find solution to this vandalization yet. Port Harcourt refinery is your first point of call for turnaround maintenance, which you are doing now. What is responsible for that decision and do you think that after investing that money we will be able to get value for money? We spent about N5.9 million in payment for bridging per litre, is it possible that taking a probability of Mr. President and the military that the military sets up a special task force employ Nigerians or more military men fully trained and fully armed to be paid from this bridging cost so that every kilometer can be manned by our military men well equipped. Have you taken this advantage? You talked about international report, detailing 31 cars per a thousand people. Does that report indicate that this 31 cars are for PMS or any other products? If they do can we have a copy of that report? The turnaround maintenance that you spoke about now which you have ordered spare parts and whatever, Nigerians are fully aware that in time past a lot of money had been spent on this turnaround maintenance without getting any result. Can you give this committee and Nigerians the guarantee that the amount you are spending now on turnaround maintenance we will get value for money, that there will be products even from that Port Harcourt refinery?

GMD NNPC: You want to know the capacity of each refinery at 90 per cent. Let me start by saying that Port Harcourt refinery is 210,000 barrels per day at 100 per cent. So, 90 per cent of that is what we guarantee. Warri refinery is 125,000 barrels per day; we guarantee 90 per cent of that. Kaduna refinery is 110,000 barrels per day. We guarantee 90 per cent of that. Maybe, I can use this opportunity to clear one of the issues raised about imported crude. Kaduna refinery is like two refineries in one. We have one which is fuel plant. That one produces petrol and kerosene etc. Then, we have the lube plant which produces lubricant base oil, asphalt, grease etc. For Nigerian crude, all of us know is fluid light crude. It is not suitable for lubricant production. You need paraffinic heavy crude to produce lubricant and paspal. That is the reason why we swap Nigerian crude for either Arab light or Venezuela laguma to bring it into Nigeria and in Kaduna refinery lube plant. That plant has the capacity of 50,000 barrels while the fuel plant has the capacity of 60,000 barrels giving

a combined capacity of 110,000 barrels for Kaduna refinery and we guarantee 90 per cent of each of those. We are starting with Port Harcourt refinery because the last turnaround maintenance that we have done in Port Harcourt was 1998. We are supposed to do it once in two years, that was the last time so, it is the one that has suffered the worst. But, for the supply, we are making a lot of efforts, in fact, if not for the crisis, this week the Chief of Defense took it upon himself to go with us to patrol using helicopter to survey the pipe line route. Once they are able to do that they assured us that they will be able to patrol that place on a continuous basis to continue to safe guard the pipe lines. I hope they do succeed. Just exactly what you have recommended, we have done so in writing to government to set up the National Strategic Asset Protection Force that is dedicated any asset considered to be strategic for the survival of the nation. It can be funded either like you have said from the savings from bridges or from any other source but a situation whereby we are all paralyzed because of a few people. It is not only the downstream that is affected, the upstream is also affected. The Shells of this world, the agapes of this world are shouting every day of vandalism and bunkering. It is something that we as a nation must address either way, these people do not pay for the crude. Even if they sell at 50 per cent of the international price, no investment is profit 100 per cent. And when these people who are criminally minded get so much money in their hands we have people who are bigger than the cabal we are talking about controlling both the policies and the economy of this nation. And if we do not do something about it I pray that it does not turn out to be like Colombia and other places. The last one was for me to give assurance that we shall do 90 per cent.

HON LAWAN: I just want to appeal to my colleagues to please make it as brief as possible. This is because I intend to continue with the GMD, NNPC tomorrow. Let us go over the documents he has presented to night and we will take him on tomorrow.

HON. ABUBAKAR SADE: The Group Managing Director (NNPC), we were informed that NNPC used to sell petroleum product to other countries or neighbouring countries at a lower price. It means that the subsidy being paid by this country is taken to those nations at the detriment of Nigerians. Secondly, NNPC is in the area of purchasing petroleum products from outside, that is importing and then again refine it. How much do you think you can purchase and refine for the last 8 years in this country? Thank you.

GMD (NNPC): Thank you very much Sir. I do not recall when I said that we sell petroleum product to the neighbouring countries. We sell PMS, Diesel and Kerosene to Nigerians. Fuel oil which is not consumed in Nigeria in the quantity that we produced is exported at the international benchmark; you quote the same price we quote for PMS because we put it for fuel oil. But because you are taking it out of Nigeria to a destination outside, so when you get that flat price, you deduct from it freight, because the person have to freight

from Nigeria to that place and that is how it is priced for export and that is the figure that I showed in the chart for fuel oil. We also sell fuel oil to Nigeria industries; like the cement factories, we do supply them fuel oil and we have been having a lot of pressure not to go high on the price but we are always negotiating with them. But when we balanced the two, export price and the domestic price, we breaking even on fuel oil and that is how we came up with the price we have. Then the volume that is produced locally and the volume that is imported, I think I have it in one of the chart, over the period that we said the refineries out of the 46 billion, the local refineries produced 9.8 billion of PMS then produced 6.5 billion of kerosene and produced 9.87 billion of diesel over the period in question.

HON. AHMED: GMD (NNPC) just my previous question to PPPRA about the payment of 15,000 tons of petroleum product for just 5,000 that was really supplied, are you aware? Closely connected with that is another of course we have all these information about all kinds of things going on in NNPC, I just selected these two that are so grievous that you can just stomach the deal. The other one that I want you to answer is that by, how do you come about short-listing, de-short listed, a particular marketer for kerosene, the information is that this marketer had product that he warehoused in eastern farm for NNPC and somehow sold this product without NNPC permission and he has not paid NNPC and when NNPC wanted to give further order for purchase it gave the ordered to the same marketer and then the marketer sell and then from it return to NNPC. What is happening to those two?

GMD (NNPC): Thank you very much for the last bit of your statement. (Laughter).The first one which is allegation that somebody claim 15,000 versus 5,000 that was supplied, because I am under oath, I will tell you, I also heard it as a rumor, I do not have a firsthand information about it. But I believe that the necessary Agency which is PPPRA because that is where they filed all their papers, just as I also file my paper, we probably be able to give you more detail information as to what happened and who was involved and what they have done to such a fellow. I do not have the details.

HON AHMED: No, this question has to be answered, I asked, if you know I asked PPPRA, PPPRA said NNPC, I am asking NNPC, NNPC say PPPRA, the National Assembly deserves an answer to this question.

GMD (NNPC): Honourable Member Sir, NNPC does not give import approval or license to anybody. We also seek approval from PPPRA. So there is no way I would have given approval to somebody to supply 15,000 and he supplied 5,000, it is not me, definitely it is not the NNPC. Then the station that you are talking about at two NNPC products and mismanaged it and then we gave him another product to take, it is not exactly like that. What happened was, the product was stored in his facilities and he could not account for the volume of the PMS that was in his place. We took the case up and wrote to the EFCC

to investigate and help us to recover our cost. At the same time we sat down with the then Hon. Minister in pursuing the legal route, we should also look at the possible business solution. So he said all right fine, what do we do with this man, we put our product there and we pay him N3.00 per litre storage and handling fees. We said all right, we are going to use his facilities, to run our product through the place and do not pay him the N3.00 until we recovered our cost. We have it on record today that we have fully recovered that cost but the action of the EFCC, we wrote to them then, I think I saw the letter that once we complete recovery of our sundry we will get back to them, we are reporting to them in the normal business and how we have progressed. But we have been able to defray that cost from what we would have paid him for the storage of our product that is there.

HON LAWAN: A quick follow up on that. Now that you have fully recovered the amount of money that he defrauded NNPC, have you stopped dealing with him or you are still giving him business so that you will now build his capacity perhaps for bigger criminal activity in future. (Laughter).

GMD (NNPC): Thank you very much Sir. Yes, we are still using it, because unfortunately for us, he has the biggest facilities in Lagos. Unfortunately for us we have problem with facility to move our product. The pipelines like I explained is not available. If I can pump my product, then I will not be looking for third party storage. The largest facility we have is for the person in question and Folawiyo and then Atlas Cove. If we do not use it, I will keep my product on the high sea and continue to pay them demurrage which cannot recover from the import. But what we have put in place is better control with senior people to deep at the end of business and the beginning of business every day. I can assure you we have not since the time we have recovering our cost we virtually took over the operation of the place. We have not recorded loses beyond the tolerable level which is five percent.

HON. FALEKE: Just a follow up question. How long does it take or how long does it take you to recover the cost from this person and still using the same benefit of NNPC to defray the cost?

GMD (NNPC): I think it happened around 2009 and we recovered it over a period of between 18, I do not have the exact figure but I can give it to you later, between 18 and 24 months thereabout. But they were not using benefit of NNPC, we denied him the full use of that place because we or more less occupied it.

HON FALEKE: My follow up question is because if you did not patronize him. EFCC would have recovered that money one way or the other. Secondly, if it took you 18 months or 24 months who paid the interest? This guy used tax payers money within a short period and made away with it and then we still use his facilities to repay us from what he embez-

zled that is the question, who paid the interest?

GMD (NNPC): The Company paid the value of what was taken plus the interest and we will present the document to you Sir.

HON. TAJUDEEN: The GMD, I just want to ask you a question. Do you not think it is a morale problem here? Somebody whom you have adjudge to be a criminal or somebody who have been taken to EFCC over default, still you have the case that the man did wrong as far as work ethics are concerned he has betrayed the trust you have given him. Do you not think we are encouraging other Nigerians if we continue to tolerate people like him who have done something bad in the past and we are still using his facilities, what kind of message are we passing to other Nigerians particularly those who have this dubious intention? I just want you to reflect on that.

GMD (NNPC): Thank you very much Sir. I agree with your position on issues of ethics. But like I said, we looked at it from two ways; legal and business. My primary objective was to make sure he does not cheat me again and I recovered my cost. But the other part which has been handed over to the EFCC for them to prosecute fully, if we use the business we are able to recover our cost, I believe if that case has been in court up till tomorrow maybe up till now we might not be able to recover one kobo. So we have to apply both of them. Ethically it does not look all right but the business objective driven will make you to look at the other ways of achieving your objective to recover my money and we did that and successfully. Not only doing, we make sure that he never did it to us again. But for the handicapped that we have, if all my depots were working I do not need anybody, third party for anything. Because I have more than enough capacity in the depots to take all my products, it is the problem that I have and hope that you will help us solve that vandalism problem, Sir.

HON TAJUDEEN: Sir, I beg to differ in your strategy because I believe if this same incidence happens in America, even if it will take them to spend \$100 million more to build road to Spain to make a point, they will still not patronize this man, I am 100% sure of that. Please, if there is a way we can stop using this man, his facilities, I think it will do us a lot of good. It is not the good image or message we are passing to Nigerians. Thank you.

GMD (NNPC): I will assure you honourable Member that your suggestion is properly noted I will come back to you on follow up action we have been taken. Thank you Sir.

HON LAWAN: Sorry, just to a quick follow up, how much money was involved in this particular incidence? How much was NNPC defrauded? Secondly, what is the name of the company? Thirdly, and this is a request, we want NNPC to give is the list of all the storage facilities in Nigeria and their capacities. NNPC owns the ones they using. Because beyond

what you own, you also use the third party's facilities. Let us have the list and also the capacities for all those storage facilities.

GMD (NNPC): Mr. Chairman, I will give you the detail figure, the company name, all the storage facilities that we are using, both own and lease tomorrow if you do not mind. Thank you Sir.

HON LAWAN: That is fine. Let me also on these locally refined products, talk about the Turnaround Maintenance (TAM). You have given a period when you expect the maintenance will be completed. Why were these refineries given to the same manufacturers? Is it maybe cash flow problem or NNPC or why cannot NNPC for instance contract all of them to do that simultaneously, if they are done by the same manufacturer, perhaps in the non-capacity the manufacturer could work in more than one refinery at the same time. But if they are built by different manufacturer and NNPC has no utterances as far as the maybe award of contract and cash flow are concerns, why not do the same so that within the period of maybe six months also, all these refineries will be refining.

GMD (NNPC): Thank you very much for the suggestion. But first, the capacity to, by philosophy we do not want to shut down all the plants at the same time, that is the design philosophy. You do one, another one is running and this one is running like that. Because when you shut down all the plants, it is total black-out, if I do that even if I bring in product from Port-Harcourt, I will not be able to pump it to anywhere. So I have to stagger it. Then the contractors themselves, like you have said, they are the original contractor that built the refineries. Now, they also, once Spring comes up, many refineries abroad start going on their own Turn Around Maintenance (TAM), so they have to schedule their timing. Then more importantly before you embark of Turn Around Maintenance (TAM) you are sure that you have at least 80% of your materials and spare parts that the contractor is going to use. So we also need time to purchase these materials and to manage our cash flow properly, we cannot just forfeit all of it at one time buying all of it and we stagger the refineries. But also because of weather, we can only do it during dry season, that is while we stagger it at that but using people we believe will delivered this time, a very efficient Turn Around Maintenance (TAM) and rehabilitation because it is going to go beyond Turn Around Maintenance (TAM). It is also going to be rehabilitated and we'll upgrade some of the instrumentations there that were built along with the refineries when the refineries were built over 30 years ago. So all those one we are going to upgrade along with these rehabilitations we are doing.

HON LAWAN: Well as I said we would because we still have one or two other items we need to take on before we draw our curtains today. We would allow the NNPC to take a little break and remember tomorrow you will continue with us, but before I do that just

one question. Why has NNPC not paid the Nigerian Customs Service the N45 billion that NNPC owes?

GMD (NNPC): In all seriousness like I said, we will live up to our obligations. We will reconcile the figures we have with them. Negotiate, if we cannot pay all at once, we will negotiate the terms. But I assure you we are going to pay, that is why I said when I was making my presentation that if this Committee request that when we settle with them we should report back, I think we will do that, but we will reconcile with them.

HON LAWAN: Certainly we will expect you to report back to us that you have settled with them, we do not want this impression out there that you are bad debtors. Please discharge your obligation. But first, I think I am with the list for today, we would allow the NNPC to take a little break. DPR, can you please proceed and make your presentation.

GMD (NNPC): Honorable, I do not know if, in order to have quality time together probably add value. If those issues are raised is right, so that I can prepare for them, so that we do not come here, looking at those women and everything, I can come with a response to it. So if those issues are raised tomorrow in writing, then I can come on Friday with responses to them, I think maybe it will add value to the time that we spend together. It is just a suggestion.

HON LAWAN: Now, lets have DPR. I did a little consultation on my Colleagues on this side and the consultation says that if you have a document that you want to present, you give us the document but you will come back tomorrow and take us through the presentation because we would not want to take the presentation, we are not having the time to relieve this issue and apparently given the very marathon time we conducted this proceeding it is very clear that my Colleagues, we could take them tomorrow.

AUSTINE OLORUNSOLA (DPR): Mr. Chairman, from Thursday we shall be coming to you, we will oblige.

HON LAWAN: We will take AP Plc. Our apology, thank you very much. Do not seek for protection tomorrow because I owe you one, so we see tomorrow. (Laughter).

AKIN AKINFENMIWA (MD, AP PLC): Good afternoon honourable Chairman and distinguished Member of the Ad-Hoc Committee on Petroleum Subsidy Management. Thank you for inviting us to this special hearing on a very contentious subject which is petroleum subsidy. As a major marketer of petroleum products in Nigeria, we have been involved as claimants and we believe that we need to tell you the whole of what we have believed. I have circulated the presentation which I also have in front of me and I will just be taking you through that presentation quickly. The highlight of the content we would like

to talk on creates a background into what petroleum subsidy and PSF is. In order to educate Nigerians who believed that we have misinformed them on this contentious subject, we would also like to state the conditions for participating in the PSF, to further educate Nigerians as well as to know who is eligible to participate or not. We will also stress our role as major marketer in participation under the PSF scheme and we will also suggest ways forward under the key point notes. As it has been mentioned and discussed today 90 per cent of our petroleum products consumption is imported as a result of inadequate local production, I think that has been stressed this afternoon. The importation of petroleum products implies that we import at internationally traded prices which also has been mentioned this afternoon. It is based on that and all the other parameters such as trade and transparency which is internationally determined. Importation into this country under the PSF is done by NNPC, MOMAN, DAMAN, and other Independent marketers under permit issued by the PPPRA, provided it is mentioned that the PSF is full of funds provided by the Federal Government of Nigeria, and administered by the PPPRA and supervised by the Ministry of Finance. Still on our slide trying to educate Nigeria as to what PSF and other petroleum subsidy is all about, under the PSF all marketers including NNPC who are imported at import priority prices as expected to receive the difference between the import priority prices and highly landed cost of cargo and PPPRA template and the regulated pump price of N65. Once the cargo has been delivered marketers are expected to submit their claims in terms of documents and received the differential. In other words what we do as marketers and claimers from the fund is, we supply at the high price and we sell at a price lower for us to go back and get the differential between the import price and the pump price from the Federal government, in other word subsidy is not a profit making venture, it is using sort of current funds, to explain it better, it uses the fund for now to get the differential between what government has stipulated you sell and what import priority price is. Every Nigerian that bought fuel at N65 is a beneficiary of subsidy. It is better for us to state the conditions for participating in PSF, as clearly defined by the PPPRA Act of 2006, An importer should be an oil marketing company registered with the Corporate Affairs Commission (CAC) A claimer or beneficiary of the PPPRA is expected to possess the following:

- Proof of ownership of storage facilities with the minimum storage capacity of Five Thousand Metric Tons for the particular product; as well as dispensing facilities (retail outlay network or a network for petrol stations spread even across Nigeria).
- The Department of Petroleum Resources import permit applicable to financing minimum of 5000metric tons of products under the fund.

It is pertinent that we state the role of Forte Oil Plc in this subsidy regime. Forte Oil formerly African Petroleum Plc (AP), we are leading oil marketers at the public quoted oil company with strong business ethics and cooperate governance values. We are committed to provid-

ing uninterrupted supply of refined petroleum across Nigeria. We have made massive investment in extensive stock storage and riches distribution in infrastructure and asset nationwide to support uninterrupted supply of petroleum products. We have also provided careful employment to thousand of Nigerians. We have a combined storage capacity both owned and leased in a division of about 200,000metric tons and we have 550 outlets of petrol stations spread across Nigeria. As at today we have total unpaid and processed claims from July 2011 to date of about N13billion.Since inception our average payment debt by PPPRA is 123days as opposed to stipulated 45 days, resulting in excess and late interest payment to financial institution. This implies that Forte Oil Plc bears excessive interest for average of 80days before under recovery is reimburse by PPPRA, in other words the excess interest trade at the late payment interest that we paid to the Nigerians banks actually been into our profit as recommended on the PPPRA template and as such the subsidy game is not really profitable for us in terms of numbers. As at today since 2007 excess interest charges and late payment interest gives delay in the receipt of under recovery funds of about N3 billion. I will also present the chat to show from year 2009 to date, what we were allocated to by PPPRA and what we utilized. A quick look at the chat is showing that our utilization in terms of our allocation runs between 62 and 65 per cent. Forget to mention that our allocation for key 2011 is not included and completely utilized for now. A quick look at that chat shows you that we did not utilize 100 per cent of our allocations because we have to take a business decision in terms of receipt of relays in the release of funds from the PPPRA such that we did not deep into our recommended margins and we do not end up paying or using all our profit to serving bank interest, we are took a strategic decision not to cover our 100 per cent allocation because we also have to balance our risk. There is also something I want us to note in that template on that table, if you look at 2010 to 2011 you will notice a decrease of 150,000 into what we are allocated in 2010 compare to what we are allocated in 2011. On a final note, if I give some key points and a way forward, the first thing is, we view subsidy as an intermediate measure to guarantee uninterrupted supply of petroleum products. It is not permanent solution to guarantee uninterrupted supply of petroleum products and as such we are very committed to the deregulation of downstream petroleum sector in Nigeria. Also if we have to continue in the subsidy regime, it is pertinent that we get the few things right and a few things as false. I had mentioned earlier that one of the conditions of participating in PSF is that all claimant or all the reporters of on behalf of federal government of Nigeria must be bonafide owners of storage and must have a network of petroleum stations spread across Nigeria. Unfortunately this is not the case today, it seems that if we have deviated from the original conditions sets by the Act in 2006 and when you look at it today we had a lot of entrants who do not first of all own storages but through arrangement of those that own storages, these guys do not have rigid outlet spread across Nigeria. When I say rigid outlet across Nigeria, it is not just having 5 outlets at Ibadan and having another

5 outlet in Maiduguri, we are talking about even spread of the outlets. It is only the major marketers, all the six that consisted MOMAN today, they actually met the conditions for joining under PSF. As long as we continue to have depot owners, tripod operators trading in this game, we are going to have a situation whereby we cannot track the operation that have been discharged into the depot, truck out to a final destination and as such that is when you continue to have irregularities and also support smuggling. I know that Executive Secretary mentioned the fact that he wants to pay subsidy on what is being trucked out, if that is going to be the case he had rather pay the subsidy or what is trucked out to its destination. It is better the Executive Secretary for every time you truck out there must be a ticket in terms of your destination, your waybill will state that, I think discharged to those petrol stations, if you want to enforce that should be the case, so that we can actually know what is being consumed in this country and what actually we are paying subsidy on. We believe that total deregulation of downstream petroleum sector is very important and imperative. At public quoted company with strong business ethic and government values, we welcome a group of all regular activities under PSF because we believe this will establish good field on the part of eligible participants. We commit to participation to any place of participation in any kind of this scheme on the various of total transparency and accountability. That is our position as a company.

HON LAWAN: Let me ask you a very simple question, may be yes or no answer, are you one of the cabals?

MR. AKIN AKINFENWE (REP. FORTE OIL): Mr. Chairman, my company is not a member of the cabal, the board of my company is not a member of the cabal and I am not a member of the cabal.

HON LAWAN: PPPRA has commenced their subsidy payment, in paying that subsidy you take account of the profit margin for you or if obviously N65 is the price that is below the selling price and the difference, because what PPPRA claims to have paid the pump price at subsidized price, does the subsidy capture the profit margin for you?

MR. AKINFENWE (REP. FORTE OIL): It does not, if you mind I can take through for a few minutes, if we look at the PPPRA template after computing a stable price you will see a distribution cost of approximately N59.49k, out of N59.49k major marketers are entitled to N4.60k per liter, that is the only margin that we get for participating in PSF and my own point is that when I encountered the list of the side of receipt from PPPRA I have seen instances whether further 60k and as such I have no gain from participating under the PSF in that regard. It is like the money I borrowed from the financial institutions based on the government policy, for me to receive another bill when the subsidy is paid, it has no kind of profit or no financial gain whatsoever.

HON LAWAN: Then why are you in business?

MR. AKINFENWE (REP. FORTE OIL) : I will tell you why I am in business Sir, Let me put it like this, Forte Oil Plc is a major marketer of petroleum products, PSF is only one of our product lines, we also deal with the LGO, we do jerk fuel, we well PFO, we well PLG and other petroleum products. First of all as a company, we have moral responsibility to our shareholders to declare dividend and profit and that is why we have principal reason to be in business. The second reason why we are in business is we have moral obligation as a major marketing company with outlet spread across Nigeria to support until the interrupted supply of petroleum products and that is why whenever there is problem, I do not want to over flog this. Whenever there is a problem the first set of people like PPMC, NNPC will come to ensure that products are evenly distributed are the major marketers, no one else. If we do not participate in the programme we would be seen as saboteurs as well because we have the infrastructure, so in addition to the point I mentioned earlier we also need to support the Federal Government and the people of Nigeria by making fuel available to them at recommended pump prices.

HON LAWAN: It seems to me that there are some contradictions there, you told us that is not profit margin, which means you do not make any profit, on the other side you said you are in business because your shareholders need to be paid dividend, I do not see why you pay dividend when you did not make any profit. Let me put the question again, if from what you are getting is absolutely zero profit, which means there is no profit at all, how can you remain in business and pay dividends to your shareholders? From the Report of Revenue Mobilisation Fiscal and Allocation Commission, from January to September the Federal Ministry of Finance authorised payment to the PPPRA Marketers of the sum of N647,660,947,082.13. What that means is that somebody somehow incurred extra budgetary payment because the amount in the budget was N245 billion already in the Ministry itself minus what NNPC has taken directly without authorisation from anybody. The Ministry itself has already over spent as far as the budget is concerned.

DG BUDGET: Again thank you Hon. Chairman, to answer the first question whether we had any authorisation or some kind of documents the simple answer to that is No. We did not because as you know very well when you are managing issues of subsidy there are all kinds of factors. It is not so direct that we can say for sure this is it, this is the first approval and you can have it in the file. Unfortunately we do not have that data. Of course if you look at the history of earlier subsidies withdrawal in this country I do not think you will find where it says for next year this document says we have taken a decision so that I guess explains the reason that why we do not have such a document but the other point you made about under provision if you like we have already explained the reasons why we put such

a figure of course the easiest guide that we could have used could have been the previous year's which was around 600, and 650million and that would have been the easiest, it would still have been wrong. I definitely would not have thought that it would be 1.4 trillion for 2011 so that there was no way I would have put that in the fiscal framework we are submitting to you, the best we would have done if indeed we thought that it would not go forward, the best would have been around the same 600 billion that was the guide from the previous year but the reason we did not do that I have already explained because we really did think sir with all the challenges we are facing the rising wage bill and one of those things. The work we do is not purely the numbers we look at entire micro-economic system and having analyzed we are convinced that some of those things were necessary and you put that on top of the fact that consultations and discussions on this matter had been on for so many years plus all the other things that came from those meetings we felt that perhaps the government would be able to go forward at that time it did not happen.

HON LAWAN: Thank you very much. Let us talk of the PSF Account. First of all let me find out whether you have brought the details of case of the Account to this committee, I think that should be the Accountant-General of the Federation? The Petroleum Support Fund Account, do you have?

THE ACCOUNTANT GENERAL OF THE FEDERATION: We just got the notice yesterday and we have not brought it all what we have read was the details of the subsidy as paid out to the Marketers. We just gave the breakdown of how the 1.4 was incurred and paid to the individual Oil Marketers the Minister has the schedule. We would get the PSF Account details to you later sir.

HON LAWAN: First of all we need what you have brought, you should submit it to us and we need the details (Interruption) Accountant-General you want to?

THE ACCOUNTANT GENERAL OF THE FEDERATION: Yes, the PSF Account is a Virtual Account, it does not really exist. Funds flow and we just consolidate them (Laughter) no, the account I keep is the Subsidy Account as presented to us through the FAC and this is like the Minister of State said this is verified by the Post-Mortem Committee.

OKONJO-IWEALA: Can the DG, Budget explain the Virtual Account concept because there is no statement because if he says is there then you ask for bank statement, let him explain what it is.

DG BUDGET: Thank you Mr. Chairman, I know people have referred to this Account as Petroleum Support Fund Account which gives the impression that it actually does exist and there is a Bank Account, there is a balance, those monies are typically paid from the Federation Accounts before monies are distributed so for that reason it not like there is a

PSF Account with the Account Number in a particular place whether CBN or any bank at all but I think what my colleague is saying is that every time he made this payments he keeps a record of it and that is the account of what he is referring to and you have some data (Interruption) actually that is what it is.

HON LAWAL: First of all, let me have all the letters of authorization for the payment he has made because you do not pay without authorization so we need letters of authorization and we also need the breakdown of what you have paid on the payment of oil subsidy. I understand in the presentation that was made I think two days' ago that the Account itself is under-funded but you are now saying that there is no account that it is a virtual account but there was a reference that it was usually under-funded. How is it funded?

OKONJO-IWEALA: I was trying to find out where the reference comes from because that might explain where the notion of under-funding comes from. If you have an entity that feels that the Federation holds this money then we can well say that the account is under-funded because you are not getting all the monies you would want but still that does not mean that it was actual account, you know, it is a means for accounting for the resources.

HON LAWAL: So it is not under-funded for our records.

OKONJO-IWEALA: Yes.

HON LAWAL: Thank you very much. We quite appreciate your presentations. We want to assure you that the information gathered would enrich our report and would open the facts to the general public that is yearning for it. We would continue tomorrow, having spent a reasonable period of the day. I want to thank our invited guests for their time and the patience in staying with us. We would continue at 20.00 a.m. tomorrow.

The Ad Hoc Committee adjourned at 5.15 p.m.

CHAPTER 4

Day Four: 19th January, 2012

HON FAROUK LAWAN, (Chairman): Hon. Members, invited guests, ladies and gentlemen, you may recall that this hearing started on Monday and we interacted with the Hon. Minister of Finance and some other key agencies related to the responsibility that has been assigned to us. After that meeting, the Hon. Minister of Finance requested for additional days so that she could come back and make her presentation to this ad hoc Committee. We started interactions with other related agencies this morning. I welcome all those who have responded to our invitation this morning. I also sincerely apologize for the late commencement of this hearing. We needed to iron out some issues with the House of Representatives and also sorted out a few technical matters relating to this hearing. So, please, accept my apologies for starting late. Once again, I assure Nigerians that the essence of this exercise is to ensure that we critically look into the issue of fuel subsidy that has become a topical issue to Nigerians. I also want to assure Nigerians that our recommendations to the House of Representatives will improve the efficiency, transparency and accountability of the entire system. After the withdrawal of subsidy and the protests that followed, so many issues came to the fore and most of the issues were related to the lack of confidence by Nigerians in the manner the subsidy was being managed. For us as members of the House of Representatives, we feel we have a responsibility to respond to the concern of Nigerians, and that was why this ad hoc Committee was set up. We are poised to be objective, to be fair, to be guided only by facts and determined not go into this whole exercise with bias. Ours should

be to try to establish the issues as they are so that Nigerians will get value for the kind of government that they get in this country. With this in mind, we have set out to interact with various stakeholders in the last three days and we will continue to do so until we are sufficiently satisfied that the issues that should be brought to fore have been dealt with. Once again, I want to welcome all those that are here today and hope that you will be kind, you will be open, and as much as possible, you will share whatever information available to assist the work we have to do. This will ensure that value is added to government of this country. It is on this note that I want to invite the very good man, Mr. Olisa Agbakoba, to please make his presentation.

MR. OLISA AGBAKOBA: Obviously I will start by saying thank you for the privilege and honour to be invited here to make my presentation to this ad hoc Committee. I feel very honoured to be invited to this very distinguished forum. First of all, let me thank you very much for the resolution that was passed during those striking days that followed the abolition of subsidy or subsidy removal that was announced as the New Year gift on January 1st 2012. The issue that has come up and on which I have a presentation make me sound simplistic. What people who are being governed want from the government is very simple. So, if I sound simplistic I crave your indulgence to be forgiven. We are used to paying for fuel at N65 per litre. Suddenly, it goes from N65 to N141. As you recall, Mr. Chairperson, we had political issues over subsidy removal. I think subsidy removal and tenure elongation are the two sour points that have brought down many leaders. No Nigerian leader has survived tenure elongation; four tried it and failed. So, when this one came, questions were asked. I have listened to the exciting contributions and also watched very exciting drama here in the last three days, and it appears to me that nobody in government could answer or verify or determine our consumption - some say 59 million litres and some say 39 million litres. I say, for instance, 13 million litres. So I will not pretend that I can throw any light on how much we import or how much we do not import. So, I will rather rephrase the issue. Is there a subsidy in the first place? This is very important because the issues presented by all the ministers are highly intellectual. They make sense; but I think that the small disconnect is that subsidy might not be an economic issue because it has social implications. So, the question I will like to ask is: Is there subsidy in the first place? I ask in the context of no evidence to support it. If I can see evidence that the price of petrol at the pump price should be N141; but there is no evidence. So for the price to jump from N65 to N141 without any explanation might be a bit too stiff. I have presented the opinion of Dr. Aglo, but I do not say that Dr. Aglo is incorrect. However, I thought I should bring it to the attention of the distinguished committee. The issue of export market and so on is not the problem. The real problem, Mr. Chairman, is this: we have to consume locally to satisfy our demand. That consumption is about 500,000 litres, and we cannot refine everything locally. So, Dr. Aglo

says when we added the cost of crude oil right from Akwa Ibom refinery and add all the margins, he said the cost per litre should be about N34. I do not know whether that is right but I need an answer to that. He then said that the part that we cannot refine locally goes abroad and comes back with wrong figures, instead of only two costs; the costs of shipping and refining. If my wife and I have a bakery and we need five bags of wheat to bake bread for the school children but we can only do three bags. So we take two bags to a baker. Of course, if we have to go by okada, we pay the cost of riding okada. Then, the baker will now charge us for baking the two bags. He will not charge us for the cost of the two bags of wheat. But what appears to be happening, which requires an explanation, is this. When we are bringing back the imported refined products, are we paying international prices? Because all the discussions show that we are being charged for the part that is exported. If that is the case, it is wrong, because the federal government has the crude oil swapped for the one it cannot locally refine. If that is the case then, it shows that the cost added per barrel is a loss to Nigerians. Who is taking that money? We need to know. That is the view of Dr. Aglo, which I commend the House to examine very carefully. If he is right, for instance, that there is no subsidy, then we ought to actually return to N65 not N97 per litre. It is a crucial issue. If we were in the court of law the issue for determination before the committee will be: Is there subsidy? If so, where is the evidence? It cannot be assumed. That is the first issue. The second issue is: if indeed there is subsidy, exactly how much is the subsidy? There is a report I want from the Secretary. He informs me that the report is already in the custody of the Committee. A while ago, as a result of the federal government not having information on our petroleum sector, they commissioned KPMG. If you read the KPMG report you will agree with me that their finding is a disgrace and it is embarrassing that this report was submitted on 7th of September 2010 and up till now no action has been taken. Indeed, I will say that a substantial part of our work has been done by KPMG. They went through the entire government gamut; they actually focused on the issue of subsidy - how PPPRA initially had criteria, which included that you had to have storage capacities to receive subsidy. Then suddenly briefcase business men would get allocation. These are questions that I will like PPPRA to answer. I am not an accountant; I am a lawyer. So, I told my accountant to advise me, and I do hope he is right, because I am relying on his advice, since I am under oath. He said that if we block all the leakages, the magomago and wayo, we will be saving N5 trillion. So, it is not only the problem of the subsidy budget going from N240 billion to N1 trillion. There should be none at all; we should have gross savings from that figure. I am just flipping through the report. I could see areas where for instance, NNPC deals in forex. Someone from NNPC calls somebody at CBN to ask about the rates, he gets the figures and then he does some additions and then keeps the money - all these are here in the report. My take is this: the ad hoc committee will need to really insist and demand that this report be fully implemented. Now, if this report is fully implemented, two

things will happen in my opinion. First, our cost of refining will go down. Now, if our cost goes down, will it go down to the point where the subsidy will be relevant or not? So, these are the questions I will like to know. The second thing will be: what do we do with all those, with respect Mr. Chairman, the crooks who have stolen our money as identified in the report. What do we do with them? I do not think Nigerians would have spent one week suffering and the people responsible for the callousness of diverting our natural resources left to go. I know that the Minister of Petroleum had ordered an investigation, but I think in addition to that, I will like to see with respect to this House, the involvement of your Public Account Committee. I was telling my colleagues here what I heard on the street, and they asked which street? I heard on the street that we might need to strengthen government's new resolve to empower the EFCC to investigate; maybe that will be the way to go. We need to support that. Then, I will go to my final point and this will be just some small recommendation. There is no doubt that Nigeria is passing through difficult times, there is no doubt that the Minister of Finance is very correct when she identified the need to manage our resources more efficiently and there is no doubt therefore, boldly speaking that deregulation ultimately is a very strong way to go. I do not think that Nigerians do understand that deregulation is a good thing, because it frees up resources which can be properly utilized, invested to build up our roads, our broken down infrastructures and so on. But there is also a very important component which I will like to be noted. We are people; we are not statistics. You are dealing with human feelings, human emotions. So, it is not just about economics and maths. As a lawyer I can understand this. In fact, one of my special areas is development law and deregulation. So, I can understand if you deregulate, you will clean up all the inefficient bottlenecks and constraints, the rent seekers. But there has to be that balance. I will also take this opportunity to emphasize that the ad hoc Committee has a role to play in the immediate passage of the PIB, because if PIB is passed, there will be a clear difference between what government does as policy makers and what the new petroleum inspectorate will do as a regulator. There is no way a commercialized NNPC would have tolerated this type of thing. There is no way that a private business man will run his business the way that a government NNPC is being run. It is not possible! So, Nigerians would like to see time frame within which the PIB would come; two weeks, three weeks; what time is it going to come? I have the privilege of meeting the President when he was consulting and the Minister of Finance made a presentation. Now that she is here I will so ask. Can we not look for additional revenue opportunities? In the state I come from, which is Anambra, where is the Anambra oil gas basin cart since 1970? It is second to Niger Delta basin. There are six in Nigeria. There is 33 trillion cubic feet of gas under the Anam-peninsular; they can add value. It also leads me to the issue of the structure of the country. So I will like to note for the committee that if Nigeria is governed from Abuja, it will make a lot of places inefficient. Our governors come to Abuja to collect cheques and disappear. They do

nothing, they pay salaries and the places are empty. So, a centrifugal federal system will continue its inefficiencies, as eloquently described by the Minister of Finance. In order to actually move forward, we have to look for the best ways to get the best resources from this country. I am happy to see the Director General of NIMAS here. NIMAS is the government agency responsible for strict enforcement of cabotage. I promoted cabotage about five or six years ago. Why is it not being enforced? Why did foreign ships come here? Five thousand foreign ships are plying our waters, stealing our oils and we are all here looking like people that are lost. They come here deprive our ship owners of access to business and disappear. In a time that we say any non-Nigerian vessel is illegal unless you are properly registered, why is it that the beautiful Act that was passed by this august body entitled Nigerian Oil and Gas Industry Content Development Act is a dead law? If this Act is enforced we are looking for about N10 trillion. I will just give you a very bad example. Under the shipping Act, a vessel has to be classified by Lloyds but they do things to exclude Nigerians from getting the necessary licence to classify them. Some of these foreign vessels come here disguising their real identity and it is because we have left our borders open for all sorts of vessels to come. We are all so stupefied and have lost our minds over oil. The time has come to look at other resources. As I close, let me bring to our remembrance the war between Arik Airlines and the British Airways. Every American dollar which is converted to flight ticket must originate and terminate on an American national carrier. Ninety per cent of our government money converted to tickets go to the British Airways, simply because we have no laws. So, I propose that we begin to give Nigerian business preferential treatment. That is why I am pushing forward a fly Nigerian Act, a legislation that will allow Arik and other Nigerian airlines to be designated as Nigerian airlines. When this is done either in the aviation business or in shipping the economy will be better for it. The way things are now, the economy cannot grow. If we have MTN here giving us inefficient phone services and taking all the money out, how are we going to grow? So, this issue of subsidy has a wider dimension. The National Assembly should please make it possible for government to pursue policies that will promote additional revenue opportunities. Once more this is the simple question I would like to have an answer to: Is there really a subsidy? I thank you for the opportunity.

HON. LAWAN: Thank you very much for that presentation. You have actually taken us back to the reason the ad hoc Committee was set up. In the course of the debate during those turbulent days when subsidy was unceremoniously removed, there were so many views canvassed. Out there, there are people who have argued that there is no subsidy at all. Some people have argued that, yes there is subsidy, but then the pump price per litre should not be up to N141. Some others even argued that PPPRA has no business with fixing prices for petroleum products. If the whole idea is to deregulate completely; then the price

should be left to the market forces to determine what the pump price should be. You cannot deregulate and be fixing price at the same time, these are some of the issues. Of course, you have added your voice and we are very grateful to you. In the course of this discussion, I hope you will remain with us so that after taking on the Minister of Finance we will still come back to you for clarification on some issues. Let me express our gratitude to you for the trouble you took to fly all the way from Lagos to be with us. It shows commitment and the level of patriotism since you are not on the payroll of government. By that I mean that I do not think your ticket was paid for by government, and your accommodation could not have been paid for by government. So, you are here, because as a Nigerian, you want us to put things right. Let me quickly invite the Hon. Minister of Finance and the coordinating Minister for the Economy. I think I would rather she speaks as coordinating Minister for the Economy. Hon. Minister you have heard all the questions that are asked concerning petroleum issues and the NNPC. Any question on this issue can be directed to you because you are in charge of the economy, even though we actually invited you as the Minister of Finance. Hon. Minister you were here on Monday and you requested that we should give you more time so that you could get some other technical issues sorted out. I now invite you to proceed with your presentation.

DR. NGOZI OKONJO IWEALA (Finance Minister): Thank you very much Mr. Chairman and distinguished Members of the Committee. I speak as the Minister of Finance. I have all the people from agencies here with me. We have the Hon. Minister of State, the Accountant General of the Federation, the Permanent Secretary, the Chairman of FIRS, and the DG Budget. We are all here together today. I really want to thank you for inviting us back to this ad hoc Committee to address you and to make clarifications on the role of the Ministry of Finance and its agencies on the management and payment of subsidy by the Federal Government to importers of petroleum products. I also want to thank my brother, Mr. Agbakoba, for taking the trouble to come here today to give his testimony as a concerned Nigerian. Before I start, I want to say categorically that we are really interested in finding out all the facts about these subsidy issues including any issue of corruption or wrong doings. The objective is that we must get at the truth; we must clean out the system, and must put it in a shape that will enable it to deliver to all Nigerians. That is what we are interested in. In that regard, I really want to thank the Committee for what it is doing. The President said in his recent speech that the government is irrevocably committed to fighting corruption. Yesterday, the Federal Executive Council approved that the Nigerian Extractive Transparency Initiative (NETI) conduct auditing of the oil and gas and the solid mineral sectors. So, there is evidence that there is commitment to working this out; to clean it out and get the right things for the Nigerian people. I think that I should let you know that we in the Ministry of Finance are absolutely committed to this. So, in that regard, I just want

to go through my statement as to what our role is, what we do and then focus majorly on the issues of payment, because this is what Ministry of Finance does. First, as the committee is aware, the federal Ministry of Finance is responsible for managing the finances of the Federal Government of Nigeria, including managing and controlling of federal revenue and expenditures. It directs the affairs of the Federal Allocation Committee for the federation account in which the revenues of the federation are divided and shared among tiers of government. In addition to managing the budget, we also collect and disburse government revenues, formulate policies on taxation and so on. We prepare annual account for ministries, departments and agencies. We manage the federal debts and regulate the capital market. In carrying out the functions the Ministry tries to ensure that the monies that are due for payment are handled in a timely and transparent manner. It is guided by the principles of ensuring that due process is followed; the Ministry discharges its responsibility through its various departments and parastatals. As part of its roles, and specifically, while preparing the annual budget, the budget office of the federation makes annual estimates of the amount expected to be devoted to subsidy. In making estimate for the subsidy, the budget office based its projection on a number of assumptions, which includes international price of crude oil, petroleum products, the exchange rate of the naira and the likelihood of government going forward for the policy of subsidy removal during the year. In the last few years, government has indicated its desire to phase out the subsidy and deregulate the downstream petroleum sector. As such, proposal in the budget has been partly dependent on the expectation that deregulation would occur, and it is pertinent to point out that this payment usually comes as first-line charge before the revenue is shared among the three tiers of government. It is not clear when they started the first-line charge but it has been there for several years. I will also try to find out exactly when. By the time I left last time, subsidy used to be included as first-line in the budget. I think it has been going on for some time and we are trying to get to the root of it. Subsidy was still being seen as part of NNPC's operations since it brings petroleum products into the country at a price that is higher than it is allowed to sell. A few years ago, when the size of subsidy started to increase rapidly it was decided that the responsibility for this should be for the federation rather than just for the Federal Government. Now, what about the issue of petroleum product subsidy that has been raised? Subsidy as I understand it is the difference between the pump price of fuel and the total cost of importing it. Here it is taken to the importer of petroleum product namely, the product marketers and the Nigerian National Petroleum Corporation (NNPC), to keep prices below market level. This was an attempt by the government to cushion the impact of rising oil prices on the Nigerian public. What of the issue of this subsidy under the current downstream sector structure? The prices for petroleum consumed at the pump and the government is not determined by the man that supplies and brings the product back to the market. Prior to January 1st, 2012, pump price of PMS was still at N65.00 a litre. Now it is

N97.00 a litre. Most of the PMS that is consumed in the country is imported. From what we understand, NNPC was allowed an allocation of 445,000 barrels per day to be refined in our refineries for domestic consumption. However, given that the refineries are not working, NNPC started to practice selling the crude oil and bringing in the refined product. At some stage in 2000, NNPC was asked to pay for its crude oil at international market prices. So NNPC was actually to pay to government for that crude oil at international market prices and then bring in refined product also at international market prices. When the subsidy was paid, I understand NNPC would sell and import the product, but the cost with which it was importing the product was higher than the cost of the product at the pump price. I think the NNPC started to deduct the cost of doing business; they have to take care of the cost. So they started to deduct their cost from bringing in crude oil and bringing in the refined product. So the difference between the price that the government wanted to sell the refined oil and what it is costing NNPC to bring it in at international price is what has become the subsidy. Though sold at N65.00, the landing cost of a litre of PMS was estimated at N123.00. Just to give an example, the subsidy is based on the crude oil price of \$113 per barrel. Then you have some cost for distribution and so on. There is always an argument about this cost: some say it is a result of inefficiencies, and one has to admit that there is an element of that cost that is efficient which could be dealt with. Then I think there is a cost of demurrage, for instance, where a ship comes in and there is nowhere to offload for a long time and end up paying a large amount. There are other inefficiencies in the system that increases the cost, though we would not even talk about that. But if we were to add what is said to be the cost of distribution, it is about another N15.00; with all the inefficiencies resulting in the cost of about N138.49 per litre. Of course if you are to remove those inefficiencies that price would come down to some reasonable amount. Invariably, whatever the amount may be the cost of refined oil is more than 80% of the cost of crude oil, which is the value for NNPC at international market price. Whatever that case may be there would be this gap between the amount that it costs to bring in the refined fuel and the amount the government is selling it at the pump; that is what subsidy is. That comes to about N74.00 with the numbers that I have given and that is what Ministry of Finance pays per litre to marketers when the PPPRA send us the numbers of what has been brought to them. Now, what is the procedure for the payment of subsidy. I also talk about it on Monday when I was here, but I think it is worthwhile running through it again and then ending with what was paid last year and what we think we are paying for as far as we know in the Ministry of Finance. The procedure for payment for subsidy to independent marketers involves a chain of activities. The first step is the registration of the oil marketers intending to participate in the PSF scheme. Thereafter, the marketers obtain approval of the PPPRA to import product. When the product is eventually imported by the marketers, there must be a witness and the discharged product must be confirmed by the PPPRA operatives. The Department of Petroleum

Resources and Akintola Williams Deloitte, and from 2011 Olusola Adekanola were also added; all these are witnesses to the discharged product. There is the independent surveyor as well as the Nigerian Navy. They are all there. Import documents of the product will also be verified by the PPPRA and DPR as part of their jobs. The next activity is the compilation, computation and analysis of import document and the determination of under recovery and over recovery which are all carried out by the PPPRA. When these activities are completed PPPRA forwards the verified documents and subsidy claims to the Ministry of Finance and the Budget Office of the Federation for further action. The Budget Office in turn forwards the document and subsidy claims to the government appointed auditors. The auditors undertake the auditing and return the audited claims to Ministry of Finance, Budget Office of the Federation, while the Hon. Minister of Finance forwards the audited claims to the Accountant General of the Federation for final payment. The foregoing process is expected to be completed within 45 days as per the agreement with the marketers. Marketers charge an interest if it is delayed. As I said before, over the years NNPC has been receiving an allocation of 445,000 barrels of crude oil per day to be refined for domestic consumption. This quantity I think was determined as a result of what the four refineries in the country could refine. For some years now, the Nigerian refineries have not been operating in full capacity. Therefore, NNPC sometimes sells some of its allocation of crude oil by itself and uses the proceeds to import product into the country. All this is done at international prices, but they can only sell at government mandated N65.00 per litre. So it is as if every litre it brings in and sells, there is this difference of a loss that it incurred "on its book" which is the subsidy. Therefore, to recoup the difference which is regarded as a cost, NNPC has over the years net out the amount from its remittances to the Federation's account. In other words, it regards this as a cost of doing business and nets it up. Just to add another dimension. Sometime in 2009, the country started experiencing long fuel queues occasioned by the independent marketers protest against delay that they experience in the payment of subsidy that were due to them. This delay actually led to higher claims by marketers, the interest charges and so on. An instrument called the Sovereign Debt Instrument Payment was therefore introduced as a measure to reduce delay in the payment of claims occasioned by the lingering structural bottleneck associated with the payment process. The Sovereign Debt Instrument Payment (SDI) process started with the issuance of the Sovereign Debt Statement on the verified volume to the marketers by PPPRA. PPPRA thereafter notified the Debt Management Office (DMO), the Office of the Accountant General of the Federation, the Federal Ministry of Finance and the Budget Office of the Federation of the issuance of this Sovereign Debt Statement. The DMO then raised sovereign debt loan and notified the Central Bank of Nigeria (CBN), Federal Ministry of Finance, Accountant General and the marketers. The CBN finally redeemed matured obligation to marketers at the end of the payment for approval of 45 days. Subsequently the Federal Ministry of

Finance will conduct payment to marketers against the auditor's report that advises the PPPRA on any of the observed differences to be addressed to the next batch. What I am trying to say is that because of bureaucratic delay and bottlenecks in making payment and the incurring of unnecessary interest to cost and charges, a methodology was developed to allow the DMO and the CBN to make some money to pay up these marketers very quickly. The amount of the subsidy in 2011: I will comment on this because the question has been raised about the amount that was in the 2011 budget, which is N1.3 trillion. This amount has actually been paid by October, 2011. Then at the end of this year, 2011 what we have now is about N1.43 trillion. People asked why it was paid when there was a provision for N245.9 billion. This figure was based on the expectation that there would be deregulation in May, 2010. Of course it did not happen and the subsidy then rose. The amount is proposed in this 2011 and again we have the DG (Budget) that can further clarify the process. We are happy to have the same Budget which had been submitted to the National Assembly, as part of the fiscal framework, in July, 2010. This was passed by the National Assembly in September. The actual subsidy to be paid is highly unpredictable in view of the unpredictability of prices. So at the beginning of the year you have to project what you think it could be but when the international prices change, you can then factor in the fluctuations around the projections that you have made. The actual amount is never known but if your projections are reasonable they should not depart too far from that. It depends on the price of oil and the exchange rate. I will ask the DG (Budget) to add his own experience because he was actually there - part of the issue was the uncertainty that was created when we determined this deregulation. The smaller amount that was put in was one that depended largely on whether the deregulation will happen or not. As you can see it did not really happen on time. We ended up with a figure of N1.43 trillion, of what we have paid so far and that figure is based on our consumption of 35 million litres of PMS and 10 million litres of kerosene. These are the figures that underpin the payment that the Ministry has actually made. There may still be a little of it. Some of it came in arrears, and we paid most of what is coming to the Ministry this year; there may be some other papers that would arise but so far our figures show what we have paid for is about 35 million litres of PMS and 10 million litres of kerosene. Those are the remarks that I would like to make. I hope that I have been able to shed some light on this subsidy issue. I want to thank you for the opportunity and also reiterate the commitment of the Ministry and the government to shedding more light on this issue. We want to really clean up the corruption and misuse of resources and set the place right, the way that the Nigerian people will want it. Before I leave the floor, may I also comment on the very important issue that Mr. Agbakoba, SAN raised: the issue of additional revenue opportunities, you are absolutely right. There are two major things that the Ministry is also doing now to help with the financial situation of the country. Before I say that, I want to repeat what I said earlier that the country is not broke. The country can run,

what we are saying is that five years down the line, if we continue with the trend in the way we are managing our finances, and we are increasingly having to borrow more and more to finance projects, we would have piled up so much debt which we will leave for our children to pay. Most of the debts are domestic, to finance the budget and some part of it is going towards the payment of the subsidy which is not right. We are also saying that having a situation like that leads to accumulating more, and more debt at a high interest rate. As you know when we raised these resources they are at a prevailing rate of interest and recently it has been anywhere from 16% to 19%. With that kind of interest rate the debt piles up really quickly to a point that you are not able to pay. We do not want this country after having got relief from external debt earlier to repeat the circle in domestic debt. Domestic debt is a little more dangerous in that you owe it to your citizens. When it is external debt, sometimes you can delay, like Nigeria did, or skip payment, saying you would not pay at a certain time and so on. When you accumulate domestic debt, it means that the people owed the debt are your own institutions, your own citizens. If you actually do not pay them, then they too will not get the resources that they need to run the economy. When we are raising all these bonds, we need to think carefully about what we are doing. Because some financial circumstances may not be able to meet their bills of payment or even pay salary. That is what we are saying and I keep repeating that Greece that you see now in difficulties also did not take top decisions that it needed to take at a certain time. When you take an unpleasant decision, it means that one set of people in the country are sacrificing at a certain point in time for the future of others in the country. You see the way Greece is solving their problem. If you do not do it then you end up with a situation that they have now, a situation where they cannot even pay salary and they have to depend on borrowing outside or from the EU. Jobs are lost, unemployment is extremely high. We have not experienced it, but we are just saying that let us be careful, so that down the line we will not put our children in great difficulty over the debt that we would have piled up. Coming back to the main issue, what do we do? We must work really hard, both on cutting cost of running government, as well as raising additional revenue, blocking the leakages and then look for all other sources of revenues. In the Ministry of Finance, we have two teams going; we have already started work, even on the side. On internally generated revenue within government, we have got agencies that generate revenue. What is their status, are they really remitting what they should to the federal purse? We wrote with the support of the government and with the support of the President too, to each agency saying that we would look at their books and recover whatever additional revenues they are not remitting to the government. We will go beyond that (and the Chairman of the FIRS is here) to the taxes from the private sectors. We are owed about N179 billion now but going beyond that, we would be very aggressive on trying to recover what we are owed. We will block leakages in all the sectors and that is why it is also good to look at this particular sector we are working on. Anywhere we see leakages and

we can return money to the government's coffer we are completely devoted and a team led by both the Director General of Budget and the Accountant General of the Federation is working on this already in the Federal Ministry of Finance as we speak. We are also working on the cost cutting side, we are looking at the cost of running the country and the inefficiency in the system, and since the President has already instructed us to cut overhead we are going to do that. Beyond that we are looking at where we can save resources from agencies with overlapping functions. There is the Steve Oronsaye's Committee and we are waiting for their recommendations which according to instructions from Mr. President, we will implement. Their report will help us to streamline governance but even before that, we are identifying systematically areas that we can cut and save costs. Those are two things we are very committed to in the Ministry. I want to agree with you about revenue here, especially non-oil revenue. I would also mention that as part of the agenda of Mr. President to turn around the economy, we are investing in a certain sector that we know will generate additional revenue and save cost. The agricultural sector is one prime example, because we spend over N1 trillion importing food per year. Why can we not improve the way we produce certain products so that we can save those resources going for importation and plough them elsewhere in the economy. We are saving this revenue and cost and also creating jobs. We are looking at investment in the agriculture sector, in the solid minerals sector, in housing and construction. We are going to launch a piece of work on the housing sector to see how that can also boost the economy. These are areas that can both create jobs and generate revenues and we are fully committed to moving ahead with these investments. I thank you very much, Mr. Chairman.

HON. LAWAN: Thank you very much the Hon Minister. Now, do you want the executives of some of your agencies to make some brief presentations if they have or would you rather respond? Will you rather that we address our questions to you, and in the course of your reply, may be they will give us their responses? We invited them separately and we expect that they should have some presentations for this Committee. Most of the issues we have raised have actually been handled; for instance, the payment of subsidy. I know of course that the Ministry plays a role, but ultimately it is the Accountant General of the Federation, who is the custodian of the Petroleum Support Fund. I also know that the provision in the budget for 2011 and the arrears of 2011 that are captured in the 2012 budget are also directly the responsibility of the DG (Budget), but we also find out from the Chairman of the Federal Inland Revenue Service (FIRS) what role they play, especially with regards to subsidy issue. I know that there is no tax on refined product; but, if there is, then how is that managed and what role do they play. Do you want us to take them on or you would rather we raise these issues and in the course of the discussion they respond to them?

DR. OKONJO IWEALA: Thank you Mr. Chairman. I think it would be easier to have the

questions and then the responses, and in the course of responding, they can also use that opportunity to make a statement.

HON. LAWAN: First of all I want to express our gratitude to you for this presentation and I am always encouraged by your passion for the need for things to be done properly in this country. Now, let me start with your last comment on the observation raised by our friend, Olisa Agbakoba, and that is the issue of revenue, the need to ensure that leakages do not continue. We need to diversify our revenue base by exploring the non-oil and the non-gas areas and we need to find ways of cutting wastages in government. What is your take particularly on the issue of the very huge wastage associated with our oil and gas sectors? I will give you one good example. We are discussing the issue of subsidy now but you know that the issue of subsidy is only a tip of the iceberg when you really want to address wastage in the oil and gas sector. For instance, you and I know that there were contracts that were entered into in respect of production and marketing of crude oil. We have seen some of these productions short of contract requirements, such that the country virtually does not make anything. We just entered into the contracts to allow the parties to those contracts to milk the country dry. If we truly desire to address the issue concerning revenue we need to look into contract issues. This brings me to the argument that those in government try to advance to justify the withdrawal of the subsidy especially that in the next four to five years Nigeria will be broke. We know that there are cases and we need to go into those cases and recover the revenue that should come to this country because our economy depends on oil and gas sectors particularly the crude oil. If there are huge leakages and we are not doing much about them, will the role of subsidy truly address the inflow of the resources or funds that you have so eloquently argued about on this issue of withdrawal of subsidy? Let me have your take on that.

DR. OKONJO IWEALA: As the Minister of Finance my job is to look relentlessly for resources for the country wherever we can and to try to curtail indirect expenditures and direct expenditures in an efficient manner. Wherever there is wastage in any sector of the economy, we would absolutely be in support of trying to find where those leakages are and correct them and then redirect the resources to the treasury. To that extent we would be very interested in finding any leakage in the oil and gas sector, blocking and redirecting the money to the treasury. It is true that the subsidy is one aspect of the question of the issue we are trying to tackle in the oil and gas sector, but the President has also made it clear that all the other issues in terms of deregulating the sector, getting competition in making it more efficient and trying to maximize the resources that we get in the sector, making the system more efficient and so on, would be addressed. In that regard the contract we entered into are joint ventures and production sharing contract. It expects us as citizens of the country to make sure that these contracts are done in favour of the country. It means that when

we enter into this contract we have to have the best expertise sitting across the table, we have to get the best technical experts in the oil industries to understand what will be the cost if you go into JVC; we have to have the best lawyers that are vast in oil industries so that they can get us the best chance. The Joint Venture we are talking about, the question you have to ask is; have they been done in the best interest of Nigeria, can we do better? Even under the ones we have done are we making sure that we are implementing all the requirements? These are issues we should continuously be looking at so that we maximize whatever resources are available to us. When I was working as DG, Budget and that time we had small oil and gas issues in the Ministry of Finance. When we looked at this contract, we were able to discover in 2005, under the President Obasanjo's Administration, we were able to collect \$1.2 million equivalent, money that should have come to National Treasury. When we went to the oil company they admitted that they owed this money and we were able to direct them to the treasury. So we have a track record of doing that and we would be very interested in viewing our contract agreements again. Concerning the production sharing contracts, we will also look around in many countries to see whether what we have is just peculiar to us or it conforms to a common practice. It looks like, increasingly, as more oil is discovered offshore there is more and more production sharing contracts that are being executed there. So part of it is that the cost of extracting this oil offshore is quite substantial and much higher than what it is onshore and sometimes countries do not have all the resources for investment. It will then enter into this contract where the explorer (the company) incurs much of the cost of exploration and then recovers the cost before it starts paying. So those are the new kinds of contracts that seem to be obtainable. Again, what we need to make sure is that the companies are here to do business, cover cost and make some profit, but we also as a country we need to make sure that we get our share of what is due to us. It requires rigorous examination of the contract in order to make sure that what is due to us is collected. I will continue to monitor our contracts to make sure that we are collecting everything due to us. Those are the two things that I think we need to do, though difficult, to avoid any kind of leakage of monies that should come to the country. We will also monitor execution of contracts to avoid agreement that ends up not being in our favour. I am strongly in support of what you have said that we have to pay absolute attention to our contracts.

MR. AGBAKOBA: Mr. Chairman, I am shocked that the Nigeria Oil and Gas Industries Content Act, passed on the 22nd April, 2010 are not being implemented. Now if this is implemented, not a single IOC will have its PSC standing as is the case today. The IOC is exploiting us, and it is time we change and we should not be afraid. If they do not want to do business with us, let them go. It is our oil! We cannot be held to ransom by IOC who tells us that we cannot do the work. Julius Berger is said to be the best building contractor around,

even then I do not see why we cannot implement our law in that regard. If we implement our law, and I challenge government on this, not a single PAC will stand. If you bring it in conformity with Sections 3 and 6 of the law, they will not have changed their legal templates. Why should ExxonMobil bring foreign lawyers to Nigeria to write simple agreements when the law is saying that all oil/gas arrangement, agreement, contract, memorandum linking to operations in Nigerian oil and gas shall be in conformity with the provisions of our law? Yet they are still flying in foreign lawyers, flying in foreign engineers! If we really want to change this country, it is time to implement our laws because the laws are in the books. It is not just enough to say things policy wise, let us implement our laws. If we do so things will change.

DR. OKONJO-IWEALA: I just want to say that I could not agree more with Mr. Agbakoba. It is not about making policy statements now or even about the prospects we are going into; I think it is right to implement our law, implement our programmes. Nigerians are tired of hearing we will, they want us to act, we are in action and we need to continue and press on with that. Furthermore we need to communicate with people what we are doing, what government is doing, what it is not doing and what it is achieving; we need to do that.

HON. LAWAN: I wanted to raise an issue which Olisa Agbokoba previously raised and that is the need for the implementation of this law, but I will add a little to that. You mentioned in your response that in 2005, you headed the Oil and Gas Unit and you were able to recover some money. Since coming back as the Minister of Finance have you taken the trouble to look at the same thing that you examined in 2005 to find out whether after your departure it went back to business as usual? I am saying this because I know there are one or two other decisions that were taken then which unfortunately were abandoned later. Recently when this issue of subsidy came up, I recalled that prior to 2003 or 2004 the practice was for NNPC to deduct the money directly, but since 2003 to 2007 a system was put in place where the amount were appropriated in the budget. The period I was the Chairman of Finance and Appropriation, I remember it was appropriated and we now know the system. My question is; you discovered Nigeria was being short-changed through that system and you managed to recover some money, have you initiated anything that will examine what is on ground to determine whether there are such leakages now; resources that could be available in order to reduce the amount of subsidy?

DR. OKONJO-IWEALA: When I was Finance Minister then we tried to change the system of the way the subsidy was paid and we actually put it in the budget then and it became part and parcel of the budget. Now this system has changed and I think we need to take a look at that system and see how we can make everything more transparent about what is happening and people need not ask questions. We can explain what is happening

now and I have done that. I have told you that we know how many litres we are paying for. Whether it is right or wrong is a different question, but we know. When people are throwing figures around I think I can tell you what national treasury has paid for. But we do need to look at this system completely and see whether we can evolve one where the subsidy is more clearly seen by the Nigerian people, maybe similar to what we were doing before. So, I do agree with you that we should look at the system and see how it will change. The Oil and Gas unit that we had started was disbanded. I came and found it was no longer there, but we can reconstitute it. In fact, we are already trying to do that because I think Ministry of Finance absolutely needs to have this kind of unit. It is not normal that a country that depends on Oil and Gas for its revenue does not have this kind of unit of expertise in this area. We really need to bring it back and we are committed to doing that. We are actually very lucky that the DG Budget is a Petroleum Economist by training, so he will be very helpful to us. To achieve that, we need to assemble other people into a proper unit that can handle the issues. I just want to beg Mr. Chairman that I came on August 17, 2011 when much of the fiscal year was already passed. We started preparing a budget for the next fiscal year to be delivered to the National Assembly, and so my first three months were already taken trying to prepare 2012 budget. Here we are now, and we can turn our attention to some of these issues, to take a look at what we did before, see what money we can recover and how we can block any leakage; the money out there, we need to get it back to the treasury.

HON. LAWAN: Let me take you back to the presentation you made, I need a few clarifications. If you look at page 3, procedures for payment of subsidy, the first paragraph, the first sentence, thereafter -Approval of PPPRA to Import products. Is there any role for the Minister of Finance in this procedure?

DR. OKONJO-IWEALA: The Minister of Finance and my colleagues, if I am wrong correct me. We do not get involved in approving or giving import contracts.

HON. LAWAN: If you look at the paragraph there, the independent auditors have undertaken the auditing and returned the auditor's report to the Ministry of Finance and Budget Office of the Federation. Can we have the audit report for 2006 to date, all the audited report, there is?

DR. OKONJO-IWEALA: Yes, you can have them.

ACCOUNTANT GENERAL OF THE FEDERATION: All government enterprises are to prepare their annual financial payment and copies are to be sent to the office of the Auditor General of the Federation and our office, so we would look for the report and get them for you.

DR. OKONJO-IWEALA: I think the Chairman is asking for the audited reports that come to us; yes we can provide them.

HON. LAWAN: I am asking because we want to be satisfied on the basis upon which you made the payment, let us look at some exhibits

DR. OKONJO-IWEALA: We brought some copies but they are not complete, because we actually want to show you that we are willing to give them to you. It is not an issue.

HON. LAWAN: You can bring what you have and please make sure that they are available to this Committee. Look at page 4 – sub headline - Payment of Subsidy to NNPC. If the system allows NNPC to deduct from the source, for the fact the Ministry of Finance is in charge and has responsibility for payment of subsidy, what role does the Ministry play to ensure that NNPC is transparent and accountable?

DR. OKONJO-IWEALA: As I mentioned to you just now we tried to change the system and make it efficient in 2005 before the oil prices got extremely high. We wanted to have a system that is clean and so we always discuss with NNPC. That time we also had a cash management committee, and the federation account allocation committee to which we also invited NNPC to share with us the figures of what had been realized over the period and what should be meant for the federation account. We prepared a system whereby the deduction is made, considering the amount due at the international oil price then and we would pay them for whatever products verified. As prices got higher they started to deduct it. Maybe if the Minister of State (Finance) or Accountant General wants to add.

DR YERIMA LAWAN NGAMA (Minister of State, Finance): We have a technical Committee, which comprises of the representatives of the Office of the Accountant General and the Office of the Accountants General of the various states. The NNPC also has representatives. They go through the papers to verify what NNPC has deducted. After every stage, there is also a postmortem by the Revenue Mobilization, Allocation and Fiscal Commission which goes through all computations to make sure that everything is done according to the law. There are other various meetings since we assumed office, and you would have noted increase. Within the context of whoever is going to conduct the meetings, we do ask questions and it is from one of those questions that we realized that there is difference between subsidy which is due to PMS and also part of the subsidy that is due to the DPK. That is to the extent which we actually asked questions.

HON. LAWAN: After the NNPC has deducted the money, then you ask them how much they have deducted, which means you really do not play a role before the deduction? Who actually authorizes NNPC to deduct money from the federations account?

DR. OKONJO-IWEALA: It has been a practice that was kept rather than any authorization. We have actually looked into this issue to find out somebody that is authorizing the practice, and we have not been able to come up with any answer about this. It was a practice that was developed.

HON. LAWAN: My worry is that the NNPC has been taking what belongs to the federation. I really want to know who grants approval to them to take money. Given the role of the Minister of Finance, from what you have said as far as payment of marketers are concerned, PPPRA computes the claims, I thought it is the Ministry of Finance that authorizes. I believe it should be the Minister of Finance that should authorize the Accountant General to pay. Now the NNPC claimed that they have been incurring some losses in the course of importation of the refined products that are meant for domestic market; that is one side of the story. The other side is that NNPC locally refines products and that the gap between the market price and what should be termed subsidy obviously should be different from the imported products and the locally refined product. NNPC apparently without approval of anybody gets the money, nobody is asking how do you deduct and why did you deduct. It is an amazing situation which I find difficult to comprehend. Now the resources that are supposed to go into the federations account are being swindled. We know that these abnormal practices are going on which are subject to abuse; they are not transparent and accountable.

DR. OKONJO-IWEALA: I want to reiterate that from the point of view of Ministry of Finance, and what we want to do for the country and from the point of view of the government we do not want to condone any practices that are not transparent. You have already given an example of how our system was changed, and we will be focusing on what to do to change the system. You have already asked me what we have been doing for four months. I said we were working on the budget, and now we would be looking at this system. We will also look at volumes, what was brought in and what was taken out, and try to match up some of the figures and asked questions. It is not a situation where the Ministry of Finance just folds its hands and does not ask any question. That cannot happen because we are desirous to know the truth. Remember we are the Ministry of Finance.

HON. LAWAN: Given the Report of Revenue Mobilisation Allocation and Fiscal Commission from January to September the Federal Ministry of Finance authorised payment to the PPPRA marketers to the sum of N647,660,947,082.13. What that means is that somebody somehow incurred extra budgetary payment because the amount in the budget was N245 billion. So, besides what the NNPC had taken directly without authorisation from anybody the Ministry itself had already over spent as far as the budget is concerned. Like I said let me go back to the first issue I raised, whether there is any document that you can give this

committee that would satisfy our curiosity as to why you provided N245 billion rather than N1.3 trillion. I mean it does not help anybody if I know that I need N1.4 trillion and I provide N245 billion and at the end I spent N1.4 trillion. I think as much as transparency is concerned you need to give us documents so that we can argue it at this level. Maybe there is a need to cut that amount.

DR BRIGHT OKOGU (DG, Budget): Again thank you Hon. Chairman. To answer the first question whether we have any authorization or some kind of documents, the simple answer to that is no; we did not. As you know very well when you are managing issues of subsidy there are all kind of factors that come to play even politically. It is not so direct that we can say for sure this is it, this is the first approval and you can have it in the file; unfortunately we do not have that data. If you look at the history of earlier subsidies withdrawal in this country I do not think you will find where it says for next year this document says we have taken a decision. I guess that explains why we do not have such a document. On the other point you made about provision, we have already explained the reasons we put such a figure. Of course the easiest guide that we could have used could have been the previous year which was around N600 and N650million - that would have been the easiest, but it would still have been wrong. I definitely would not have thought that it would be N1.4 trillion for 2011 so that there was no way I would have put that in the fiscal framework we are submitting to you. The best we would have done if indeed we thought that it would not go forward, would have been around the same N600 billion. That was the guide from the previous year but the reason we did not do that I have already explained; the challenges we are facing - the rising wage bill and other things. The work we do is not purely on numbers alone; we look at the entire micro-economic system, and having analysed it, we were convinced that some of those things were necessary. We put that on top of the fact that consultations and discussions on this matter have been on for so many years plus all the other things that came from those meetings, and we felt that perhaps the government would be able to go forward at that time; it did not happen.

HON. LAWAN: Thank you very much. Let us talk about the PSF Account. First of all let me find out whether you have brought the details of the Account to this committee. As the Accountant-General of the Federation do you have the Petroleum Support Fund Account?

ACCOUNTANT GENERAL OF THE FEDERATION: We just got the notice yesterday and we have not brought it all. What we have read was the details of the subsidy as paid out to the marketers. We just gave the breakdown of how the N1.4 trillion was incurred and paid to the individual oil marketers. The Minister has the schedule, and we would get the PSF Account detail to you later.

HON. LAWAN: We need what you have brought, you should submit it to us and we need

the details.

ACCOUNTANT GENERAL: Yes, the PSF Account is a Virtual Account, we just consolidate them (Laughter). The account I keep is the Subsidy Account as presented to us through the FAC and this, like the Minister of State said, is verified by the Post-Mortem Committee.

DR. OKONJO-IWEALA: Can the DG, Budget explain the Virtual Account concept because there is no bank statement.

DR OKOGU: Thank you Mr. Chairman. I know people have referred to this Account as Petroleum Support Fund Account which gives the impression that it actually does exist and there is a Bank Account, and there is a balance. Those monies are typically paid from the Federation Accounts before monies are distributed. So for that reason it is not like there is a PSF Account with the Account Number in a particular place, whether CBN or any bank at all. What my colleague is saying is that every time he makes this payment he keeps a record of it and that is the account that he is referring to.

HON. LAWAN: First of all let me have all the letters of authorization for the payments he has made because you do not pay without authorization. So we need letters of authorization and we also need the breakdown of what you have paid on oil subsidy. I understand in the presentation that was made, I think two days ago, that the Account itself is underfunded but you are now saying that there is no account, that it is a virtual account. How is it funded?

DR. OKONJO-IWEALA: I was trying to find out where the reference comes from because that might explain the notion of where underfunding comes from. If you have an entity that feels that the Federation holds this money then we can tell that whether the account is underfunded; it could mean that you are not getting all the monies you would want. Still that does not mean that it was actual account; it is a means for accounting for the resources.

HON. LAWAN: What do you use to make the payments?.

ACCOUNTANT GENERAL OF THE FEDERATION: It is always exposed at the FAC meeting and then we now make provisions for it and fund it from inflow. We are always trying to avoid the word deduction because like the Minister of Finance said, it is in the cost of arriving at the revenue that is distributable.

HON. LAWAN: I have so many other questions but I will take a break and invite my colleagues who may have some issues to raise them.

HON. AHMED: Hon. Minister, you said that you are not against subsidy. So, subsidy is not a bad thing but can you leave with subsidy with the petroleum sector? What I mean is that if today rather than just look at subsidy the way we do, can we say what amount of

subsidy the Nigerian economy can support, let me say N24 billion a month. If the budget can support N24 billion a month can you say that for the next 20 years, Nigeria should pay N24 billion a month not more, not less; if you Nigerians consume more that is your problem but federal government will support fuel subsidy because we produce it in Nigeria? It has happened in the U.S in Ohio, they have not increased fuel subsidy for 22 years. In fact, expert economists say government should withdraw subsidy because they too wanted to build bridges, roads and the governor said I cannot lose election. I would rather block the loop holes which they call savings. We will do savings and continue to fund subsidy rather than increase the pump price. My question is can you live with some percentage of fuel subsidy in Nigeria?

DR. OKONJO-IWEALA: I am not familiar with what is happening in the Ohio case. I do know that there is a lot of subsidy in agriculture in the U.S economy but I do not know about the case of fuel. I think there is nothing wrong with subsidy. All the studies have shown that subsidy, when it is directed to those other members of the society who need to be most supported, it is fine. It is when you cannot properly target them to where they are needed that is when it is not fine. You have to ask yourself the question, is there a better way that you can get this subsidy to the people? In every country what happens is that policy makers care about those who are less privileged in the society. Even an oil producing country, you have to say, this our oil what do we do about it? I just want to put the issue of this oil production in perspective. To just cite some examples that Nigeria is a very large country. So, the amount of oil we produce about 2.4 or 2.5 million barrels per day of which by the way we only get a portion. You must always remind Nigerians that the arithmetic of oil is that part of that goes to the partners in joint ventures. So that when you say 2.5 million it is not that the federal government gets all of the proceeds from 2.5 million barrels. Remember, we have joint venture agreement which is about 55-57 for our own share and the rest to our partners. We are not getting all the entire production. The PSCs as the Hon. Chairman said have been deducted and paid to those who are investing before they even come to us. So, when people sometimes take 2.4 million and multiply it and say this is the revenue the country is getting, it is an erroneous arithmetic because it does not take into account the fact that you have to do all these things, you have to take account of the nature of the agreement and what actually comes to the federation. What I am trying to say is that for a large country like Nigeria, getting those resources, we should be careful when we compare ourselves with countries like Saudi Arabia with a smaller population and larger reserve and larger production. I just want to cite some figures to put things a little bit in perspective of how we compare to some other countries. It does mean that the resources we get should be used properly in fact, even more so, we must use our resources efficiently and avoid leakage because we are so many in terms of population and we need that money

desperately. When you look at Saudi Arabia, it has population of about 37 million people; it has crude oil reserves per person of about 9,746 barrels. I just want to compare Nigeria which has a population of 167 million people to Saudi Arabia's. We have even less reserve per person than they do. Nigeria has 223 barrels per person. Our oil revenue per person is \$472 compared to their \$12m. I just want us to put Nigeria in context because when people think we have all this oil and we are so rich and they compare us to Saudi Arabia, Kuwait and some other countries, it is erroneous. Kuwait has a population of 2.8 million people; it has crude oil reserve of 35,993 barrels per person. Their oil revenue is \$29,000 per person compared to our N472. So what does that tell you? It tells you that some of these countries with small population have so much oil that they can give it away and they will still be able to continue exploiting for years and years to come. In the case of Nigeria compared to our population we have very little. So we must think carefully about how we use that oil and that is why what we are doing is important. We must not allow the leakage to persist, we must not allow waste, and we must harness every drop of that oil and the money that comes from it for the use of the country. When you compare it to the population we are not as well off as we think. We actually have maybe 30 more year's reserves. But we have a lot of gas, so that may also help us in the future. I think I need to call this statistics because if you do not constantly remind Nigerians they will be comparing us, saying that Saudi Arabia does that, Kuwait does that, then they will also bring all the countries they want and compare them with Nigeria. I am not being selective; you will see that we are not really that robust in terms of what we have. That takes me to your question of how should we use the resources we have in the best way? Now the issue is that we come back to the bottom line of Nigeria saying well, you did not use it so well in the past. Why should we trust you that if you remove this you will use it well in the future? And their question is very legitimate. Nigerians have the right to ask that question because government has not performed in the way it should in the past. Now, we want to change this; that is really the essence of what the National Assembly is doing. To say that we have oversight, let us see where this money is going and what the government is trying to do and say all right, we have to now use this money differently. I think this is the right way to go and the only way we can build that trust is to become more transparent. Let us just take the issue of subsidy savings which will now be smaller than what we had anticipated. Let us even take that which is to say to Nigerians, here is the amount that was supposed to be used for subsidy this month. Here it is, here is the programme it is going into. You go and we have to be very specific about it. If it is Lagos-Ore-Shagamu road that we are putting money into, people have to go and see that this is being done. If it is Kano-Lagos railway they have to go and see it, or Abuja-Lokoja road. If we are creating jobs, they have to see it and to even present the names of those who are getting these jobs. We have to be transparent for Nigerians to be able to trust again.

HON AHMED: What is the cost of domestic refined petrol? In other words, what does NNPC sell to the inefficient marketers? Is it the one they cannot refine or are they swapping, is there any policy saying that we must sell because it affects the price?

HON. LAWAN: We discussed exhaustively with NNPC yesterday and we will still take them on. I will still want the Minister to stay on those issues and I am very particular about this issue of swapping because in the past we have raised this with the NNPC. We are going to discuss it with the DPRS and the Minister of Petroleum. I know and I am sure a lot of Nigerians know that we used to have government to government swapping arrangement. Along the line apparently, it was not profitable to some quarters so people decided to abandon that and the middle men were now brought in. This is another big area where apparently losses are incurred and we intend to look into it. I would give assurance that before the end of this exercise, we would also look into that issue. Any area that we believe Nigerians are being short-changed I believe that we need to open it up so that Nigerians can now see the need for us to do things properly, efficiently and using internationally accepted best practices. Maybe, I will quickly get your views on that because my colleague has not concluded his line of question.

DR. OKONJO-IWEALA: My response to this will be very quick because I really think that NNPC should answer this question. I think they are best placed, they know the state of refineries and how much it costs them to produce out of the swap policy. I am not at ease with these technical issues with NNPC, so I think we need to ask them.

HON. AHMED: My last question is about the approval the Chairman has alluded to. I believe that it is one of the key questions that this committee needs to find out. Who approves the extra budgetary withdrawal? I will like to refer to your page 2 where you said a few years ago when the size of the subsidy started to increase rapidly, it was decided - I do not know by whom - that the responsibility for this should be for the federation rather than just the federal government. What we are saying is that through this investigation we have found out two grievous violation of the constitution. We have found out that the subsidy was based on discharge and not on actual depot. From now, you will be saving N2 billion a day on subsidy claims because the PPPRA said they will not wait for any approval from the agencies. From this I struggle to agree but I could not because you said it was decided. Nobody decides to follow the constitution, the constitution is clear. We know what the constitution in section 80 says. I have it here; we can give it to a SAN to just enlighten us. Some rules of the Appropriation Act on page 14, I have read those things to just let me believe but I could not. What I want to ask of you Hon. Minister is that as far as we are concerned, can you now say that in the next FAC you will not allow NNPC to deduct directly before it pays? Let NNPC submit its own votes then, you pay them. This is accord-

ing to the subsidy regulation which we have here and in accordance with the findings of KPMG, NNPC should stop direct withdrawals before it pays to the federation. As PPRA did, are you willing to say that from today, NNPC will not be allowed to do direct deduction before it pays to FAC?

DR. OKONJO-IWEALA: Since we have the Chairman of FAC sitting beside me, I will let him speak for himself, but as the Minister concerned I want to say one thing that we are on the same page in terms of having the proper practice. I have said it before and we are turning our eyes to this. As I explained, our eyes were turned on getting out the budget and now we have done that. We are going to focus on these issues to make it clear that we want a system that is clear to the Nigerian people and clear to us. That is what I can say; that we are very much in the same line of thinking of wanting things to be done in a manner that is clear to all and we can figure out what has gone in and what has gone out. So, let the Chairman of FAC speak.

DR NGAMA: Having presided over FAC for the past six months, I know that this is a very simple question. Actually I have struggled with even the under provision and I know that the next FAC right now, the budget for 2012 is before you. Even what we have proposed is zero subsidy. So, if there is a figure for subsidy even against the provisional unapproved budget I do not have anything. The state government will not accept anything so if there is subsidy which we all know that there is, it will have to wait until we put the proper things in place. I believe that NNPC will keep that subsidy and even the PPPRA will keep that subsidy because it will exist if they sell at N97 per litre. But as FAC first of all we have to even do the budget for the subsidy itself and then present the budget to you. What we gave you has no subsidy and now we have to amend and submit something to you. If the commissioners will have to go by what we have submitted to you, which I believe we have to do even next week, then if they agree we will have to look at the actual and see if they can accommodate it before you approve.

HON. LAWAN: Before I yield the floor to her let me make a request. Please, we want an official copy of the KPMG report.

DR NGAMA: We will submit it to you.

HON. AZODO EUKERIA: I do not know whether there is any provision in the 2012 budget of how the proceeds will be used?

DR. OKONJO-IWEALA: Following what the Minister of State has just said, we have to bring to you the budget for your programme because it was to be derived from the proceeds of the subsidy that was phased out. Since we now have partial phase out it means the figures will not be as robust as before, but we will still have to bring to you whatever

it is to be approved and then we will be able to utilize it. I just want to assure you that we may be able to do one or two of the programmes because some of the resources are already appropriated by the National Assembly. Since the year has been extended to March we may be able to launch one or two of the programmes, using youth employment as an example. Some money was appropriated and so from that we can already begin to do some of the work but for the new ones we have to bring it to you.

HON. TAJUDEEN: Hon. Minister, let me start with the one I can directly quote from your presentation. You made mention in your presentation that you mutually agree with the oil importers on the payment period of 45 days, after which if the ministry fails within that period you will pay an interest to them for the number of days accrued. But it is interesting to inform you that yesterday, some oil marketers were here with us. Part of the complaints they laid before us was delay in payment of their bills by Ministry of Finance. One of them claimed that on the average a bill that is supposed to be paid within 45 days takes an average of about 130 days. We asked him if it is something that happens often; he said it is reoccurring and it is affecting their profitability. He is saying that they are operating almost at a flat level. I am asking this because of the issue of interest you mentioned. You said interest is being paid but the oil marketers are saying that they are almost operating at zero profit because of the interest they have to pay their bankers for the additional period of default from the Ministry of Finance. The second question is still on the debt instrument you said you have come up, with this interest instrument which you use whenever you are unable to pay the oil marketers within the mutually agreed 45 days. Now I want to know this interest you are supposed to be paying because they are saying they are not collecting. Is it part of the supply chain cost that average Nigerians pays per litre? This additional interest you pay on default, is it something that you pay from other sources? If you are paying from other sources other than the supply chain cost of the imported petrol what are those sources you are using to pay this interest to the oil marketers? Again, Hon. Minister I still want to take you back to the issue of efficiency which I believe as the Minister of the economy championing efficiency in government, by the time you sit down with the oil marketers, the Ministry of Petroleum, the PPPRA, you must have calculated that on the average from this charge to payment of 45 days is about the most adequate conservative period to pay. What we are witnessing today is a recurrent default in the payment to these oil importers. This is negatively impacting on the economy because additional expenses are being incurred where it would not have been if efficiency is in place to ensure that payment is made as and when due. My last question is given these independent auditors that are employed to monitor the discharge of imported oil, I want to know from the Hon. Minister of Finance or the PPPRA whether in your opinion the issue of appointment of auditors would not have been more transparent if they are subjected to the best practices, that is, by appointing them through a

competitive bid process rather than appointment by who you know. The Executive Secretary yesterday from what he told us is more or less like a selection out of reputation. We know this man, this firm is a reputable one, it is an internationally accepted fact that it is a company that is recognized and that is why we decided to appoint them. There was no competitive process applied to determine who should be the auditor. So, we would want to know if the Minister of Finance is of the view that the practice is acceptable or it would have been better to subject it to competitive bid process where the Accountant-General of the Federation will be part of the monitors to ensure that whoever is appointed the auditor is somebody who is able to demonstrate in concrete terms that he is the best for that job?

DR.OKONJO-IWEALA: I am actually very grateful to you for your questions. The impression created sometimes is that the Ministry is dishing out money and authorizing payments. You have just confirmed that it is not quite like that. I did not know that oil marketers will get sympathy from any one. Even the Committee, I thought we are all now against oil marketers. So I think on this specific question, let me tell the DG (Budget) to answer the question on the debt note and the payment period and also with the support of the Accountant General and the Auditor.

DR OKOGU: Thank you very much Chairman and Members. The question regarding the number of days it takes to pay marketers; the reason we brought in the sovereign debt instrument in 2010 was essentially because, sometimes it takes auditors long period to complete auditing process. Another complication, of course has to do with the fact that by the time PPPRA puts a number of such claims together, the sufficient volumes to bring to us, you will find out that maybe couples of weeks or more would have elapsed, 45 days is only a few weeks, it is not very long. So for those reasons marketers started to react by slowing down on importation, which is understandable. If we do not have the money because they have not been paid, we will know what to do, whatever they need to do for importation. This instrument was brought on stream because of this. I am actually surprised to hear that anyone of them is now talking about the process taking 130 days, I do not have any information in that respect. Because if you look at the process we described in the presentation by the Hon. Minister, you will notice that the CBN is supposed to pay once it is 45 days, while the process is completed by all parties concerned. Sir, I am really surprised but I can tell you that we did receive a couple of complaints in the last few months and those complaints have to do with things that were disputed. They complained to us that PPPRA had not done what is in order or did not take account of one particular element. So when there are disputes and they write to us to intervene with the PPPRA and it is likely that you will find a little bit of delay. If they clarify it properly, I am almost sure that they would have told you that the delay they are referring to has to do with a few cases where, maybe there were dispute in terms of size of payment or the entitlement that they are supposed to

have. The other point you raised, which I should comment on is handled in the Ministry and not my office, that is, the issue of auditors and who appoints them. Auditor started to be appointed for this process in 2005. I met that when I became the DG (Budget) and to my understanding it went through a normal tendering process. There was the Ministerial Tender Board just like Messrs Adekanola that is appointed in 2011, I believe he was. There was a Ministerial Tender Board which is the way the due process is supposed to work and they considered 4 or 5 people audit firms. They also go through well recognize accounting firms. They eventually decide that on this individual in terms of technical capacity, cost element and probably integrity. So it is very transparent and I want to assure you that they were not just picked from a process which says because I know this person, we must give him that particular assignment, that is not how, at least the one done since last year when I was there, was done. Maybe my colleague wants to add some other thing to this.

ACCOUNTANT GENERAL: The Office of the Accountant General is involved in the selection process because I have a Director of Finance in the Ministry who is a member of the Ministerial Tender Board. He will offer the necessary professional advice in the selection process. Like the DG (Budget) said, I don't know if the delay they are referring to are ploughed back delays, but I think of recent, we have not been having complaints. One of the reform programmes of government is the treasuring single account which is going to minimize borrowing even through the DMO instrument, and I know the treasuring single account will make government capital expenditure to be consolidated on a single point. We would not be having a preponderant of government account, where you have idle balances somewhere and government will still be borrowing. I think that will significantly improve the period of payment.

HON. TAJUDEEN: What is government doing in solving the delay in making payments to marketers?

ACCOUNTANT GENERAL: This instrument was meant to address the situation to the best of our knowledge. The point I was making as far as the issue of interest is concerned is that the agreement with marketers was put in place few years ago. It was essentially that you pay them within 45 days and with the provision that they could give the grace period of another of 15 days or thereabout. They did not like that basically but all of those concerns will be addressed and we would not have delays. So I still stand to be corrected, I still believe that we are, with the instrument, once it is 45 days they get paid; it is almost automatic because they have the paper. In fact when it was designed, it was even fair they could use it with their banks because the banks know that government is behind the paper and it has the force and integrity of government. If there is genuine delay and I am sure they would want to claim an interest, and on the basis of that I do not know of any case that

has reached that point except the few cases which I refer to and which were on disputed payment. So I believe that is what the situation is at the moment.

HON. TAJUDEEN: Mr. Chairman, one of the very first issues the Honourable Minister raised in her presentation is the issue of NEITI. Now, NEITI did a lot of work in the past, and we have a lot of such documents with us; they made lots of recommendations. If government had taken those recommendations and implemented them, today we surely will not be facing such a situation we are facing now. My question is; what has changed in the way and manner the government has been conducting its business until this very moment, what has changed? Procedures are being put aside, laid down rules have been shielded away. Institutions that have been established or created to perform specific functions have been subverted. When you ask NEITI to go and do another auditing, the same kind of work, or exercise it has done in the past, it is only a repetition, and that for me is a complete waste of government resources. We need to have assurance, what has actually changed in the way government is conducting business? This is the answer that Nigerians are expecting from you, Honourable Minister. Now, connecting this to what I have just said, what are the functions of the PPPRA? Why I have to ask that question is because you will say the Ministry of Finance is not involved in the work of the PPPRA. But Honourable Minister, the Ministry of Finance is a sitting board member of the PPPRA. So what is the function of that board? What is the role of the Ministry of Finance as a sitting member of the PPPRA? What we heard the last few days is for various government agencies to come, contradict themselves, and talk from different sides of their mouths. Secondly, talking about the subsidy budgeted sum of 2011. Do you still have them Honourable Minister?

DR. OKONJO-IWEALA: Yes.

HON. TAJUDEEN: Two hundred and forty-five billion (N245 billion) was budgeted. I will want to know at the time of putting together that budget, what were you being guided by? Is it by gradual deregulation or an outright deregulation? Whichever way, what was your projected pump price of petroleum? Remember, the Minister of Petroleum Resources has said in her submission something about the plan to phase out petroleum subsidy within the period of January and February. Even a primary school person will understand that if you say January-February you will have N245 billion, when you multiply it by 6, you will get N1.3 trillion or N1.2 trillion, just to justify the N1.3 trillion of petrol subsidy. But we now need to know, what was your projected pump price, to see if it actually tallies with this amount that is budgeted? Mr. Chairman, finally this is a word of caution. We must realize that we come here every day to discuss, and then leave this place. But posterity will judge us as leaders that have been saddled with the responsibility of leading this country at this very difficult time. I am saying this because a lot of highly placed government officials

have gone into the public and accepted the fact that we have, whether you like it or not, cabal or you may call it mafia or you call it clique, whatever the case maybe; the understanding is that there is a particular group of people that have been benefiting, corrupting themselves using the subsidy scheme. And it simply means that they have counterpart in various government agencies that are saddled with such responsibility. So, what personally I thought was that this forum will be a forum of confession. The government agencies that come here; they are supposed to just come, those who are responsible, and confess to the country, accept their fault, resign and give apologies to the country. But I am confused and I need somebody to explain to me. In public we are all unanimous with the fact that something is wrong and there are no government agencies that are willing to take responsibility. The best we have had is for government officials to come here and make a generalized statement that oh, we are working, we are trying to get something done. The only thing we have heard is the PPPRA former Executive Secretary (ES) that was sacked and nobody come out to explain to Nigerians why he was sacked. If they have sacked him and come out to tell Nigerians that we have sacked him because he is the one colluding with the so-called clique or cartel it would have made a lot of sense to me. We need to put our priority right and posterity is here to judge all of us.

HON. LAWAN: To make a correction. I do not think the former Executive Secretary of PPPRA was sacked; he was transferred back to NNPC (Laughter).

DR. OKONJO-IWEALA: Thank you very much Mr. Chairman. Let me start with the last comment. We all agree that posterity will judge us and we should be careful. That is why I also started my statement by recalling that one of the reasons we want to streamline our finances is that not only posterity, but our children will judge us, if we do not do the right thing. So we are very aware of that and we take it extremely serious and I did not think that we depart from where the distinguished panel member, Chairman of the Finance Committee, is. Let me just say it, you said agencies will come and confess. We have been specific as we can in answering your questions here, telling you what we have paid, how much we paid, how much we paid for in terms of the consumption of the country as you understand. We talked about our role, where we intervene, where we do not intervene and even when we did not know the answer. We are also honest to say look, we were not able to find that answer, on this term where the Chairman, Finance Committee is going and I am very much with him that we should rev up this process. We said at the beginning that we are extremely willing, able and we want to do that. But on behalf of my Ministry and Agencies, I think we have exposed what we are doing. As Finance Minister I do not have any confession to make at the moment in terms of what we know. I want to make it very clear and so I do not see the need to resign. I do want to refer to that, because tomorrow the headlines will be: Okonjo- Iweala asked to resign. I want to make it very clear, I have been

very honest, very transparent, my team has exposed everything we know and every question has been answered. If there are other agencies that are supposed to make confessions, you may ask them to but as far as we are concerned, we are very willing, very open to every question you have and we would be honest; where we have the answer we will tell you. You have even seen that sometimes you asked us, and I have been very open to say we do not have the answer. And maybe we should have had it but we cannot invent something and I would not invent an answer to cover anybody. We must be open, honest and transparent in this hearing that is the only way this country would get at the truth. Even if the truth is very unpleasant, we have to be open. So I just want to say please I like your word of conduct, I like the posterity judging us because that keeps us on our toes. I think we are all of one mind on that. Now, I am taking your question from the last to the first. In terms of the N245 billion budgeted, I will again ask the DG (Budget) to answer that. The DG (Budget) was actually the head of NEITI before he became DG (Budget). So he can also speak on the issue of NEITI, he is more current.

DR OKOGU: Thank you very much Chairman and the honourable Members. The issue of the amount budgeted or put in the fiscal framework, I tried to explain earlier on that. There were certain principles that we considered and certain things that guided our action. Obviously, the N245 billion in retrospect did not cover what was eventually needed and it did not cover it for the reason that I gave earlier. But we were guided by the expectation of deregulation. If we believe that that was not going to be the case, the easiest thing to have done, to save ourselves from all of the issues, we would have taken the previous year's actual figures. We really believed that we would push forward with deregulation, because we could see the escalation, we could see the fact that the amount government was paying for subsidy was not sustainable and it had been discussed over and over again. Many considerations were factored into those discussions with the expectation that really we would go forward at the time. Unfortunately, it did not happen maybe, as Chairman mentioned, there were other considerations: politics, on elections that were coming to the fore at that time and so. So those were the things that guided us. We did not know that this national price oil would be at the level that it is, that is, at \$113 from \$81 per barrel in 2010. So all these reasons obviously affected what we did, and then looking back we now know that perhaps it should have been more functional in terms of expectation and the removal gap. The other issue is regarding NEITI, yes, the Minister is correct. I was among the founding members of the board that oversaw the activities of NEITI. The Chairman of FIRS obviously, she is still here, was also on that team when we started, I believe in 2004 February. There were some things going on, when we came from different places to do the work that we did at that time. We knew the trend international was to move towards greater transparency and we embraced this very enthusiastically. I was new, I was one month old in the country at

the time and when the President launched it, we were asked to do it and we went ahead to do it. I think that the question you asked substantively is what has changed. When we conducted the very first audit, 1999 to 2004, which we did in 2005, what we found was very revealing. Today what you find is not perfect but it is a big improvement on what we met at that time. So what we all want to do is to continue on the improvement to get to the level where Nigeria again can be used as a model, that anybody can say, this people are doing well. We have actually been cited by so many people that have seen our work and deemed it an example to follow at that time. By the time I finished my assignment and returned to where I was working before I came to Nigeria. That is part of the effort that led to what the Minister mentioned, the Oil and Gas Unit she set-up, and which discovered \$1.2 billion and we were so convinced about it. We were able to confront the oil company and they admitted because we were confronting them with facts and knowledge. So it is something we were to do. Something has changed but it may not look as if it is really at the level it should be. But certainly something has changed.

DR. OKONJO-IWEALA: There was a question about the functions of PPPRA and where we are.

HON. TAJUDEEN: Whether your Ministry is a sitting member of the board?

DR. OKONJO-IWEALA: On our membership on the board, I have to ask our Permanent Secretary to answer that question, because if there is usually the representative of Ministry of Finance on almost of all the boards and I am not aware that we have attended any board meeting of PPPRA. I just have to say that openly, let me just ask him to correct me if I am wrong. Permanent Secretary, please.

PERMANENT SECRETARY (Ministry of Finance): First of all I must thank the Chairman for conducting this gathering in a very faithful manner. I want to thank my Honourable Minister for leading us well and demanding that we always speak the truth wherever we are. Actually to be sincere, I need to look at the Act of the National Assembly that established the PPPRA to be able to actually tell you what the function of the organization is. On the membership of the board, there are several chairmen, you may note, there are several Agencies where the law requires the Ministry to be so represented. However, when the board meetings are called, the Ministry does not get invited to some of them and I cannot remember when last we have somebody sitting on the board of the PPPRA. That is my contribution.

DR. OKONJO-IWEALA: We also say for the avoidance of doubt when we get back we will check with all our Directors, but as he said we do not know of anyone who has been going to that board meeting; we will double check. I am not sure of the linkage.

HON. LAWAN: I think we will take it that the Honourable Minister will go back, verify and in the next round we will take you on the issue. Please get the fact right so that we can take it up, because I want to know the role whoever is representing your Ministry played in ensuring that fund is not over inflated. The essence of Ministry representation on a certain board is to ensure that it guides the board on the way things should be done. Actually I have a list here, showing the representative of the Federal Ministry of Finance is Mrs. Stella Ndidi Amaka.

PERMANENT SECRETARY (Finance): She is a staff of the Ministry. I said sometime the minutes for the meeting may not come to us, and, for example, the NDDC held their first meeting about two weeks ago, but we were not given an invitation. In a situation like that there is nothing we can do.

HON. LAWAN: That is not the issue, we are not asking you to tell us everything; you are not a member, you would not know. You have Senator Ahmed Aliyu as a Chairman of the board. The issue is we want to establish, and I thought that is where you should come in, clearly whether Ministry of Finance is playing its role on the board. We will collect all the minutes of the meeting of the board from PPPRA and we will determine whether your representative was not invited, and if invited, which did he attend, which did he not attend; what was his or her contribution to this question. We will follow up this matter.

DR. OKONJO-IWEALA: I just wanted to say that we will go back, find out what we can and we will be in touch.

HON. MUNIR DANOGUNDI: Thank you Mr. Chairman. I will also align my question with what has just been answered. Yesterday we had the PPPRA, and we found out that they did not include the Custom in verification. As Minister of Finance, will you say that it is appropriate for you to approve these payments; that whether they are right or wrong, those payments should be made, especially without an input from the other Ministry through the Customs? We assume that some of the problems are in term of the volume and the quantity of petrol which were not supplied. If I were in your shoes I do not think that it will be moral for me to pay, when the Ministry of Finance is supposed to be part of the report that will give you an insight to what is happening to the importation of the petroleum products. Secondly I want to disagree with you about what you said when you were comparing countries like Kuwait. In the transformation agenda, what should we do in terms of our revenue? We know 70 per cent of Nigerians rely on agriculture and how do we find additional revenue when agriculture is given less than 3 per cent of the budget? Countries like Chad, Niger, give a minimum of 10 per cent of their budgets to agriculture. Nigerians are confused; they find it difficult to reconcile themselves. You say you want to create employment, you want to do this and that, and this area of the economy is neglected, You

said of our import that we spend more than N1.1trillion importing wheat, sugar, fish and rice, four items alone! I think agriculture will give the government direction on how we can improve on our revenue.

DR. OKONJO-IWEALA: Thank you, distinguished member of the Panel. I just want to say that on the issue of check, customs is not allowed to have a check. We have tried to present to the panel the fact that the way we work with PPPRA is that we rely on people. I can read the list of those who are there when the products are discharged. The fact that there are two points in the system, there is an audit trail, whether the auditor has done the job well or not is a different thing. We do have an agreement on checks and balances in the system, it is not like the PPPRA to just send anything and we just pay without checks. We have put the checks, they may not be good enough, there may be dispute about whether the work they do is rich enough or good enough. But we do have the audited products at landing after which the PPPRA will send us the verified landed products, and we have to rely on that. I do not know how the Ministry of Finance can check how much products have been landed, as competent as we may be. So, we have to rely on whatever the auditors or other agencies of government tell us. It could be difficult to say that we just pay, but we cannot be there to say that six million barrels were landed; we do not have the competence, we have to rely on those who are competent to give us. So, I just wanted to stress to the honourable Members that we have checks and balances along the way, they may be good and they may not be so good but they are there. On the second issue of the comparison with Saudi Arabia, the comparison I was making is slightly different from what the honourable was saying. Mine has to do with the fact that Saudi Arabia has so much oil than Nigeria, and that when we are thinking of how to spend Nigerian resources, we cannot compare ourselves with Saudi Arabia. Saudi Arabia or Kuwait can practically afford to give away some of their oil and they will still have a lot left over. When you have 35 barrels per person compare to 223 barrels per person for Nigeria the way you manage your resources is completely different; it means that those of us who have less should be doing what the honourable Chairman of this panel said, curbing wastages, trying to reduce inefficiencies, making the oil resources work better for Nigeria than what we are doing. We cannot engage in wasting those resources; that was what I was trying to say. With regard to agriculture; I just want to remind us that budget varies from country to country. I can answer to that at any time. If you bring 6 African countries here you will see that the way agriculture is clarified is different. In some cases, agriculture has everything that is linked to it - fishery, water resources, roads, rural development they are all there. In our case you know we have plenty of water resources and yet what they do is vital to agriculture, all the dams, the irrigation channels that are being built in many parts of country also eradicate unemployment through agriculture. So if you want to get the through picture of the budget for agriculture

you have to extract that and put it in agriculture, same with water supply for drinking, same with roads. For instance if you want to know what is going to road you have to go also to agriculture in terms of rural roads which benefit agriculture; you have to separate it. I just want to say that Nigerian classification, for better or worse, include the expenditures for agriculture that are not in the direct agriculture budget, and we also have to get account of that; that is why you sometime see significant differences.

HON. UMAR YAKUBU: Let me borrow the word of the SAN, where he said illegal foreign ships are being used in our Ports. Let me ask if Nigerians are being left out in this area of shipping. How can the economy of this country grow, how can the government make progress?. Another question, in your fuel subsidy, you made mention of infrastructures that are going to be built or put in place. Governments have been promising Nigerians, particularly in power sector, and up till now we have only 4,000 megawatts from this sector. That promise was made I think 2005 or thereabout and not much progress has been recorded. As the Minister of Finance what do you say about this? As a supervising ministry, you do not know how much is being approved by NNPC. It is only when they come for the meeting, that you ask them questions. As a duty you never set up a unit or mechanism for checks and balances, so that from time to time you can say, let us go and see what this account is doing so that you would know how much we are selling outside, and at what rate we are giving it out to Nigerians.

DR. OKONJO-IWEALA: I will start from the last question. I think when I was responding to this invitation; I made it clear that we are supportive of better arrangements. For the change referred to, I believe the Chairman can bail me out, because he was the chair of the Appropriation Committee at the time. So he knows how we changed the system of doing things. Now that I have come back we have to change it again and I have explained that in the past four months that I have been here, we have not been able to turn attention to that. Now we are working on it and we will do it. We will get the system that is better for Nigerians to look at, because we all have the same objective in mind. Nobody is here to condone a system that is not efficient. We have to open up the system, our job is to get revenue for government; it is not to hide revenues. So we are very much on the same wave length with you, and I emphasize that again and again, it is not like you have someone who does not have a track record for this - I have done it before, we will do it again.

HON. LAWAN: As a follow up, do you regret your advice to remove the fuel subsidy?

DR. OKONJO-IWEALA: Please Mr. Chairman I would like you not to pursue that line of question (Laughter). Mr. Chairman if you have the evidence that I gave the advice (Laughter)! No, I would really like to know, tell us because this is a public hearing. Mr. President has made it clear that this was a government decision and there are many parts of govern-

ment in this country. I have repeatedly made it clear that this is not a decision taken by any single person in government, so for you to say do I regret that advice, to try putting it on me and personalizing it, no. Now, you asked me a personal question, so I have to give you a personal answer and that answer is that it has been made clear that this is a government decision. This is not an Ngozi Okonjo-Iweala's decision and I think the country needs to know that because this attempt to personalize it is not fair. It is going around the internet and I must use this opportunity to make it clear so that my name is cleared once and for all. It is not an Ngozi Okonjo Iweala's decision; it is a government decision. If you permit Mr. Chairman on the issue of what has happened within these two weeks, this is my country and I love my country that is why I came back. I did not come back to perpetuate any policies or anything. People know where I came from. I came because I thought I could do something to make a difference. It was not to do something that would harm anybody. I am so pained by what happened during the two weeks the strike lasted, the properties that were destroyed, the anarchy that took place in some places. I am a Nigerian; therefore I just want to say that what happened here does not have anything to do with any institutions I worked for. What happened here is a Nigerian event; it is not an IMF or World Bank event. I worked for the World Bank by the way not the IMF. I have nothing to regret, I came here to bring the knowledge that I could bring like I did last time to see what I could do to help my country, is that something wrong? Is it wrong to want to serve? I have only been here for four months and I would not allow people to load on me something that I did not do. Yes I am part of the government and it is a government decision and I think from the economics of it we have been here discussing how to get back to the point of how should we do it? As Mr. Agbakoba said most Nigerians have been internalising the issue of deregulation, the issue the people have set about, the timing and how to convince Nigerians that really it makes sense for the country. All that is legitimate, Nigerians need to be convinced and they need to know, that is what we are trying to do. So the New Year gift I have to move on from that. I think on the issue of savings on diesel and where that is applied let me ask the Minister of State Finance to take that, and the DG, Budget to also pitch in. I would answer question on the Sovereign Wealth Fund. On the parameter for determining consumption per day perhaps the DG, Budget can also help out, and on the Federation Account and Federal Government issue I want to ask the Accountant-General to answer it.

DR NGAMA: Mr. Chairman, thank you very much. You see, when we were subsidizing diesel we all know that it means the resources available for other projects are reduced, and once you deregulate that resource is free so the choice is there for government whether to separate that and have a special programme or to leave it in the pool to apply to all items in the budget. But you know that the budget you approved did not separate what would have been used to subsidise the diesel so that it would be specifically be applied to a programme.

That money which would have been used for subsidizing the diesel is already made available and it is used for all the items in the budget you approved. So that actually says where the money is - it has been used for everything, it has not been separated. The hypothesis of selling the crude oil to NNPC at N70 or whatever it is, is actually the old system. In the old system before 2003 you subsidized crude oil to NNPC and they sold at pump price and now you say, sell at the international rate and then take the subsidy. It is just like an indirect subsidy while what we are doing now is the direct subsidy. So whatever it is, it is still subsidy and you can still compute it. It does not mean that there is no subsidy if you subsidize the crude oil.

DR OKOGU: Thank you very much Hon. Minister and Chairman and Members. If I understand correctly the question about the profitability which you mentioned at \$45 per barrel since the benchmark price is N70 and the current international prices is about N112, N113, N114, N115: that is what your question was. We established the Excess Crude Oil Account in 2004, which later became Sovereign Wealth Fund. Sovereign Wealth Fund is basically an extension of that; it was formalized and put into the laws of the land. That account has served as the repository for any monies over and above the benchmark price and in this instance that we are fortunate to have the international price higher than the benchmark price that is still the account to which any surpluses are meant to be kept. Of course you know very well that this account belongs to the three tiers of government and the Sovereign Wealth Fund itself has three pockets. One of them is infrastructure development, the second is saving for future generations and the third is a kind of stabilisation account. So these monies are going to be put into these accounts properly because that is what the law that you passed says. The Sovereign Wealth Fund Act 2011, this is what it is all about and that is where it is going to go to. Can I just add one other thing to expatiate? Right now it has been agreed that the equivalent amount of a billion dollars be taken out of the Excess Crude and be taken to Sovereign Wealth Fund and is sitting in the Central Bank. The Sovereign Wealth Fund has not actually been set up; so that amount is in the Central Bank and with a little bit of interest that is earned there the amount is N1.001 billion. The Central Bank is managing it for us and that is the balance as at now.

HON. DAWAKI: My question is to Olisa Agbakoba (SAN). I just want to know because I align myself with you specifically on the International Oil Companies (IOC), the way and manner we sign our Joint Venture Contract and Production Sharing Contract is as if we are begging, as if we are desperate to get these international oil companies to come to Nigeria. Do we really have a policy on transfer of persons in the contract? There were instances that you see IOCs bringing all sorts of junks into Nigeria, maybe a pillow or a mattress and they charged the account \$1,000 per pillow. I think we need to look at all these contracts and see how we can save money for the country. Then the question I have for the Minister

of Finance is on the issue of payment of subsidy on which you normally get advice from PPPRA after they have done their checking with other agencies. I know that the Ministry of Finance used to have an independent agent under National Export Provision Scheme. They were given the mandate to supervise wet and dry cargoes coming into Nigeria and for export. Do you at anytime when you receive this advice from PPPRA also collaborate with your independent agent that is verifying the quality and quantity of wet cargoes; to verify what has been discharged or ensure that what has been claimed by marketers is what you are paid?

MR AGBAKOBA: I think the question that you have asked goes back to how we see ourselves. The best example I will give is that in those days when we have to fill arrival cards if you are coming in (it is an exercise that is very odd). If you go to Heathrow Airport Nigerians are last in; you come back to your country we are also the last in. So we have to have a way in which we say that Nigerians will have preferential treatment. If we want to do any business we first call a Nigerian and that is what this new Content Policy Law is all about. Unfortunately, I am not even too sure if government has a very clear policy, that if there is a Nigerian that can do something he ought to be considered first. When we were trying to promote the enactment of the Cabotage, I remember people from the US Embassy coming to ask me what my interest was in promoting Cabotage, because it is supposedly protectionist. I reminded them that even in America they have such Act. So your question is very apt, we need to have a very clear idea about how we can grow our economy, using Nigerians. Let me give example of MTN. MTN does business here without any value added, they make N85 billion and they declare it very happily and they take out everything. I personally would call the bluff of IOCs, if you do not want to do business in Nigeria you pack and go. Whether you are Shell, Exxon Mobil you should do business in Nigeria on Nigerian terms, not on terms favourable to you. I do not see how a government can verify an international company, so we need to begin to reverse all these ideas, whether it is colonial I do not know, but that is the heart of the matter. If you do not get it right, we sit here and we are like a large yam barn, people farm and take it elsewhere and they laugh at us so we have to have a policy to reverse it. I do not see how the economy would grow; the economy is not going to grow because government is budgeting so much. The economy would grow if government empowers Nigerians and right now there is no policy of empowerment in all fields. Maybe when the DG of NIMASA speaks he will tell you that we have about 130 Oil Rigs and not a single one of those oil rigs is insured in Nigeria. How can our insurance companies grow? I also like to know whether we do not trust our banks. Where do we keep our Forex, can we not bank it in our country? Why do we put our money in foreign accounts, how do you grow the banks, how do you create jobs? These are the issues. We have to love ourselves first. When we love ourselves other people would come. If you carry

all the money and put into foreign account, who would trust you? Do we not have local banks? First Bank and other banks; are they not the people building MTN by giving loans to them, are they not the ones who are building the airlines? Is Arik not borrowing money locally? So that is the dilemma. The dilemma is that the enabling environment to promote the Nigerian business is not there. I can speak as a lawyer. When I was President of the Nigerian Bar Association the President of the Society of England wanted to come here on a legal trade mission to exploit our markets but they would not allow us to go there. WTO wants us to open up our legal services market so that they can bring their international law firms here but they would not allow us to go there and I refused. In other sectors, if you do not have the same passionate spirit - it is not about just economic policy - we would not grow. We should not allow people come here when we have Nigerians who can do the same thing. Go and try to register as a shipping company in the US, you would not be allowed. I once had a client, a foreign client, who came, they have set up and making a lot of money but they did not want to pay NIMASA. Then I said alright, what is the problem when the law said you must do A, B, C, D, E to qualify as a Nigerian company and you did not want to do it. So you want me to help you break the law so that you would not pay NIMASA and if you did not pay NIMASA how would they generate revenue? So we have to love ourselves. The government has to promote Nigerian businesses.

DR. OKONJO-IWEALA: Thank you Mr. Chairman. Before I answer the question I just want to say that I love the passion of Mr. Agbakoba and we share completely the same passion, that is why I am also here. I believe that we have to develop our country ourselves, we cannot wait for somebody else to develop it for us. Whatever it is you can contribute in your own little way and wherever you are as a Nigerian come and contribute it because the more we try to help by contributing our skills, the better for our country. At the end of the day nobody can develop your country for you. So I totally subscribe to the fact that we need to focus on where we are lacking in skills. For example, I said in negotiating oil contracts we have to get a lawyer that is vast in that area. If they are scarce all over the world then we should be focusing our attention on grooming some of our people to be able to do that. You are in maritime, how many people in maritime can do the kind of work you are doing? So I agree with you that the more we can do that the more we can checkmate all these practices that can take away resources from our country. So, I just wanted to add that yes, Nigerians need to develop Nigeria and I hope we can all work in a constructive way to do that and hold our country together. To answer the question on the supervision, we do have this inspection agent but they inspect export of crude. We do not have agents for inspection of the oil that is brought in yet. At this point in time, we are looking into what to do with PPPRA, we do not know it yet, so we cannot compare independently. We are just reflecting on it because we have those inspecting exportation of crude but not importation of refined

oil.

HON. LAWAN: Hon. Minister, I actually have a lot of other questions but we have five other agencies we have invited today which we have not taken yet. The DPR is here, PPMC is here, PENGASSAN, NIMASA and Sahara Worlds. What I will do is to give you a break, just a break, so we will resume some other time not necessarily today. But by the time we are through and we need to refer to you on other issues we will invite you back. I want to thank you once again for your readiness to come in whatever hearing organised by the National Assembly so that issues can be discussed. We have engaged you in so many ways and I must say that you have responded in a manner that the National Assembly anticipated, so I want to thank you very much. We have requested for a number of documents, can we please between now and Monday get those documents, including the PPMC Report? We would have you, we would have the Minister of Petroleum, most of the PPMC would be here, the PPPRA would be here so that the key issues contained in that report can be satisfactorily discussed and addressed. May I also express the gratitude of this Ad-Hoc Committee to Mr. Olisa Agbakoba; once again we are so proud of your ideas and we always richer with your different perspectives on different issues. You have added value to this public hearing and I want to thank you very much. Please if you have further ideas from now to the end of this exercise avail us of them. May I now invite DPR which was supposed to make a presentation yesterday. Please I want to apologise that we had to defer your presentation till today.

DR. OKONJO-IWEALA: Hon. Chairman, I just wanted to say that we have handed some documents to the Committee already; we would avail you of the Report, thank you.

HON. LAWAN: Alright. DPR, please accept our apology for not taking you yesterday and also for taking you this late today. Can we please take the presentation from DPR?

MR. A.O. OLORUNSOLA (Director, DPR): Esteemed Committee and respected Members, let me say good afternoon. Please accept DPR appreciation for this invitation to contribute to this highly topical discussion on petroleum products and subsidy management, where the DPR plays a very pivotal role. Mr. Chairman Sir, the Department of Petroleum Resources (DPR) is the government agency responsible for the regulation of the oil and gas sector. The DPR was created out of the Petroleum Inspectorate Division of the NNPC in 1988, and performs as the 'Technical arm' of the Ministry of Petroleum Resources in policing the Oil and Gas industry. In this capacity, the DPR undertakes roles and responsibilities ascribed to the Minister of Petroleum Resources under the Petroleum Laws, empowered by the Minister's delegation. The key role performed by the DPR is to ensure that all personnel and equipment deployed by operators in the oil and gas industry meet stipulated and acceptable standards related to integrity and safety, and without undue compromise of the environment. The processes and standards that ensure the delivery of these three key

responsibilities – integrity, safety and environment – are enshrined in the Petroleum Laws and the various approved regulations and guidelines which DPR is charged to enforce. Specifically, the roles span the following core areas:

- To regulate and monitor oil and gas activities in Nigeria, ensuring standards, compliance and in line with international industry best practices.
- To conserve the nation's hydrocarbon resources and maximize returns on investment to government.
- To serve as the repository for archiving and retrieval of all oil and gas industry data in Nigeria.
- To advise government on the nation's authentic oil and gas reserves production and export for planning and development purposes.
- To ensure that oil and gas activities are carried out in a safe and environmentally sustainable manner.
- To ensure that oil and gas operations in Nigeria have linkages with the host communities and meet local content aspirations of government.
- To manage and administer Nigeria oil and gas acreage and concessions.
- To follow development in global HSE standards and adapt these to our national circumstances.
- To implement government policies on oil and gas matters.

In carrying out its statutory functions, the DPR maintains close supervision through the issuance of licenses and permits and physical monitoring of key activities such as:

- Geophysical and Geological activities;
- Exploration and Drilling Operations;
- Transportation of crude oil and the refined products;
- Product Oil and Gas Records/Data;
- Infrastructure – monitoring, enforcement and participatory implementation of all conceptual engineering strategies and actualization of overall engineering design, installation and commissioning of projects in accordance with national and international standards and codes;
- Adoption and implementation of new proven technologies and improvement of methodologies and practices.

They are 29 including all instruments pertaining to the petroleum refining regulation of 1974 in the crude oil transportation and shipment regulations of 1984. The scope of our activities in the downstream sector is quite extensive. It expands to some 27 crude oil terminals, surveillance of pipe lines, four refineries, 35 lubricant blending plants, 3 petrochemical plants. It also include supervisory activities about 121 petroleum storage depots spread across mainly the coastal areas of Lagos, Port Harcourt, Warri, Calabar and other locations.

Other activities include monitoring about 25,000 road tankers and a little bit over 24,000 petrol stations across the country and 62 Jetties. So, it is pretty wide. Specifically on the subject of today, it is pertinent to note that DPR is, frankly speaking, not directly involved in the management of petroleum products subsidy payment. Statutorily DPR issues import permits to marketers based on detailed review, verification and validation for submissions, which include import allocation by PPPRA and necessary operational capacity. On arrival, DPR verifies the quality specification, power to discharge, physicalisation of tanks and we do this in conjunction with the PPPRA and all the security agencies, including the Nigerian Navy as part of verifying the actual quantity of products discharged. Suffice it to say however that certification of actual quantity that is discharged is not by the DPR. The final stamp on this is by the PPPRA inspectors. This speech will not be complete Mr. Chairman if I do not intimate you and your esteemed members of some of the challenges the department is facing. The major ones that I will say quickly are inadequacy of resources to sufficiently discharge its mandate. When I said we have to monitor 24,000 petrol stations across the country you will ask me how many staff I have to actually get that really done. And if you are not doing that manually how electronically are we connected in such a way that you can monitor 24,000 petrol stations at once? The second one is the quality control of products streams and building capacity for spot checks. We do have laboratories all around but the way we are going right now we should be able to do spot checks daily at any point in time. More so, if you are really going to the new world taking away subsidy and allowing deregulation to really strive in this industry you have to be sure that the products are actually meeting all necessary standards. So, we need to be really running in terms of doing spot checks for quality control. The third one is petroleum products discharge and controls. A fully deregulated downstream is likely to create additional challenges on the handling of storage distribution of petroleum products, environmental management, air and pollution due to increased activities in the sector, setting reviews and enforcing relevant policy, legislation, standards and procedure guides for optimal availability and reliability will be required to adequately prepare for such regimes. In conclusion, please permit me to remind you that the DPR's role in subsidy payment is minimal. The DPR concerns itself with deregulation, monitoring and ensuring compliance to be aligned much more than focus on fuel subsidy payment. We will continue to carry out our statutory roles as expected of the 21st century regulator. We are building appropriate capacity and enforcing all applicable laws in a manner that guarantees sustainable development of this sector. Thank you for this opportunity to contribute to this discussion.

HON. LAWAN: First of all, let me once again apologize for having asked you to come back today. I am glad we are taking you at a time that we are not completely exhaustive so that we can in a very exhaustive manner discuss your role with regards to these issues. Like

I mentioned earlier when the Minister of Finance was here, even though the initial scope of the work of this Committee is on the subsidy issue, in the course of this discussion it has become apparent that to discuss subsidy you actually need to discuss other related issues particularly the entire oil and gas sector of our economy. It has direct correlation to the amount that is paid as subsidy. One of the claims of government in withdrawing subsidy is the fact that the beneficiaries of the federation account require more perhaps that will reduce the pressure on the government of the various governments. In withdrawing subsidy they hope that more funds can go into the federation account. This is why I believe that before the end of this exercise we will have another session where we can look at other issues, maybe issues that are indirectly related to our revenue earning in the oil and gas sector. Of course, the DPR is the biggest player with regards to that because even the licenses given to the oil companies are usually handled by the DPR. So, the downstream sector of the economy is largely managed by the DPR. Now, on the presentation you have made, you have raised quite a number of issues. Let me start by asking for just information on one or two issues. What is the volume that these depots can take and even the ownership of these depots. You said even though you are involved in the monitoring of the discharge of the products, you are not involved in the certification of the quantity. What exactly is your role, what do you do if you are involved in the monitoring, what do you monitor? Is it that you monitor but then when the certification is being done you are locked out?

DPR: Let me start with the last one which is touching on the certification per say. Our own role is certification of the quality but our subsidiary role is also to monitor how to verify the discharged volumes. I mentioned that in terms of certifying it is the inspectors that actually do that. Our core role is certification of the quality itself and we have several parameters depending on the product you are actually talking of. We test each of those products against all those certification parameters. So, our core role is certification of quality.

HON. LAWAN: But, going through your presentation, you said on arrival in Nigeria DPR verifies while it issues certification prior to discharge as well as physicalisation of tanks in conjunction with the marketers, PPPRA, NPA and the security agencies, especially the Nigerian Navy as part of the process of certifying actual quantity discharged. This presupposes that the verification of the quality equally has bearing on the certification of the quality. I would have thought that the DPR would give us the records on the certification.

DPR: You are actually very correct; we do have our records of all the quantities. We also participate in the process of actually certifying the quantity. All I said is that the final signature on it is actually by the inspectors but we also do take our own records and I can make available our records to this esteemed committee.

HON. LAWAN: In the course of processing the bidding process by the PPPRA in awarding contracts to importers does the DPR play any role?

DPR: No, we do not play any role in the bidding process. We have no role at all in that process.

HON. LAWAN: NNPC is one of the major actors and perhaps the biggest, going by the records of fuel importation in this country. NNPC is given the condensate of 445,000 barrels per day. Of course, anything to do with taking crude oil out of this country, I would assume is the responsibility of the DPR. What role do you play in monitoring and ensuring that the arrangement NNPC enters into especially the swap arrangement is the most competitive and profitable to Nigeria and it is the fairest? We requested to know whether there is a government to government arrangement and we are told that the current arrangement does not allow for that. Of course I believe that the existing guideline in the laws do not completely break government to government arrangement. Given the experience of DPR how would you assess the swap arrangement as to whether a government to government arrangement may eliminate wastage as against the current arrangement of involving middlemen or women traders?

DPR: For most part, you are right. For every export of crude, we give the export permit whether it is by NNPC or anybody for that matter we do that. Do we go into the commercial arrangement between NNPC and someone across the border? We do not do that.

HON. FALEKE: Are you a board member of PPPRA?

DPR: No, we are not in it at all.

HON. FALEKE: I know that you are involved in the monitoring of retail outlets and their activities generally. Yesterday the PPPRA told us that the system they were using in payment is the discharge from vessels. How do you monitor a truck loaded from depot to ensure that it rightly gets to its destination? In line with that, why are we not having fuel up countries like Maiduguri and so on? Why are those trucks not getting to their locations?

DPR: Indeed we do log all trucks load out and we actually manifest them very well. One of the processes we use currently is that we actually send the manifest out. The person who is going to receive also knows what is actually coming in. Do not forget that I mentioned that we have roughly 24,000 petrol stations in this country and 25,000 trucks. I will say it is difficult to monitor all but as much as possible we do track from point of load to the point of discharge as much as we can. Where we are going right now, the pilot has just been concluded, it is to actually put real tracking devices in each of those trucks to such an extent that on a GBS bases you can easily know where a truck is, you can actually talk to

the drivers. That is basically what we are doing now.

HON. GERALD: In your paper, you in conjunction with other agencies like PPPRA, Navy and the marketers determine the quantity of products discharged. Yesterday you are aware that the Executive Secretary of PPPRA told this committee that the daily discharge which PPPRA took record of was 58.951 million liters per day. You are further aware that the Hon. Minister of Petroleum Resources addressed this committee and told the whole world that the average consumption per day is 35 million liters. We are equally told by the PPPRA that they subsidize based on volume discharge. If by first of January there was subsidy withdrawal how come that in 24,000 outlets you supervise and manage there was immediate and sharp increase in price ranging from N138 or so though I may not be accurate but it reflected the actual pump prices? Taking into consideration that at the time the subsidy was removed there were still some products in the storage depot? What necessitated the sharp increment, as those ones that were already imported were still in your stable and we were made to understand that you subsidize what you import not what you consume? At that material time those products that were imported were covered by subsidy. I just want you to explain this.

DPR: I will leave the payment process to PPPRA because I know there is a lot in terms of when the papers are collated before all certification happens, before even payment happens. What I know happens on the 31st of December, 2011 is that there was a clear lock of every volume that was in every tank in this country. If you like call it a closing stock. On that particular day it is pretty clear exactly how much volume we had in every tank in this country as at that day. Whether people could still reach it a day before the price was change I do not think it is practically possible. But, like I said the payment process is outside our limit, so I cannot comment on it.

HON. LAWAN: Like I mentioned earlier since we are extending this hearing beyond just the subsidy issue we will take you on next week and if there are other issues that we need to raise we will discuss with you next week. We have kept you too long throughout yesterday and a better part of today. So, I will allow you to leave. I thank you very much for your views that you have shared with us. We will like to have the documents we have requested so that we look at them and then whatever reforms we need to make we do so as well.

DG, NIMASA: I am greatly honoured to be invited to present the maritime perspective on the issue of removal of subsidy on premium motor spirit (PMS). The issue has a direct correlation with the micro and macro-economic development frame work of the economy. This is mindful of the fact that as a developing economy with sectoral leakage, growth challenges are thrown up which government must address. The total deregulation of the downstream sector of the oil industry is an intervention which successive governments have

tried to accomplish without much success, given the negative reaction which has trailed the policy by the populace. It is our belief that given the right response and strategic interventions government can win back the trust of the people and enable them appreciate the sincerity of the policy. In respect of the matter under perspective, NIMASA is primarily concerned with ensuring the trucking of imports and exports of shipping traffic to and from Nigeria. This also involves the records of cargoes carrying on board such traffic as well as the ports of origin and destination in both ends of the trade. These data are utilized essentially for computing the agencies 3 per cent statutory levy as well as building trade data base such as trade roots, trade structure among other useful information. In this wise, importers and exporters of cargoes are required to declare such cargoes and their carriers through the shipping company or an agent to NIMASA to enable the agency compute the revenue accrued to government. The accrued revenue is arrived at through the application of prevailing free trade bench mark which usually is a regime periodically determined by the agency in conjunction with stake holders. It is within this operational frame work that the Agency has interfaced with the operators of the upstream and downstream of the petroleum sector. In the specific case of the downstream sector, importers of petroleum products into the country declare their imports to NIMASA. This declaration includes such information as the quantity of products imported, the consignor and the consignee as well as the port of loading and discharge. NIMASA information level on petroleum products imports is therefore limited to the declaration received from importer.

Some Key Facts About the Nigerian Maritime Sector

Nigeria accounts for over 65% in volume and value of the total maritime traffic in West and Central Africa sub-region. Nigeria is perhaps, the only OPEC member without her own fleet of tankers and therefore has no capacity to partake in the affreightment of her hydrocarbon cargoes (crude or refined products). Before I go on let me give a brief explanation about that. Nigeria is a cargo destination of so many countries in the world; Europe, Asia, name them, which means if our maritime sector, our maritime policy are well articulated and sustainable programme are developed with good leadership we are supposed to be a major contributor to the development of this country by way of jobs creation and also growth of the GDP of this country. That shows that significant portion of our yearly budget is financed through the maritime sector, and of course NIMASA is the apex regulatory body in the industry. The reference to NIMASA as the only OPEC's member that owns no fleet and therefore no capacity to transport its hydrocarbon cargoes is a major setback for the Maritime industry. NIMASA has been showing many presentations at different occasions to different government agencies and we are beginning to get positive response from government in this regards. Nigeria records annual average ship traffic of 4,000 vessels calling at her ports including crude oil terminals and petroleum product jetties. Now this

favourably gives rise to racketeering, and fraud in the petroleum product distributionship.

Overtime the Agency has accumulated experiences in petroleum product import operation in the country. Some of the remarkable characteristics of the activities in this regard include:

- (i) Unauthorized ship to ship (STS) transfer of petroleum product in our waters. Particularly last year we were able to discover a lot of unauthorized ship to ship transfer with respect to the movement of petroleum products within and outside the country. There is also the negative experience which we have;
- (ii) Under declaration of freighted consignment is a huge revenue loss to the country; that must be discouraged.
- (iii) Equally important is the fact that there is an outright non-declaration of consignment, and of course the issue of;
- (iv) Illegal bunkering is a common knowledge to all Nigerians and also Members of this Committee.

All these are done mainly to conceal the actual quantity of imported products with a view to ultimately short- changing government revenue generation. A mind burling question may arise in the context of the explanation and the challenges or the experience that have been expressed so far. What are we doing to stop this? Presently to stop this illegality we are subscribed to relevant International data bank and information system to trace the movement of vessels. This will enable us know types of cargos, their destination, the quantity and a number of ships. Of course also important is other tracking devices alongside enforcement capabilities. As a regulator, the law that established NIMASA gives us the right to police our territorial and maritime domain with the use of platform, electronic surveillance system, satellite images and radar system. We are at the concluding stages in the procurement process that is going to deploy the needed platform with accompanying electronic devices, the satellite images to police our territorial waters, to ensure that all forms of illegalities are stopped, to ensure that all revenue leakages blocked, to ensure that IMO and local compliance standards are enforced, and to ensure that the cabotage regime is well in place. We are having problems with the so-called importers of petroleum products. As soon as the mother ship drops anchor offshore Cotonou, the smaller feeder vessels go for transshipment. These vessels are declared coming from offshore Cotonou to avoid paying the necessary statutory levy to NIMASA. And of course by law if small vessel goes for transshipment to larger or bigger or mother vessel our 2% statutory levy capital surcharge is supposed to be paid to NIMASA; often they avoid payment of this levy. And this is a very big setback for the economy and for the development of this country. There are questions that should arise at this juncture. On all the claims of supply of petroleum product, we want

to know what vessels brought this product. What are the high numbers of this vessel? What are cost signs? What notification do they give to NIMASA in coming into our territorial waters? What is the evidence of our 3% levy paid? And what is the evidence of 2% cabotage surcharge that is statutory levy as entrenched in the Act that established the NIMASA? The answer to all these questions is in the negative, it calls for caution. While reflecting on these questions, let us look back on few issues that took place in maritime domain, particularly around the latter part of last year. Some specific and recent acts of illegalities in our maritime domain included the following ships which are currently under investigation:

- a. On October 2nd, 2011 two vessels namely “MT ORTAKOY 1” and “MT MARONI” were arrested for illegal ship to ship operation.
- b. On the 10th October, 2011 “MT CAPE BIRD” was interdicted for illegal activities.
- c. On the 1st November, 2011, illegal shipping, ship to ship involving “MT SEA PHANTOM” and “MT TORM ESBERG” were also arrested by the combined team of the Nigerian Navy and NIMASA.
- d. On the 12th November, 2011 another illegal ship to ship operation involving “MT EBUNOLA” and “MT OMEGA PRINCES” was also uncovered by the Agency.
- e. Also arrested was the “MT BIVER” that had a lot of petroleum products with a questionable destination and a questionable source.

This is just to mention a few. It has been difficult for the NIMASA to deploy enough platforms to cover our entire maritime domain because of the huge capital fund requirement for platform and electric surveillance system, and also because of budgetary constraint. NIMASA initiated a pilot scheme through the assistance of private sector and the Navy. Of course we have had an MOU with the Nigerian Navy running for some years. So, we have the detachment of Navy personnel assigned to the Master for our day to day operation. Whereas the law that sets up NIMASA confers security, safety responsibility, the law does not give us the right to use of firearms. The maker of the Act did not recognize this lacuna; yet they put the provision in the Act that NIMASA can interface any security Agencies, particularly the Nigerian Navy; hence this good relationship with the Nigerian Navy in policing territorial waters of Nigeria. We started the pilot scheme precisely February last year and that resulted in bringing down the piracy situation to over 85% in Lagos and anchorage area. It was because of the success of the anti-piracy area, anti-piracy campaign with the process and procedure we had in place, which inspired Mr. President, and on the request of the President of Benin Republic, directed that we should expand and extend our frontier occupancy campaign to the Benin Republic waters. Precisely the directive that came to the President stated that they had 35 coordinated attacks on the shipping industry in Benin Republic that had almost crippled their economy and we have been given marching orders to go into Benin Republic to revive the situation. We have been in territorial

waters of Benin Republic in conjunction with Nigerian Navy for about 4 months and from 35 attacks we had no attack. That is 100% success achievement that we were able to do. The question will also come, why our interest in Benin Republic? For strategic reasons, Nigeria as a leader in the sub-region, it is important that we should manifest our presence in Benin territorial waters. For economic reasons, majority of the vessels that trade in Benin Republic waters were initially destined to Nigeria. So as we initiated this programme, all those vessels that were trading illegally in Benin Republic started coming down to the shore of Lagos. And of course IMO looking at our capability, our resources and being the big black nation in the world within the context of regional super-power, the leverage on Nigeria to be the Secretariat of the sanction rescue centre in the sub-region, hence so much is demanded from Nigeria in terms of safety and security search and rescue effort. We have been in Benin Republic and the success story is there for everybody to witness; it is in the public domain, what we have achieved in Lagos area in the terms of anti-piracy campaign that led us to Benin Republic. It was acknowledged by the visiting President of Benin Republic, advertised and celebrated in the NTA News recently. The NIMASA anti-piracy campaign, the deployment of platform within Lagos area enables us to sustain regulatory complaints standard. Stopping illegality, particularly smuggling of petroleum products, as I mentioned are some of the pending cases that we are able to achieve. There is no gainsaying that illegal bunkering, unauthorized ship to ship transfer particularly with reference to petroleum products have been the norm rather than the exception. Because viewing the worrisome dimension and as I came in to steer the leadership of the Agency, I have to take this problem headlong and fight it. It has been a very difficult battle because of the entrenched elements that are well connected not only because of their financial capabilities but because of their network all over the country and possibly outside. This elements manifest in different form, in different patterns and can be seen in high places. We all have a duty to protect our God-given resources for the benefit of Nigeria and Nigerians. Now, why only the Lagos territorial, and anchorage area or Lagos piloting area? What is the major militating factor, why can this be replicated throughout our maritime domain? Hence a window of opportunity for us to collaborate with the private sector in the deployment of this platform so that we can guarantee safety and security, ensure a healthy marine environment for the benefit of generations of Nigeria that are coming. We were also asked, more often when there is news about pirate attack on a vessel with refined petroleum products or on a fishing vessel. The answer is simple, when products are gotten illegally, there will be an alarm of a piracy attack. Within the period such announcement, you will see where the vessels are. After some few moments, days, weeks, the same vessel will be loading petroleum product to come back for subsidies two times, three times, or what we call round tripping. It is a common practice in our territorial waters. Our experience in petroleum product shipping, petroleum products and crude oil statistics available to NIMASA for the record period of

1994 to 2011, indicates that between January 2004 and December, 2011; 7,059 tankers of various sizes brought in products into the country. In the same vein, 9,638 tankers lifted crude oil from the various terminals. The cumulated figure of imports was 114,317,267,288 metric tonnes while exports were put at 985,811,439,620 metric tonnes. These figures show substantial cargo traffic in our waters in the period under review. The annual breakdown is shown as follows, please see the report. As earlier mentioned, lack of operational platform, and infrastructure to carry out our enforcement responsibilities, especially in the areas of maritime safety, security, marine environment and labour matters are some of the problems. However, the Agency is currently addressing these challenges through a PPP arrangement with private sector operators. Now, because of the illegalities that have been occasioned in our marine environment, Nigerians are paying heavily in terms of the ultimate price for goods and services. We are not at war with any country; we are not also at war among ourselves. But there is a war, risk insurance premium for vessels that are coming into Nigeria. This is a major challenge to us and we all must work together to change the situation. Again, we are also facing the fundamental challenges in the context that there is weak inter-agency synergy and collaboration. The various department and agencies in government are not working together, they are working at a cross purposes, which is unhealthy. NIMASA is supposed to be working closely with DPR, with NPA, with Customs, with NNPC, with NAPIMS and they are also supposed to be working closely with us. So we watch that relationship, encourage it, so that no single agency would stop this illegality without the support of other agencies. Most of the figures we have demonstrated in terms of petroleum products came from records that NNPC gave to us. Our secondary source of information is our relationship with the Nigerian Customs Service and some other intelligent system for decision making. Hon. Chairman, permit me to reflect briefly on what Mr. Olisa Agbakoba, (SAN) has said about the cabotage regime. Yes the Cabotage regime is a major source of revenue; it could be a major source of revenue and for employment generation in this country. But we are having a lot of problem with the implementation of the cabotage regime because in the Act that came with the Cabotage regime, it is stated that the vessels must be built in Nigeria, manned by Nigerians, registered in Nigeria and owned by Nigerians. We may ask where are the shipyards in Nigeria that are functioning, virtually none. You are all aware that when the Nigeria Shipping Line got liquidated, there was an immediate result, the death of seafaring. A country as big as Nigeria owns only a major academy that is having so much challenge. Look at the Philippines' economy. The Philippines with a lower population, the export of seafarers to the other part of the world brings about \$6.4 billion yearly, a small niche in the maritime industry. Look at what they achieve with that. Consider our population that has youthful characteristics, we could have done far better than some of these countries that have inventions in maritime sector. The National Assembly stands like the master to change the status quo, it is not within the powers of individuals; NIMASA

cannot solve this problem. They need the support of Nigerians, particularly, arresting illegal petroleum product. The kind of frustration and pressure we have from Nigerians is worrisome. The kind of threat and frustration can be better imagined. You asked a question, who are these people fronting for? We owe this country a duty; we in the NIMASA, given the necessary support can stop illegal bunkering by over 95%. Whether it is done off-shore, or within the coastal area, or within our EEZ 200 nautical miles, we can stop it and it will not take us 2, 3 months to do that if we have the necessary support. Even with the weak structures that we have right now, we are able to stop the illegalities in our territorial waters particularly in the Lagos area. Think about what we can do if we have the capacity to deploy and cover the entire domain, the issue of illegal bunkering is going to be a thing of the past. We are also imploring the leadership of the National Assembly particularly this Committee that is interested in coming up with the true situation of the subsidy, to ask the importers of the so-called petroleum product to remit all the necessary balances that they ought to. If there is a claim that they brought mother vessel that stay in our territorial water and of course we can verify, give us some time. Even if it is the past three or five years we would go back with some technologist and some methods unique to us, which is not necessary to divulge in the public, to show to the world if actually those mother vessels came, if actually they diverted those products. We can do that and we are ready to cooperate with the National Assembly in getting to the root of that.

HON. LAWAN: We do know that the content will determine the tonnage, but of course we have these discrepancies of what they pay and what they agreed to pay; if you had determined the quantity that is imported, will you rely on what they have paid or what they are due to pay? I am asking this question because, sometimes, it is hopeful that yes, this vessels come in with their volume that was expected but for some reasons they avoid making the payment. Now whether their refusal to pay is an admittance of the fact that the entire coming in of the vessel is not in existence or it is simply because they believe that they can get away with it? These are questions. I will give you an example, when we interacted with the NNPC and Nigerian Customs the other day, Nigerian Customs said prior to the suspension of the Custom Duty, payable to the Customs on imported Petroleum Products, all imports were supposed to be dutiable and that other marketers had paid but NNPC refused to pay. Now obviously for that period, it is fair to say that NNPC truly imported products into the country. But because NNPC believes it can get away not paying the Customs that was why they refused to pay. The non-payment does not mean that NNPC did not import. I am saying in this case from your experience, could it be fair to say that failure to pay clearly indicates that this vessels did not come in, so that if you are taking the information of those who pay or go out there to tender a report that this were the vessels that came, the ones that did not pay actually never came into the country or that this vessels came in, but

because like NNPC they believe that perhaps they can get away with the none payment of 3 percent of the agency fees and that was why they did not pay. Can I get some clarifications?

DG, NIMASA: Let us look at the issues involved in this declaration of off-shore Cotonou. There are two major elements of revenue linkage on the declaration of off-shore Cotonou. If the mother-vessels had come to Nigeria to discharge that means the freight rate that will be applied is the freight rate from 3 per cent on international trading, that is one element. But because she drops anchor at off-shore Cotonou, use the feeder vessels to bring the products to Nigeria that means we cannot apply the applicable levy of 3 per cent on international freight rate. So we lose that 3 per cent on international freight rate.

HON. LAWAN: That huge charge is it only on the mother vessels?

DG, NIMASA: That is the second scenario, I want to explain. Off-shore Cotonou is not within Nigeria territorial waters, so we cannot even go to that area. So is feeder vessels filled up with the products from the mother vessels, that is off-shore Cotonou then brings the products to Nigeria, that is the area of importation. If it is a normal operation, then we will apply the normal charges within the coastal levies that apply to such operation coming from off-shore Cotonou. Besides the under declaration, there are other charges that are applicable to operations of off shore Cotonou, so there are two elements of revenue leakages involved in that. I will also go further to explain issues of what the Chairman mentioned about the draft, that is the draft within Lagos cannot contain the vessels to come into Nigeria; that is why they are dropping anchor offshore Cotonou. The question is: is it the same draft all the way from Lagos across up Cotonou? So even if there is constraint or the vessel coming into the port of Lagos or any other port, she can still come into the offshore of Nigeria where we have applied 3 per cent freight charges. Besides, Lagos offshore can contain those vessels but they cannot just come to Lagos offshore there must be confirmation that such vessels cannot come into Apapa port or Tincan port; then government will give them approval to do midstream discharge and use feeder vessels. Again those feeder vessels must pay 2 per cent cabotage operations. So if such an operation is being conducted in Nigeria we have the two elements, that is, 3 percent on the international rate and then 2 percent cabotage surcharge.

HON. LAWAN: You indicated that you have apprehended some illegal vessels coming into the country, could you give us some details on that? If you do not have it now, it will be good to have that information available to us. For instance, I am talking about vessels under investigation for carrying petroleum products; who owns them, on whose behalf are they operating? We need all those details, the quantities of what they were carrying and other details. Could you say that this is a common practice, how efficient? You have already mentioned that you faced a lot of challenges, give us the challenges you have in ensuring

that any illegal vessels coming in is apprehended. Or would this be one of those leakages in the Custom? I am saying this because you are doing your work just like Custom; now there is so much smuggling going on now, there is no way they can keep check on all of this. From your own experience and assessment what is the percentage of those illegal vessels coming in or going out of Nigeria?

DG, NIMASA: As I said, the illegality in terms of transshipment of petroleum products is the norm rather than an exception. Prior to this time, NIMASA was not involved in arresting intending vessels involving illegal movement of petroleum products but we started this operation as I came in. I know these things do occur, from youthful age we know how some of these illegalities occurred. So the campaign to stop these things is an aggressive one, it is not done because we want to play to the gallery. We see it from the point of economic sabotage for the generation of Nigerian that are coming and we owe them this duty. You took an Oath that when you are a member of this or that you will protect the constitution, the law, and we are under obligations to protect our right. We have arrested so many vessels through our electronic systems. From time to time we visit the ports to ensure that vessels are in the safe area. We began to ask federal government what they are doing. Could it be that they are transferring other products? Immediately we will deploy Army, make necessary arrest. All the time we have been able to establish so many of the cases that those arrested are involved in illegalities, particularly petroleum products. As I told you they do not attack containers, tankers, they only attack petroleum products and the fishing vessels because fishing vessels when they go out for fishing do have a lot of money on board. The major attacks are on the vessels carrying petroleum products; you will hardly hear that the vessels carrying pure water, chewing stick or whatever is being attacked. At times it is because they want to raise false alarm so that their operation can successfully be done. Imagine a vessel will load possibly products from Port Harcourt and sell the same in Port Harcourt, and you will find this same vessel in Lagos transshipping to another vessels within Lagos area, come back to ask for more subsidy. We must say the truth except we are not serious about facing these problems; it is a complete abuse and we are challenging the oil marketers. In the vessels you will have more than one bill of lading, it means you are telling me this product you got it from this source or the other source; just one product! These are questions to be answered, and these are the things we are talking about and we are aggressively pursuing them, with the necessary support that by the grace of God by first quarter of this year we must have been through with our procurement processes to deploy them. Then we will find out whoever they are and stop this illegality once and for all. We need to be in all the terminals to monitor all the products that leave this country; it is our statutory obligation and we would not shy away from this obligation, because to do otherwise is to be unfair to God and that is the truth about this matter.

HON. LAWAN: Let me ask for a few items that we would like you to submit to us since you started this exercise. Please provide this Committee the details of all the vessels you have apprehended, the bill of lading and so on. On the issue of Bill of lading you just mentioned please give us comprehensive report from 2006 to date of all vessels carrying petroleum products, be it kerosene, diesel, whatever that came with multiple Bills of lading, like you said. I am happy about the information you have given.

DG, NIMASA: Of course the importers of the petroleum products should be the first suspect, because if this cargo belongs to them and there are two Bills of lading, why? If there is a false declaration who else would you attribute that to? If there is evasion of 3% levy or 2% cabotage surcharge, who else would you point your finger to? The Management of NIMASA is saying that they have questions to answer and we want to relay these questions to the importers. Of course from time to time we have been calling them to come and reconcile their accounts; sometimes when they come we see the differences; they would be arguing and because this is a country where these illegalities have been going on for so many years. Stopping all these things at a time is very difficult particularly with the difficult political terrain, difficult economic climate, difficult social climate and the bureaucratic nature in which we are operating. It is not easy to stop these things just like that. But with the political will and the sincerity of purpose we are going to stop it. So, they are the first suspects in this matter, possibly supported by the shipping agents.

HON. LAWAN: Thank you very much. Like I said please give us details that would help guide the work of this Committee. Let us hope by early next week you can come up with the specific recommendations, given your experience, as to the best way the government would be able to handle this because we intend after this exercise to really bring about a change in the way we do things. I like your passion for this country. I like your commitment in the way you want things to be done and I would want you to translate that into specific recommendations that ultimately would guide the work of this Committee in particular. Do not shy away from giving us whatever details you have. I know there may be political pressure and I do not know how many of those vessels you have been pressurized politically to release because sometimes when you apprehend a vessel there would be political pressure from some quarters. For the purpose of this exercise it does not have to be a presentation; it could be in camera; this will do it apparently. Please let us have it because that would help the work of this committee and if you have specific details, names of vessels, their owners please do not shy away from giving us the details. We fully appreciate that and you have agreed to do that and I believe you are under oath, so I expect that would be done.

HON. GERALD: Thank you Chairman. My brother let me commend you for your courage and forthrightness, just one simple question. These corrupt tendencies of round trip-

ping, do you think that with the removal of fuel subsidy this thing would end?

DG, NIMASA: The answer to this question is very simple. The ultimate blow to the cartel, or the cabal or whatever name that they are called, will be the removal of subsidy. We in NIMASA believe that if subsidy is not removed we can reduce this illegality considerably. You can only talk about what you can do as an individual and as an institution but if all of us also cooperate we can also solve this problem which is far bigger than NIMASA alone. NIMASA, given the enabling environment, the platform, the surveillance system we can reduce this thing drastically but the ultimate blow to the cartel or the cabal is actually the removal of the subsidy. Although, initially it may be painful to the common man but that means government is not paying any kobo so you do not have any incentive in taking this thing to Cotonou or anywhere.

HON. AZODO EUCHARIA: You talked of this Mother Vessel running away or shying away from paying 3%. Are they not paying the same 3% to the Off-shore Cotonou or are they giving them for free there?

DG, NIMASA: I cannot be definite on what I do not know, the laws are different, the maritime administrations are different. Whereas it is 3% inbound and outbound gross rate for NIMASA it may not be the position elsewhere. How they collect their revenue, what benchmark they use, what payment terms they use I cannot give you the definite answer, except we go and make our enquiries.

HON. AHMED: Somebody has told this Committee under oath that the water draft of the Nigeria shore is shallow, so this Mother Vessels cannot actually anchor. From what I gathered from you those mother vessels can actually come into Nigeria territorial waters so that we do not lose this 3%, is that true?

DG, NIMASA: Mr. Chairman, Hon. Members, that assertion is false as I earlier mentioned. It is the same draft from Lagos via Bonny up to Ghana and other areas in our sub-region. The issue of off-shore Cotonou I had earlier clarified is just to avoid our 3% charges. If the vessel is oversized, the situation where you have off-shore discharge are two situations; that the vessel is so much oversized that it has to drop anchor in our territorial waters; that means at the via Buoy location; that can be done there with prerequisite government approval and supervision. The other scenario is if really the draft is a constraint then issue of light barge is now applied, so going to Cotonou is not an excuse. If the scenario is actually technical, going to Cotonou increases the logistic cost of the vessel owner because of the distance he needs to travel. I am bringing this situation on the assumption that the technical assumptions are real but 99.9% of the scenarios are not like that and 85% of them can come to Apapa Port because the draft are not as large as the container vessels.

HON. AHMED: To quickly end this, if the mother vessel can come to Nigeria and somebody has lied under oath before this committee as we have said, there should be an end to impunity. That is the whole essence. We are guided by section 88 of the constitution. Who authorized that those mother vessels should not come to Nigeria? We were here, Customs showed us circular letters that say, look do not collect levies, do not collect tariff from any vessel that is bringing fuel. Were you authorized or was it by word of mouth?

DG, NIMASA: Thank you very much. I believe there is no government officer that approves a vessel that every one of us knows that she can come to the off-shore Nigeria to stay but allow it off-shore Cotonou in the Republic of Benin to earn the revenue instead of Nigeria, there is no such document. I have never sighted it and I believe no government officer would encourage the country to lose its revenue to another country. I have not seen such document and it is a major way of revenue leakage if such is being applied and should be discouraged in all ramifications.

HON. AHMED: Much as I do not want to say so, why did NIMASA not raise a red flag? If you are losing money, you know it is illegal, you know the reasons they are giving is false and kept quiet for the past two, three, four years?

DG, NIMASA: The first thing is that you must have enforcement capacity with appropriate technology to do that. NIMASA has had a lot of challenges. From the day I got appointed there was no functional boat that can be operated to enforce compliance, so we had to start building the system. There has been misplaced priority in the maritime sector. Inadequate funding, no platform, nothing, nothing and you cannot exercise any of these things without practically being there, that is number one. Number two, of course, if a vessel is far off your territory and there is no synergy between you and the neighbouring country it would be difficult to enforce; but right now the sub-region is coming together because this battle is not the battle made for Nigeria alone. That interface previously was lacking or if it was in existence it was not forceful. so we are establishing interface, re-enforcing it so that if a vessel that is bound Nigeria is in off-shore Cotonou we should be able to do this thing.

HON. AHMED: Did you alert the President or the National Assembly or the Committee? Did you tell anybody that look I have a problem here, we are losing monies these ships should come into Nigeria waters, did you tell Mr. President, did you tell anybody?

DG, NIMASA: At a different presentation we have been saying these things and that was why we initiated a PPP Programme to get the necessary platforms like this. The programme that started since last year January to get concluded is a problem; whereas we cannot deploy with our teeth, we cannot deploy with our eyes, we need the platform, and we need the enabling environment, so the presentations had been made. But at the Federal

Executive Council we met the President and he has given the priority to this project, that is the provision of the platform and the necessary surveillance. In fact, for the first time in so many years we have seen the President having so much passion and enthusiasm for the maritime sector. I have been called severally, sometimes every two weeks. I would be called for questions and the rest of them to solve this problem. So with this kind of attitude we will solve this problem.

HON. AHMED: Lastly what can we do in the interim for these mother vessels as quickly as possible to start coming into the Nigeria waters before we turn in our report? What can you do, anything, without any intervention of anybody to make those vessels come into Nigeria?

DG, NIMASA: If there is synergy between government agencies. NNPC should be able to tell us seven days, twenty-one days before a mother vessel is given a right to lift petroleum products down to Nigeria, they must give us that information. With the little platform that we have we are in position and know when the mother vessel is arriving Nigeria, cross-check the quantity of cargo that is carrying and ensure that they are policed. If the mother vessel is policed well it would ensure it delivers the final product to the end user that is to our Port, our terminal and so on. NNPC should tell us when the mother vessels are coming in so that we should be in the picture. For now, we always get it after the vessel may have left, so how do we act?

ABUBAKAR SADIQ: Mr. DG, in your presentation you said if given the enabling environment, the support and everything you would be able to curtail 95% of this oil bunkering, the demurrage. But somebody told us yesterday that they have tried all avenues, but they have not succeeded. What can you say about that?

DG, NIMASA: A question of coming here to play to the gallery does not arise. I can re-emphasize this, if the enabling environment is given to us we can stop all forms of illegal bunkering with 95% success anywhere in this country.

HON. FALEKE: DG, I have three questions in one. The first one is regarding this 3% or 2% payment. Are you aware that PPPRA has a pricing template and on that this pricing template we have the NPA; we have the other charges but your body is not part of the bodies authorised by PPPRA to be paid any amount. If you are aware of this template have you written to PPPRA to let them know that statutorily, your body is entitled to this fund and that they should remit your fund accordingly? Two, I have it from good authority that some of the vessels you have arrested in the past you let off the hook, not directly by you. May we know what you have done regarding this issue? Finally, you are aware we have refineries in Nigeria, you are also aware coming from riverine area, that we have so much

vandalisation of NNPC pipes to the extent that according to NNPC yesterday crude cannot be moved to the Port-Harcourt Refinery. Is it true? Port-Harcourt, Warri and Bonny, they cannot be moved. What is your role in this instance protecting all our petroleum pipes for this country to be able to take the maximum advantage?

DG, NIMASA: You asked about the 3%, the DPR whether they are cooperating with it. Our 3% and 2% levies are statutory; they are defined in our Act expressly. We have had series of meetings with DPR and sister agencies sometimes the Nigerian Customs Services. They have been helpful in solving that. So in terms of some of the information about the movement of the vessels, information comes to us after the mother vessels may have left. The DPR people or the NNPC people would give us the information. You can assist us to strengthen the relationship between NIMASA and some of these agencies. You can leverage on the trust and the responsibility Nigerians have given to you to do that to happen. As I said, for instance, if you want to monitor the mother vessels the first point of monitoring is the one that has to do with NNPC. Before these vessels come into Nigeria they should tell us that in the next two weeks mother vessel is going to come with so, so number of petroleum products so that we would be there; but when they have come and possibly they have finished discharging then you tell us to pursue them; that is too difficult. If you give us the information it means we can collect our revenues before it comes to our shores, that one would be a significant step; then we would know in which case any mother vessel that NNPC has not given us report, the mother vessel coming should not be entitled to any form of subsidy. If there is no such information by tomorrow or next tomorrow if it comes to claim subsidy then question should be asked until that matter is addressed. Number two, you talked about escape of vessels. There are some instances except I go back to the record that I would know how many releases or escapes that have occurred with reference to vessels that we have arrested. It is a very, very tough battle and the entrenched elements would fight tooth and nail for the status quo to remain. That is where some people eat, that is their goldmine. So we should not expect when you arrest a vessel certain things will not happen; we are Nigerians let us be very frank with ourselves. We in NIMASA, the Management in NIMASA is not a party to and will never ever be a party to any vessel that is involved in illegal bunkering that we have the capability to arrest and after arresting that vessel would allow that vessel to go. Of course, we have a big challenge with reference to prosecution, we have written to the Attorney-General to give us a fiat so that we can begin to prosecute this thing. Our judicial system should be strengthened. The police, all encompassing. We arrest them but in prosecution areas we are having a lot of difficulties. We should have the fiat so that we prosecute. We are getting a little bit discouraged that people should be in jail but we are not seeing that yet. We want some Nigerians who are involved in these criminal activities to be in jail.

HON. LAWAN: Sorry before you go into that, can we have a copy of the letter you wrote to the Attorney-General?

DG, NIMASA: Alright, it was via my Ministry, Ministry of Transport.

HON. LAWAN: Just let us have a copy.

DG, NIMASA: Alright.

HON. LAWAN: Fortunately the Chairman of the Committee of Justice is here so we make sure we fast track that.

DG, NIMASA: Can I go on sir? Well, our dear brother talked about vandalism. With respect to vandalism in the maritime area we can stop it but outside that I should not come here to tell you that I can do it or we can do it. But within the maritime area, yes. For instance, we have been able to bring down piracy in Lagos anchorage area by over 80%. We have not shot or killed one pirate but we know how we do our job. It is not everything we tell the public. We went to Cotonou from 35 attacks in just few months; 4 months period no one single attack; we know our methods. The most important thing is to deliver, provided the strategy does not conflict with the Nigerian laws; we should be supported and we can get that done.

HON. DAWAKI: Do you have any mechanism whether electronically or otherwise to monitor those vessels that are supposed to be on the Nigeria waters or even within the coastal zones? I believe that the Off-shore Cotonou, Off-shore Lagos is within the contract between the importers, so do you get any document that would now tell you that this vessel is off-shore Lagos or off-shore Cotonou? That would also help you to know that when a vessel is leaving a port of loading to the port of discharge before she arrives and gives notice of originates to the discharging agent.

DG, NIMASA: Your question is simple. Right now we have electronic systems in NIMASA. In our resource centre, we have an electric system where we can visualize and monitor movement of vessels but we need an improved version; that is why we are working with the private sector to provide these tracking devices in the surveillance system. Not quite long I went to some few countries and I saw the most advanced technology in terms of tracing the movement of vessels; even vessels that left our shores for the past five years we will be able to trace where they are. We are going to reinforce the little ones we have with this new acquisition so that any ship anywhere within our maritime domain we are going to capture it. We are going to have complete maritime domain awareness in our system. The satellite images and the radials are there; advance ones are coming. We are making the contacts and very soon we will get them.

HON. LAWAN: I believe that has been quite enlightening and I want to assure you that this ad hoc committee would ensure that we take the necessary steps that will strengthen and empower you to discharge the responsibilities you have so eloquently enunciated in your response to our questions. Like I mentioned earlier, we expect the details of what we requested from you and please we would be glad if we can have that as quickly as possible. Maybe, latest by Monday because those details are very critical to the work we do. Please be specific and where you do not want to be publicly quoted, just make sure that there is a report that comes to us which we would use in ensuring that we bring to an end some of these sharp practices. From what you have explained most of the allegations actually do exist. For those out there who have apprehensions as to whether these sharp practices exist, I think from the experience of NIMASA it is apparent that this country is losing huge revenues and is being short -changed in so many ways through these sharp practices. Please avail us with whatever details and information available to you so that we can use that to make a report that would address the issues. Let me thank you very much for spending your time with us today. If there is any need before the end of this exercise we might invite you back again to come and shed more light. I want to thank you very much and I wish you safe flight back to Lagos.

DG, NIMASA: I once more thank the Members of this Committee and the wisdom of the leadership of the House of Representatives in setting up this committee. It will go a long way in solving a lot of issues with respect to the maritime sector. If we want to call a spade a spade, the least to say is that there must be some level of autonomy, else there can be no magic. Today as we came here there were reports although it is not yet confirmed in one or two places concerning the maritime domain. You cannot attempt to solve this problem with civil service culture. There is no business culture in the civil service. That is one of the problems we have; there is no successful maritime nation that is tied to basic civil service procedure and the rest of them. You can never ever make progress and this is a sector that can boast of millions of jobs. Why can we not take immediate steps to do this so that all of us will be happy in this country? Secondly, the shipping industry is about the most dynamic industry you can think about. Conventions and codes in IMO in three months time there could be an improved version that will come, whereas it will take us 2-3 years to domesticate our laws. By the time we domesticate our laws; western nations have gone far beyond what we have domesticated. So, there should be a very good working relation between the National Assembly and NIMASA. If that is not done, there is no way we can create a robust maritime environment. The potentials are there but we have been unable to convert the potentials to concrete realities; hence, the decay in the sector. There are a lot of laws that need to be domesticated, for instance, the Cabotage Act. We have sent proposal for amendment so that we can vigorously implement. The Cabotage regime alone will take away a lot

of unemployed youths out of our streets. So, I thank the leadership of this House, particularly this Committee and its members for giving us this opportunity because the more we interact, the more you understand our problems and the more we will get used to you to take the right steps and the right decisions that are going to move the maritime sector, and, of course, the country forward.

HON. LAWAN: I want to crave the indulgence of PPMC, we really want to be thorough because you are very critical to what we do and so let us see if we can still take you to night; otherwise, we may have to either have a special session to take you tomorrow because we are not supposed to meet tomorrow. Let me see how far we can go with PENGASSAN which I believe may not necessarily have a long presentation. PENGASSAN can you please come and make your presentation?

THE CHAIRMAN PENGASSAN: We are the representatives of the workers, the senior arm of the petroleum workers union known as PENGASSAN. That is the national petroleum body of this country. We are here to present our position paper as has been invited by your Committee. Our concerns are listed in the papers that we have circulated and I will just be guided by what we have written there. They are as follows:

1. Growth and stability of the petroleum sector vis-à-vis the fuel subsidy management.
2. Employment generation and job security challenges created by the importation of petroleum products
3. Socio-economic impact of fuel subsidy management on the general populace.

PENGASSAN supports the liberalization policy in September 2003 with the hope that the effective strategies will be put in place to open up competitiveness that would ginger operators and players in the downstream oil and gas sector of the economy knowing full well the role that the downstream plays, knowing full well how important this sector is to the economy of this nation. In the year 2003 when this idea was muted, PENGASSAN supported the idea and we gave all our backings. We believe that the expectations of the yearnings of our members and the entire country, includes exploring the breakage of NNPC monopoly in the downstream petroleum refining, supply and distribution network. This we believe that if others are given the opportunity we will have enough room to be able to swap between what NNPC is doing and what other players will do in the sector. NNPC should be subjected to real competitive business culture along other industry players. We want to say here that, for instance, we have a kind of NNPC of our country that was set up in Brazil some years ago known as PETROBRAZ. We are here to say today that PETROBRAZ in their own employment has over 800,000 workers. They were set up the same time with NNPC but today in Nigeria, we are not sure if the population of workers in NNPC is more than 200,000. This is because NNPC is not given enough autonomy in expressing NNPC.

We discovered that even the GMD of NNPC at a time cannot even sign something that is up to N5 million to repair or do any work in their various refineries. We say if we are able to attract private investment into petroleum product refining, supply and distribution network, to make private sector players assume greater role in the downstream oil and gas sector. This we believe will boost petroleum products refining, supply and distribution and the value chain network. It will reduce over dependence on NNPC and government in product refining, supply and distribution, value chain and network. Today we are saying that we have about 4 refineries in this country and we are here to say that those 4 refineries if they can produce at the installed capacity, they will produce 18.2 million litres per day and what we are consuming today with what has been revealed to this committee is ranging between 30-35 million litres per day. So, even if the 4 refineries that we have in this country produce at optimal installed capacity they will produce 18.2 million and you can see the gap that is already there. We have a country called Venezuela which all of you are aware of. Venezuela's population is 38 million. As we speak today they have 8 refineries working and 4 are on the way to be commissioned in 2013. They have another 4 refineries that they set up in the USA. Whatever they accrue as a kind of profit over there they use it to subsidize even local consumption in their own country. We have over 160 million people in this country, the manpower is there and whatever we need is there because the crude oil is available. It is unfortunate that we do not have refineries that can cater for the needs of the teeming population that we have. As regards improved efficiency and product quality assurance and check sharp practices in the petroleum product supply and distribution network, we have heard it even from the man that just left that there are a lot of sharp practices going on in the petroleum sector. We are hearing of round tripping, we are hearing of mother vessels and other vessels. We have to ask ourselves questions, what is it that they are doing in the Republic of Benin that we cannot do in Nigeria? Is it that there is waiver for them? Is it that in the country over there they are doing something that is encouraging these people to berth over there, refusing to come here? But, we have just heard from the man that probably it is because of the existence of subsidy. Unfortunately, no concrete steps have been taken to actualize the targeted action till date. The challenges that we have identified in this area remains as follows: One is the refineries' low efficiency necessitating substantial importation of products to meet demands and supply gaps. Today we know that if we say we want to stop importation of refined products, this country will be grounded to a halt because we know we do not have the capacity to do it. The question remains: why is it that we do not have the capacity to do it? We in PENGASSAN we have been saying it over and over for years. Permit me Mr. Chairman to go local our way. My people say that when you are frying corn for a blind man, you must continually blow your whistle because if you do not do that the blind man will say that the whole corn has ended in your mouth. But when you are blowing your whistle the blind man will know that you are not eating his

corn. So, over the years, we have been saying it in PENGASSAN, we have been talking and sermonizing it. Unfortunately what we have been saying is not heard but thank God for this committee that has been brought together now. We believe that this will take us to a very long distance. The installed refining capacity that we have today as mentioned earlier on is about 440,000 barrels per day but currently operates below 40 per cent utilization due to dearth of operational facilities. We have on record that there are oil producing nations that gave licence to some of these giants and insisted that they must refine locally. The question we have been asking in PENGASSAN is that why is it that our country does not have that compelling proviso to compel those who are giants in the industry to make sure that they build refineries for us here? All they will say is that it is not profitable; but it is profitable for them to take our crude oil out of this country. We believe that government should be able to do something in this area. However, when we talk as a body, meanings are read to it. But, you will agree with us because my people say that when you dance with your enemy on top of the rock by the time you come down your enemy will still accuse you of splashing water on him but you will ask where did the water come from? He can use anything to defeat you therefore, all what we have been asserting in the labour circle is that government has not been listening to us. The deed is done now that we are now talking of subsidizing in just one year to the tune of N1.3 trillion which every Nigerian has been querying. We all know this, every year we talk of turnaround maintenance. Over the years about three Heads of State that have left turnaround maintenance culture, that has been a problem. We have awarded this contract but at the end of the day we have not been seeing anything from it. But, the chips are down now and we have discovered in this country that either we do what we need now or we will remain where we are. My people say that a man that says he hates the sight of blood on the day his wife is going to deliver, will the man pack out of the house? It means that on that day the man must have to see blood. We have come to a situation now that in this country we have to do what we are supposed to do. It is a time for us to know that PENGASSAN and NUPENG ab initio were never against what we call deregulation. PENGASSAN and NUPENG were never against subsidy removal, we advocated it and we are standing by it and up till now we are still standing. But, there are things that we ask that government should put in place which unfortunately were not in place. But the chips are down now, and we believe that we must have to do what we are supposed to do. When the head is already cut off, then the shoulder should not be afraid of blood any longer. So, this stage that we are we should know that we are moving forward and the nation must benefit from what we are seeing. We are talking of the challenges of meeting our daily national consumption of petroleum. How can we meet these challenges? We are talking of cabal, and so on. My people say whoever brings an infested fire wood to the house is the one that has invited lizards to come and gyrate. Had it been we have enough refineries and we are doing what we are supposed to do we believe that our country

will not be where we are today; it is unfortunate that we left what we are supposed to do and we are doing what we are not supposed to do. I want to say that we have come here as labour to tell you the truth and by the grace of God nothing but the truth. Whatever you hear from us we are saying without any bias, without looking at anybody. My people say whatever you hear from a man that is suffering from epilepsy, take it that you are hearing from heaven because the man goes and come back at will (laughter). The above challenges necessitate importation of PMS, DPK and AGO proportional to about 70 per cent of daily national consumption to meet demands and strategic reserves. How come that we have all that it takes? When you were not here I said that Venezuela has 38 million population and they are the 6th oil producing nation in the whole world while Nigeria is the 8th. Venezuela has 8 refineries working and automated and 4 are still on the way. But, the 4 that we have is like when they die today, tomorrow they wake up. It is of great concern for us and we paying the price. Our prayers are as follows:

- NNPC's refineries require immediate and faithful restoration to optimal capacity utilization.
- NNPC requires adequate empowerment with competitive authority limit.
- NNPC should be fully capitalized and be freed from political interference. The man who came the other day mentioned how many Directors-General they have had within 6 years. I think the same thing with NNPC as well. They do whatever they like with the GMD who can be appointed today and removed tomorrow. We have discovered that the policy somebody is pursuing will be continued. It is not possible because of these changes that we do on daily basis. So, NNPC should be fully capitalized and be freed from political interference to enable it take commercial decisions. NNPC needs to be sensitized for commercial orientation and competitive business culture. Now we are talking and everybody is blaming NNPC. It is unfortunate because my people say if a blind man decides to beat his child in the market, those who never knew they will share from it. Being a blind man he will be throwing the stick as he likes and that is exactly what we are seeing now.
- NNPC products refining and importation must be appraised at full cost plus mark up to appraise its efficiency and to instill sustainable business culture.
- All depots and terminals need immediate rehabilitation for optimal performance.
- Dredging our waterways to enable mother vessels to berth, discharge and lift petroleum products at our jetties is prime. But the man that came here before has told us that they have been lying to us. He said that mother vessels can conveniently come to our shore and even discharge here. We were saying on our own that if that is the case we should dredge some of our waterways but we have seen now that has been overtaken by events.
- Access roads to refineries and depots need proper rehabilitation as well as provision

of trucks parking lots. When you go to some of our refineries today ordinary parking lots is a great challenge to our people. Like we have said, our own is to provide information, to beg the government and to talk to our leaders and thank God we are here today. We cannot take your jobs from you. My people say even if the nose of the labourer is as long as cutlass, the owner of the farm is still the boss. So, we are not contesting with your power because we know that you people have the power.

- Our pipeline networks need integrity evaluation, restorations and effective security checks.

Everybody is talking of subsidy removal but we in PENGASSAN are talking of what we believe government should do. We are sharing the concerns of fellow labour unions and general public on the fact that current fuel subsidy regime is misdirected and not beneficial to the targeted population. That is why when people are asking labour unions to call off strike and go into negotiations with government, it is not something that is difficult to do but our fears were that it is not a big thing for goat and lion to be friends but the only advice is that the goat should not be the one to pay the homage first. That was where our problem lies. We are saying that fuel subsidy is being misdirected and not beneficial to the targeted population. PENGASSAN joins forces with every well meaning Nigerian who believes that savings from fuel subsidy should be redirected to meeting the perennial challenges of infrastructural gaps and basic amenities that will improve the standard of living which has nosedived as a result of bad governance, mismanagement and corruptions. We cannot dwell much on this. We have heard it from all the people making presentations here that the oil industry has been bastardized. We have been hearing of cabals, we have been hearing of round tripping, and various other things. But, we are saying that on our own government should live up to its responsibilities. It is appalling for a minister coming out to tell Nigerians that it is because they were smuggling our fuel out of Nigeria and that is why we want to remove subsidy. Who are the people smuggling? Does it mean that we do not have police? If a government comes out to say because people are stealing fuel and they are taking it across, why do we have the security agencies then? We believe that Nigerians and the government must work and synchronize our position so that this country will move forward. PEGASSAN feels that it is the only way that Nigeria can wash itself clean from the oil resource curse, otherwise known as Dutch disease. This demand is strong and strict commitment to entrusting the dividends of petroleum resource endowment to improving human development and socio economic structure in Nigeria. PENGASSAN underlines a political will. Let us not underline that Sir. Can we have a sustained affirmative legislation put in place for subsidy re-investment and empowerment? A programme which requires credible Nigerians to be brought on board from all States of the country, who shall be reporting to Mr. President, subject to the effective oversight function of the

National Assembly? What we are saying is that we want to have somebody that will be able to do the job very well, not those who lobbied. But it is unfortunate that we have been saying this, Mr. Chairman, for long but it has not yielded anything. My people say it is easier to wake somebody that is actually sleeping than somebody that is pretending. So PENGASSAN advocates measures that will check inflammatory tendency by creating alternative means of energy to bring down the current demand/consumption rate of fuel and its attendant impact on goods and services. PENGASSAN at least without replicating the statutory responsibility of the various Ministry, Agency, Department this re-investment programme should only focus on priority areas which will accelerate development with positive impact of fuel subsidy management. PENGASSAN strongly believes that PPPRA template as currently being handled needs to be reviewed. That template I want to tell you, if there is a slide in dollar tomorrow that template becomes useless. We need to put something that is enduring in place; we need to look at it. We need to dot our i's and cross our t's because that template we have seen, as far as we are concerned in PENGASSAN it is faulty. Other issues that we believe should be addressed by this Committee; we want you to please use your good position to help us to accelerate passage of the PIB. The Senate President recently said as far as he was concerned, we have more than 3 versions of this PIB. We are at a loss, in fact we do not know where to start or where to go any longer. Sir, when the version you are going to consider will be looked into we are pleading with you Mr. Chairman to do a good job with it. Because my people say if you want to share a calabash of palm wine with a toothless man, make sure that you will be the one that will drink first, because if the man drinks before you, nothing will stop the man, he will finish it. (Laughter). Please Mr. Chairman, you will help us in this area, as we are talking of PENGASSAN in the rehabilitation and protection of pipelines within 15 metres on both sides of the right of way. These people that are doing this, Mr. Chairman, they are not just ordinary Nigerians. They are the people that have the wherewithal that are attacking them. When you hear of this pipelines' vandalisation it is more than those that actually carry out the act. They have their big men somewhere. I must say, you must be careful where the toothless man is pricing corn or want to buy corn; an instinct will tell you he has a secret tooth somewhere. That is why he has the guts to price corn, or else what will he use to eat the corn? (Laughter). So Mr. Chairman, we want to say, under infrastructure facilities, loading and receiving terminals there is need for an access road to supply and distribute. Effective monitoring and regulation by all the Agencies, we want to have this, we want you to empower them. We are proposing, Sir, that there should be a squad that should be funded by the government itself that will be reporting directly, that will be monitoring all our pipelines, monitoring all our refineries; they will be like a squad that are properly trained to guard all these facilities. The benefits that we believe for the industry and Nigerians which will stimulate investment in local refinery, include enhancing operational technological and managerial efficiency. This

will bring local production and import price regime to stability and sustainable equilibrium. This will foster quality assurance, assurance services delivery and cut sharp practices. This will open up employment and jobs opportunities in the petroleum and allied sector. This will enhance training and re-training as well as sustainable career. This will also foster value chain to other service providers. This will earn government more revenue in corporate and personal incentive. Mr. Chairman, thank you very much Sir. (Applause).

HON. LAWAN: Hon. Colleagues, let me express our gratitude to PENGASSAN and especially to the representative, who was actually presenting a report on behalf of PENGASSAN and on behalf of his people. I have the feeling that one of the two versions that is presented here; one from the PENGASSAN and the other one, I think from your people. (Laughter). This presentation is quite rich and we were mindful of your experience in that sector that was why we felt it is important to engage PENGASSAN. We know you are a stakeholder in the sector; you will be in a position to make suggestions that will be far-reaching and will also help in guiding the work of this Committee. You have raised quite a number of issues and we intend to follow up on these issues. Let me just very quickly take you on one. If you look at page 5 of your presentation, item 8; PENGASSAN strongly believes that PPPRA's price template as currently being bandied needs to be reviewed. Now in what way do you want it reviewed, given your experience? When you said something is faulty, does it mean that there are certain faults in it? What are the causes and how do you want to see in the reviewed template? We want to know whether the template as it is provides for a healthy, fair and competitive environment in the Nigeria market or whether as it is now it favours the importer or from your own assessment it favours the consumer. Even where there is a huge subsidy bill by government it is based on that template that the government is using for the subsidy. So if the template is not favourable to the consumer, who will bear the burden? It is the government and by extension it is you and I, the Nigerian people. And if perhaps it favours the people, then one will believe that if their price is completely deregulated then we have a problem because they are importers and we will realize that the business environment is such that they may not be in a position to make any profit and so they may not be very active.

PENGASSAN: Mr. Chairman Sir, thank you very much. Like we said, on our own too, we have done our own work. I am sorry Mr. Chairman, with due respect again, my people say you cannot send me to market to go and buy salt and you send rain after me, which means that ab initio you do not want me to deliver that message, because if I buy the salt in the market rain will descend on me. The template we have on ground, I am here with our General Secretary, and we have it already. Like you have said, we have to forward it to you, and we are assuring you between now and Monday we will get to you. We will explain all areas that we believe; those that we believe that are not supposed to be there,

those that we believe that is supposed to be in that template and anyone that we believe that we ought to include. You heard the NIMASA man bemoaning a lot of things, but on our own Sir, we are going to forward what we have to your office on or before Monday by the grace of God. Mr. Chairman, the other concern we have on that template is the concern that have been severally raised by Nigerians. Some of the fundamental issues that bother Nigerians and labour in particular is that this thing is given in terms of importation and not local production. And most of these external fundamentals are the reason the price is so high. Nigerians are saying that there should be a time frame within which you can work on achieving a total local production. Between that time and now government should be able to give a lot of waivers and concession, especially on those external costs, to bring the cost of importation and landing cost to the barest minimum. As soon as we are able to achieve full local production you can then ensure that those things are determined by the cost of production in Nigeria. I do not think if Nigerians could have been burdening so much if the cost of production is based on what we refine locally. So our difficulties are those cost appraisals, a lot of things are built into it; the bridging cost and a number of other things that are externalized. Nigerians cannot continue to bear that, God has given us petroleum products in Nigeria and we should be able to enjoy the benefit of those local born endowments rather than paying those costs. So that is the key thing but like you have rightly said we would want to wish you to bring out those areas of concern that we have as PENGASSAN and will reach the Committee as soon as possible. Mr. Chairman, please Sir, finally we have a prayer that we want to pass to your office. After the strike, a Committee was set-up and the Committee was to fast-track the passing of the PIB into law. We want to please solicit that we believe that those who are in that industry are supposed to be carried along. So we are using this opportunity to plead with your Committee to insist that a petroleum sector man, somebody probably from PENGASSAN, it could be from NUPENG is on that Committee that knows about PIB. We do not want it that at the end of the day, we now be saying that oh, what they have done now, we were not carried along. OGIC that we are talking about, a member of our constituency represented the union from the beginning to the end. That is why we are privy to most of the things. If it is the current PIB that you want to pass into law, we still believe that the Committee can please speak in favour of that; please a petroleum man from this sector should be included in that group to represent the yearnings of oil workers.

HON. LAWAN: First of all, thank you very much for that prayer, even though the taskforce that was set-up is exclusively an executive initiative. But we will make sure that we communicate this position. From the list of our Members on that taskforce, my understanding was that it will serve as a group that will interface in the National Assembly and the Executive. Because looking at the list, I saw quite a number of my Colleagues on that list;

Senator Udo Udoma, Senator Tunde Ogbeha, Hon. Chibudom N. Nwuche, Hon. Abdullahi Gumel, Senator Ado Shuaibu, quite a number of former National Assembly Members. I think the main a reason for setting it up is to facilitate the expeditious passage of the Petroleum Industry Bill (PIB), it is not that the Executive perhaps needs some kind of interface between the Executive and the Legislature. But we will make your concerns known to the Ministry of Petroleum Resources. Let me express our gratitude to you for this thought you have shared with us and let me assure you that your effort will definitely help in guiding our final recommendations and please anytime you feel you have any other information from your people feel free to come and share some of those things with us. Once again, I want to thank you very much and I wish you a safe trip. Can I invite PPMC? PPMC, in the first place I really need to seek for clarification, because you are very critical to what we are doing. I will really appreciate unless if you will really be ready to accept that we reschedule your own work. Can we really have a thorough discussion with you, and we need your idea. What we are trying to do is to ensure that we have all the necessary facts so that we can improve on what is happening, and you are strategic in what we are doing. I do not know if you will agree to the need to reschedule your appearance; we are under a democratic regime. Otherwise I will rather we take your presentation if you so wish and we can differ the discussion to either Monday or Tuesday, because it is a bit late now and I can see most of my Colleagues are already exhausted (Laughter). So, are you ready to go ahead, or are you leaving?

MR HARUNA MOMOH (MD, PPMC): No Sir, I am not leaving. Hon. Chairman and Hon. Members of this distinguished Committee, indeed it is a privilege and honour for me to make this presentation to you on this day. I will not bore you with too much task, because I want to put on record whatever it is that we submitted. The NNPC is a parent body to the PPMC and the PPMC is a subsidiary of the NNPC. I report directly to the Group Managing Director of the NNPC. What is our mandate? Basically, it is for the transportation of crude oil to various refineries and indeed distribution of petroleum products countrywide. I have listed on page 1 some of our assets and this is included by 33 Inter Destinations. We have destination in the 33 Depots that we have; 31 are building Depots and 2 of them are reception Depots. I will also give an indication on those Depots that are currently loading and then those of them that are used for the purpose of strategic reserve. PPMC, I want to put on record is essentially a marketer, we own depots and essentially we are just like any other marketer in Nigeria. For purpose of subsidy, I also need to put on record the fact that we do not have any direct relationship with the PPPRA, as far as subsidy is concerned. Why? It is because all we do is to collate whatever it is that we brought into the country, what has been discharged into our facilities or some of the facilities of some of the marketers that we use and from then on we pass the necessary documentations up to our corporate headquarters

and they in turn file the appropriate claims with the PPPRA. The GMD in his presentation yesterday gave you a clear indication of the fact that our import and refinery production for the year 2006 to September, 2011 was just about 49.7 million litres for PMS alone and for DPK was about 13.3 million litres, the story is the same. On page 3 of my presentation, we have also given an indication of the volume we supplied for the period 2006 to 2011. You will see that there is some level of constituency as far as our doing business is concerned. On page 4 of my presentation, I have given an indication of some of the Agencies that we deal with directly, including NPA, and then the Customs through whom we do submit arrival notices, and we file with them what we call the inward manifest and on that inward manifest are given an indication of all the details that are contained in the inward manifest. So as it were the Customs, they do verify whatever it is that we bring into the country. The Navy, they do give us clearance and this is on page 5 of my presentation. There is no vessel whether mother vessel or daughter vessel that comes into this country that is not cleared by the Navy. The DPR does quality and quantity certification and gives us clearances for all our vessels be it the mother vessel or daughter vessel. They also give an indication of the report of PPPRA in terms of volume that is imported into this country for the purposes of quantity that is on the vessels, quantity that is discharged into our shore tanks, of course they monitor our shore tanks and then in recent time also introduce load out by trucks. We have independent surveyors and what do they do for us? They do certify both quantity and quality, they do analysis of the cargo, they do the bunker survey and so on. Sir, this is a matter that is passionate to me, Hon. Chairman, that is the matter on page 6 of my presentation – pipeline vandalism. Like I indicated, we have about 33 depots tied to about 14 pump stations and the pipeline network is about 5,120 kilometres. Between the year 2006 and 2011, I have given an indication of how much our pipeline systems have been vandalized. The highest point has been in 2010 when we have about 5,533 vandalized issues. On page 7 of my presentation, all I did was to give an indication of the fact that it is not possible for us to supply our petroleum refinery; Warri Refinery, Port-Harcourt Refinery, with crude oil, if on a constant basis our pipeline network is vandalized. To bring home the cost of vandalism on pages 8 and 9 of my presentation both for products and for pipelines in the year 2011 alone, losses to the NNPC family not recovered from anybody came to about N103.1 billion. And for crude oil alone we threw away a total value of N92.5 billion. Page 9 of my presentation, when I took over in March of 2011, we were able to take products to our inland depots; Kano, Minna, Suleija, Gusau and Jos. It is on record that for the past 15 years we have not been able to take products to Suleija. But against all odds when I took over we were able to take products to the Suleija depot for the first time in 15 years. The issue of demurrage is very dear to my heart. Why? It is because I do not benefit from it. Who benefits from demurrage? It is simply the vessel owners, why, because he is too happy, he is too glad with the situation. He comes into our territorial waters; he stays there for as long as he

wants to stay and being new, he is not sure of when he is going to get the next business. So if you want him to see the person that is prepared to keep him there for as long as possible, why should he not stay there? Going forward Sir, on our own for 2012 we are determined to establish our pipeline network from Jos to Gombe and from Gombe to Maiduguri, whatever it takes us we are going to make sure that it happens. We also have Port-Harcourt, Aba, Enugu, Makurdi, Yola axis. As it has Sir, whatever it is, we will give it. We have embarked on acquiring technology for tank farm system and we have also embarked on the aggressive re-habilitation on our farms just to make sure that 250 tanks that we have all of them are available for our operations. We are also working aggressively to pursue and also expand the consumption of the LPG in the country through the PPPG. We hope that we will be able to help massively import the needed manufactured cylinders in the country.

HON. LAWAN: Thank you very much for that presentation, I will stick to our understanding that you made the presentation, and we will take the discussion on Tuesday morning, you can be here by 10 o'clock in morning, we will start with you. The next group is the Sahara Group and I invite the Managing Director to the witness box. You are welcome.

MD – SAHARA GROUP: Mr. Chairman and member of the Committee good evening. Participating in the PSF scheme has been interesting and challenging and also rewarding. We started only in 2009. For us we have not found that it takes so long to get paid, rather we found that it just take a while or a little more than 45 days. The challenge that we have faced is in terms of infrastructure, when a vessel comes and incur demurrage we have to pay. This is one of the things we think we should look into and that is the only challenge that we have.

HON. LAWAN: First of all, let me thank you very much for your presentation. Look at the first item there, date of voucher is 17th August, 2009, date of products discharged 17th August, 2009, can I understand what is the difference between vouchers and discharge. Is it possible for a products to dispatched and be discharged on the same day?

MD – SAHARA GROUP: No, the vessels arrived on the 10th of August, 2009, they waited a bit and started to discharge and then departed on the 17th of August, 2009.

HON. LAWAN: The country of origin there is France, the date of arrival 17th of August, 2009, date of departure from where?

MD – SAHARA GROUP: From berth, yes that is the day of discharge sir.

HON. LAWAN: Usually the date of berth is the same with date of discharge?

MD – SAHARA GROUP: No, the day of departure here is the same day as the completion of discharge.

HON. LAWAN: So are you talking of the date of departure of the vessel after discharged because the implication here is that the date of departure is the date the vessels departed from France. Your date of departure here presupposes the date the vessels departed from France!

MD – SAHARA GROUP: We did not understand it that way sir, we can **correct it**.

HON. LAWAN: This is what we wanted; we need that information to tell us every detail.

HON. GERALD: For you to prequalify to import petroleum products by PPPRA you must have tank farms, and you must have retail outlets, from what you presented to us, look at your table, where do you discharge?

MD – SAHARA GROUP: A lot of our discharges have been into various tank farms, we do import not only for ourselves, we import for majors, and we have been importing for independent marketers.

HON. GERALD: I have not seen your tank farms specified in that tanks discharge. I have not seen Sahara and that is one of the conditions you must meet before you are allowed to import. Secondly, from your table, I have not seen your notice of readiness of your departure, from your country of origin, the departure date, and so on.

MD – SAHARA GROUP: We can duplicate it and send that to you sir. We have a total of 80 million litres and we have tank farms all over Nigeria and also in Ghana, we have a total of 80 million capacity - all the products that we sell, not only PMS. The reason you will not see PMS being discharged into our storage facilities in that list is because of the economy of scale.

HON. GERALD: Let me repeat my question, before you are prequalified to import PMS by PPPRA, you must have tank farms where you discharge right into and you must have retail outlet. My question is, do you have tank farms where you discharge PMS?

MD SAHARA GROUP: Yes sir, we do.

HON. GERALD: Show us where in this your presentation you have them.

MD SARAHHA GROUP: The tank farms we discharge into are the tank farms of the buyers and even when we retail for ourselves we discharged it into wherever is more convenient or faster for us discharge into, so that we do not incur unnecessary costs.

HON. GERALD: Mr. Chairman I just want to remind her that she is under oath and you have not shown us where you discharged your PMS, where are your own tank farms? Show us in the table here where it is.

MD SAHARA GROUP: We have not done these discharges into our tank farms for PMS that is what I said.

HON. GERALD: So you do not have tank farms for PMS?

MD SAHARA GROUP: We do in Ibadan.

HON. LAWAN: You do but dont discharge into them?

MD SAHARA GROUP: Yes, we have not.

HON. LAWAN: Why?

MD SAHARA GROUP LTD: Because our tank farms for PMS are in Ibadan.

HON. LAWAN: Where do you have your storage facilities for PMS?

MD SAHARA GROUP LTD: In Ibafo, Apapa.

HON. LAWAN: Do you have retail outlet, because that is one of the conditions?

MD SAHARA GROUP: Yes we do, we have 9 retail outlets in Lagos, Obudu, Ibadan and Kaduna.

HON. AHMED: Let us have a list because I know, PPPRA, insists that you must have them. So let just have those six you have so that we know that those are the entire documents. You either told us that you complied with pre-qualification; let us have those six retail outlets when next you are coming.

MD SAHARA GROUP: We have nine retail outlets sir, we will send you the addresses and the locations.

HON. EUCHARIA: Look at your table, date of departure and date of discharge, which one comes first? Your date of departure is on 9th of October while the date of discharge was 8th before the departure, why?

HON. LAWAN: I think the question the honourable Member is raising is valid. Look at your fourth column, it says the date of discharge, 8th of October, 2009, and the date of departure; 9th look at item 6, the date of discharge is 10th of January, 2010, whereas the date of departure is 1st October, 2009.

MD SAHARA GROUP: I think they are the same date.

HON. LAWAN: No, not the same date, this one is 1st of October, 2009 and the other one is 10th January, 2010. The year is different, the month is different, the date is different, look at your voucher, the date of arrival is actually 31st August, 2009 and the departure is 1st of

October, 2009, which one came first, is it the discharge or the departure?

MD SAHARA ENERGY: Sir that is typographical error, what I actually have is not the same, those are the transposition error. Can I explain sir? When you say date of discharge, we mean date of completion of discharge, maybe the same day of departure of the vessels; it depends on how long it takes to do the documentation or what time or date the discharge is completed. I have seen what you have said sir, this is a transposition error. We will correct it when we duplicate it and send you the correct thing, apology sir.

HON. FALEKE: First can you tell us your designation?

MD SAHARA GROUP LTD: As a managing Director?

HON. FALEKE: Managing Director, Sahara Services or what?

MD SAHARA GROUP: Sahara Energy Resources Nigeria Limited.

HON. FALEKE: Look at your table, this vessel that you have used to bring in these products; do we refer to them as mother vessels or daughter vessels?

MD SAHARA GROUP: In most cases the imported products are discharged from the daughter vessels.

HON. FALEKE: Can we have details of the mother vessels, because when you look at item one for example, MT Giver 15,900 litres, is it from the mother vessels? Item 2, shows 14,856 litres by a different vessel. Can you tell us exactly whether it is from the same mother vessels?

MD SAHARA GROUP: Thank you sir, if you look at the 4th column, it says mother vessels. We will send them to you, but what you see is the daughter vessels, not mother vessels sir.

HON. FALEKE: What generally is the capacity of the mother vessels?

MD SAHARA GROUP LTD: It depends sir, mother vessels can be anything from 30,000 to 80,000 litre capacity.

HON. FALEKE: So you can confirm that the minimum at least of a mother is about 30,000 litres:

MD SAHARA GROUP LTD: Yes sir.

HON. FALEKE: Going back to the tank you discharged into. You have told us here that you imported for both independent marketers and major marketers, can you show us the contract between your organization and the independent marketers or major marketers?

We want to see the agreement that you were asked to bring with respect to the products you imported. Secondly, you confirmed the inspectors came to inspect your products, so I am sure you have the assessment reports from the inspectors, and you also have approved Form M from the banks; we want see these two major documents. In addition to that I think you need to take this down, I want you to come along with the Port report, Certificate of quantity from the point of shipment and at the detailed report on arrival, the STS, ship to ship discharge report, the transfer certificate for each of this vessels and the Bill of Lading for all these products.

HON AHMED: As a policy do you inform the PPPRA that you have a cargo that is coming back to Nigeria before it actually arrives?

MD SAHARA GROUP: Yes we inform PPPRA when the vessel is here, that is, we inform them on arrival. The PPRRA does not prepare the storage for us, but we do inform them because you must inform them under the guidelines.

HON. AHMED: What is the minimum guideline, one week, two weeks, one or two days that you should inform them?

MD SAHARA GROUP: It is two days sir.

HON. LAWAN: What vessels do you usually use to bring your import to the shore in Nigeria; is it the mother vessels or feeder vessels.

MD SAHARA GROUP: It depends, Sir, on who paid the cargo. Sometime we buy a cargo that is in Africa already, maybe in Lome or offshore Cotonou; it depends on where it is. If we buy directly from the refinery sometimes we can sell directly to berth, if it is the berth, we take vessels of the size we buy, and that is if the draft allows. For example, if you look at the spread sheet and there is a vessel called MT North Vera we can take it directly to berth.

HON. LAWAN: Mostly these vessels berth offshore Cotonou and then you use feeder vessels to bring your products to Nigeria?

MD SAHARA GROUP: If our supplier is offshore Cotonou, then we will go and buy from them off shore Cotonou and bring whatever vessels we used to berth.

HON. LAWAN: What will be indicated on your Bill of Lading; will that be from Offshore Cotonou?

MD SAHARA GROUP: Is from Offshore Cotonou Sir.

HON. LAWAN: Not from place of origin?

MD SAHARA GROUP: No Sir.

HON. LAWAN: I realize from your spread sheet that there is place where a ship with the capacity of 40,000 and it brought in another quantity of 3,000, that means that it is carrying products that do not belong to you alone. What explanation can you give us for that?

MD SAHARA GROUP: That is a MT Myola. We actually bought only that quantity and instead of doing a trans-shipping, because that was all that was left in the mother vessels, we sold the rest of the product

HON. AHMED: What do you say about the country of origin, nothing there for offshore Cotonou?

MD SAHARA GROUP: Origin of the products is not where we bought it from; it is where the products were actually loaded from by original buyer.

HON. AHMED: How do we when you are telling us it is from? For the purpose of our investigation why do you not give us information on the mother vessel so that we know her capacity? You are giving us is half information.

MD SAHARA GROUP: Apology Sir! Actually we simply populated the template but you did not ask for information on the mother vessel that is why we did not put it there.

HON. AHMED: Well, you need to give us full details on both mother vessels, daughter vessels – I am sure you know what we are asking for. We just want to know the actual quantity. There are so many figures flying around, and we want to know once and for all. You know Nigerians that once you do something in the past and get away with it you now say let us face the future. Now we are not facing the future we are digging, because impunity must stop in Nigeria. So we want all these things even if takes us one year. Subsidy or no subsidy anybody that flouts the laws of Nigeria would pay for it, so we need that information.

MD SAHARA GROUP: Apology Sir! We would send you all the information that you have requested.

HON. LAWAN: Alright, let us have the follow-up question.

HON. FALEKE: Madam MD, I looked at the table and I observed that you must have been making so much profit margin on each litre of the products. Why did I say that? When you look at the date of arrival of a vessel 5th of August, 2009 and it departed how many days thereafter or you take the one that even departed a month thereafter after arriving; take the one that arrived 26th June 2009 and departed 29th July 2009. How much demurrage do you think you have paid; yet you made profit? Can this be in line with a publication that Sahara is actually involved in round tripping?

MD SAHARA GROUP LTD.: Sir, for the record I would like to state first of all that Sahara has never been, is not and will never be involved in round tripping. The date that you looked at is 26th of June, the date of the mother vessel; the subsequent dates 3rd of July and then the 29th of July are the dates when we took our vessels to load, go to berth and discharge. Between the 3rd of July and the 27th of July we were waiting to go in to discharge. Because we do not control the jetties, we cannot determine how long it would take us. Actually demurrage does cost us money; so sometimes we actually do not make any money because all that would have paid in demurrage. Some jetties are more notorious than others, some take longer and that is the reason why see from the 3rd to the 29th but the 26th of June was not our vessel.

HON. FALEKE: It was not your vessel?

MD SAHARA GROUP LTD.: It was not our vessel.

HON. FALEKE: So can we then say that these details you have given us are not correct at all? If the date of arrival of a particular vessel you have given us the data is not yours why then are you giving it to us? It is difficult for us to agree with these details.

MD SAHARA GROUP LTD.: Sir, if we are going to take our vessel to load from a mother vessel the date that the mother vessel got there would be different from the date that we got there to load the cargo; that is why you see the different dates. But we would put it in the way that you want us to put it and then resubmit to you sir.

HON. DAWAKI: Thank you Mr. Chairman. There was a publication in the pages of newspapers sometime last year December. A petition was sent to the Minister of Petroleum Resources with various allegations against Sahara Energy that the allocation they got on DPK at subsidised rate to distribute to the Nigerian people they took it back off-shore, further blended it and returned it to us as Aviation Kerosene. How true is this allegation?

MD SAHARA GROUP LTD.: Thank you sir, I am not sure if you saw our rejoinder in the newspapers. We do not involve ourselves in such practices. Any Aviation fuel that we bring in is imported and whatever we get from PPMC we take to storage and sell as DPK to the masses.

HON. ABUBAKAR SADIQ: How long does it take a vessel to arrive Nigeria from Netherlands?

MD SAHARA GROUP LTD.: Typically, between 13 and 14 days sir.

HON. SADIQ: From where?

MD SAHARA GROUP LTD.: From Netherlands to Nigeria.

HON. SADIQ: On demurrage you have been getting profit but you have not been paying tax, it has never been shown, what happens?

MD SAHARA ENERGY: Yes sir, the reason there is nothing there is because we do not pay tax per transaction, we pay tax at the end of the year on our finances, on our income tax.

HON. GERALD: Alright, Let me be more specific. Do you purchase your petroleum products from the refinery or from international dealers, that is, from intermediaries?

MD SAHARA GROUP: From both sir.

HON. GERALD: All right. Are you involved in petroleum swap business? Secondly, what is the quantum of receipt you had from the subsidy regime?

MD SAHARA GROUP LTD.: We are not involved in petroleum swap sir and the total receipt from the subsidy in three years is N47,721,358,709.19.

HON. GERALD: That is for three years.

MD SAHARA GROUP: Two and a half years sir.

HON. FALEKE: Sahara looking at the table the quantity approved in metric tonnes, which approval are you referring to? Is it approval by PPPRA to your company or what? If the quantity approved by PPPRA in metric tonnes, for example, item 19, 120,000; and you brought only 4,575 litres. In item 17, 120,000, you brought in 10,627 litres; item 18, 120,000 you brought it 2,520 litres, item 20, 120,000 litres you brought in 4,300 litres. Yet you moved your sister ship to Cotonou waters to go and bring in 2,000 litres or 4,500litres metric tonnes and so on. How profitable is this business? I put it to you Sahara that this is purely a round tripping business.

MD SAHARA GROUP: Sir, if you look again at that column, the 120,000 that you saw is the total allocation for the second quarter; it was not against that delivery. The total allocation was 120,000 and it was from there that we were doing these deliveries. The one that you say 4,000 and 6,000 they are the same vessels, the total is actually 10,000 on that daughter vessel, 10,725. But the 120,000 relates to the total allocation for the second quarter.

HON. ABUBAKARSADIQ: Sahara, still on your figure no. 17, date of arrival. The consignment has not yet arrived Nigeria and you have been given (Interruption). Look at no. 17 no arrival date and you were given N703,431,789.75. Is that correct?

HON. AHMED: When were you incorporated?

MD SAHARA GROUP LTD.: We will put in the date sir. It was an omission.

HON. FALEKE: Mr. Chairman, maybe as an advice, for us if you are not here and we want to start interpreting your table to get the accurate details, can you then go back and tell us of the second quarter allocation and first quarter allocation using so many vessels; how much was actually brought in and so on. In a way, that would be easy for anybody to interpret. Then please when you are coming, this is not your letterhead so there is nothing to show that it is from you, can you please come with the one you stamp and sign in your name? Please it is very important for us.

MD SAHARA GROUP: Can we redesign the template sir? All right we would redesign it and put all the information that you want.

HON. SADIQ: And when you are putting this date of arrival bring the approval to us so that we could confirm and see when exactly this vessel arrived this country.

HON. AHMED: When were you incorporated?

MD SAHARA ENERGY GROUP: In 1996 sir.

HON. AHMED: Can you give us your document for incorporation including CO7, that is the list of your directors including any changes therein and list of your shareholders?

MD SAHARA GROUP: Yes sir.

HON. GERALD: We would like to have your purchase agreement you have with those refineries please.

MD SAHARA GROUP: Is it just the refineries or just for anything we bought from the refineries?

HON. GERALD: Those you have purchased from the refineries but we would like to have the purchase agreement, do you understand?

HON. LAWAN: Given the market share of importation on PMS, given the volume you imported in 2011 where would you put your company vis-a-vis other companies? How would you classify your company given the volume you imported in 2011 as against the entire volume you imported? Or let me put it differently. You were given contract by the PPPRA and of course from that contract you also have an idea of the volume given to your other competitors? Or you have no idea at all?

MD SAHARA GROUP LTD: We have no idea.

HON. LAWAN: In 2011, what is the quantity of importation by your company and what was the total amount of money you collected in 2011?

MD SAHARA GROUP LTD: In 2011 the quantity that we imported was 246,105.87 tonnes and we collected N22,874,025,268.05.

HON. LAWAN: We have told you that the system of payment has now been modified and is quite efficient, are you satisfied with the 45 days extension period that we have been told about? From your own perspective as a business organisation would you say that, that system is quite efficient and should be maintained or do you think it should be improved upon; what is your assessment of this system?

MD SAHARA ENERGY GROUP: Honestly, I would not say we are paid exactly in 45 days, some payments are made earlier than others but I can say that no payments have been made later than 70 days. I think it is a good system but obviously like every system it can be better.

HON. LAWAN: You have 9 retail outlets, right? Are they retailing right now because most of the filling stations are not doing business, maybe it is because of this change? There are long queues all over the places. Are yours opened?

MD SAHARA GROUP: You mean do we have petrol right now in our filling stations? We have a vessel that is yet to be discharged; we did not discharge it because we are not sure of the pricing, but we would discharge hopefully in the next three days.

HON. LAWAN: Well, my colleague here is saying maybe it is cheaper to pay demurrage than to discharge and sell at a subsidised or discounted rate! Hon. Colleagues, is there any other intervention? So the discussion is we would allow you to leave but there are specific requests that have been made. If we can have those details either on Monday or on Tuesday that would be fine with us. In the course of this public hearing, we have heard of the existence of a cabal, we have also heard of the existence of sharp practices. I would not ask you whether you are involved in sharp practices; but are you aware - do not forget you are under oath - are you aware of other players in the industry that are involved in this sharp practices? I am not asking you to say whether you are involved or not because it has nothing to do with you but as a player certainly you would have an idea. If you are asking me in the presence of the members of the National Assembly to tell you whether certain members do this or do not, it would be difficult for me not to say as an insider there is no information. As a player, do not forget you are under oath, we are not going to ask you to name them, are you aware of the existence of round tripping, sharp practices?

MD SAHARA GROUP: Sir, I am not aware of anybody that is involved in sharp practices.

HON. LAWAN: Sorry, I did not ask you whether you are aware of anybody; I asked you whether you aware of the existence of sharp practices. I am not asking you specifically

whether company A or B, I will not ask you that. I have given you my assurance, I will not ask you to name any company that you either through rumours or through reporting that you aware of I will not even go there, I will not ask you. But are you aware of the existence of sharp practices?

MD SAHARA GROUP: Well sir, once again, just like you have read about it, just like you have been told, I have also heard about it but I have no idea whether it is true or it is not true.

HON. LAWAN: But you have learnt?

MD SAHARA GROUP LTD.: Just as you have heard about it, just as BB messages have gone round so have I received the BB messages but I am not aware of those concerned.

HON. LAWAN: Were you here when NIMASA was making a presentation?

MD SAHARA GROUP: Yes.

HON. LAWAN: And you must have listened to part of what the DG, NIMASA was saying?

MD SAHARA GROUP: Yes I did.

HON. LAWAN: And you must have listened to part of what the DG, NIMASA was saying, and I thought being a big player in that industry you could have an inside knowledge. At least we are not asking you, like I said, to give us details, I will not ask you that. I am not going to get you into any unnecessary controversy. Do not forget you are under oath, so if we establish that there are sharp practices and that you are aware of that sharp practices it means you have committed perjury, that is what it means, thank you. Hon. Colleagues, in the light of this can I very sincerely say you are discharged but not acquitted, that is what my colleagues are saying. We expect the additional details to reach us Monday or Tuesday and if there are other questions we need to take you on we will. Once again, I want to thank you for staying with us since morning. Your submissions and presentations have been quite useful but we expect your documents, thank you very much.

MD SAHARA GROUP: Thank you very much sir.

HON. LAWAN: Hon. Colleagues, I know you are not too eager for us to end this session today perhaps I will have to use my powers as Chairman to adjourn the session. We have had a very useful exercise and because Monday appears to be loaded, (have consulted with the Secretariat) I have decided to extend this hearing to Tuesday; perhaps we can travel to Lagos on Wednesday. We are going to take the CBN Governor on Monday, we would take Gaius Obaseki, we would take Kalu Idika Kalu, we would take the Minister of Petroleum Resources, we would take the Managing Director of Oando, we would take Alhaji Umaru Dambo who is a former Minister of Petroleum, we would take the Managing Director Shell

Petroleum, we would take TUC, NLC on Monday while Tuesday PPMC, Conoil, Honeywell Oil, Folawiyo Oil, Pinnacle Oil and Gas, Federal Inland Revenue Service, Indigenous Ship Owners Association of Nigeria, Capital Oil and NPA would appear before us. We have a very long list and we are not too sure if we insist on taking all of them on Monday we would be able to do so. So with your indulgence I wish to express the gratitude of this Ad-hoc Committee to all those who have been with us especially my friends in the Media who have so patiently covered the proceedings of this Ad-hoc Committee. I also want to thank all those of you who have been here and my colleagues as well those who have patiently participated in this hearing. I wish to draw the curtains at this stage. This meeting is hereby adjourned till Monday at 10.00a.m.

The public hearing accordingly adjourned at 7:45p.m. till Monday 24th January, 2011 at 10:00 a.m.

CHAPTER 5

Day Five: 24th January, 2012

HON FAROUK LAWAN, (Committee Chairman): Hon. Members of this esteemed Committee, on your behalf, let me first of all apologize for commencing this hearing a bit late. Our invitation letter indicates that we are starting at 10.00 a.m. but we are a little bit behind schedule and we want to sincerely apologize on behalf of the members of this Committee. Let me also use this opportunity to welcome all of those who have responded to our invitation to be here so that you can share your views with us on a subject matter that has been very critical and has actually been an issue to everybody in Nigeria. In the last couple of weeks the topic that has dominated discourse has been the issue of subsidy. Arising from that, the House of Representatives set up this ad hoc committee with the view to answer the questions that various people and various corporations, various agencies are asking. They want to know whether there is any fuel subsidy. If there is subsidy, how much is it and how has it been managed? Is it budgeted? What role do the various agencies play in the management of the subsidy issue? We have the Federal Ministry of Finance, Federal Ministry of Petroleum, CBN and other Agencies like PPPRA, PMC, DPR, NNPC and so many others that we believe can help us get answers to these questions. That is why this committee invited various stake-holders which have a part to play in the issue of subsidy. This morning, we will continue with this hearing so as to provide answers to Nigerians on some of the questions with a desire to a proper accountability, transparency and of course, how the driving tenets that should be employed in the management of the subsidy regime

and we will continue to ask and to seek from all those that we believe have some information that they can share with us. Our report, as House of Representatives, will be one that will be fair and objective to everybody. That is why we will continue to invite people that we believe will satisfactorily provide us with the information that will guide whatever report we are going to write to the House of Representatives. Like I said last week, we invited some other stake holders. We will continue to invite all those who want to speak and even the transporters, they should make sure that they appear before this public hearing, every single one of the people out there who in the last 6 years have some contract to import petroleum products should appear before us. We want to be sure that all those that were contracted to supply were supplied and that payment they received is based on the work they did. I want to welcome all of you. I want to assure you that we are going to be fair and objective and our desire is not to go after anybody or any business concern or any individual. Ours is to get to the bottom of the issue so that we can provide answers so that this country will be better for it. I believe that the work of this committee will significantly add value to the way business is done in this country. We are determined to be as fair as possible to all concerned. Before we proceed first of all, I will like to once again apologize for our inability to sit yesterday. This public hearing was supposed to be held yesterday but as we are all aware of the unfortunate situation that happened in Kano. We decided to in honour those who lost their lives. It was a great tragedy; so many people lost their lives. Let me request that before we proceed, we should observe one minute silence in honour of those who lost their lives in Kano and Bayelsa and all those places that lives were lost. Hon. Colleagues, let me welcome the Hon. Minister of Petroleum Resources who is here to continue with the discussion that we started with her last week. As you can see she has come with all of the representatives of the various Parastatals that make up her Ministry. Let me also welcome the CBN governor who is also here with us of course ably represented by the Deputy Governor. I have to particularly apologize to him because he came in very early. The Former Minister of Finance, Kalu Idika Kalu is also here with us. I want to sincerely express our gratitude to him for leaving his commitments to come and share his experience with us. I have seen TUC, I have also seen one of our former colleagues with them. I do not know whether he is here on behalf of NLC, TUC or on behalf of former Members of House of Representatives. Whatever capacity you are here, you are welcome. Con Oil is here, Capital Oil is here, Oando should be here I suppose. In the course of this public hearing, we will get to hear your own side of the position. Like I said, we decided not only to invite those in government but also to invite those business people, those that are doing business with the government. And we also extended it to those various unions that have direct connection with this matter. That is why NLC is here, TUC is here. I think the only group we have not invited is ASUU because they are on strike that is why I did not bother to invite them. Maybe, after their strike we may invite them to come and hear their

own side of the story. Hon. Minister of Petroleum, I will crave your indulgence even though my colleague in the Senate spoke to me that you were supposed to have a meeting with them this morning on the PIB task force. Senator Udo Idoma talked to me but let me crave your indulgence so we can take the CBN governor.

DR. KINGLSEY O. MOGHALU (CBN Deputy Governor): The Distinguished Chairman and Hon. Members of this Committee of House of Representatives on monitoring of subsidy regime, I will like to thank you very much for inviting the CBN governor to be here today and to make a presentation on the role of the CBN on petroleum subsidy regime. Like I said I came as the Deputy Governor of the CBN, the governor is unavoidably absent on official assignment outside Nigeria and I am acting for him. Let me begin by saying that the CBN believes that the House of Representatives is looking into the subsidy regime. I will rightly recall that over one year the appearance of governor Sanusi before a Select Committee of this Honourable House. On December 2, 2010 governor Sanusi raised questions and the concerns of the CBN over indications of the manipulation of the subsidy regime and urged the House to look into how the system is working. The concerns arose as a result of our perception of the implication of a possible manipulation of the subsidy regime on the stability of the country's exchange rate of the Naira, our foreign reserves and the banking system. So, these were the three areas of concern for us, the implications of the how the subsidy regime was working. As we all know, all performing banks loan to petroleum products marketing companies and for stock market transactions were major contributory factors to the banking distress that happened in this country between 2008 and 2009. That distress almost led to the collapse of the banking system and triggered a number of far reaching reforms that the CBN has undertaken since 2009. Nevertheless, the role of the CBN on the subsidy regime is being limited based only on the mandate of the CBN. Subsidy is quite a physical issue. Central bank is a monitoring authority and a regulatory authority. Just to refresh our minds on the principles of the Central Bank as found in the Act of the CBN includes: ensuring monitoring price stability, maintaining the country's external reserves, safe guarding the international value of our legal tender, promoting a sound financial system and to act as a banker and to provide economic and financial advice to the Federal Government of Nigeria. In line with that mandate, we collaborate with a number of government ministries, departments and agencies and in the context of our discussion here those organs include: the Ministry of Finance, NNPC, PPPRA, the Nigerian Customs Service among others. In your letter to the governor of Central Bank you have asked that we speak about the Petroleum Support Fund and that we speak about domestic excess crude account. So, let me just provide, based on the right back ground of our understanding of those accounts as maintained by the Central Bank as the banker to the government of Nigeria. Our understanding is that the Petroleum Support Fund is a pool

of funds budgeted for by the government to stabilize the domestic products against some volatility of some international crude and petroleum crude prices. The Petroleum Support Fund the (PSF Accounts) that is domiciled in the CBN is operated by the PPPRA. That account was opened with Central Bank on the 15 December, 2006. As at 17 January, 2012 the total credit to that account amounts to N673,850,000,000.00. The total withdrawals from the account have been N667,593,000,000. The balance of the PSF account as of 17 January, 2012 is N6,257,000,000.00. As regards to the Domestic Excess Crude Accounts, the Domestic Excess Crude Account that is domiciled in the Central Bank operated by the Accountant-General of the Federation, this account was opened on the 25 September, 2007. As at 17 January, 2012 the total credit into that account is N2,562,780,000,000.00, total withdrawals from the account is N2,543,519,000,000.00. Balance in the account as at 17 January, 2012 is N19,262,000,000.00. Let me speak briefly about the role of the Central Bank on the importation of petroleum products and payment of subsidy by the Federal Government. It is pertinent for me to note that the CBN is not involved in the importation or the distribution of petroleum products. Rather, the role of the CBN is limited to four areas:

1. Payment role as a banker to the government
2. Exchange rate
3. Import documentation, and
4. An advisory role based on our mandate as economic and financial adviser to the government of Nigeria.

Payment Role: The accounts maintained for all PMS and petroleum subsidy regime includes the PPPRA's Petroleum Support Fund and the Domestic Excess Crude account. Payment takes place in two ways:

1. Deductions by the NNPC at source before FAC, there is appendix attached to our presentation.
2. Through the issuance of Sovereign Debt loans issued by the Debt Management Office to Independent oil marketers, we also have appendix attached to our presentation.

First of all, regarding deductions by NNPC, these deductions are made by the NNPC at source before payment to the Federation Account and then the FAC distributes the remaining to the three tiers of government. These deductions started in October, 2009. Regarding the Sovereign Debt Loans, the DMO issues Sovereign Debt Loans to the Oil Marketers after the PPPRA has verified the claims of the oil marketers. The DMO then forwards to the CBN these schedules of the Sovereign Debts Loans as it has issued and it then they are paid at maturity. The DMO in its schedule requests the CBN to redeem the listed SDMs at maturity when they are presented for payment. Normally such maturity is 45 days. It also informs the CBN to fund the redemption of the SDMs from the Domestic Excess Crude Account as contained in a letter dated April 20, 2010 from the Federal Ministry of

Finance authorizing the CBN on this obligation. At maturity obviously, the oil marketers submit their SDMs certificates to the CBN for redemption and a covering letter stating their accounts' details which is normally attached to the SDM certificate. The CBN cross check each SDM certificate with the list of DMOs schedule to ensure correctness and accuracy and then, we effect the redemption by debiting the Domestic Excess Crude account and crediting the accounts of the independent oil marketers as shown on Appendix 1 of our submission. It is the responsibility of the Office of the Accountant-General of the Federation to ensure that the domestic excess crude accounts are adequately funded to permit the redemption of the Sovereign Debt Loans. That office also ensures that matured SDMs are forwarded to the CBN by the DMO and release of funds. The CBN determines the prevailing range for the exchange rate in the foreign exchange market and provides the link between the authorized foreign exchange dealers and government agencies charged with foreign exchange payments in order to regulate transactions. PPPRA happens to be one of such agencies. From time to time at the request of the PPPRA, the CBN confirms the exchange rate used by deposit money banks on petroleum products imports. The CBN does not participate in the actual verification of subsidy claims submitted by marketers. In collaboration with other agencies, the CBN formulates policies that guide the importation of consumer services including petroleum products. The CBN as the apex bank advises the banks on how to channel funds from these guide lines through the issuance of relevant circulars. These guidelines are meant to ensure that foreign exchange incurred from the importation of petroleum products is judiciously utilized. In furtherance of the Central Bank's responsibilities, we monitor the utilization of foreign exchange. In periods we have observed that demands and pressure in foreign exchange market is rising perhaps and formally sharply, the Central Bank releases appropriate circulars in order to moderate the rates and to ensure stability. For instance, in May 13 2011 the CBN issued circular requiring authorized dealers with such banks to endorse the perfect Petroleum resources claims with the volume and value of importation done through them. This was done in order to forestall all default usage of permit to obtain foreign exchange from multiple banks which of course, if that was to be done constitutes a bit pressure on the demand of foreign exchange and creates price down the value of the Naira if the supply of the currency is not as high as the demand. Similarly, on October 13, 2011 following a persistent rise in demand for foreign exchange the CBN issued other circular requiring authorized dealers to forward all documents for importation of petroleum products prior to the establishment of letters for claims for collection. This is contained in our Appendixes attached to our presentation. The table in our presentation which gives a graphic presentation of the foreign exchange utilization for PMS from 2009 to 2011, the important thing to note is that from October 2009 to October 2010 subsidy payment went up four fold or by 670 per cent. Between 2010 and October 2011 subsidy payment was more than double or by 110 per cent. Between October 2009 and

October 2011 subsidy payment went up almost 17 fold by 1,523 per cent.

HON. LAWAN: Sorry, you said between what periods?

DR. MOGHALU: I said between October 2009 and October 2011. Furthermore, from August, 2011 the CBN commenced a special foreign exchange audit of the 24 deposit money banks. The whole point of that audit among others was to determine the truth, the veracity of the prevailing demand for forex especially at the official window in the foreign exchange market. That exercise covered the period of August 2010 and July, 2011 and it looked at the general foreign exchange utilization and compliance issued by the banks as it concerns the banks we regulate as the CBN. That audit is still ongoing, however, from the initial results that we have seen it is clear and it confirms the observation that the disbursement of very large volume of foreign exchange to the oil marketers puts pressure on the foreign exchange market. In 2009, the total sales of foreign exchange amounted to about \$38 Billion. About \$29 Billion of that was sold at the windows and about \$9 Billion of that was sold to the oil petroleum sector. That was about 1/3 of all the foreign exchange that was sold in 2011. Like I said, the audit has confirmed that very large volumes of foreign exchange to the oil sector put pressure on the country's foreign exchange market.

Advisory Role: As financial economic adviser to the government the CBN monitors micro economic development of the country which forms the income and inputs into policy. The banks decide financial system stability. It is also interested in the effect of the subsidy ratio on micro economic variables such as inflation, the external reserves and exchange rates and on the economy. There are people who believe that removing subsidy will contribute to inflation. We can answer any question on that if there are any as to whether this is actually true. There are people who believe that the subsidy regime puts pressure on our foreign reserves. Let me conclude, honorable Chairman and distinguished Members of the Ad-Committee by saying that in view of all I have stated above, the primary responsibility of the Central Bank of Nigeria in the petroleum subsidy regime is limited to the confirmation of the exchange rate and payment in respect of instrument received from the Debt Management Office (DMO) subject to adequate funding of the domestic crude, excess crude account (Naira) by the Office of the Accountant General of the Federation. Our roles also include the formulation of the foreign exchange policy, including those related to petroleum product imports. For the avoidance of doubt, the Central bank of Nigeria (CBN) is not a party to the determination of which oil marketer qualifies for subsidy or not. The Central Bank of Nigerian (CBN) role is mainly tangential and that is the role of bank customer relationship as the banker to the Federal Government of Nigeria. Thank you distinguished Chairman.

HON. LAWAN: Thank you very much for that very elaborate and enlightening presenta-

tion. Before I yield the floor to my Colleagues, let ask a few issues for the purpose of clarification. First of all, there are certain documents that we require from you, for instance, let us have the various accounts from which you paid subsidy, Form EEC, withdrawal from PPPRA and then the Independent Marketers. We want the account, we want the details, and we want the breakdown of payments you have done from 2006 to date. How much was paid, with what date or on what date? And of course that will give us a breakdown, like you have so far given of the payment you have done, year by year, month by month. Now, given your experience in managing the subsidy account or the payment for the subsidy. You have mentioned the spike between 2009, 2011 and particularly between 2010 and 2011. What would you think in your opinion is responsible for that? Is it that our consumption has multiplied by this fault or is it the exchange rate? Because what we are told here, that even though the level of rise in consumption in 2010, it was 33 million litres per day, 2011 35 million litres per day which means there is a difference of just about 2 million litres per day which should not account for the rise in payment that was done. Of course we were told of the difference in the price of crude oil, but there was an attribution to exchange rate. Now, from your own opinion, as the agency responsible for managing the exchange rate what accounts for this big difference?

DR. MOGHALU: Thank you very much. Honourable Chairman, regarding your request for the account documents from 2006 to date the various payments and withdrawals from the account. The Central Bank of Nigeria (CBN) has the documents that you have requested. We would refer to you shortly. Regarding the second question you have raised, given our experience in managing the subsidy accounts, what might be responsible for the very significant spike in demand and whether or not the foreign exchange rate is a significant factor? I began by saying, the CBN has always had concern about possible manipulations of the subsidy regime. I believe that several Senior Officials that have testified before this Committee have also accepted the possibilities or likelihood of such manipulations. We would also like to make it clear that we do not have the concrete evidence because we are not a law enforcement agency; that is the job for the EFCC. We are not sure we can explain the level of the increase in the demand. Like I have said and mentioned here by the usage, we always felt that with so many companies being involved in subsidy payment that this was putting a lot of pressure. And like I said, it was not the role of CBN to check whether or not those in subsidy are actually importing or distributing what they claimed but we can feel the effect on our foreign window and we do not think that it has to do with the mechanism of exchange rate that is deciding factor in our view, no.

HON. LAWAN: You have an idea on how that process is done?

DR MOGHALU: That process of advising on the exchange rate that apply is normally

done as I understand through the PPPRA, I know that there was a Committee set-up to establish a pricing template, the Central Bank of Nigeria (CBN) I believe was a member of that Committee and so through that mechanism, we provide input related to foreign exchange matters, technical advice by the Central Bank of Nigeria (CBN) that is the limit of our role. Sometimes there could be specific request from the PPPRA and we will also provide an answer to them. I believe those responses are provided in writing. All right, Mr. Chairman, I have with me a sample document that has just been provided by my colleagues, some of the senior staff, Directors of the CBN that shows how we submit this information to the right banks and agencies.

HON. LAWAN: Looking into your presentation, If you look at pages 5 and 6 the last paragraph on page 5. For instance on May 13, 2011, the CBN issued a circular reference bla, bla .. Can you explain the multiple usage of the panic or whether it is legal and what latest the CBN has taken to address this issue beyond what you have done here?

DR MOGHALU: As I said, it is not a secret that one of the strongest areas of challenge the CBN has faced is managing the exchange rate stability in this country and knowing how this impact the pocket of the average Nigerian. We are always worried when we are trying to manage the bound within which the naira can float relative to other currencies and we are having problem and that problem is when the demand for dollars is so much and we cannot meet that demand without continually depleting the foreign reserves. So faced with a choice of supplying to the W-dash that is the level of the foreign exchange that will ensure that supply meet demand. But one of the consequences, if you continue to do that in unrestricted manner is that our foreign reserve could fall below what we considered threshold that is not acceptable, which for us is \$30 billion, we have an internal position that we will not want our reserves to go below \$30 billion. So when we are faced with this challenge, we try to determine what is behind the excessive demand. We monitor this situation by visiting the deposit money banks periodically to confirm that the banks are compliant with regulations including the endorsement of DPR premise. We got reports not necessarily written or factual, I will say they were detailed indication that some importers were using this permit and shopping for foreign exchange through multiple banks. If that is the case we did not feel it was acceptable and that is one of the reasons we issued a circular; not only have we issued a circular but as I have said Mr. Chairman we are actually now auditing the banks to look at every transactions they have done regarding foreign exchange and to make sure that they are compliant with the extant rules and regulations. When our investigation is complete, the Committee of Governors of the CBN we take a decision as to what actions to take regarding any manipulation or any infraction of the regulations that we see, I can assure you that they will be sanctioned.

HON. LAWAN: How soon do we expect the audit report, you have ordered for this issue to be audited?

DR MOGHALU: Well, Mr. Chairman, the work in this area is significantly advance and my educated guess would be by the end of February, I expect that we should have brought this work to completion and we will take the necessary action.

HON. LAWAN: Do you have an idea of the outstanding subsidy payment for 2011 so far with the CBN that has not being paid?

DR MOGHALU: Mr. Chairman, I would need to check the record before I can answer with certainty on that. But I tell you actually that what we have here is an updated figure on the combination of NNPC oil subsidy deduction and payment to independent oil marketers through sovereign debt note. We will supply the information you are asking for after reconciliation but we know that as of December, 2011 the payment for subsidy was about N1.7 trillion but we will reconfirm after reconciliation.

HON. LAWAN: Sorry what figure do you give?

DR MOGHALU: N1.7 trillion.

HON. LAWAN: N1.7 trillion?

DR MOGHALU: Yes, rounding off. As of December, because I am aware that there is testimony here of payment up to October, as the banker to the government we have somewhat recent information. Nevertheless, this is subject to final reconciliation.

HON. LAWAN: Well, it looks like this figure will continue to grow up.

DR MOGHALU: Yes, Appendix 1. If you look at Appendix 1 of our report you will find the information there. Thank you.

HON. AHMED: Thank you Mr. Chairman. Dr. Moghalu, given your role as adviser to government, I can see your Appendix 4 where you placed requirements for import documentation. That circular of 2004 has been overtaken by another circular of 2008 by the Federal Ministry of Finance, signed by the then Permanent Secretary, Mr. Oronsaye. You can see there was an in fighting between the Ministry of Finance and Nigerian Customs Service, where the Customs sent a circular to everybody that oil is exempted from import documentation. You can see from this circular where the Permanent Secretary is saying look oil is different, it is Presidential Special Advisory, you should just arms up and that led us to not having reliable information on import. As an adviser to government, would you advice that with regard to this 2008 circular that all import including oil is subject to Customs verifications.

DR MOGHALU: Thank you very much Hon. Member. I think that from all the comments that the Central Bank of Nigeria (CBN) has made on this issue, I think it is clear that the CBN would favour any reason that increases transparency in the oil subsidy regime.

HON. AZODO: The Governor, I have a question for you. In your report you said that the consumption rate of petroleum product is about 35 million litres per day and that 35 million per litres was agreed by the Ministers of Finance and that of Petroleum. But what the PPPRA has given us is the consumption rate of about 59 million litres per day. I do not know whether you know the difference of this, about 24 million litres. What are they doing with it or are you paying for the 24 million litres as well?

DR MOGHALU: Thank you Hon. Member. The whole matter of subsidy regime is a fiscal issue and I think the answer to those questions probably will be provided by the fiscal authority. I have described the limited role we play as banker to the government.

HON. TAJUDEEN: I have just 2 questions. The first one concerns the deductions based on your submission that started around 2009 by the Central Bank of Nigeria (CBN) direct deduction. I just want to have an idea whether that deduction is authorized by the Parliament or it is just something that is arbitrarily done by the Federal Government.

My second question is in respect of the progressive rise in the foreign exchange requirements of the fuel import of which you have between 2009 and 2011 at a very alarming rate, in some instances over 500% increase per annum and I just want to hear your opinion on this..

DR MOGHALU: Thank you very much Hon. Member. I will like to say that regarding deduction we have started in 2009 the Central Bank of Nigeria (CBN) is not in a position to comment on the forensics that inform those deductions and I think that is a matter for other agencies of government. Regarding the question of whether or not the GDP is primarily responsible for the rising in demand of forensic. It is a question that requires a little bit of research before we can get back to you authoritatively. But as I have said if that were to be one factor there are several factors and we believe that some of those factors are not entirely wholesome.

HON. IRONA: Mr. Chairman just a follow up to your last question. The Central Bank of Nigeria (CBN) Governor ably represented, in your presentation, look at Appendix 1; you give us an update of payments made in respect to the Independent Oil Marketers and NNPC deduction before VAT. You told us that you are not yet clear of the exact amount as of 31st December, but when you look at what you submitted we have N1.736 trillion as the sum total of payment made on subsidy. That is the NNPC component and Independent Marketers' component. That is to say that the difference from what you have given to us,

N1.736 trillion and N1.348 trillion presented by PPPRA in their presentation. If you look at both figures PPPRA presentation, NNPC was as of August and Independent Marketers payment was as of October. You will be having a difference of N588 billion without having the terminal payment for December. My question Sir, are you not worried with the figure N588 billion outstanding, the differential from what you have presented to us and what PPPRA presented as of August for NNPC and October for other Independent Marketers? Are you not worried with the quantum, the differential of N588 billion and that is not exhaustive, I just want you to address us on that.

DR MOGHALU: Thank you Hon. Member. Let me state that I had in my presentation actually cited the figure of N1.736 trillion as payment based on deduction by NNPC and payment to Independent Oil Marketers, those figures are actual. So we are the banker to the government and we hold the books and we have given you the actual figures from those books as of December. Now, it is natural I presume and assume that if someone is giving you a figure that stops at August, someone gives you a figure that stops in October that there would be differences in numbers. But we have given you our figure as the banker to the government. There are some outstanding sovereign debt notes and those will be reconciled between us and the DMO. But the figure we have given you is the actual figures, I cannot comment beyond saying that it is perhaps natural that there would be some discrepancy from figures in August to October to December but the figure we have given you is the actual figures.

HON. FALEKE: Mine is just some clarifications, when you look at your appendix 1. We are aware that the subsidy regime actually started in 2006, are you saying you are not part of it in 2006 or do you have other records you have to give us because this, your appendix 1 is from 2009. So we need details from 2006. Secondly, you have told us that it is the Accountant General of the Federation that actually managed the account of the subsidy. When you are making payment based on the request from the Accountant General, do you have supporting documents; do you seek supporting documents from the Accountant General's Office? Which convinces you that this payment is actually genuine before you make payment, if you do, what document do you have from them? Can you also provide us with all letters of credit opened for fuel or whatever, especially PMS and DPK in respect of this subsidy account?

DR MOGHALU: Thank you Hon. Member. Let me start by saying that the records we have submitted being from 2009, 2010 by no way indicate that we do not have record before then. Should the House request us to submit subsidy records in our possession as from 2006, we shall be happy to look and see what we have and submit to this honourable House, it is not a problem. The second question supporting documents, we make payment

on the basic of mandate and in my presentation I cited a letter from the Federal Ministry of Finance mandating us to make those payments based on company name. So that is the authority. That was the authority we have to make those payments and since that mandate has been established officially we make the payments as requested. Regarding the details of the document, I think it has been found perhaps between the DM and the PPPRA. Regarding the letters of credit open for PMS and DPK, let me say that letters of credit go through deposit money banks and so we would have to see to go far back how many years we have of evidence of these letters of credit, but should you require it, we are happy to provide what we have because they were through GMDS but I know that in recent years we have requested that copies of those letters of credit be deposited with the Central Bank. I think we have for a few years back and we can submit it and we will.

HON GERALD: Just to justify why he must make available those documents. The CBN Governor, I want you to allay my further worries please, look at the Appendix I – year 2010; the total payment you made for the Independent Oil Marketers was N226,873billion and some fraction, suppose it was just what you made in 2011 which is not a determinant of payment; then look at NNPC deduction before VAT payment, N402,423Billion and some fraction; supposing it was the payment you made as of December, N844,944billion, now as a Nigerian not as CBN Governor are you worried with this situation? If you are worried, can you suggest to Nigerians how you think this subsidy regime could be effectively and efficiently managed for the benefit of Nigerians?

HON LAWAN: Briefly as you can, give us your response to that because we have so many agencies we have to take on.

DR MOGHALU: The Central Bank position of this view is clear; we have been worried as an institution; that is why we have taken a number of steps that we have taken through the budget of the banks regarding foreign exchange practices for the importations of petroleum products. How do we think the subsidy products can be effectively managed; well, first of all I said that subsidy is a fiscal issues and the responsibility for planning it for putting it in place or for removing it lies with the fiscal authority, that is my response.

HON LAWAN: You have mentioned a pressure on foreign exchange and you have alluded to the fact that the suspicions or the feelers is that this was coming from the subsidy payments, was there any time CBN suspended allocating of forex or the selling of forex to the importers in a way of reducing the pressure on the forex?

DR MOGHALU: We will run a check of our records to see if at any time in the past we have suspended any of the oil marketers from accessing forex, if there is reason to do so we will not hesitate to do so.

HON LAWAN: When you observed that pressure do you for instance make any effort to track the domiciliary account and pay in commercial banks, because CBN will tell us they have supervisory roles over commercial banks which means you can demand to know the inflow and outflow of forex into the accounts of some of these oil companies, do you ever try to do that?

DR MOGHALU: I can inform you that that kind of action is part of why oath is being undertaken at this point, yes we will look at that amongst other things that we were looking at the past.

HON LAWAN: Could you from your experience establish any link between subsidy payment and pressure on foreign exchange, is there possibility of transshipping by those who are getting this payment and that is exactly pressure on the foreign exchange market?

DR MOGHALU: I said it before that we do believe in the CBN that there have been manipulations of the process and that has been established clearly, we can put it to you in writing, the link we have seen between foreign exchange demand and petroleum subsidy means.

HON LAWAN: I just want to mention that in addition to the Members of this Committee who are here, we also have quite a number of Members of House of Representatives who are not members of this committee but because of the interest generated in this they are here with us and of course from the leadership we have two of our Leaders here, the Minority Leader is here to observe but just for now that I am presiding over the leaders, I will take the liberty to tell them what we can do and what we cannot do, I will give him an opportunity to ask question.

HON. FEMI HAKEEM GBAJABIAMILA: Let me very quickly ask you very simple question, try and understand the question asked by my colleague Hon. Faleke, which I thought was very pertinent, which I thought was clearly answered. I think there should be distinction between authority to pay and verification of payment, I think his question borders on verification of payment as authority from the Ministry of Finance or whatever terminology you called it, so what you described, what suppose be authority from the Ministry of Finance to make the payment. The question borders on: do you verify even without authority the figures you have you have are in order? Again on the verification, you said a lot that it is not a role on CBN to verify the authenticity of figures that was presented to you. For me I believe the CBN more than ever has demonstrated that the laxity of his role in various areas of government today, we have seen CBN doing certain things that would not traditionally within the role of CBN but because it is very pertinent, I think that electricity should have been applied in this case, You have said that you saw an alarming

increase about 1.7trillion suppose to add for average payment at that time and we know that particularly what was appropriated by National Assembly of the figure of about three hundred million or 2.5million to be exact. Again, you said the law in act is a fiscal issue, again I want to understand vividly the difference between fiscal which is practicing on an economic issue, I think the role the CBN has a lot to play, even if is not fiscal but economic issues. Let me ask you this, assuming that you said the pressure of foreign exchange due to the subsidy regime, assuming that this body set schedule for, the actual subsidy assuming is about three hundred or four hundred million, and the other figures we have heard are basically inflated sharp practices, would that three hundred to four hundred million bring a lot of pressure to bear on the foreign exchange? Assuming the figure, the actual cost of subsidy is three hundred to four hundred million, would that be a lot of pressure on CBN to trigger negative effect on the economy? Secondly I want to know whether or not you feel that the deregulation of that sector will reduce demand on foreign exchange, particularly in light of what has happened recently, we would be subjected to the cost of petroleum products internationally? Iran has recently embargoed oil from Iraq, so I am assuming that the cost of petroleum products will go higher; will that bring pressure on the demand for foreign exchange?

DR MOGHALU: Let me first go back to clarify again the initial comment you made before your two questions regarding verification of payments. You talked about “laxity” of the CBN roles. The matter of verification, when it comes to sovereign debt loan, the CBN cross -checks each sovereign debt note certificate with the list that DMO has provided to ensure correctness and actual details provided, that is the limit of our cross-check. Regarding the cross-check on verification, of the actual import that are presented through the fiscal authority before it comes to us as a mandate to pay, as I said earlier that is the role of PPPRA. Just to clarify and we do not think that it is appropriate for us to take on those technical roles. I will like to say neither are we mandated regarding the comment about flexibility, I will just like to say that what a lot of people consider flexibility can actually be found in the fourth role of the CBN which is the advisory role. In deed we are of course part of the management of higher economics together with the fiscal authorities. The fiscal ratio consist of taxes, revenues, and budget; the budget of the country and the revenue are the business of the fiscal authorities, inflation, exchange rate, the reserves, those are monetary issues that are responsibilities of the Central Bank of Nigeria and most Central Banks around the world. The combination of all those two things and some other issues are what makes macro economy. According to the mandate and Act which I read at the beginning of my presentation is that amongst other things the Central Bank of Nigeria can act as an economic and financial adviser to the government. It is in that context that the Central Bank has made a number of contributions including to the subsidy debates. To come to the

very specific question that you asked, let's assume that the cost of subsidy is three to four hundred billion, will the actual cost put pressure on the forex, and on the Central Bank managed foreign exchange. Let me say that the Central Bank, if the payment of subsidy were not at the level attested to and if it were at the level that we will considered far more manageable for the management of exchange rate and all other things being equal which is to say that such a subsidy even if it were to be N50billion or N100billion was efficiently or effectively and transparently managed, as a matter of principle and if our circumstances dictated it the CBN will not have a problem with that, just to be clear. Secondly, you asked, although of course we made some principled statement about subsidy in general we prefer that if you must, subsidise the production rather than for consumption. The Central Bank Governor has made those statements and we stand by them. Regarding the second question of whether the deregulations will reduce demand on forex, the answer is yes. Very clearly it would because when you deregulate then the imperative on the Central Bank to become a channel for the government responsibility as a paying agent for subsidy to manage the implications of foreign exchange by supplying the w-windows which is done from the Central Bank components of the reserve. The reserves of Nigeria is of three (3) components, there is component that belongs to Central Bank, about 70 per cent, there is another component that belongs to the federation that is about 20 per cent, there is another component that belongs to federal government of Nigeria. If you deregulate oil marketers will be forced to source their foreign exchange needs from several other sources; we have interbank market that is one of the sources of foreign exchange in this country, we have what we called the imported market, there are some petroleum companies that sell foreign exchange themselves and we know they actually contribute to help us out stabilizing the exchange rate because sometimes they supply dollars into the market independently and it helps to meet the demand. To answer the question in short, if there were to be deregulations it will significantly in our view reduce the pressure on the foreign exchange in Nigeria.

HON FALEKE: I did ask to know if you have supporting documents when Accountant General requests for payment and you said you only work on mandate, but I want to refer you to your presentation appendix 38. This is a guideline which you issued regarding importation of petroleum products, you requested for Form "M" to be processed, records for purchase of foreign exchange by authorized dealers and after negotiation for transaction and within 30 days of arrival of the cargo, authorize dealers shall provide the final shipping documents including product certification, reports issues by the Department of Petroleum Resources (DPM) to the CBN. If they provide you with this document what do you do with it, if you do not now relate it with the mandate of the Accountant General Office before you make payment. In Appendix 4, you also issued guidelines, the details, all the steps to be taken before petroleum products are imported and all the Bill of Lading, report of load-

ing, certificate of quality, everything, the bill of entry single declaration, issues all these guidelines, now the Accountant General issues you a mandate, you did not go back to your guidelines to see whether they have been actually been complied with. Another question please, Appendix 1, you said direct deduction by NNPC started in 2009 and your table actually indicated that, but I want to know, how was NNPC being paid before October, 2009 by direct deduction or which other means?

DR MOGHALU: Thank you honorable, I said at the beginning of my presentation that we have four roles, the first role was payment, the second was foreign exchange advice, the third was import documentation role, I said it very clearly and is on record in our presentation, that import documentation is the basics on which we have issues; these circulars that request all these documents that you have sited. The guidelines are not for the purposes of payment, we pay on the basis of mandate, the guidelines that we issues are for purposes of our monitoring, that is clear explanation for this, there is no inconsistency in my view. Regarding the third question of direct deduction on how NNPC was being paid before 2009, my understanding is this, we can go back and do some research and come back with a fuller answer to that question. My understanding is that before this direct deduction started being made in 2009 the monies from crude oil sales were going into the NNPC account, so if there is any further information, we might ask NNPC to help us do that but we research and come back to you with anything we have on them. Thank you.

HON LAWAN: Hon colleagues I think we will have to allow the CBN Governor to leave us at this stage because we have quite a number of Agencies today. CBN Governor, before you go, please this is the last one, can you give us the figure for 2011. Is it N1.7trillion? From our interaction there are quite a number of importers, some of them appeared before us here, they indicated that they still have outstanding payment up to 2011. Of course we know among PPPRA, NNPC and Ministry of Finance themselves, that there is an understanding that importation are paid within 45 days but there are circumstances that they extended to 60 days or a little over. Even if it is 45 days we are still within that period. In December for instance we still have 45 days which means that we may still have full payment. This figure you have given of course this is based on the payment you have made which means it may not necessary capture payment that are not before the CBN. If I take it from there we are talking of N1.7trillion and accounting for 2011. Do you have any mechanism of returning payment that you expect but are not payable and these were captured in this figures you are given or are these figures reflection of actual payment you have made which means any payment that is before you is not captured in these figures?

DR MOGHALU: First of all, let me say that the 45 days depends on when we actually receive the document from DMO, that is the first clarification. Again, as I said these are

actual, there are outstanding payments for sovereign debt note and normally we do the conciliations with DMO. So it is possible that it could still be some payment to be made. Like I said before the year 2011, those are the actual and I have seen much if not all of the payment for that year.

HON LAWAN: Thank you very much; on behalf of my colleagues, I want to express my profound gratitude to the Central Bank Governor for his interesting presentation and for the questions he has taken and the manners you have responded to them. In the course of this exercise if there is any need to request for further information we will not hesitate to do so, but we have made certain demands and we will really appreciate if the information requested is available to us as quickly as possible. Honorable Members, you recall that the Hon. Minister was with us last week, and there were a few issues that we raised and requested her to reappear so that she can shed more light on those issues.

MRS DIEZANI ALISON-MADUEKE (Minister of Petroleum Resources): Thank you Hon. Chairman and Hon. Members of the House of Representatives Ad-hoc Committee on Monitoring of subsidy Regime. As you have said we are here once again on your invitation in our joint endeavour to promote transparency in the industry but let me first start by expressing our heartfelt condolences to the people of Kano State and of course Bayelsa State for the unfortunate bombings that recently happened. Since I was here a few days ago I will not of course go through my opening address except of course where pertinent; but I will crave your indulgence to make a few statements particularly in clarification of a number of issues that have risen since then. First of all, it has been mentioned severally between that appearances and now; it has been mentioned again by the esteemed committee here so I think it is necessary to revisit and to clarify a number of issues on 35m litres daily consumption rate. If you will recall Hon. Committee when I was here a few days ago in my opening address on page 3, I mentioned that our role as a ministry is one of monitoring policy registration (interruption).

HON LAWAN: Hon. Minister, do you have copies of that presentation?

ALISON-MADUEKE: I will ensure that you get them and that of today's own as well because they are both slightly different. So I gave general overview of the Ministry's role in terms of policy regulation etc, etc but on page 8, I went further and stated that in 2006 the daily consumption was 26.9m litres. I said by 2008 it has increased to 33.5m litres. I also added that in 2010 the daily consumption was found to be 46.9m litres. The reason that I could give to those particular figures was that in general, daily consumption is usually taken as what was delivered with the exception of end of year stock so I gave that overview. I also said that the subsidy payout has been on the increase since 2006 relative to the figures that we had from 261bn in 2006 to N1.348trn in 2011 which had not been completed. I also

added that the final figure in 2011 would be available when whole volumes had been captured for the year. Later on when we had been asked questions regarding daily consumption figures I mentioned the figure of 35m litres which is a generic figures that we use severally for planning purposes and that has been done for a number of years because we would only be able to give you accurate daily consumption figures for 2012 at the end of this year. I had already gone through the figures of the proceeding years hence I gave that but at no time did I say that the payment for subsidy was based on that 35m litres daily rate but it is not possible I had already mentioned the figures for the years ahead and anyway like I said it is a notion that we use for planning purposes and I went on to mention that it is approximate and that there are inaccuracies in the figures and that it would be taken in my own terminology a true mean average over a period of months. I also said that, that would not include January because of the abnormalities that we had experienced in January because of the strike and that is exactly what we are doing and going forward. So I thought that of course the Executive Secretary PPPRA would explain the true mean average in much more technical terms than I would, but I think that in a nut shell it is necessary to give this clarification at this time because it was clearly spelt out in my address when I made the speech so I thought I should do that first of all. Then to go on to mention that as you would recall at the time of last appearance in this hallowed chamber we had actually already kicked off the process of what we consider sweeping reforms in the oil and gas sector in line with government transformation agenda and some of those reforms which again impact on number of things that we have been discussing here and which had already kicked off before I appeared here. I mentioned with the permission of Mr. President the invitation to the EFCC to look into the payments of subsidies based on our concerns for what had happened and of course to go ahead and prosecute anyone found culpable. Again, I would like to crave your indulgence to point out and this is on basis of the amount of criticism and discourse of the issue over the last few days. EFCC as I thought everybody knew is an independent agency that reports to Mr. President or to the Presidency. EFCC reports in any form exactly not to the Ministry of Petroleum Resources; so it acts independently of the Ministry of Petroleum Resources and we obviously have no bearing on what it does in any form whatsoever. In fact only Mr. President can direct EFCC to do a probe of any sort which is why I expressly pointed out that with the permission of Mr. President we invited them based on our concern. I think it is also pertinent at this point to clarify for the sake of the public that PPPRA was placed under the supervision of the Ministry of Petroleum Resources little over 10 months ago. Before that, it was under the Presidency. About 10 months ago, Mr. President directed through a circular from the Secretary to the Government of the Federation that PPPRA be placed under the supervision of the Ministry of Petroleum Resources and having listened to some of the issues that had arisen that were quite topical at that time we immediately placed a new Executive Secretary in charge with

the mandate to take control and try and better the system of subsidy payment etc, etc in the agency. We watched their percentage performance for two quarters that is for 8 months; quarter 2 and quarter 3. Because we were concerned with the way the payment was going I then went to Mr. President's for approval to remove that particular Executive Secretary whom I had appointed earlier because I was not satisfied and put in place the current Executive Secretary, Mr. Stanley with an even more stringent mandate. It is the mandate that he has followed since the beginning of November when he took over the controls of the PPPRA that have begun to produce a much, much better result in all senses and we have been quite pleased with that. I think even my most ardent critic, the Activist Femi Falana has commended us on this move and we had to put this in place out of our concerns for what was happening in this particular sector. In fact, I do believe that very shortly we would also be able to verify actual volumes during the period of last year against the payment that went out as we have heard from the CBN Deputy Governor. Payment Certificate appeared to have been presented sometimes in multiple occasions. That I think should clarify the issue with PPPRA in terms of what we were up against, what we try to do in terms of coming to grasps with the actual problem that we found on ground. We have also in this period of time before I appeared with you last week set up a Special PIB Taskforce and I think it is important to run through this reforms because we have been so criticised that it begins to look as if there have been no reforms when in fact quite a few were put in place in the period that we have been in office; because even with NNPC we took over in April of 2010 worked for 1 year and out for couple of months. We have been there for almost 6 months again. We have set up a Special PIB Taskforce which was announced and again for quick passage of PIB this is important because of the amount of discourse on it. We also set up a Governance and Control Taskforce to design a new governance code for NNPC and other Parastatals and to eliminate rent seeking opportunities and arbitrage. Again, very critical as to what is happening now and without prejudice to the on-going overhaul and turn-around maintenance of our existing refineries which I have spoken about severally. We have also set up a refineries taskforce. Again, very important because of the issues surrounding our refineries and turn-around maintenance which I will talk about very quickly. And we intend to ensure that we can get up to 90% capacity utilizations which of course will increase the quantum of refined products that are produced in the country to a point where we should become a net exporter of products with exception perhaps of PMS. This task force would conduct detailed review of operations of our refineries, check existing licenses for the refineries and again design time right for the attainment of self-sufficiency in the petroleum products refined in the country. Before I came here we had actually moved with quite a few more recent reforms issues but quite apart from this Hon. Chairman and Committee, in order to stabilize down-stream supply system we had ensured that we streamline the volumes long before now coming in from the sparing sources petroleum marketers and

traders into much more manageable and secure off-shore refinery and swap arrangement and it was those people and those controls that allowed us to stabilize the fuel market and ensured that we actually had enough quantities of volumes of fuel to keep the entire country wet for the last sixteen months or so until this strike period. Although sometimes it is difficult to remember when things have been good. Prior to our coming in we had several incidents of fuel shortages and long queues for the PMS. It does not happen by chance; it took certain controls and reforms to be put in place and the flexibility that the off-shore processing allows us to bring in products as necessary and bring in the right quantity. We have also stabilized the downstream supply systems by making sure that at least under this period of time our refineries have gone up from 30% capacity utilization we met them, to approximately 60%. Unfortunately, because of the high incident of pipeline vandalism I mentioned the last time I was here it has been impossible to sustain the 60% capacity utilization. But again I went over that the last time I was here and what is being done towards improving security situation etc, etc under that particular account. I think that in terms of volumes that NNPC produces it is pertinent to note that it has been critical that we kept stability and sustainability. NNPC is actually the largest single supplier of PMS in the country. I have already mentioned that we had a very in-depth turn-around maintenance programme; that we have already done initial heads of agreement kick-off, procurement of materials was also kicked-off over three months' ago and that I think I discussed last time will also allow us over the next two years to bring our refineries to 90% capacity utilisation using the contractors that built them in the first place to ensure transparency. I would like to point out something to Nigerians. Turnaround maintenance has not been handled in this country in the manner that it should be. Under normal circumstances it is done every two to three years. Port-Harcourt Refinery for instance, last time turn-around maintenance was in 1999. In fact, the Kaduna turn-around maintenance of 2009 was so badly done and this is part of the reasons that we are having the problem we having today. I think Warri was probably handled pretty well in 2005 but there are issues with evacuation in Warri for a number of reasons that I would not bore you with at this point in time. But other than the issues that bother entirely on subsidy payments I think it is also necessary to remind Nigerians that we have not been sitting here tingling our tongues in the oil and gas sector because other than subsidies we have also put in place stringent reforms in areas such as NPDC and for the first time we have taken our Nigerian National Oil Company from a company that was producing only about 40,000 barrels a day when we came in to office to a company that is now producing a100,000 barrels per day and that by 2015, if we follow our plan, we would be producing in the region of 250,000 barrels per day which has never been done before. I am mentioning this because there have been various petitions flying around still accusing me of having sold our oil blocks to certain parties. Let me state for the record there has never been up till now since I came in to office any sale of oil blocks in the coun-

try or bidding. I hope there would be in the not distant future but there has not been up to date. What we did in other to build up NPDC was to assign NPPC interest in certain blocks through NPDC and I must say we fought an uphill battle to do that. So it is very sad that we have to continuously come back to fight that battles in home front and it is that movement or that assignment that through NPDC that allows it to grow and will allow it to continue to grow if we continue to support it. It is only if we stand behind this entity of ours that we would be able to finally ensure that we get the transfer of knowledge that Nigerian needs to begin to stand shoulder to shoulder with its other peers such as ARAMCO, PETROBRASS and PETRONAS many of who are in countries that discovered oil long time after Nigeria actually did. The gas master plan and commercialization played out of PIB to ensuring that we had all the right pricing regimes in place, ensuring that we made bankable gas purchase agreement and put together a major gas industrialization revolution; to ensure that gas is used more as fixed stock instead of being used only as fuel; but also a major first for Nigeria and that would of course mean many more jobs being created for the next few years when the Petrochemical Fertiliser Plants CBFs and the LPG distribution plants come on stream. I will also like to point out that we have also substantially improved on programming our vessels in the area of demurrage as well. Again I think these are areas that we do not talk about and have been sort of overshadowed by the issue of subsidy. In PPPRA in the period that the new Executive Secretary has been in place with my mandate to go in and take absolute control and get the situation into manageable parameters we have pruned down the players since the beginning of November to what is just a list of depot owners at this time and we would gradually begin to develop credible players over the next twelve months. But it is not that we would restrict the sector to just depot owners; we would ensure now that we build credible players that can come into the sector and this is because from the on-set I always said that we would open up the oil and gas sector to allow as many credible Nigerians or indigenous players to come on board at all levels. We have also tighten up inspections at all oil terminals and we put in place a measurement mechanism to measure the actual daily consumption values so we would expect that after a period of time by the end of this year we should be now able to give accurate daily consumption values which has never happened before. Of course we have also created a mechanism to see all PMS inlet valves after delivery and this has all been effected in this period of time since the new Executive Secretary came on board. I think it was necessary for us to point out these particular areas and to reiterate once again that whilst very unfortunately fuel subsidy issue came ahead at this period in time it was not that we were not at some points cognizant of the fact that there was a major problem in that area; and when we are trying to get the situation under some control that we expected that it should have been a long time ago. So when Central Bank Deputy Director talks about managing it efficiently, effectively and transparently I think that what we did last year and the result we got before

we came to this panel had already shown that we were trying every possible way to do just that, in line with Mr. President Transformation Agenda. Hon. Chairman, I think on that note and with those clarifications I would stop for now, thank you.

HON LAWAN: Let me express our gratitude to the Hon. Minister for once again responding to our invitation and for highlighting some very critical issues. Honourable Colleagues you would recall that the Hon. Minister was with us last week and so her appearance today is a continuation of the discussions we started last week. You would also recall that at the beginning of this exercise I mentioned that in the light of my discussion with the two of our former colleagues I would take on the Minister of some of the policy issues then; we may allow her to go but she would leave the rest of her team behind so that they can offer us technical insight as to issues that would arise. Hon. Minister from what you have said it sounds like you are standing by the figure provided by the Executive Secretary of PPPRA last week on the level of consumption. Should I take it that you are standing by a figure of 59m rather than 35m, that the 35m is actually a conservative figure you use for planning; that the actual are more in line with the 59m litres per day.

ALISON-MADUEKE: Yes, Hon. Chairman, which is why I repeated what I read out to give the actual figure. Again let me just say for the record that the figures he gave I think he pointed out till August or figures computed up till August. We would probably find that by the time we go back to do the final computation at the end of the year the figures would fall slightly.

HON LAWAN: I just want to put it on record that when the Minister of Finance was here last week under oath she told us that the amount of money they paid for PMS was for 35m litres per day and for kerosene it was 10m litres per day just to put this on record. It is not a question. You do not have to respond to it. I just want to establish this record. Is kerosene still subsidized because there is this argument that at a point the late President removed the subsidy on kerosene. Now we do not know, do we pay subsidy on kerosene?

ALISON-MADUEKE: Yes Hon. Chairman, we do, the issue you raised has been an issue that has been severally discussed to and fro over the period that we have been in office. When we came in the subsidies were being paid but they were being absolved by NNPC at the time because of this issue of whether or whether not the late President gave the directive and how it was actually implemented or not implemented; I guess it was not implemented and I guess that had to do possible with political dimension at that time.

However, NNPC was apparently absorbing the subsidy itself until of course sometime last year when it finally had needs to try and recover that amount which led to various issues with the FAC administration and so forth.

HON LAWAN: Who awards the contract for the implementation of kerosene, is it PPPRA or NNPC or do we produce enough? In the course of this hearing we have referred severally to the PPMG Report, we did not want to take you on it last week because even though we have copies but we have not received those copies officially and we have requested the Minister of Finance to provide copies and she did. Let me read one or two things from the report that is before us and then I would ask you a question. On page 39 Petroleum Product Subsidies Processes NNPC it is draft copy: Non-compliance by NNPC with due process in award of petroleum product importation contracts, actual allocation apparently discretionary, awards were made to companies not included in the approved pre-qualification list, supplies were not on the list for the 4th Quarter, this was for 2008 Importation. Importation Tender included and we have names Astana Oil Corporation, Natural Energy and Oando. On page 40 apparent over-payment of subsidy by about 25bn from the Petroleum Subsidy Account we noted apparent over-payment of subsidy amounting cumulatively to about 25bn to various marketers between January 2007 and June 2010, the overpayment was due to the application of incorrect litharge charges, CVRS, finance charges and arithmetic errors in both the PMS and HHK templates. Most serious concern is what is on page 41, there are significant inefficiencies and leakages in the subsidy process:

- (i) The PPPRA Pricing Template on which a subsidy payment is based is of optima and of doubtful integrity;
- (ii) Weak governance and institutional framework at PPPRA;
- (iii) Grant of approval by PPPRA for product importation to some marketers:
 - (i) Who are not registered with the PSF Scheme;
 - (ii) Prior to the completion of due process established by the PPPRA; and
 - (iii) Despite historical poor performance by those marketers.
- (iv) Payment of subsidies based on apparently fake or altered documentations from the sample reviewed and there are names of companies here. These companies appeared to have been paid subsidies using bills of laden with the altered dates, the alteration in the dates resulted to the over-payment of subsidy by 708 to these marketers. My question is, I believe you did this on behalf of Mr. President who ordered for this audit report. From the period this audit report was submitted what have your Ministry done in the light of these findings to address these issues? Were some of these people prosecuted, what has happened from the time these findings were made public?

MRS ALISON-MADUEKE: The question is whether subsidy is being paid, whether they are paid by NNPC at the time. Because of this issue of whether or whether not, the late President gave the directives and how it was actually implemented or not implemented because it seems it was still being carried, I guess it was not implemented. I think that had to do with possibly the political dimension at the time. However, NNPC was apparently

absolving the subsidy itself until of course, sometimes last year when it finally had need to try and recover that amount which led to of course, the various issues with the FAC administration and so on.

HON LAWAN: Who awards the contract for the importation of subsidy, is it PPPRA or NNPC? Who awards the contract for the importation of kerosene? Do our local refineries produce enough kerosene?

ALISON-MADUEKE: I must say that this time we still import kerosene. The GMD obviously presides over the importation of kerosene so I will throw it back to him.

HON LAWAN: All right, GMD can you take that question down because we want to finish with the Minister after which you will respond to it later? Who imports kerosene and how is it done? How is the process done? Who distributes it and who are the companies that are given that responsibility? Now, Hon. Minister before you leave, in the course of this hearing, we have referred severally to the KPMG report. We did not want to take you on it last week because even though we had copies, we had not received those copies officially. We requested the Minister of Finance to provide us with those copies and she did. Now, let me read one or two things from the report that is before us and then I will ask you a question, I think it is on page 39, a draft copy of Petroleum Products. None compliance by NNPC with dues process in the award of petroleum products importation contracts, actual allocation apparently discretionally ,awards were made to companies not included in the approved pre-qualification list, suppliers who were not in the list for fourth quarter importation tender included such as Astana Oil corporation, Natural Energy and Oando. On page 40 of that document, apparent over payment of subsidy by up to N25 billion from the petroleum subsidy account. We noted over payment of subsidy cumulatively amounting to about N25 billion to date as marketer between January, 2007 and 2010. The over payment was due to the incorrect application of license charges, CBN rates, financing charges and arithmetical errors in both the PMS and the HHK templates. Now, more serious concern is what is on page 41.

There are significant inefficiencies and leakages in the subsidy process.

1. The PPPRA pricing template on which subsidy payment is based is sub-optimal and of doubtful integrity.
2. Weak governance and institutional frame work at PPPRA
3. Grant of approval by PPPRA for product importation to some marketers
 - i Who are not registered with the PSF scheme
 - ii) Prior to the completion of due process as established by PPPRA
 - iii) Despite historical poor performance by those marketers.
4. Payment of subsidy based on apparently fake or altered documentations.

5. From the sample reviewed (there are names of companies here) these companies appeared to have been paid subsidy using Bills of Lading with altered dates, the alteration in the dates resulted in an over payment of subsidy by N708,000,000.00.

Now, my question is, I believe you did this on behalf of Mr. President who ordered for this audit report. From the period this audit report was submitted, what has your ministry done in the line of these findings? Was there any effort to ensure that business does not continue as usual? What has the ministry done to address this issue? Were some of these people prosecuted? What has happened from the time these findings were made public?

ALISON-MADUEKE: Since I am under oath I must point out that the report that you have mentioned has not been officially transmitted to me at this point in time. Under normal circumstances, the report will be officially transmitted and there will be a series of reconciliation meetings between the Ministry of Petroleum Resources and the Parastatals concerned in that ministry, the auditors and the Ministry of Finance. It would not be possible for me to comment on it at this time. Of course, I have seen a copy because I have access to one but that was on my own devices. It has not been officially transmitted to us and the reconciliation meeting has not happened. But, I would like to point out other than that because I cannot comment on the actual report that as you mentioned, the report was commissioned for a period that was actually before I came into the position. Having said that, I think that with the governance and controls task force that has been set up, we have in fact, probably already taken steps to deal with many of the fundamental issues that would probably arise from the audit. We will be setting up through that task force various stringent governance and control measures and they have very wide ranging terms of reference for reforms which will be implemented over the next few months. I think that those reforms will actually deal with many of the major findings of the KPMG audit. But, I cannot go into detail regarding it until it has been officially transmitted to me.

HON LAWAN: Hon. Minister, just before you leave as I said, your technical people will remain here so we have several issues to sort out. But, before you leave, where are we regarding fuel supply in this country today given the fact that usually when there is change in pricing sometimes either or immediately after we experienced scarcity. Where are we now? I hope in the next week or two or in the next one month we will not be facing fuel scarcity issues in Nigeria? Can you tell Nigerians where we are regarding fuel supply now?

HON LAWAN: Hon. Colleagues, I think with your permission I would permit the Hon. Minister of Petroleum Resources to continue the meeting with the Udo Udoma's Task Force but like I said, I can see NNPC, PPPRA, DPR and PPMC here. I would want the four agencies to remain because we have so many issues that we need to discuss. I think most of the policy issues have been addressed perhaps the issues that we need to take on are mostly

technical. So, I would allow her to leave but please I request that the rest of your team should remain here. Like I have been saying we would continue with this exercise and if in the course of this exercise we need further information from you, we would either seek that information from you writing or if it means inviting you back here we would not hesitate to do so. For now I would allow you to leave and then we will continue with the rest of the agencies. Once again I want to thank you very much because you have appeared before us twice and we have heard your responses. Particularly on the issue of KPMG I would want to see us to do something. I think we cannot have very serious indictment here and shy away from it. In fact, I should ask you how soon you expect to officially receive this report.

ALISON-MADUEKE: I have no doubt that within the course of the next few days we will have to sit down and start reconciliation meetings.

HON LAWAN: If the report is completed and I apparently have a copy and almost everybody who cares to know already have a copy, I would believe that it would be in your interest given the really startling revelations here for good governance, transparency and accountability I would expect that the government would not delay for a single second in trying to get the outcome of a work that the government commissioned especially since this work will ultimately ensure improvement in the accountability processes in the oil industry. So, I would expect that your ministry should as quickly as possible officially receive this report and begin to implement it.

I will now call on the representative of the Trade Union Congress to make his representation.

MR. PETER EHOWAMILE ESELE (TUC PRESIDENT): Let me say a very big thank you to the Speaker of the House of Representatives who had to convene the House to sit on Sunday in support of our decision to go on strike. The fall-out of the strike is why we are having this ad hoc committee. For us this is one of the major successes of the strike. Hopefully, it is our expectation that this investigation does not also go the direction of the power probe. Nigerians will be very happy to get to the bottom of this whole saga. Sitting beside me is my immediate predecessor, I took over from her, she is Mrs. Peace Obiajulu and she specifically urged me not to speak from the paper but to read from the paper. I am going to act unlike me, I am going to go straight to the paper and since I am on oath so that I do not miss anything. This is a presentation by the Trade Union Congress at the Public hearing on the Fuel Subsidy. It is our intention to look at the advantages of deregulation, what we do not like about what is being deregulated, the challenges that is in the industry and what we think should be done to ensure that the industry is optimized and maximized to the benefit of Nigeria. The government is implementing a policy to remove subsidy from PMS because it argues that the level of subsidy being paid by government particularly as subsidy

payment now exceeds the annual capital budget of the federal government. Government also made a case that the importers of the downstream sector by implication allow market forces to determine the pump price. This will enable government to completely get out of the sector so that it can be fully market driven. It is agreed that the subsidy that the government declares annually is extremely high and not sustainable with budget. It is also indisputable that the deregulation of the downstream sector will encourage investment on new refineries, product investment, infrastructure, with attendant benefit. However, deregulation or subsidy removal has to be planned and executed very carefully so that the desired objectives will be attained. A shady implementation will mean a deplorable setback for all the stake holders in the industry. This is why my humble self, the TUC that I lead and the Nigerian Labour congress will continue to stand firm that government must have a definite agenda in order to guarantee its complete success which will consequently, establish a solid foundation for economic growth. It should be established from the onset that some of the benefits that are ignored or swept under the carpet by those who are less informed follow the debate on this issue. Establishing clarity on this issue will make it easy for government towards efficient delivery of programme to earn the people's trust through a transparency that delivers positive dividends to the people. These imperatives are:

- a) Subsidy of petroleum products is removed by price increased. It is therefore, imperative that the level of subsidy is first transparently established otherwise, the people will see the policy by government as efforts to short change them.
- b) Price increase does not necessarily equate with deregulation. Deregulation at a point where there is no subsidy on PMS for example will need to be underpinned by competition which is the only way to achieve cost control and efficiency in this sector.
- c) Deregulation adjusts the cost of the product but does not underpin it as discussed above amounting to policy increase that transfer the burden of paying the subsidy from government pocket to private pockets of the citizens.
- d) The price increase that happens outside a truly deregulated environment means that the head of the snake is crushed but the snake is alive and will strike another day. If the subsidy is not a real cost that is efficiently incurred but represented by inefficiency and corruption the people will end up paying for it in the long run and it is a direct opportunity cost and capital formation and a discount of the quality and level of services that the government delivers to the citizens. If the people end up paying in the final analysis directly from their pockets at the pump stations or by budget inefficiency that it creates, it becomes important that the people should reject the inefficiency and corruption that is necessarily embedded in the price irrespective of who is paying.
- e) The people have the enabling right that the government cleans up the mess before the

policy of subsidy removal or deregulation is implemented.

The conclusion to be drawn is that deregulation of the downstream sector could be the answer if such deregulation is properly handled in an atmosphere where inefficiency and corruption are expunged and a competitive environment is created. The result could be a price reduction and not price increase. It is this outside potential to have a wayward deregulation which a properly planned and efficiently implemented engenders by delivering price deduction rather than a price increase. That is the focus of this paper. Establishing the level of subsidy, the PPPRA was set up by Act no. 8 of May, 2003 with the primary mission to eliminate the effect of volatility in international crude oil price and stabilize domestic crude oil prices. It is also aimed to guarantee availability and distribution nationwide. The Petroleum Support Fund (PSF) was set up in 2006 to support PPPRA mission and the PPPRA has the objective to ensure entrenched transparency and accountability in the administration of the petroleum products subsidy. In administering the fund PPPRA instituted a pricing principle which is in its own website is a principle that engenders healthy competitions among industry operators, encourages investment and maintenance of international standards and practices. In support of this principle, PPPRA created a template to determine the landing cost of the products. This landing cost is applied against the government's fixed ex depot price of the petroleum products. The difference between the landing cost and the end depot price of the invested petroleum products is the subsidy. By our own accounts the PPPRA has completely failed in its stated objectives in the sense that:

- a) The template is a blotted cost that discourages competition, the pursuit of efficiency and cost control; rather it is based on total cost recovery and therefore, encourages massive corruption, parted economic strength both of which continue to increase subsidy.
- b) PPPRA has been unable to incontrovertibly establish the quantity of products consumed upon which subsidy is paid. Quantity consumed is a fundamental issue of the subsidy in question. Failure on this is confirmation of PPPRA's failure on the stated mission, and
- c) To the extent that PPPRA insists that subsidy is claimed on confirmed consumed products. PPPRA is thereby, perhaps, colluding with importers paying subsidy on products it never delivered, stolen or lost and products that are round-tripped.

I happen to be one time board member of PPPRA, so I know we were being told that it is 35 million litres that is being consumed per day. How you use that figure for many years is something that a lot of answers should be provided. It is because of the above that we believe that the PPPRA template is deceptive, anti-competition, and anti-people. That is why we call its template of landing cost a weapon of mass destruction or a weapon of mass deception. In a regulated environment, the first step into effecting efficiency into operation

is to have robust template that encourages operators to compete. The present template does not do this. The adverse impact of PPPRA template in a rental environment which PPPRA entrenches the price that is paid for petroleum product is represented in the following equation: Actual Market price = Market Driven Cost + Inefficiency + Corruption + Guaranteed Profit. It should be borne in mind that the Actual market price is the PPPRA Landing Cost which in itself is represented in this equation: Actual Market Price (Landing Cost) – Pump Price + Subsidy. The equation clarifies:

- (a) The impact of inefficiency and corruption on price;
- (b) It is needless waste of resources for either government or the people to pay a corruption or inefficiency laden price for petroleum products;
- (c) It behooves the government to eliminate inefficiency and corruption from Landing Cost of petroleum products;
- (d) A removal of subsidy or deregulation without first addressing the inefficiency and corruption will only transfer the burden to the people and embolden the rent seekers to escalate their activities since the people do not possess the force that government has; and
- (e) Deregulation that does not entrench competition will amount to an oligopolistic environment where only the renters profit.

The PPPRA template was created from the NNPC point of view and was therefore based on the following faulty parameters:

- (a) That all costs should be recovered with a guaranteed margin. Of course, NNPC operates an inefficient downstream sector. This accounts for the padded costs in the template. There is therefore no incentive for operators to be efficient. Those who strive to be efficient are awarded excess profit. This assumption in the template must be reversed;
- (b) NNPC operates across the entire downstream sector. Consequently, the template views costs holistically from a single source of view. This is absolutely wrong and does not represent the activities in the downstream value chain. We consider this to be a wrong approach. The various segments of the business do get outsourced and could be considered as such. For example, NNPC outsources the importation process while marketing companies outsource the transportation and retail (dealership) element of product marketing. In an outsourced basis, the most efficient parameters viz: volume throughout costs or rates should be used as standards and not the worst parameters as currently represented by a template that struggles unnecessarily to make NNPC whole. The standards should shut out the worst performers instead of their inefficient standard being applied as the standard for all.
- (c) Following from (b) above, the PPPRA template thus applies extensive standard

costs in its input. A standard is a norm and whatever is considered normal can be used as a standard. The assumed standard level has a salutary effect on costs and their relationship to unit cost in a cost template like is applied by PPPRA because the theoretical standard set for a level of operations regarded as an ideal or maximum level of efficiency can have a distorting effect if the standard is not set at the correct level. Such a standard will not help to control costs adequately measured or enhance efficiency and above all, will not promote cost reductions when it is absolutely necessary to do so. An inadequately determined standard which turns out to be incorrect will not only distort unit cost but lead to inefficiencies. One of the key issues that ought to have been discussed as a prelude to subsidy removal is therefore the appropriateness or otherwise of the standards that have been applied all through the template. It is still of considerable importance that this should be carefully and extensively reviewed. An empirical review of actual costs in the template should be carried out in order to reduce the landed cost of products. The actual cost of each element should be properly determined, empirically, in order to ensure that the allowance that is given is adequate and not excessive to the detriment of the government and the consumer. It is imperative that the government set out a transition period of not more than six months when it will take concrete actions to considerably reduce the inefficiencies embedded in the importation mechanism as a prelude to complete deregulation of the downstream sector. The steps towards achieving this are set out below:

(a) Direct NNPC to dedicate all the crude that it cannot refine to offshore processing. This will ensure that NNPC is not selling this crude for its own account. Most importantly, it will ensure that refinery gate prices based on 'net back' pricing is obtained.

(b) Eliminate guaranteed margins across the product importation and distribution chain. Government should, as a first step towards deregulating the downstream sector, scrap all guaranteed margins in the template including financing cost. The different segments of the business that comprise the value chain should be clearly identified and the operators in each segment be made to negotiate their margins. The most efficient or standard cost of the item, empirically verified by PPPRA should be used as template input until the sector is fully deregulated by which time margins will become transaction based and built into market determined pump price. This will drive efficiency in the sector.

(c) Sweep and/or dredge the shipping channels. The import jetties have draft limitations which restrict the size of vessel that can be moored alongside the pier. The draughts of the jetties that are used for the importation and marine product movement are; Atlas Cove (11.0m), Apapa (6.4m), Warri (7.4m), Okrika (9.4m)

and Calabar (6.4m). Consequently larger vessels, typically of average size 45,000 Metric tonnes berths at the Single Point Mooring Buoy (SPM, draught limitation 16m) or Fairway buoy in Lagos, Bonny or Offshore Escravos for transshipment. The products are transferred into smaller vessels of between 5,000 MT and 20,000 MT for onward delivery in 'daughter', 'grand-daughter' and 'great great daughter' etc vessels to Atlas Cove, Apapa, Warri, Okrika or Calabar, and even direct sales to customers on the high seas. The above operational system has the following significant negative consequence.

- (i) It is more economical to use larger vessels to import products.
- (ii) Heavy lightering costs are incurred which are built into the landed cost.
- (iii) Products are easily round-tripped through transshipment and ocean sales thus creating systemic corruption.

Government should invest on the sweeping and/or the dredging of the above listed ports. It should be noted that PPPRA uses 5,000 MT as a base to license importers and 3,000 MT for Landed cost calculation. This is considered scandalous. The use of 45,000 – 50,000 MT will lead to a significant reduction in landing cost and eliminate the menace of product round tripping. This project can be achieved in less than six months and the pay back is less than a year.

(d) Building Additional more single Point Mooring (SPM). Presently, only NNPC SPM and Atlas Cove can take heavy vessels (above 50,000 MT) as explained above. In order to improve the product reception infrastructure in support of the swept or dredged jetties, government should build more SPM. These jetties have pipeline throughput availability, thus negating any need to lighter products. This will also reduce if not completely eliminate lightering costs and support the elimination of product round tripping. The government should also as a matter of urgency invest in more SPMs. This capital expenditure also has a less than one year pay back.

(e) Removing administrative bottlenecks that delay vessel discharge and causing Demurrage. Apart from the vessel discharge bottlenecks whose remedies have been discussed above, the following administrative limitations also cause demurrage.

- (i) Delays in obtaining clearances from DPR, Customs and the Navy.
- (ii) Security problems from the Niger Delta militancy activities or from youth restiveness.
- (iii) Difficulty in settling the ship and shore differences promptly after loading and offloading operations.
- (iv) Power outage causing discharge delays.

It is imperative that these bottlenecks are removed. This can be done by government directive in less than one week, should be speedily addressed.

Some of PPMC's extensive (5,000 km. pipeline network and 23 Depots) product distribution system is currently not in use. Some sections have been vandalized, and others have just not been adequately maintained, and have doubtful integrity. PPMC should consider opening the entire network to third party importers and marketers for a throughput fee. The revenue from such open access should be ploughed into maintaining the system and ensuring, as much as possible, its integrity. Unbundling will enable marketers to have access from the jetty head to the storage tank at a fee which will enable them to compare and control their product storage and transmission costs. This will enhance pipeline utilization, reduce bridging and earn PPMC much needed income. Using PPMC's installed pipeline and depot network would normally be the most efficient way to move products around the country. However, pipeline vandalism and stealing of products are present day realities in our country. Distribution by road tankers is inefficient and not a viable alternative on the long run. Government should speedily address this issue before unbundling the pipeline system. This too can be squarely addressed in less than six months. PPPRA template currently applies 14 day demurrage at \$28,000/day. This is absolutely unreasonable. When the reasons given above for discharge delay are addressed, efficiency will be injected into the process and considerably reduce demurrage. The demurrage rate is a quoted spot rate (AFRA). The rate by day therefore is verifiable. This rate should be applied on an allowable three (3) day demurrage period for both mother and shuttle vessel discharges. NNPC has the responsibility to guarantee product security for the nation. The pipeline network and its 26 depots made this task a relatively easy one in the 80s and 90s. The MT TUMA was also in active service in support of this goal. However, the vessel lost her certificate to operate as a result of not being dry-docked. Consequently TUMA has not been actively engaged since May 2002. Consequent on the above, NNPC now relies on vessels in the high seas to provide the strategic reserve. The holding of these vessels on the high seas accounts for a significant portion of the 14 days demurrage that is built into product landed cost. This is wrong as it gives undue advantage to importers who do not have this strategic reserve responsibility. The M.V. Tuma, a vessel capable of holding 120,000 – 140,000 metric tons of products was, until 2002 anchored offshore Lagos and used as strategic storage for products. The vessel apparently lost its sea worthiness certification and departed in 2002, (ostensibly for dry-docking). The Tuma should as a matter of urgency re-enter the system as a PMS storage facility to further reduce demurrage and storage cost. PPPRA established the following basis of determining the volumes on which subsidy is paid:

- (i) Between 2006 and June 2009 the guidelines provided that Claims will be based on the duly verified volume of products lifted out of the depots (Depots belonging to NNPC/PPMC, DAPPMA, Major Marketers and IPMAN) by the PPPRA to approved retail outlets.
- (ii) Similarly, the PSF Guidelines, issued by PPPRA and effective from June 2009 provided that Claims shall be based on the duly verified shore tank volume i.e. the volume of product

that was actually discharged in Nigeria.

The method used from 2006 to 2009 meant that subsidy could be paid on products not delivered into retail outlets but smuggled out of the country. The method applied from July 2009 is even worse as it meant that subsidy could be paid on products that are round-tripped, products lost or stolen after delivery and products that are not delivered to retail outlet and therefore never consumed in Nigeria. Firstly, it is imperative on government to carry out an audit of the products actually consumed in 2006 – 2011 on which the Federation paid subsidy. This is the only way to expose the risk, inefficiency and corruption that has been perpetrated against Nigeria. Secondly, government should legislate that subsidy can only be paid on products delivered to retail outlets and thus consumed in Nigeria. The issue listed in (a – i) above are imperative steps that must be taken before deregulation. They can all be carried out in six months and will have the following impact: Taken together, they will lead to a drastic reduction in product landed cost. It is the firm belief that PMS would have a Landed Cost of less than N60 per litre after the measures are implemented. You may ask why? Most time government like to compare us with Ghana, comparing us to UK, to America on how much they pay per litre. What they forget to tell us is that about 50% of what they pay as petrol per litre is going back to the government as tax, why in Nigeria we do not have tax on any litre of petrol that is paid here. Individually and collectively, the measures have a payback of less than one year. The second issue is the “disconnect” between the government and the people. This disconnect is epitomized by the following question; who is best able to carry the load occasioned by the garbage of corruption and inefficiency represented in the bloated subsidy? Is it the government that is currently carrying it on the peoples behalf or the downtrodden, recession- stricken masses? We posit that it is the government for the simple fact that the masses cannot influence or change anything in the system. And the fact that government’s long years of monopoly in the industry created the garbage and so, it must clean it first. If government abandons the people to the wolves in the sector, it will not take time before they devour the people and tear their bones to shreds. We are sure that this is not for objective of government. It is government’s responsibility to challenge the institutional and structural imperfections in the system, take them on, and fight them, defeat them and have a lean and fit system to bequeath to the people. If for nothing else, the structures, institutions, corruption and inefficiencies that threaten to swallow all of us like roaring lions in the sector are all the creation of government. Government must therefore not cowardly shy away from taking them on and defeating them as a prerequisite to withdrawing from the sector. We also recognize that government will always have a presence in the sector as an umpire or a regulator but not in the dictation of prices. The following must guide the action of the Federal Government if we are serious as a nation to bury this “subsidy monster” permanently. Government

should pass a robust law to underpin deregulation such that:

- Some of the issues discussed above that need to be made permanent are underlined by the law of the land;
- The use of import licenses is outlawed;
- Competition in the downstream sector is entrenched; and
- PPPRA is given teeth as an effective regulator and ombudsman.

It is only after the above are carried out that the actual level of subsidy (if any) can be established. The subsidy level needs to be known before we can even have any discussion regarding palliatives.

1. Government should immediately embark on the programme to raise the capacity utilization of our refineries to international levels. This is why we would like to see the immediate publication of the TAM agreement signed between the government and the foreign contractors said to have constructed the refineries who are now supposed to handle their repairs. We want to see the timelines and deliverables as this is key to removing the present burden of over-priced petroleum products from the back of the already impoverished Nigerian masses.

2. We do not understand the logic behind the phased TAM programme by the NNPC for the existing refineries in an emergency situation like ours. It shows that as far as government is concerned, the current distorted petroleum products market that has given rise to the last protests nation-wide and the lives that were lost does not ring bell in their conscience. Was it the same organization that constructed all the existing refineries? Why not take on the TAM of the four refineries simultaneously to bring all of them on stream this year rather than having to wait till 2014 as being pursued by the NNPC?

3. As a follow up to the above, we call for the immediate commencement of work on the three Greenfield refineries proposed by the government in order to expand existing capacities making it possible for us to lay to rest finally the monster called “fuel subsidy”.

4. Government should, as a matter of urgency, ensure that a robust Petroleum Industry Bill (PIB) that will solve the problems of both the downstream and the upstream sectors of the petroleum industry is passed into law, thereby optimizing the benefit to the people of the oil and gas sector which is a finite resource. We therefore welcome the Committee that has been set up, though I have been named as one of them, but I have my objection in the sense that I feel, most time you set up a Committee and you put only one Labour man there and he is far, far a minority. I am recommending that my counterpart in the Nigerian Labour Congress and the Petroleum and Natural Gas Senior Staff Association (PEGASSAN), of which I am part and my successor, the current President to be on that Committee too. We therefore welcome the Committee that has been set up to actualize this objective and urge that its membership be enlarged to include Labour representatives so that its various components would be thoroughly examined and brought in line with current and future

realities.

5. In any event, it is imperative that Government should make it clear to the people what the funds generated from subsidy withdrawal will be spent on. There is no doubt that our decaying infrastructure can do with part of the money. Without transparency regarding the use, the funds could easily disappear into the pocket of political fat cats! This is why we believe that a further restructuring of the Belgore Committee to make it more inclusive and efficient has become highly imperative.

6. Moreover, the urgent need for an immediate audit of the Downstream sector of the Petroleum Industry becomes imperative. It is important that we know what is the actual quantity of PMS consumed daily, the total subsidy on it, those who received the said subsidy, who paid them, if N240 billion (two hundred and forty billion naira) was budgeted for subsidy this current term, how did it become N1.3 trillion and where did the extra funds come from and who appropriated them?

7. It has also become imperative that government immediately constitutes and inaugurates the board of the National Council on Public Procurement in line with the Public Procurement Act 2007. The refusal of the Federal Government to do these 5 years after its enactment calls into question the seriousness of the government in pursuing transparency and due process in all matters covered by the Act which includes such transactions as involved in the subsidy management. It is our position that doing this would immediately inject transparency in the sector and ensure that Nigerians and Nigeria are no longer made to carry burdens of corruption and failure of government to govern.

If the government has done what it ought to do, before taking the action of January 1st, 2012, there would have been no nation-wide strike, there would have been no protest and nobody would have lost their lives. Deregulation does not make economic sense when driven by Petroleum Products import in a country with abundant crude deposit.

HON LAWAN: Thank you very much the President of Trade Union Congress (TUC). Of course we did not expect any circular from insider in the industry, this is a very elaborate presentation and I want to thank you very much for appropriating the need to us. I do not know whether my Colleagues want to raise question. I just want to correct something that you said from the information available to us now, apparently you are still operating on the figure that you were given, bandied around to justify the withdrawal of subsidy. From what we had last week it was N1.4 trillion from the Finance Minister and today from the actual, it is N1.7 trillion and counting. Yes, because there are still so many outstanding payments that must be done, so who knows, we may end up with over N2 trillion for 2011.

ESELE: It is very possible Sir. I think another thing I will also advice the Committee to do, is the auditing of the downstream of the oil sector. You can even reach out to the marketers,

those who are receiving these products. There are records of who gets what and that will help to actually determine. I do not believe and I do not accept that this economy has the capacity to consume 59 million litres a day. Even that 35 million litres per day, I still have doubts. If you do a calculation of the numbers of cars we have in Nigeria and you rate it by x-amount of litres, we cannot consume 35 million litres a day. I will also appeal to you because I also have another Committee.

HON LAWAN: We understand that is why I am not dwelling too long on your presentation and I do not think we are going to put any serious questions to you. And since the NLC is going to remain, comrade there is no problem. We want to be sure at least one union remain, so you can decide among yourself whether TUC will remain or NLC will remain. You can sort it out. Let me once again express our gratitude and we are enjoining you to please if any further information is available, TUC you want to share with this Committee, please make it available. I want to assure you that beyond the reaching out, your suggestion to even those that receive our products, we intend to establish through the Federal Road Safety Commission (FRSC) as well to try to establish the numbers of vehicles in this country. We have already obtained the figures for the import of vehicles from Customs from 2006 to date. We want to even establish how many vehicles we have, how many Keke NAPEP, how many motor cars, how many Okadas, how many generators, so that we can actually have an idea of the level of consumption. Because, like you have said even the 35 million per litres appear questionable. So be rest assured we are not living any stone unturned in this exercise. Once again, I want to thank you very much and I do not know how long Dr. Idika Kalu is going to stay with us. I will now invite him.

DR. KALU IDIKA KALU: Thank you Mr. Chairman. I was naturally interested to come and listen to the proceedings here. As you probably might know, I author the...

HON LAWAN: Sorry, I failed to introduce properly, Dr. Kalu Idika Kalu. As you know, he is highly respected economist in this country and he was a former Minister of Finance in Nigeria. He has hopefully and severally made known his views especially on this matter and so we felt it is important to invite him so that we not only rely in getting to the bottom of this, only on those who are either in government or those who are doing business. But also in patriotic Nigerians who have one thing or the other to share with us and who are desirous to appearing before us to share their views. So let me again invite Dr. Idika Kalu.

DR KALU: Thank you so much Mr. Chairman. To start with, let me say that deregulation does not just tantamount to a price increase. Deregulations means all the steps that you need to take to make sure that you are improving the environment for competitive production, which should lead to the best way to expand and consequently, the best way to get to the lowest price as you approach larger scale of production. The deregulations goes beyond

price, it affects all the micro-economy; it is about what to do to trade, what to do to production and when you talk about deregulation, you cannot deregulate when you are ousting production; for instance, as means of supply to just a few players. Given the constraints we have in the domestic supply, the best way you can deregulate in short term is to make sure that as many importers are operating to compete to bring in the products at the minimum cost, so that is like a short term in deregulation of a particular thing which means of course given your resource endowment, what is the most efficient way to produce as cheaply as possible. Going to the budget issue, I will just make this point, and I think I was really more expecting to answer questions than to make any former presentation, that is why I must crave your indulgence, and I must say that I have not received any letter inviting me to this Public Hearing. People told me they heard my name on television and that is why I came. So I expect to answer question. Now the budget impact of subsidy of course is something every government has to worry about. I am aware of some of the things that had been revealed as to how a Nigeria, with all resources and endowment, all our degrees of freedom, leverages of our resources, we are now sort of itching the fortunes of the economy on what we do about economy, on what we do about subsidy at any specific point in time. I think that is why I really feel pretty bad to see that the argument was very poorly put. The issue should never have been supporting the deregulation or not supporting the deregulation. The issue of deregulation was settled decades ago in many advance countries who continue to use deregulation as I said as a means of advancing efficiency in domestic production or in providing supply even if that has to be holding importation. So I think I do not quite agree with the weight this is supposing having on the budget but on the economy. I will be speaking a lot on that, because as I said, about 30years ago when we had what some may call crime debate, we actually as a result of that debate imposed a severe constraint on the leveraging of Nigerians resources to provide basic needs for the people; to provide maximum employment opportunities through higher growth, higher investment and so on and so forth. I believe that at the end of this exercise, the nation as a whole should overcome the effects of the exercise. The essence of growth is to make sure that we take advantage of all your resources, to maximally invest. You would use them as cheaply as possible thereby providing technical training for our people, giving them higher levels of income. If we do not on our own impose this constraint on ourselves, even where we have the kind of waste that we are now facing by removing subsidies, income would be high enough as we find in other countries. To absorb these things, that is why I think this is one issue that has to be at the fore to end this discussion. If you look at Latin America or Asia, North Africa, if you are going to manage your subsidy you have to relate it to income, relate it to dynamic of growth in that particular period and the general produces to have this face in one or two budget circles. There is something that recommends the severe high hike, because by definition the developing country has rather fragile supply and demand functions. What that

means is that there is a little bit of effort for some of these to take effect. So you have give time for this practice to adjust for input – supply to be mobilized and you know in the developing setting, lot of this inputs are even having to be imported. At the minimum, you allow for import time so that prices can adjust more to it. It is not to be recommended that you do an adjustment of most cases, you cannot have a fast rule of house report, normally from the experience of most countries. You are talking about 20 per cent at the maximum of any one adjustment, then you carry on to the next period which is usually the next budget period. On the issue of removing subsidy, there is a bit of misunderstanding that if you did it in one short, it is bad and it will not solve the problem. There is a way you would do it and you end up damaging those supply and demand constraints. This will result on pressure on prices, pressure on exchange rate and we have already seen some of that with the depreciation of the exchange rate. When those exchange rates depreciate, of course that immediately reduces the real domestic price in relation to the external price and put pressures on the whole economy. So it is not even recommended that you do it in one short and bring about just the opposite effect of what they intended. I have already defined the deregulation as involving a lot more, and just price changes. When you are talking about parities, of course parities are very necessary but essentially, these are things that should be done in the normal course of your investment or budget implementation. But where it is linked to lying for consumers or producers to adjust to a price, then there has to be other relevant issues, definitely when they talk about production, you look at the infrastructure as I have mentioned, look at communications, look at education, you have to train people, and you know how long it takes to train specific skills and so on and so forth. The deregulation involves the whole clamours of all the policy instrument, parities that have to be touched in order to get the economy to move, in a stable situation without pressure on infliction and without affecting supply lines like labour, information and so on and so forth. In essence, I am saying we made a lot of force about what should have been handled instantly. If you go to advanced countries, they continue changing prices, the incomes are high, they are able to adjust, they will complain, but they do not quite see the type of trauma that we have seen in what is happening now. How do we get out of this? First and foremost, I believe that N97 is probably still too high, and I have not taken time to go into all the mechanics of how we would determine the price. I am not equipped to quote all that but I know that, first one source of course is importation. If we import we have to make sure that all necessary parameters are put in place. I do not think that any agency such as the Ministry of Finance or Central Bank, etc. can shun the necessity to make sure that the import regime is deregulated as it is possible within the management scheme that you need to undertake importation. I am aware that under normal financing, we should be able to have at least six to eight refineries in this country. We should in fact be exporting refined products from Nigeria. That is something that government has to face. The only way we can face it, we should

let those who know business do the business, and certainly those who will be giving licences to develop the refineries should do so. This is not the business where you get people lying in business. Those who want to learn can take the normal process of learning on how to build the refineries or how to build the power plant and so on and so forth. Let me also say that, talking about some of these major areas such as power, refineries, major infrastructures, I wrote the papers on the deregulations and privatization, getting the public sector to scale down to what it can perform and getting the private sector (and the private sector in this context is really the global economy), in working together. Government still has the major roles to play to undertake the initial critical investment. Without those critical levels of investment you cannot just sit back and wait for further investors go into these areas. Government has to take care of mobilizing the structures and some of the terms that countries like Mexico, Argentina, Korea used. You can approach the World Bank where you have grace period of at least five to seven years and interest rate of substantially below 10 per cent and equipment period of 15 to 20 years or higher, for all these major infrastructures. But because of the constraints we impose on ourselves, we have been defining our private sector rather than broader global community. These are some of the lessons that we have to now go back to. Now let me use this time to comment on all the references to date. I do not think we have resource endowment of this nation with its potential to grow substantially. We should be scaring ourselves with all this notion of whether is domestic or external debt. Anybody listening to the international or financial news will know that those that are really in debt you know kind of magnitude we are talking, but were you have a nation that has so much to produce in agriculture, in manufacturing while we are still among lowest in a regional terms, we still have less than 3 per cent of income coming from manufacturing. It is the responsibility of government and the responsibility of our financial institutions to assist the private sector to move with the kind of funds they have. There are competitors in other countries. They have to grow their economies. The basic criteria is that whatever we finance, both from domestic resources and external resources must be reasonable and must give us benefit well beyond the cost of funding. Of course, you have to make sure that it is right people with the right training and experience who are managing your refineries or your petro-chemical, your railways or your power plants. Once you open up your constraints, the economy can go very fast and you can now use subsidies to manage so many sectors in the intermediate period. So I thought I should make this opening remark and then I can take comments. Thank you.

HON LAWAN: First of all let me express our gratitude to you for this presentation. I want to find out whether we locally produce enough kerosene for consumption. If NNPC does the importation solely, does PPPRA, or NNPC open to independent marketers on kerosene?

GMD – NNPC: NNPC refineries do produce kerosene but not sufficient for domestic

consumption; so we do bring the balance through the off shore processing. The figures I can give to you if you want.

HON LAWAN: You mentioned the swap arrangement, you have a copy of it, go ahead.

GMD – NNPC: For kerosene specifically that is what you are interested in, in 2009 we produced 408,581,712 litres.

HON LAWAN: What is the quantity that was imported in 2009?

GMD – NNPC: NNPC imported 136million litres.

HON LAWAN: If you produced 408million, what was the total product available in market, it should be an addition of 408 million. So who is responsible to give contract to other marketers, is it NNPC or PPPRA?

GMD – NNPC: I had just told you, for the importation of kerosene, PMS and others. In 2010, because of the confusion, on whether it is subsidy removal or not, by default it became NNPC owned importers and we also have some figures for that period 2010 to bring in 744,940,978 litres and then we produced 832,302,096 litres in 2011 because of the observed scarcity. Let me correct one thing, there are two kerosene, there is ATK for Aviation and there is household kerosene. So far we have brought in 3.3billion litres and we have produced, 713million litres, this was as at August, 2011 and the details are there. That is how we have met the kerosene supply to the nation.

HON LAWAN: PPPRA is still on the same question on this issue of kerosene. From your records, what was the total kerosene available in 2011, or what volume of kerosene did PPPRA pay subsidy for? The one that supplied NNPC, and one that came from independent marketers, can we have those figures?

MD – PPPRA: I do not have the figures right here, but it is something I can easily get from the office, but I can tell you that for the year, 2011 so far NNPC has claimed N268,887,591,141 for kerosene.

HON LAWAN: How about the Independent marketers, how much have they claimed in 2011.

EXECUTIVE SECRETARY– PPPRA: Chairman it is zero because they do not import kerosene, the kerosene that is imported is by major marketers for the aviation fuel, is fully deregulated and it does not attract subsidy, sir.

HON LAWAN: Only kerosene that is imported, supply is done by NNPC, which means in 2010, only product that was available was about 4 million litres?

GMD – NNPC: It is about 10 million litres.

HON LAWAN: PPMC how do you distribute kerosene? Who authorizes the distribution of kerosene, who is responsible, how does it get to the market?

MD- PPMC: Hon. Chairman, we have two major channels of distribution for kerosene, one is bulk to our costal allocation which gives mainly to depot owners, the two refineries do this through depots that are attached to the refineries and ar mainly close to IPMAN members, major marketers and then NNPC by trucks.

HON LAWAN: Can we have comprehensive list of all those that had been allocated kerosene in 2011, who authorizes those allocation, is it PPMC, NNPC, PPPRA, or the Minister of Petroleum?

MD – PPMC: It is PPMC that does the allocation to various bodies that own tank farms.

HON LAWAN: In the course of explaining this issue of kerosene, you made mention of this swap arrangement, now how do you do this swap? Can you explain to this Committee, how this swap arrangement is done? Is it that by 445,000 crude with the volume that you cannot refine locally, do you sell it directly in international market or do you go through middle men marketers, to sell or do you have an arrangement with the refineries abroad and you supply to the refineries abroad and you get the product in, how is it done?

GMD OF NNPC: The 445,000 barrels that we take, we refine locally as we have off-shore processing arrangement with refineries outside and we also do a swap. We give crude and the value of that crude is converted into the product that we require and then we bring it back to the nation.

HON LAWAN: Sorry, you give to who?

GMD OF NNPC: As of today we have two companies. That was why the Minister said that we streamlined the number of people involved. We have Trafigora as one company and we have Duke Oil which is wholly owned NNPC trading company doing the swap. Those are the two companies that we contracted.

HON LAWAN: One of the companies is wholly owned by NNPC, Duke Oil .How about the other one?

GMD OF NNPC: That is international trader Trafigora.

HON LAWAN: What was the process of selecting them to do it? I am sure there are so many other international traders, whether any competitive process of getting them to do it?

GMD OF NNPC: Using my wholly owned company I did not do any competition and

Trafigora is one of the biggest companies that we have been doing business with all along and we valued the proposal from Trafigora and other companies.

HON LAWAN: How long is all along?

GMD OF NNPC: Before I became GMD Trafigora has been doing business in Nigeria.

HON LAWAN: Sorry before you became GMD, that was not too long ago.

GMD OF NNPC: I said long before I became GMD.

HON LAWAN: 10 years, 20 years?

GMD OF NNPC: May be not up to 30 years ago. Those are the two processes that we used then. We have off-shore processing, we use the Cote D'voire Refinery number one because of the closeness to us and because of the flexibility to be able to get what we required when we required it. We actually had a lot of problems selling the crude and then bringing in product because we have some challenges with the marketers. So we had to look for alternative and best methods of doing it.

HON. AHMED: GMD just a quick follow-up question, this Trafigora, what is their portfolio; is there anybody representing Trafigora here? GMD they do not seem to be visible anywhere?

GMD OF NNPC: Hon. Member, in the industry they are very visible may be in the political realm they are not visible (Laughter).

HON. FALEKE: GMD, you have told us you have this arrangement with Trafigora, do you also have an arrangement with Sahara Energy in the same line? We want to have a copy of the contract between Duke Oil and the other companies like Ontario, Doatrio and Talaveras. These companies that get at least 30,000 barrels per day, we want to have their contract agreements.

GMD OF NNPC: On swap NNPC does not have any arrangement with Sahara. We do have with an Ivorian Refinery and we can give you a copy of the contract and we also have as NNPC contract with Duke Oil and I will also give you a copy of that one.

HON FALEKE: Are these companies registered in Nigeria, do they have office and their MDs here?

GMD OF NNPC: We have an office here but they trade out of London, our NNPC London Office.

HON FALEKE: How many barrels actually does NNPC refine locally out of 445,000?

How many of that goes off-shore? These are the things we want to clear.

GMD OF NNPC: Out of 445,000 what we have is 210,000 barrels that is brought in through this arrangement of off-shore processing and swap. The balance is what we refine locally but also if the price goes down suddenly we do sell that quantity of product because we cannot make any other arrangement other than to just sell and bring in the product.

HON FALEKE: I am sure Duke Oil reports to you directly?

HON LAWAN: Can we put the Executive Director Duke Oil on oath please?

YUSUF (EXECUTIVE DIRECTOR, NNPC): I am not the Global Executive Director of Duke. I am the Global Executive Director of Petroleum Investment NNPC and Duke Oil is a directorate, the Duke Oil has a Managing Director.

HON FALEKE: With your portfolio it means you know about the business of Duke Oil, can you tell this committee how many barrels of crude you get from NNPC and how you allocate it to other companies for swap?

YUSUF: For the swap arrangement we have 90,000 barrels per day and we sublet it to three other companies and each of these companies has 30,000 barrels per day. We have Ontario, Televeras and Aiteo.

HON FALEKE: If you have contract agreement with the three of them we want to see copies of the contract agreements.

YUSUF: Yes we do. We would provide the contract documents.

HON FALEKE: When you talk about swap, you give each of these companies 30,000 barrels per day from your 90,000 barrels per day, is that correct?

YUSUF: That is correct sir.

HON FALEKE: So what is your expectation from these 30,000 barrels per day from each of them, what do you get in return?

YUSUF: As the GMD has pointed out we have a contract with them. We give them the crude and they bring back the product into the country to the value of the crude. The product that is stated in the contract includes PMS, Kerosene, that is DPK and HGO as appropriate.

HON FALEKE: How long is this?

YUSUF: It would be one year in February.

HON LAWAN: Just a very quick follow-up, how did you select them, do you select them through an openly competitive bidding process?

YUSUF: The selection of these companies was done based on our prior engagements and experience with them and also we considered all the other joint venture arrangements we have with our partners and we compare the offers provided by these companies and relate it to the others that we have and we found them very, very competitive. But at the time the contracts were awarded I was not around. The Managing Director would be able to give further input on that. I am under oath and I do not want to give information on things I am not comfortably aware of at the moment.

HON LAWAN: Just before the Managing Director says anything you said you relied on your experience in doing business with them but you said you started doing business with them one year ago. So what experience did you have prior to when you commence business?

YUSUF: What I said was that we have other joint venture arrangements with other companies and we provide them with supplies for sale on our behalf and the proceeds we get from these companies are not in any way much better than the proceeds that these three companies were ready to give us, that is why we went for them.

HON LAWAN: There was something you said about the Managing Director. Are you talking of the GMD?

YUSUF: The Managing Director of Duke Oil Company.

HON LAWAN: Then who are you?

YUSUF: I am the Group Executive Director, Commercial and Investment, NNPC.

HON LAWAN: I see because I thought your GMD said MD of Duke Oil Company was here?

YUSUF: No he did not say that sir.

HON LAWAN: It is all right, so the Managing Director of Duke Oil Company is not here? GMD you are raising your hand. Are you combining that role with GMD of NNPC and Managing Director Duke Oil? So where is the Managing Director Duke Oil anyway? We would invite him.

YUSUF: He is not here at the moment sir. He has travelled to England but we are expecting him very soon. Whenever you want him we can bring him here.

HON LAWAN: Please we want him hopefully before the end of this week. If he could be

here on Thursday it would be nice. Just another issue but not directly related to this. First of all, let us have all the documents related to the award of contracts, the procedure used in arriving at these people, the criteria, what capacity they have for them to effectively do this, their companies profiles, whatever portfolio and information. Another issue, I do not know whether I should direct this to PPPRA or maybe all of you. We have earlier on established that payment is made on kerosene; it was done in 2011 and before 2011. When the budget was presented for Year 2012, there was no provision at all for payment of subsidies and on the 1st of January subsidy was withdrawn on PMS. I am not aware of any government policy statement on the withdrawal on kerosene. Are we to take it that government actually wanted to withdraw subsidy on kerosene on the 1st of January or that government was encouraging extra-budgetary expenditure in 2012 because if there was no provision in the budget it is either it was not going to be paid or it was going to be paid but outside the budget. I do not know whether any of you can respond to this issue, whether you know that government actually planned to remove subsidy on kerosene as well? If there was no plan to remove subsidy on kerosene it baffles me that there was no provision for that subsidy in the budget.

GMD OF NNPC: Hon. Chairman this is a dilemma we always find ourselves and unfortunately NNPC is always the vulgar. We have this uncertainty about subsidy for kerosene whether it is removed or not removed and there is a document by the late President where he said subsidy should be removed on kerosene but it was not implemented and that has given us a whole lot of problems in being able to be compensated for the kerosene that we supplied. In 2012 we did not have any directive from government to deregulate kerosene, the last directive I had was given to me by his Excellency the Speaker of the House of Representatives on the Floor of the House when made me to face the nation that I will never sell kerosene more than N50 per litre but we all know that kerosene does not cost N50 per litre. So I am always having a lot of problems and challenges of being able to continuing doing business when I am not compensated for my effort. In a nut shell, subsidy to the best of my knowledge was not removed in 2012 for kerosene but I am not responsible for making the budget for subsidy.

HON LAWAN: Thank you PPPRA. There is some information we require and we want it in writing please. First of all, from 2006 to date we want details of the companies that were contracted to import refined PMS. How many do we have, I think they had five in addition to NNPC about four or five in 2006 or did we have in 2007, how many did you maintain in 2008, how many were added in 2009, how many in 2010 and currently how many with their full names, their addresses, the Chief Executives? We also want to know their capacities. For instance how many of them are briefcase importers and how many own storage facilities? How many of them do not even have jerry cans and we need the guidelines if you

have it. Can we have it now, but if you do not we can give you up till tomorrow to provide all the information please because we intend to invite every one of them to come before this committee. This should go to the GMD of NNPC. In 2011 what is per litre subsidy on kerosene on the average?

EXECUTIVE SECRETARY (PPRA): Mr. Chairman Sir may I crave your indulgence. We have figures, the volumes and what I have given here is the amount. Sir if you permit me this is something we can weep up immediately we get back to the office and we can submit this particular information you asked for today. So let us just err on the part of caution. But the amount I can talk is here but we have to have the volumes supporting it so that we can give you the average?

HON. LAWAN: No problem, we give you up till tomorrow, God willing we would be here.

EXECUTIVE SECRETARY (PPRA): Thank you sir.

HON LAWAN: Do not worry; we are not going anywhere too soon.

HON. TAJUDEEN: I have two questions, one for the Executive Secretary PPPRA and the other one on the swap deal. I start with the swap deal; as we all know that in a swap deal it involves two parties; the crude oil that goes to the refinery of whatever country and then the refined product that comes back. So in the fully deregulated economy it is very likely that as at the time we are sending the crude oil to our counterpart in another country the price might be reading 'X' and as at the time the product is refined from the other country on its way to Nigeria the price could change to 'Y'. So I would want to know, do we have a pre-fixed price for this deal or it is just left to the market forces that the price can change from the point of transfer to the country of processing and whatever the price is as at the time the product is refined, the price at that material time would now determine the price at which it would be sent back to the country? My second question to the Executive Secretary is concerning the figures given to us by the Central Bank of Nigeria which clearly indicated that in 2010 the sum of N629bn was the total payment made for fuel imports into this country and in 2011 we have a figure of N1.736bn. If you look at the two you would be talking about a phenomenal rise of almost 300% between 2010 and 2011 and I remember when you were taking us through your submission some few days ago you said that one thing that you were using to really gauge consumption is GDP. You look at the GDP and then factor what would be the likely consumption for the year to come. If you compare the 300% increase in payment in 2011 to 2010 do you not feel disturbed that something is probably wrong, does it raise any eye brow as far as your agency is concerned?

GMD OF NNPC: Thank you very much. The pricing mechanism that we use, we do not use one day price we use an average of five days and we take the mean of average of five

days around the time of lifting and because we have built in the flexibility whereby we can actually call for either PMS, DPK or HGO; so when we are calling we also use the same mechanism of average of five days of the product price as at the time we are calling for it.

HON LAWAN: I am aware of your practice but I do not know whether it is still existing where we get requests from neighbouring countries for the supply of refined products, do we still supply some of our neighbouring countries refined products, PMS in particular and possibly kerosene?

GMD OF NNPC: To the best of my knowledge since I became GMD I have not supplied officially any product to the neighbouring country either as a contract or otherwise. But there is government to government crude sales which we do and which is different from product.

HON LAWAN: PPPRA, I do not know whether you are still listening .Hon. Member said you still have an unanswered question.

EXECUTIVE SECRETARY (PPRA): Chairman I was listening. I just wanted to have the window to come in so I can come in now.

HON LAWAN: So you are trying to get your breadth back?

EXECUTIVE SECRETARY (PPRA): Not at all sir, I am ready to go. Let me say here sir and I want to make this clear that the basis for calculating subsidy is what you call quantum quantity or what is discharged from the ship into the tank or what is delivered from the ship into the tank. So what is physically received into tank is what is calculated in subsidy. In 2009 that figure was 36.8m litres per day and in 2010 it was 46.9m litres. The figure we got here which was 58.9m litres was 2011, for ten months of the year. So we have November and December figures to come in after we have reconciled these figures. Then of course we would give you what was delivered into tank, be it NNPC or other marketers for the year 2011. What is happening here is that there is a trend and that trend is an increase from 36.8m litres to 46.9m litres and to figures in the 50s, so there was a trend/pattern there. Let me say that we do have a fully reconciled sheet between NNPC, Federal Ministry of Finance, PPPRA for which the amount which has been said so much about is N1.348trn. For NNPC, PMS up to August and other marketers up to October an average delivery into tank of 51.158m litres per day and that is which the subsidy was paid on. I must quickly also add here that the component of PMS within this is N1.097trn, of which the data that came from kerosene is N250bn. Sir, I thought I should put this in perspective. You raised the issue also of N1.736trn which was provided by the Governor of Central Bank. I think there is an alignment between us and CBN. The only difference here is that my figure shows 1.746. So I think it is probably in terms of posting, but I think we are aligned. Sir, you are saying

that there is a phenomenal rise. This is based on what we have processed and sent over to Ministry of Finance and verified by them and paid out by CBN, there is that alignment and you asked me about the amount. I think it stands to reason that the amount is high, I mean N1.746trn against N673bn. Yes there is a huge difference there sir. We do have also some facts such as price of product during this period which also shows an increase but I do not know whether that explains it all, thank you sir.

HON LAWAN: Thank you so much. Can we have those documents? Let me just ask a few round of questions, you can take note and respond. What is our policy on strategic reserves? Before the Minister left I put a question to her as to where we are today and from what she has said it looks like we do not have a robust strategic reserve, we may run into problems, so what is your policy on that? (ii) On the importation of refined products I understand the template provides for guarantee margin, what is the current guaranteed margin per tonne? DPR the last time you made a presentation I think you spoke about 24,000 filling stations across the country, how do you monitor those 24,000, how do you guarantee that they are actually doing business the way they should? I make this request the other time let me do it again, I do not know whether it is PPMC or PPPRA who would provide me with that information. I want to know the level of our storage capacity in the country of refined products, who owns them, their capacities. We want to have all these details for PMS and kerosene. I actually want to take on NLC and then we can go back.

EXECUTIVE SECRETARY, PPPRA: We had November and December figures to carry after we have reconciled these figures. Then we will give you what was delivered in total, be it NNPC, be it oil marketers for the year 2011. What I can guess correctly is that there is a trend in volume of 36.8 million, 46.9 million are the figures. Let me say that we do have a body with reconciliation sheet within NNPC, Federal Ministry of Finance for which the amount which shall be said over and over is N1.38 trillion is for NNPC. PMS up to August and other marketers up to October an average giving us about 51.18 million litres per day and that is all the subsidy we are talking about. I want to also quickly add here that the components of PMS within this period is N1.09 trillion of which the one that came from kerosene is N2.50 billion. The next question you raised on what point sold which was provided by the sale of petrol and kerosene. The only difference here is that my figure shows N1.746. So that gives 14 but I think they will align. You said that there is a little problem which is based on local content which we have processed over to Minister of Finance and then verified by them and paid up by the CBN. We have that alignment. My answer about the amount I think there is that feeling that the amount is a right and then N1.746 and then 673 litres. Yes, there is a big difference here and we do have also factors such as value of product, which also is on an upward increase. I do not know whether that explains enough.

HON LAWAN: DPR, you made a presentation here and you talked of about 4,000. I made a request, I do not know whether it is PPMC, DPR or NNPC but I want to know the level of our storage capacity in the refined products. I want to know the tanks available, who owns them and for PMS and kerosene?

HON. AHMED: PPRA, please look at this Pinnacle, is it Pinnacle construction or Pinnacle company?

GMD OF NNPC: Hon. Chairman, the philosophy or strategy that we try to hold is what I explained in my presentation pipe line network and the depots but unfortunately because of what I explained in my presentation until now we still carry through the tankers. We have the products at the coastal areas so we try to give them a number of days so that nobody will...

HON LAWAN: Let me just remind you that the last time you were here, I am sure maybe, my colleagues has forgotten he raised a question of which you provided us with an answer. He raised an issue of maintenance strategies which you provided storage for NNPC and he requested to know the name of the company but you said you have fully recovered. The issue that we observed is based on moral stand. I remember you said you will give us the name of the company and you tell us how much was involved which you said you have fully recovered. How can you expect that a company that has stolen from me and I know who he is and I know what he did...

EXECUTIVE SECRETARY, PPPRA: There are two Pinnacles here, one is Pinnacle Nigeria Ltd and one is Pinnacle oil and gas.

HON LAWAN: So, you do business with both of them?

EXECUTIVE SECRETARY PPPRA: Yes!

HON LAWAN: So, they are two different things?

EXECUTIVE SECRETARY, PPPRA: Yes Sir. On the issue of tanks, we have something like 230 tanks for PMS with a total of 0.7 cubic litres. So, it amounts to about 7 million. Let me start with the PMS which we are aware which today has become an issue. The independent marketers have their own, NNPC has and that makes a total of 230 tanks.

HON LAWAN: Thank you very much. We will now take on the Secretary, Nigeria Labour Congress.

SECRETARY, NLC: The Hon. Chairman and Members of this important ad hoc committee, Nigeria Labour Congress has been over the years on this issue of deregulation and we thought first to address the philosophy that enshrined domestic petroleum product price.

We will also address the issue of the management of the subsidy and the problems that we see there and then propose what in our own view is the way forward. The position of the NLC on the petroleum products is that they must be regarded and must be understood not just as consumer items but as inputs in the production process in the economy. We said that we want government to change prices perpetrated in the various sectors of the economy and we actually want to start from the position of the topic we are talking about. Government itself had anticipated that diesel has to be deregulated. The price I think has been deregulated over the years. I think that we can learn a lesson from what has happened in the last few days and our position is that the price of diesel rose in response to government's withdrawal of subsidy. What was the implication on ground? Luckily we found that from the manufacturing companies in Nigeria. The cost of production shut up. Evidence has shown that on the average they were spending about 30-33 per cent on energy. Because of that, many manufacturing industries went under. Some of them went overseas, to even neighbouring countries. I think the last major one was Kano. In fact Kano closed shop in Nigeria. You could say that when it comes to opinion, our basic argument is that N1 trillion was important in the overall economy. We need to realize that while diesel accounted only for 1 per cent PMS is the major stay particularly of the small scale enterprises and the informal sector. The crisis in our economy is the crisis of unemployment; graduate unemployment has created a situation in which the informal sector of our economy is like an anchor. The energy of choice in the informal sector is the PMS. Its effect on the economy is in the small generator that runs the various activities of the informal sector. We must therefore, envisage what increase in fuel pump, the PMS will do to the economic activities in all areas. Our first major position is that we need to take a holistic view, the cost benefit and the general impact it will have on the whole economy. What does it profit the economy? By withdrawing subsidy you increase the revenue for government? Maybe, you create a few jobs more in the downstream sector and you lose multiples of those jobs in the other sectors of the economy. So, that is what we are saying, it needs to be addressed and that needs to be envisaged in the debate. Myriads Wilfred is rendering a government agency to do a general equilibrium impact assessment of fluctuating petroleum prices. He did not talk of commissioning it in the year 2000. The topic itself shows clearly the necessary impact on the different sectors of the economy and here, nobody has asked that agency to produce that fund, it does not even refer to when it lost the fund. If it was not satisfied with that result and decided that a new board needed to be formed, it could commission a new board. Of course, there are also other alternative bases that have also shown this negative implication of oil product prices on the over all sectors of the economy. We need to recognize the need to differentiate the domestic price of petroleum products from the global market. The other issue that we address is the issue of the actual cost of petroleum products. We believe that fuel subsidy as it is contributes a substantial part of what we are paying in the past based on

the PPPRA template. It has been the major challenge on how to deal with sharp practices by Nigerians in this country. When the petroleum products fund was introduced in 2006, we went before the Senate Committee hearing to argue that if we allow the PPPRA and NNPC as currently structured to manage the subsidy scheme it would be a recipe to abuse and corruption. Today, we believe that what we argued then have been demonstrated by lack of representation we are hearing in DPR. We had advocated a lean independent manager of the Fund and the claims process for subsidy. This was based on our conviction that a process where NNPC would import, determine its claim and net off such claims from due payments to the Federation Account was open to abuse. We agree with government that the cost of the subsidy scheme is too large. However, we had tried to work with government in the past to get to the root of the abuse of the system. As part of the Governor Yuguda's committee set up by the late President Yar'Adua, we participated in a technical sub-committee charged with recruiting international auditors to probe the subsidy scheme. It was chaired by Mr. Steve Oronsaye, then Permanent Secretary of the Federal Ministry of Finance. The committee was not allowed to complete its work. The power of oil cabal was not to be underestimated. What happened was that the sub-committee appointed was full of surprises, invaded economy including the economy of London for international auditors because derivation was that these should be auditors who had not have a place with the domestic oil operations in order to clear the economy. People came before but, the day before tender were to be opened, the DVDs were stolen and we were told that no confirmation now. You cannot bring claims that are not supplied in Nigeria. That was the last meeting of the sub-committee. Government itself and the PPPRA knew what happened and therefore, any problem that will get to the bottom of it they hate it. I think that the challenge that is before this committee is how to go after this cabal, these vested interests that have contributed within government structures and government agencies in the oil industry. Let me just give one example of where it happened and then we can open up the existence of this cabal that we are talking about. In the year 2006, diesel was already said to be deregulated but within PPPRA we discovered that NNPC continued to give a huge bug of diesel supply. What can you call this one? When he was giving diesel at that time at a price of #53.00 or thereabout because I cannot remember the flat figure now but this company has no other and then he was the one settling. The representatives of the organized labour and independent marketers on the PPPRA board decided to say that this was fraudulent. We said we should talk about this problem. We argued much within the PPPRA board and the NNPC, the PPPRA within the board continued to pay and we could do nothing about it. That was allowed to continue. I do not know as at today what the position is like. The Executive Secretary of PPPRA was a member of that board. The then Group Managing Director of NNPC called us outside the meeting corridor and told us that he knew we were right but their hands are tied. It baffles one that a few individual can hold the whole nation,

the whole system to such a blatant exploitation and nothing is done about it. We believe that what is at the root of this problem is to actually know these cabals, curb corruption and ensure that there is progress in the fuel industry. We supply here for instance in the year 2008 what the prices of diesel for various countries were. What one will make out it is to ensure that to deregulate, or that the government hands off does not remove the corruption. The attached table shows how the Nigerian citizens are paying. For example, if you look at that table in Nigeria for 2008 the price of a litre of diesel was 113 U.S cents. In Ghana, it was 90 U.S cents, in Togo, it was 88 cents, in Niger it was 97 cents and in The Gambia it was 75 cents. This was the product we said it was deregulated but that deregulation did not stop this corruption. These cabals were still there to abuse it to the extent that these other countries cost was inclusive of tax. Yet, in Nigeria, there was no tax on diesel at the price of 113 U.S cents per litre, which was way above all of our neighbours. So, in dealing with corruption, it is not enough to deregulate. The other issue is that we took report of the reform of the downstream sector. We have never disagreed with the report. But when we found out that Nigerian citizens will still be exploited and so dealing with corruption is not just saying deregulate, it is just more deeper than that. The other issue, Mr. Chairman that we want to look at is the need for the reform of the downstream sector. We have never disagreed with reform; we will find way like deregulation. In a country in which deregulation has now become synonymous with just price, that is the problem. We want a holistic reform, if you call it deregulation, yes. Properly done, deregulation beyond changing the price, it is a structural matter. We believe there is a genuine need for the reform of the oil industry. In the upstream today, Nigerians know that crude is being stolen. However, to concentrate on the downstream for now; we support a comprehensive reform which will conferred the maximization of the benefit of oil on the national economy. There is need to admit that the existing reforms are not working and that a more comprehensive programme of reform needs to be agreed among all stakeholders. We recommend a reform agenda that will seek to revive domestic refineries, encourage the establishment of new one across the country and reduce the dependent on import. It is also our contention that domestic products pricing must not be based on import priority so as to confirm on the domestic economy a comparative advantage base on the resource in which the country is richly endowed. Mr. Chairman, one particular thing that we believe is important in this talk of deregulation and you are talking of a system that is almost 100% dependent on import. When the representative of the Governor of the Central Bank of Nigeria (CBN) made his presentation earlier, something that we have indicated in this paper, he actually amplified it. Although, he did not analyse it and reached the same conclusion that we did. And that is the whole thing of when you are import dependent and you are driving this programme, what are you going to do? You find that the huge amount of foreign exchange is coming from oil import, oil products input. But when that happens; the pressure on the value of the naira then unleashes

a system of instability. You can never have a stable pricing mechanism of petroleum products if you depend on import or a reform based on import. Because when that happens, that demand for foreign exchange depresses the value of the naira and because the value of the naira is one of the major two elements; the price of PMS, that is the price of crude and the rate of exchange, will further aggravate the system. So it is an unstable system, it cannot bring a stable system and therefore, there is the need to ensure that you move away from import and that you create a domestic refining base before you talk of price reforms.

Our proposal for reform therefore is the following plan:

(1) A revival of domestic refining through existing refineries and promotion of new refineries. We believe that our domestic refineries must be made to work, appropriate incentives need to be given out to attract new investments in refinery. Why a domestic refinery by itself is not sufficient to guarantee product price stability there are clear benefits to be derived from domestic refining as oppose to import. There are overall gains in employment and general economic activities, there also the obvious savings in freight and insurance cost. In addition to this domestic supply of products will relieve the pressure on the exchange rate. It is worth emphasizing that a reform policy based on importation of refine products will guarantee destabilizing the domestic economy. Importation necessarily puts pressure on the exchange rate of the naira.

(2) As long as the domestic prices of products are tied to the international price of crude, the crisis will remain. It is recognition of this that we propose a re-introduction of a modified policy to guarantee crude price for domestic consumption. Rather than returning to the price as earlier operated we propose a price band within which the price of crude oil for domestic consumption will fluctuate. In this regard, we agreed with the spirit of the proposal put forward in the Senate Committee on employment Labour and Productivity's report to the Senate on the 7th October, 2004. This proposal involves setting a price modulating band of crude to be processed in Nigeria for domestic consumption. As for the specific band, we propose the cost of extraction and delivery to the gate of refineries Ex, as a floor and X plus Y as the ceiling. But when Y is the target inflation rate set by government policy in the current year. The adoption of this mechanism will ensure a stable price regime that will allow economic actors to make plans. And this also removes this quantum leap thing. If for instance we are targeting an inflation that is single digit, that becomes on an annual basis and approximate a possibility in the adjustment in price that we were then talking of. It should be emphasised that the guarantee price should not be restricted to only NNPC but to all refiners and to limited to the crude actually refined for domestic consumption. Given that in the short run there are no domestic refiners; tenders should be opened for the domestic crude for potential refiners to bid with clear time line on domestic refineries. In the short term we should not exit two years. Bid winner should allow arranging offshore contract refining of the allocation that he has got through this process of the

contract.

3. Promotion of competition. The downstream sector as presently constituted is characterized by an industry dominated by NNPC and general monopolistic tendency. Recommendation needs to be made on how to open up the sector to competition. We need to design strategy for opening up monopoly asset and infrastructure such as import receptacle, storage depot and pipelines to competitors who must of course pay economic fees. It needs to be recognized and emphasized that the implicit subsidy imply by the guarantee crude price scheme need not undermine competition and deregulation. World over, fuel subsidy continues to be provided in deregulated and competitive environment. The agricultural sector of the economy of the United States of America and other OCD countries are competitive and deregulated. Yet agricultural subsidy are provided daily. In like manner a number of subsidy schemes exist in various countries of the world, yet the pharmaceutical industry remains deregulated by competition.

Honourable Chairman and Members, why it is true that the national crisis of the past two weeks was the direct result of the increase in the price of PMS, the issue of corruption and cost of governance became additional rallying point. We appeal to your Committee to address these issues. Nigerians are counting on you to focus on the syndicate of corruption which continues to hold our nation hostage. We want to thank you for the opportunity and we do want to hope that the outcome of this Committee work will not follow the pattern of some of the other Committees and Public Hearings before it; that this Committee will actually provide the starting point for us to resolve this issue in a transparent manner. We thank you.

HON LAWAN: Hon. Colleagues, while thanking the Nigeria Labour Congress for that very good presentation, let me assure NLC and by extension the Nigerian public that this Ad-Hoc Committee is committed to do this job. We are committed to ensure that we discharge our responsibility to the best of our ability and in the manner that will satisfy the expectations of Nigerians. Thank you very much. I think that is a very good presentation and let me express our gratitude to Alh. Umaru Dembo who actually took the trouble to volunteer to come and make a presentation. It shows his commitment and his passion and his patriotism to what we are doing and that is why I believe he decided to come and make his representation. As you know we are conducting an investigation and this is why we cannot draw a conclusion. Our objective is to get as much information as possible. It is not for us to judge anybody guilty for saying anything- it must be proven by the facts. So many Executive of agencies, Ministers and officials in government also acknowledge that there are sharp practices and manipulations in the process and what I take so far, is that it appears to be a contentious opinion among almost all those appeared before; of coming up with different way of doing things. As we proceed where we find the need for government

take such steps, do not shy away from giving such recommendations. But so far we are still collecting information and details that are available to us and we will sit down to draw conclusion and recommendations. So I want to thank Alh Umaru Dembo for his presence here for sharing his view with us.

HON. GERALD: As former Minister, what was the daily consumption of the PMS during your tenure? And how did you arrive at that figure so that we can gain from the fountain of experience to track what is happening currently in Nigeria?

FORMER MINISTER (NNPC): Chairman you better understand, for 14 years now after being a Minister, I only knew what came to my office. What was being produced by various refineries and others were done by other groups.

HON LAWAN: I will help you out, I think you left in 1998, at least I can provide the figures of 1999 to honourable Members. I know it was 13 million barrels per day in 1999. We still have a number of few more agencies, Oando is here. Who and who is here? In our list those that are outstanding is Conoil, Shell Petroleum, Oando, Honeywell; Capital Oil is here, IPMAN is here, let us take Oando.

MD – OANDO OIL PLC: Mr. Chairman, I will just begin by describing Oando PLC as an indigenous Oil and Gas Company, having traded shareholders, operates in the downstream, the largest distribution network and petrol stations, tank farms across the country, storage facilities in several ports. We have midstream division where we have Lagos gas distribution system, mainstream house we just built across Akwa Ibom and Cross River states with operations in Lagos states, expands across Nigeria. We also have a drilling division where we drilled for Shell and for ENFR and AGIP. We have new entrants for distribution and production divisions. Our revenue projected at the end of every year is around N500billion. Mr. Chairman why I am taking pains to say this is because we unfortunately had a bad stress regarding our being involved on the campaign for withdrawal of the subsidy scheme and it is very important for us to state that, it is a large response for us to show concern. We participated in this subsidy scheme to ensure that employment is provided across the nation and also return for our shareholders as well as have petroleum products available across the country. We have local government presence in Oando dealers or somebody who lives from our terminals across the country. The second point I will like to make as well is the subsidy scheme as it then was consisted of a 36- man board across the PPPRA scheme. When the subsidy scheme started the board was actually quite active in its participation in the sense that we discussed in general the details, the template towards ensuring that there was adequate recovering because the subsidy scheme is a government scheme. We cannot intentionally borrow money from the bank and lose it or take shareholders own and use it. The point was that the government decreed that we sell at the pump, then we

are legally entitled to collect the differentials and that differential was agreed upon by the 36-member board in which quite a number of speakers in this Ad Hoc participated in somehow. We do affirm the fact that the template in current use is appropriate to the design; everybody had that particular template and I do not think anyone could deny that he did not have import from Ministry of Finance, Central Bank or PMC or NLC. Everybody was involved in the creation of that template. The scheme as was contemplated in 2006 had several principles, one was the company that will participate in the scheme must be company of substance. In other words it means they had to have a network of retail outlets. They also had to have tank farms and can be able to import petroleum products. So it almost like ensuring due diligence to ensure that only credible people participated in the scheme, that is number one. The second is like the scheme is expected that there will be under recovering for example where the pump price was "X" and the landed price was higher, and the government owes us money. And where there was over recovering, for example during Yar'Adua's regime but the price of crude dropped from \$70.00 to \$50 per barrel and we paid back to the fund and I know Oando paid N1.6billion back to the Nigerian government in that scheme. Now at the end of the day, the only reason why we paid the money was because we have a long term interest in the business. Certainly with the implicit mechanism to ensure that only credible co-existence in the scheme, in 2006 there were three majors. There was need to probe the Nigerian Petroleum Company (NPC), which has a very large tank farm in Apapa. In 2007, there were five majors, there was NISMCO, NNPC, there were other two Independents; one has a very large tank farm. I think one was FIRS, the other was MRS. In 2008, 17 independents joined. In 2009, 24 independents joined and in 2010, 21 independents. I think in that time frame, we as a major effectively saw a percentage share importer dropped from 53 per cent in 2006 to 11 per cent in 2011. And PPPRA published the figures in October of this year. In terms of summary of our subsidy payment, we have received approximately, N120billion by the end of this year and we have imported 700,000 metric tons as of August. Our market share in terms of the private sector is about 11 per cent and in terms of subsidy payment so far approximately about 15 per cent. By end of October, we were at 11 per cent. If we use CBN number of N1.7trillion to tune of 50 per cent paid for the kerosene and the projection based on existing and we came around 8.5 per cent market share of the petroleum subsidy fund. In terms of the issues to do with the fund, I think the fundamental thing that we must say is that there has been sufficient reforms that lasted for six months with the new appointment of General Stanley as well as changes that occurred in the last five months or six months. We have seen the deliberate attempt to reduce number of companies which are not qualified because original regulation was 45 tons for 25 petrol stations. We have also seen a deliberate attempt to remove companies which have triple agreements and do not have any station or do not have any access from the lists of players who have access to fund. We have also seen the improve-

ment in transparency in terms of allocation being granted in a way and manner to ensure that those who do need fuel, who have the access to shipping fuel also have a chance to benefit in a way and manner from the fund to be able to run and provide the service that they required. In terms of recommendations it will be that only verified players with access be allowed to access the funds easily. Particularly, that is why the Federal Executive guideline was very clear that you should own 25 petrol stations and 25,000 tons marks. Unfortunately, federal executive council guideline was awarded in the operation fund to include people who had triple agreement, in other words they do not own petrol station, they do not have storage tankers, they were not involved in the trade but all of a sudden we found all of them in the trade and at the end of the day that is where the discussion came from and that is why you have an issue today. And by the time we ask each and every one of us to provide our Bill of lading and letter of credit, and our discharge certificate, you will quickly come to conclusion as to who really is importing fuel in this country and who is playing games in the farm. I think that we should be allowed to run transparently, we met regularly with the chairman, with all the players and every issue to deal with changes, in template, the mode of playing; or what issue to do; for example as deduction, fund charges or any additional industry matter for taking to the board. We discuss them with the board, the chairman will make appropriate representations, then the fund report to the President directly, and we will get result. I think that legislation is critical, 10billion, 12billion depends on levels we are running. Everything else we do in terms of the expenditures: whether it is appropriation, at state or local or federal, is done properly. I will not call them guidelines; strict legal obligations such that we will no longer argue about things. It also reduces the temptation of guidelines which can be amended or changed for any particular reasons be it financial, political or whatever business. I think the player is critical, one of the key drives of the PPPRA was to ensure that the private sector contributed and we know that over 50 per cent PMS consumed in the country is brought in by the private sector, thus relieving NNPC of substantial burden so that it can focus on upstream and the midstream and the other areas as well. I think it is pertinent to encourage the private sector because considering the amount involve in the business over 5billion dollars of private sector capital that is being invested in the downstream. And the other point I think is very important is to reward efficiency and reduce value cost of subsidy bill. I think all players both private and public sectors should raise their funding, bring in their products and thereafter claim from the fund. This is the brief remark I have to make on the monitoring of subsidy fund, thank you very much.

HON LAWAN: Let me on behalf of this Committee express our gratitude to you for participating in this hearing and we are not going to keep you for too long but let me raise issues for the purpose of clarification and I believe my colleague will raise one or two issues.

First of all also like the fact that you also need some of the recommendation that you believe that will improve on the efficiency of the sector, the Bill for instance ensures that the qualifications for those who should participate in the industry you have stated so clearly for us. Like you mentioned you have retail outlets, I think you have mentioned them, how many do you actually have?

MD – OANDO OIL PLC: Over 550 retail outlets.

HON LAWAN: What is your storage capacity?

MD – OANDO OIL PLC: In Nigeria we have approximately 90,000 metric tons petrol of PMS storage, so we would take 3,000 at any point in time. And in our retail outlets across the country, we have over 150million storage, most of our stations have an average of 80,000 storage in the ground.

HON LAWAN: We usually heard of mother vessels, daughter vessels. What is your opinion as a big player in the industry with regard to the way import comes into this country viz-a-viz mother vessels, daughter vessels?

MD – OANDO OIL PLC: Unfortunately we were constrained based on the point made earlier that we do have shadow transpot in Nigeria. In Lagos alone we have 6.5; Warri, is about 7meters and Port Harcourt was about 9. Unfortunately, we were forced to ship before we go in. Anyway, you can ship petrol in commercial quantity. 30,000 tons minimum but at this point it is about \$30million. What we are forced to do is to give this to a smaller tanker and bring the mother vessel that is more expensive. Unfortunately, we have no choice for doing that and we have tried to fix where we have those facilities in different parts of the country, and we currently have a project we have been awaiting for approval for three years to invest \$100m in Lagos and kept draft but unfortunately bureaucracy takes forever and we currently spend a lot of money in the industry to solve this problem.

THE MANAGING DIRECTOR, CAPITAL OIL: The Chairman and members of this Committee, we wish to thank you for inviting us to take part in this exercise particularly to introduce our company as well as what we do in the industry, to tell you our activities and to also give detail of the supplies and distribution of the petroleum products under PSM scheme. Capital oil Nigeria is a major player in the downstream sector of the Nigerian petroleum products. The company is a holding Nigerian company and we cover about 30 per cent of our total area for oil storage in Ibafo, Apapa, Lagos. This alone accounts for about 75 per cent of the total storage for distribution structures in the entire country. We have an investment in the area of marine and that we supply the double oil blockage storage in a maximum capacity of 150,000 metric tons capacity representing about 30,000 metric tons each. We brought 18,000 barrels of metric tons of various products. In this policy,

we have 18 different investment plans, I think I made mention of this while I was talking of our plans to actually invest in jetties and heavy facilities. It may interest you to know that Capital Oil and Gas has been struggling in this direction. Now, the lesson learnt from the maritime experience that Nigerian and ensure that the circular on all vessels be adhered to strictly. Our 650 major consist of 4 vessels, 10 close ones. The essence is to enable the company to discharge products from large vessels to smaller vessels to our tank in Ibafor area and then to assist them in discharging these facilities. This has helped in reducing huge demurrage, by the major marketers as well as independent marketers. In the area of tank farm facilities, we have opened and operated a fully installed tank farm with a combined storage capacity of 200 million litres. Our company complies with international treaties and standard best practices. We have a 32 million tank farm facility which with modern technology and it has the capacity to load 25 million litre per day. Its bigger than most capacities in town, the company has a capacity of 5,000 facility. In the area of field operations, we have a capacity of 700 trucks all over the country of various capacities. In one of our parts we distribute to the Nigerian market modern comprehensive trucks to actually pump fuel into the filling stations. The trucks are such comprehensive in security issues, safety gadgets to enable us to deliver products promptly throughout the nation. The company has developed a number of regional petroleum products and has started distribution throughout the country to facilitate active distribution of petroleum products. This is a very important aspect of our business which had remained un tapped but has started operation throughout the country, Niger State, Enugu State, Katsina State and Kano State. There are plans to expand this to strategic places throughout the country, the advantage to be gained over it need not be over emphasized. It is however pertinent to mention here that we have a plan to introduce petroleum stations in catchment areas which include:

1. areas that are not able to incur capacity of 33,000 litre,
2. make sure that other products get to local marketers
3. Include local farmers by close shopping which will ensure that the lost in performance
4. Include original thought.

In terms of verification, the company has over 100 verification units in various parts of the country made up of capital oil initiatives that we have developed. We have already finalized plans to build 100 more modern stations to boost supply network nationwide. We are also making plans so that we will come up with that scheme. Now, with regard to fuel scarcity in the society, it led us to invest in this scheme and in partnership initiatives the company with Northern Nigerian at the official price of N50 per litre. To date, the company has been dispensing kerosene directly. We also plan for the future, we have acquired a big plot of land to build a refinery. For our participation in the PFS scheme we started as from 2008. Despite our full participation in the downstream sector, our facility has remained under utilized as a

result of the regulatory policy of the sector. This has been vividly seen from the past record of the company for the period under review as it relates to subsidy payment. Permit me Mr. Chairman and Hon. Members of this committee to sincerely thank you for this opportunity to make a presentation on the activities of this committee for this national assignment. We will also use this opportunity to invite this Hon. Committee to do everything possible to encourage the investment in this sector. Thank you.

HON LAWAN: Like you said that you own the necessary facilities, what is the ratio of your participation in the PFS scheme? Where are you based? The indication is that you are a big player. How big are you in the downstream sector? My second question is when did you join the scheme? What was the ratio of your participation in 2006, 2007, 2008, 2009, 2010 and 2011? Give us the idea for instance of the volumes imports in terms of litres and also how much money you have collected in these years as subsidy. But first, let me know when you joined the scheme.

MD, CAPITAL OIL: Thank you very much Mr. Chairman, our allocation started in 2007 where we imported 32,907 metric tons PMS. In 2008 we imported the total of 22,784 metric tons litre.

HON LAWAN: What of 2009?

MD, CAPITAL OIL: We did not participate in 2009

HON LAWAN: Why not?

MD, CAPITAL OIL: We did not get the allocation in 2009. In 2010, we imported a total of 218,251,311 litres of PMS.

HON LAWAN: In 2010, you imported 218,251,311 litres but 2009 was zero? What of 2011?

MD, CAPITAL OIL: In 2011 we imported a total of 375,103,890 litres of PMS.

HON LAWAN: How many retail outlets do you have?

MD, CAPITAL OIL: We got over 100 filling stations that we supply.

HON LAWAN: Do you not have a precise number.

MD, CAPITAL OIL: No, I do not have a precise number Sir.

HON LAWAN: So, when you imported 375 million for instance, do you supply to other people who have more retail outlets or how do you go about it?

MD, CAPITAL OIL: What happens is that we have quite a lot of independent marketers who have filling stations scattered throughout the country who buy directly from us and

discharge in their stations.

HON LAWAN: Like I said how much money did you collect as subsidy in these years?

MD, CAPITAL OIL: Let me give you the breakdown of the collections: in 2007, we made N910,492,587.00. In 2008, N510,817,504, in 2010 N10.7 billion and in 2011 it was N17.8 billion.

HON LAWAN: Do you have outstanding claims?

MD, CAPITAL OIL: We have outstanding. I do not know exactly but I believe it should be in the range of N7 billion.

HON LAWAN: In addition to importation, what other business do you do within the oil industry downstream?

MD, CAPITAL OIL: We are into transportation, we are also playing in the marine sector with regard to retail outlets and we also have storage business. We also have trucks that help in the transportation.

HON LAWAN: Who are your major clients in the transportation and storage business? Apparently, you have more storage capacity than you import.

MD, CAPITAL OIL: We have Sifax Energy, we have NNPC on one hand and we also have the independent marketers on the other hand.

HON LAWAN: Who is your major supplier, is it NNPC and who are the others?

MD, CAPITAL OIL: The other ones of course, we have about 13 and NNPC is one of them.

HON LAWAN: We will want to have details of the business you have done with NNPC and these other independent marketers. We want to have the list of the various clients you provide them with service and the volumes. On the subsidy payments, we want the certificate of discharge, letters of credit and we want the Bill of Lading. We want to see all these for the four years; from 2006 – 2011.

HON FALEKE: Let us go to your presentation, the first page and starting from number 1 where you quoted the volumes of imported product and you take to page 2. The total imported product is 497,742,978 between 2007 and 2011. In your presentation to us now is that in 2007 you brought in an average of 33 million litres, in 2008 you brought in an average of 32 million litres, in 2010 you brought in an average of 218 million litres and 2011 you brought in an average of 375 million litres; that gives us the total of 648 million litres. There is a difference of 150 million litres unaccounted for.

MD, CAPITAL OIL: What we do there is when we bring in the products, the subsidy and the payment are being processed. That might have accounted for the difference. We have actually received payment for what we gave you.

HON LAWAN: The 375 million litres that you mentioned in 2011, are you referring to what you have been paid for or the volume of what you brought in?

MD, CAPITAL OIL: That represented what we have received subsidy for and also the outstanding that we are owed. I mentioned that we have outstanding of about N7 billion.

HON LAWAN: What I mean is that 375 million litres you mentioned, is it the volume that you brought in 2011 which you have been paid for by PPPRA or does it include the outstanding payment?

MD, CAPITAL OIL: It includes outstanding.

HON LAWAN: So that is your total import for the year?

MD, CAPITAL OIL: Yes Sir.

HON FALEKE: The total volume you imported based on this sheet from 2007 to date. The total volume you have imported based on the paper you have given us with the name of the vessel, the date of arrival, the origin is 497,752,978 as against what you want to claim against the government of 648 million litres. That is the issue I am putting to you. Secondly, this your table, as far as we are Nigerians I will put it back to you. What you want to claim was 648 million litres as against 498 million litres. Is it true or not? I am sure you are not going to pay anything back. If you look at your table, just answer us straight.

MD, CAPITAL OIL: I cannot give you that answer straight because I have to record it first.

HON FALEKE: These vessels are they the mother vessels or daughter vessels?

MD, CAPITAL OIL: I just recorded it in the system. For 650 million litres it includes what we have not received payment for and that was the total of what we imported, both of the mother vessels and the daughter vessels.

HON. ABBAS TAJUDEEN: My brother, I have to first of all congratulate you for coming out without hiding anything with regard to your regulatory authority in 2011. I have just one question for you. Refer to number 2. You claimed that the vessel you ordered has a capacity of 17,440 metric tons but under what you have imported you are placing 19,818 metric tons which is far beyond the capacity of the vessel. Can you explain? The same kind of discrepancy can be seen on number 4, the capacity of the vessel is put at 5,935 but you

imported 6,674.

HON. LAWAN: Capital oil, you have just heard my brother, was this a calculated figure or you just put them there?

HON. EUCHARIA: In doing a business of this capacity by your company have you ever considered building a refinery? Why is it that the quantity you imported is not the same with the allocations? Do I say that you import more volume or is it the allocation given to you that they reduce the quantity of the petroleum products that you import into the country? As a major player in this industry, what are your suggestions towards making the petroleum subsidy processing programme more transparent?

MD (CAPITAL OIL AND GAS): Thank you very much honourable Members. First of all talking about our huge investment and whether we consider setting up a refinery, I must say that part of our future plan is to venture into this. In terms of our capacity to import, I want to say first of all that Capital Oil and Gas presently has the best reception facilities in the downstream sector. While other Depots or Jetties have an average of 60.4 metres drops and also waiting for the government to come and dredge, we took up that challenge to dredge our own waterfront and we spent a lot of money running into several billions of naira. At the end of the day we have the jetty that can conveniently belt 4 vessels simultaneously. This is a huge contribution to reducing the demurrage cost for several marketers and it is not just having the 4 belts but we have a drop of about 10 metres of petrol, the 6.4 average that we have across the country.

HON. AHMED: You said you have 100 outlet stations, what is the spread across the country? Secondly, I want you to comment, this Committee is different from the previous one because as you said we have to pray, nobody escapes with impunity. Anybody that shortchanges Nigerians, either mistakenly over paid somehow. Just pay back. There should be no issue and it will be easier for everybody, whoever does it, we will move civilly, criminally, constitutionally, whichever way, collect the money that belongs to Nigerians.

MD (CAPITAL OIL AND GAS): Thank you very much honourable Members. I want to say at this point that yes, we have transaction, truthful transaction and we also have agreement with our client or our customer. Now we also face a situation whereby we delivered or rendered service with the understanding that we will receive payment after 30 days. Now you spend 30 days, 60 days, 90 days, and you do not receive payment. Now remember that we are all marketing companies that have also borrowed from banks. We have employees which we have to pay salaries, in fact we have obligations and you still wait for all these days. Now we have a situation where we have to wait like 9 months, now nothing came out of this. We took a business decision by exercising our right on them and set up the cargo.

Now the normal thing, normal practice within the oil and gas industry, if we want to exercise our right in the maritime industry and that was exactly what happens. In the case of this transaction we also reconcile and currently we have a good position.

HON LAWAN: I think I have gotten the message, I will let you go. But like I said on this matter there is no protection either for him or for you, everybody is on his own. This issue was raised the last time the NNPC was here and of course it is an issue that raised more than eyebrows. Even you have said you took a commercial decision. But I thought when you entered into contract with people there are certain expectations and your expected trust is also part of it. So maybe I would have thought that if you are going to take those measures, I would have expected that you discussed with the NNPC. If it actually agreed that, yes you have products because you have not paid for this month, we are now going to discuss on the order of payment, utilize that it will be paid by self. If you did that thing yourself then there is no point for you to now refund the NNPC because if you are refunding, it means that some money is not actually settled. I would have thought that reconciliation will be done, you have 10 bags of rice in your custody and you decided to dispose it because, a debtor keeps a certain amount of money, that is not our interpretation. Any more questions?

HON. DAWAKI: Mr. Chairman, my question to Capital Oil and Gas is; these are the initial things that you have done. Is it your own products that is imported or for the NNPC who subsidizes what you are doing? What type of geographical location are you able to cover because I cannot go to any kerosene direct in the northern part of the country or anybody says no to that? And how do you get it? What kind of safety precaution that you have made because we know that anytime that kerosene is in the filling station, you see people are struggling for it. Thank you very much.

MD (CAPITAL OIL AND GAS): Thank you very much honourable Member. With the kerosene direct scheme, I will say it was put in place to deliver kerosene to the doorsteps of the common Nigerians. What Capital Oil and Gas Industry does basically is to render vendor service to NNPC. Why we do typically is if NNPC tells us, it has no texture from Kaduna Refinery and then we agree on the States we go to. We go to Ondo State; we distribute the product and at the end of the day we get paid for that vendor services. So we do not actually own the product. Now in terms of geographical spread, we started last year and it is more like a pilot scheme. I just want to talk of some States that we have gone to; we have been to some northern States, we have been to Taraba, we have been to Sokoto, we have been to Adamawa, we have been to Katsina, we have been to Kaduna, we have been to the FCT, we have been to Ondo, Enugu, Delta, Akwa Ibom and we intend to spread further.

HON LAWAN: Can I very quickly, even preach the agreement and the trust between you

and NNPC. Is it ethically proper for NNPC to continue doing business with you?

MD (CAPITAL OIL AND GAS): Mr. Chairman like I said earlier this was clearly a commercial transaction between us and our customers.

HON LAWAN: I thought everything you do is commercial.

MD (CAPITAL OIL AND GAS): Yes it is commercial .

HON LAWAN: I thought the service you provided is commercial.

MD (CAPITAL OIL AND GAS): Yes, but when we settle commercial transactions that are in conflicts with our right, we move on with the transaction. If negative we kill it at that point, mostly you can see from what we do that we are also rendering service to the nation. Like I said initially we have the best reception currently. So it is easy for vessels to come in rather than have them queue and with all these, we have to eliminate long queue that Nigerians would have experienced.

HON. IRONA: Thank you very much. Look at your table, the 375 million litres you supplied for 2011, what date was that? From your table here, it stopped at August. Could that account for the difference from August to December?

MD (CAPITAL OIL AND GAS): Yes.

HON LAWAN: Thank you so much. Hon. Colleagues, I think we will allow Capital Oil and Gas to take a bow.

IFEANYI UBA (CHAIRMAN, CAPITAL OIL AND GAS): Mr. Chairman, I will like to thank you for this opportunity. We have to think about Nigeria and not about Capital Oil. As the chairman of the Group, I wish to invite this honourable Committee to come and see what we have done for Nigeria. I am not here to boost our ego but I am sure it will take anybody in this industry 5 years to achieve what we have done to serve Nigeria. We do not have any other place to go than Nigeria, we believe in Nigeria and we are proud of what we have done. I do not want to join issues with competition but I pray that this union that we have formed today and this Committee will bring about the best of Nigerians. I also want you to invite company owners to visit this Committee so that we can deliberate the way forward.

HON LAWAN: Let me quickly just respond to that, I will also want to express our gratitude to you for what you have been doing in this country even though substantial part of it is to yourself. Because when you are in business, you do to the country, and of course you will do something for yourself but I want to encourage you to continue to do so and please as much as possible in doing that to Nigeria, employ the best business practices. It is very

crucial because we want accountability in this country, we want you as a company to add value, we want you to do things properly. Once again I thank you very much. I think I would be very quick, please my Colleagues. I feel very uncomfortable that I am keeping all the Chief Executives here, so what I will do is, if we have some questions with them, we can do that, otherwise I will just allow them to leave. We have kept them long enough. I know before the end of this exercise they may still want to invite you back because my intention is make sure whatever information we get, we will run it through you first. I do not want us to draw conclusions without hearing from you. So before the end of this exercise we are going to invite you back, so that if there are issues that we need a further clarification on we seek that clarification. Information to us is very crucial in drawing the kind of conclusion we need to do. It looks like we will not be able to take everybody tonight, maybe I will take Folawiyo, Conoil, are you not based in Abuja?

VARIOUS GROUPS: Chorus, no sir.

HON LAWAN: IPMAN; is in Abuja right? All right, if you do not mind, I can actually wait here and take everybody. The only thing is you make your submission brief and we will drill you as long as possible. Because if you are going to make us uncomfortable by staying longer than necessary, we will make sure we make you uncomfortable as well. I will honestly prefer we just take one more and then we start with the rest first thing tomorrow morning. IPMAN is it all right?

PRESIDENT (IPMAN): All right.

HON LAWAN: Thank you so much. Then we will take Folawiyo. So if you desire, we are not going to be here for too long. If you desire to wait to the end, fine, if you want to retire from here you are welcome, the choice is yours.

OLADIPO MAKANJUOLA (COO, FOLAWIYO ENERGY, APAPA): Honourable Chairman and Members of the Committee, I will like to use this opportunity to introduce myself again. My name is Dipo Makanjuola, I am the Chief Operational Officer of Folawiyo Energy Nigeria Limited. At the same time I will like to seek your indulgence to introduce our company to you again. Our head office is at 38 Warehouse, Yinka Folawiyo Road, Apapa-Lagos. And we have our facilities at 27 Creek Road, Apapa-Lagos. I will like to seek your indulgence to why we are here and also use this opportunity to thank you for presenting our business activities to this honourable Committee and at the same time to rather extend the value that we have brought to downstream petroleum industry and to Nigeria as a whole. We are a member of Yinka Folawiyo Group. The group has been in business in Nigeria for the past 54 years and in the petroleum industry we have our off-stream business that we have been in operation for the past 21 years. On Downstream

business, Folawiyo energy has been commissioned some six years ago. We started building our petroleum facilities in 2005. Our terminal was commissioned in August, 2006 at the cost of \$50 million then which roughly should be about N8 billion now. I am taking this little time to introduce our terminal to you because most people only hear Folawiyo, they do not know so much about us.. We have a Tank Farm in Apapa which is about 100 million litres and we built our tanks simply for the purpose of the storage of the PMS as a refined petroleum product in Nigeria. We are known to the major players in the industry that service all the major players from NNPC to all the independent industries and they can also say very confidently that we are the standard bearer in the industry in terms of integrity of product and efficiency of our services. For the record we will like to emphasize here that every litre that has come into our terminal, we can account for up to date. At the same time we want to mention at this juncture that our presentation will be effective from when we received product into our terminal until 31 December, 2011. I have a copy of our company profile with you, it is lemon in colour. This one is a brief description of our petroleum storage facilities. I will enjoin you to just go through it briefly, I will not take so much of your time but I will like to take you through because so many people do not know about us by the virtue of the fact that you do not see our retail petrol stations around. We have a total capacity of 100 million litres just like I told you earlier; we have 84 truck-loading (A). That is to load tankers or trucks out of the terminal and then I will like to mention here that we can sell simultaneously often from a vessel and also to truck out. Our terminal, I think the gentlemen from NNPC has just left, I think we are next to NNPC, PPMC, Atlas Cove Jetty, we are the only terminal in the whole of Nigeria that has a 10.5 million litres draft that can take, which is the normal standard. One of the gentlemen that spoke earlier on to the Committee that we can take a vessel of a capacity of 33,000 metric tons which is literary terms in terms of litres translate to about 45 million litres. As much as possible we maintain our draft at Lagos here at 10.5 metre draft. Our terminal which I said earlier which is only million litres, we have demonstrated a proven capacity to date of terminal turnover; that is turnover a little more than 300 million litres in a month. I will like to go to the details of it if that is all right. Our tanks are always PMS purpose built. They all have what we call in the industry floating roof tanks, this enhances the integrity and efficient PMS management in tanks and they are built to the highest standard in the industry without basically EPI and NNPA standards. I will like to mention here that we run our terminal 24 hours a day on diesel and that is we generate our electricity 24 hours a day, 365 days in a year and to a little detail of it we can truck road out in truck 20 minutes and we have done a proven capacity of loading 12.2 million litres of product in one day. So like somebody said much earlier, I will like to state here again as on that every 4 vehicles you find on the road, the PMS in that vehicle has been processed within our tanks. We will like to use this opportunity to invite you, just as you have indicated, at anytime that is convenient to you, I will be very obliged

to take you around and you can visit some of these things that we are talking about. At the same time we will also have a truck park somewhere around Mile 2 in Lagos. For the people that have the knowledge of Lagos, our truck park there can accommodate about 200 trucks and inside the terminal we can accommodate 100 trucks. So on all occasion we do not constitute any nuisance to any of our neighbours around Apapa. Now it is important that I also make mention of the fact that we are PPMC Atlas Cove Jetty. They are the only terminal in Nigeria that can take a vessel of 38,000 metric tons. I want to say here we can discharge 15 vessels within 24 hours a day. Which means our discharge capacity is exactly average of 4 million litres per hour. I will like to encourage you to take a further look at the picture attached to them. Our main operation capacity, we have equipping capacity that we have done in the past of 12.2 million litres, an equivalent of about 350 trucks in one day.. At the same time let me give a simple overview of what our performance have been from 2006 to the end of December, 2011. We have received inside our tank now 9,822,106,016 litres. We have dropped out of our terminal 9,744,499,323, that equates 281,016 trucks. That is also in the document that I am going to provide you. Now under PPPRA, PSF schemes, I will like to state here that we join these schemes in May, 2008.

HON. LAWAN: What year?

OLADIPO MAKANJUOLA (COO, FOLAWIYO ENERGY, APAPA): It was in May, 2008. Effectively, the first cargo we received under the PPPRA scheme into our tanks was on the 19th of May, 2008. The second spread sheet that I have with you details all as such. So from 2008, from that effective date to the end of last year, we have received under the PPPRA, PSF schemes 2,389,108,082 litres. Now if you juxtapose that over the total volume that we have handled or received into our tanks that I mentioned earlier now which is 9,822,166,022. That translates to just about 24% of the total that we have handled. In terms of the cargoes that we have received, that is in terms of hold on, till date effectively commissioned of our plants, we have handled 265 cargoes, so to speak and PPPRA's cargoes under the scheme that we have participated, is 66..

If you marry them again on another, that is just 21% of the total number of vessels that we have handled. I will like you to look at the second schedule that have been given to you now.

DIPO MAKANJUOLA: In the summary page which is the first page which basically talks about inceptive summary, if checked a little down it is just a quick recap of what we have done. We have received 56 cargoes to date and 56 cargoes translate to 22,389,188,82 litres. That is just about 24 per cent of our turnover and again I want to emphasize at this point that all our transaction for all the cargoes we have been receiving by the time are been monitored and covered by the PFS, in this case, SGF, Intelligent Services, Oakland Nigeria

services, on the minimum. At least we always maintain the fear of that, that is even outside the standard regulatory agencies of the PPPRA, this is as required by Committee. I will give a little detail on that. From the reception to date the amount that have been re-imbursed to us for our cost from inception to date of that May, 2008 till the end of 31st December, 2011 has been N122,811,148.952,51. That is when we joined the PPPRA scheme. For 2009, which is actually the figures we have been talking about, it is 113,800,697,546.70. Of course in the next pages we will go through all these details. But there is a quick summary that we have done here. In 2006, we did not participate in any PPPRA cargoes. So is zero percent; in 2007 we did not participate in any PSF scheme, now in 2008 also 60 cargoes we handled in the terminal; they thought that we only did 5 cargoes under the PPPRA scheme and that translated to 8 percent of transaction for that year. In 2009 we did 60 cargoes as well and ten of them were under the PSF scheme that translates to 17 per cent of our transaction for that year. In 2010 we did 49 cargoes. Of that 49, 23 were under PSF scheme, and translated to 47 percent of our transaction and just last year we did 46 cargoes, 18 of them were under PSF scheme. Overall as I said earlier 265 cargoes were done, 56 only being under PSF scheme which represents only 21 per cent of our total transaction. I will try to break this down on annual basis. In 2008, the total volume we handled under the PSF scheme is 222,294,648 litres. The cost that was given to us translated to N9,012,451,405. In 2009 we handled the total volume of 4,411,258 litres that translate to the cost they gave to us for that transaction for that year. For 2009, it was 12,089,651,229.96. In 2010, we handled in the terminal 977,370,320 litres and we were reimbursed 4,638,803,291.54. Last year 2011, we handled under the PPPRA PSF scheme 745,411,860 litres; were reimbursed with the total cost of N55,809,245,344.20. It is important to say at this juncture that all the figures we are presented here for all the cargoes, we have documents for them, we had already submitted to the secretariat of the committee but at the same time we are taking the pleasure of bringing additional copies here. What we have done is that we have separated them on annual basis, 2008, 2009, 2010 and 2011. We have already submitted 10 copies to the Members of the Committee and I want to state that all you see inside the file, we have ton certificate, survey report, custom report, PPPRA report, and out ton as confirmed and attested to by all the surveyors that participated in the cargoes presented as evidence of payment. Page 3, which basically summarises the bulk of the transaction, from 2009 to date. On the spread sheet, I also have copies that I will also make available to you, we will oblige the /committee to do so as required. I will want to take for example, on page 3. We can look at it so that we can have clues to 2009. There is no mother vessel there, that is where you find non applicable, that should be column 3. Column 4 shows the origin of the vessels, in this case the Netherlands. The next column says MVBL date because there is no mother vessel so that is why you find out under that column, not applicable. Performing that vessel for that year, 2009, the NTTULA, that is the name of the vessels and which the document I just presented here.

Now the LVP.POL, that LV means lighter vessel, in this case, it is the performing vessels, the PL dates in this case is the 29th of April, 2009 and the Bill of Quantity in metric tons now in this case is 32,999,651 metric tons. NORT means notice of greatness tender, it was tendered on the 13th May, 2009. This is important because we will see that this is the best act of the BOL, so you can see the sequence as everything follows. Now, next column there is COD, that means the completion of discharged into the tank farm. That again can be attested to our town service in case they have been confirmed by surveyors and Independent Agency. PSF. In volume it translates to 45,281,600 litres and the subsidy that the government has reimbursed for this transaction in this case is 695,893,888.45 litres. The date that we received the payment from PPPRA is on the 16th September, 2009, which is a clear 119 days after we had submitted our documents for settlement. The tax we have also paid to PF Board has also been stated there, of course the document are also attached there and also the award we have also paid to PPPRA as administration charges is also attached there. So that is just how everything so far, for all the vessels and all the transaction we have made fall under the PPPRA scheme, that is as it presented.

HON. ALI AHMED: Your presentation shows a level of organization, we have everything here, we need more information, the problem that we have is perhaps the comprehensiveness, so tidy.

HON. IRONA GERALD: Your presentation, second to the latest table, is it to the Petroleum Equalization Fund? Like a tax paid to them?

DIPO MAKANJUOLA: What you have under second to last column is the bill we have paid to PEF board, PMFB, which is according to the PPPRA template and you also have a statement there for all the documents.

HON IRONA GERALD: I want to join my colleagues to commend you for your very elaborate demonstration and presentation. I just want clarification from your first page of your summary, Subsidy received, I have 2008 to 2011, then you go again and say 2009 to 2011, could it be typographical error or it is a systematic flow, can you just explain so that we can understand?

DIPO MAKANJUOLA:It is not typographical error, we represent it as deliberately as such, the initial call we got from the committee was for us to present from 2009 to 2011. So what we have done in the second column, we started our participation in PSF scheme in 2008, that is why we separated it from 2008. We have asked to present our transaction from 2009 to 2011 that is why we have done that as much. But in any case we have all these in soft copies which we will like to present it to you.

HON. FALEKE: Just for clarification, on the 3rd page, were mother vessels not applicable?

How does the daughter get the fuel, when the mother vessel did not bring anything?

DIPO MAKANJUOLA: Thank you very much honourable, there has been a lot of talk and speculations around mother vessels and daughter vessels. What I rather want to say here is that, in the cases where you are not applicable, there are performing vessels loading directly from refinery from all those places that had been indicated as such and came directly to. There are some other cases you found for the purposes of this section, in other cases that you found the mother. It is because, we found it imperative and also for cost, that the mother vessel will highlight and like some other speakers have indicated it here, those mother vessels can actually not come within the harbor of Lagos because of the draft there. But details of this the direct Bill of Lading from terminal and after ATS have been known, after lighting have been known, therefore an auditor may come for an inspection.

HON. ALI AHMED: Thank you very much, you are discharged. Honey well come please. We will study all the documents you submitted to us, if any reason for us to get back to you, of course we will do that. Thank you very much.

MD HONEYWELL: I have been asked to make some presentations on the activities related to PSF scheme as well as give the background of our company Honeywell Oil and Gas. I will start with the historical background, Honeywell Oil and Gas is a private company set up in 1995, therefore making it one of the pioneers in the gas companies in that industry in Nigeria. Because of its early entry into the industry, Honeywell Oil and Gas has pioneering benefits including trading personnel. Today, Honeywell Oil and Gas is one of the major traders, practitioners in the oil and gas industry. The company has been certified which means it has been audited over and over again and found to be compliant with international best practices and standards. What exactly do we do? Honeywell oil and gas is not just a marketing and distribution company for fuel products. By this I mean PMS, AGO and kerosene, but we also have huge investments in the factory or plant for the production of lubricants for the industry and commercial uses. Today we are one of the major players in lubricants business, aside from the marketing or distribution of fuel which ordinarily we include all the items I have listed above as well, and one or two specialized products. Honeywell oil and gas has solid tanks in two locations across the country. We have 23,000 metric tons or 30million litres metric tons capacity and tank farms in Apapa, Lagos which is actually distinguished among the major marketers. In Calabar we have a 9,000 metric tons or 11million litres capacity of tank farm; these two tank farms serve the West, North East, and North West. At Calabar we also have oil septacoal as our objective to receive products into our tanks. As I did mention, our plant for lubricants which is located at Lokoja, has a capacity of producing 8.8million litres of lubricant annually. Now to talk specifically on the PSF regime, Honeywell was a participant in PMS market pre- PSF regime. PPMC sold PMS to us on cash and carry basis, as opposed to what the practice

then when major marketers received on credit, we pay cash to buy from DMC and before you is a table which actually summarizes PMS, purchasing and seal from 2003 to 2006, that is the summary of the table, the detail of this is actually contained in the appendix at the back of this presentation. Therefore though we are not new to the PMS business, when the PSF regime came, though we were among the first people to register we did not start importing PMS immediately. In 2007, PPMC took a decision not to sell PMS directly to us again and concentrated in selling to major marketers, so the business of PMS started fast. When the PSF regime started as a business we decided to wait and see, essentially because when a new scheme is being implemented, we do not jump into it, as we may find out that is not in the interest of our business. So we waited. The hue and cry of people in the industry about delay in payment of fuel subsidy which sometimes took as long as 8 to 9 months probably informed our decision to wait at that time. However the terrain for PMS changed in 2010, with the introduction of sovereign note which was more or less a guarantee that if you imported products your payment will remain and as at when due. That encouraged us to go back into the business. Dealers for PMS under the PSF scheme started in 2010, and you find a table that actually summarizes what we have done to date. In 2010, the first allocation we got was for 20million litres of PMS which we supplied and claimed subsidy for. In 2011 the full year of PMS business, we actually bid 209million litres of PMS equaling 156 metric tons of PMS and the details of the LC's, the mother and daughter vessels as well as the amount received during the import are contained in appendix II. Thank you very much.

HON. ALI AHMED: MD Honeywell, there is stiff price between 2010 and 2011 from the products in your participation in PSF scheme; from N1billion to N14billion

MD HONEYWELL: I actually mentioned in my presentation that we were late entrants in PSF business. In 2010 we only did 1 cargo of 15,000 metric tons, whereas in 2011 we had the whole year of business. The volume we were given continued to increase because we were performing; as at the last count we were given 45,000 metric tons, 60,000 metric tons per quarter, which equals about 20,000 metric tons per month which is actually similar to what we have gotten in 2010.

HON ALI AHMED: What is the spread of your service stations? I have not seen Honeywell in Abuja, Kaduna. Is that not part of pre-qualification requirement; how do you get 229,000 litres in just one year?

MD HONEYWELL GAS AND OIL: Let me first correct one impression that you need to have filling stations before being part of PSF scheme; we are a member of DAPPMAN, which is Depot and Petroleum Product Marketing Association of Nigeria. Our primary business is in storage and distribution of products, we really do not need to have stations, however as we earlier mentioned here that there are 24,000 stations across the country.

The major marketers will only have 5,000 stations across the country, the question is the 19,000 stations around the country have not got product as they get products from lifting products of our facilities and people come from all over the country to lift products from our facilities.

HON. IRONA GERALD: Your details outlet, what is the number of your detail outlets and the distribution?

MD HONEYWELL GAS AND OIL: That is exactly what I have said, we are primarily storage owners not petrol station owners. What we do is that all product or filling stations owners across the country come to us and buy.

HON. LAWAN: So you do not have retail outlet?

MD HONEYWELL GAS AND OIL: Of our own, we do not have retail outlet, but people with over 1,000 outlets come to buy from us regularly.

HON. LAWAN: When did you join the scheme?

MD HONEYWELL GAS AND OIL: We registered for the scheme at the onset because we cleared all the qualification to be registered for the scheme. However we did not join the scheme until there was a guarantee for payment in 2010.

HON. LAWAN: So in 2010, how much subsidy did you collect?

MD HONEYWELL GAS AND OIL: In 2010 we actually collected subsidy in the last quarter of the 2010, N1billion.

HON. LAWAN: In 2011 it was 14billion, you still have outstanding payment for 2011.

MD HONEYWELL GAS AND OIL: Yes we do.

HON. LAWAN: How much?

MD HONEYWELL GAS AND OIL: About N5billion.

HON. LAWAN: You collected N14billion and yet you have outstanding payment of N5billion?

MD HONEYWELL GAS AND OIL: You are correct.

HON. LAWAN: So the total should have been almost N20billion for 2011, right?

MD HONEYWELL GAS AND OIL: Yes that correct.

HON. LAWAN: Do you have storage facilities?

MD HONEYWELL GAS AND OIL: We have storage facilities all over the country, we are pioneer owners in Lagos, and today we also have storage facilities in Calabar.

HON. IRONA GERALD: Honeywell, are you aware that before you pre-qualify you must have at least a minimum of 25 retail outlets and storage capacity which is demonstrated here? So from your presentation you do not have retail outlets, that is to say you are not qualified to import, how were you justified by being listed to import?

MD HONEYWELL GAS AND OIL: Let me correct that sir. This is the agreement with PPPRA in 2006, and I am reading directly from the agreement. It says eligibility for drawing from the fund, claimant beneficiary must possess the following: A proof of ownership of storage facilities with a minimum storage capacity of 5,000metric tons for the particular products as well as distancing facilities, that is what it says.

HON. IRONA GERALD: Is it not retail outlet?

MD HONEYWELL GAS AND OIL: It can be retail outlet whether yours or those actually affiliated to you.

LAWAN: Read that again I thought you must possess, so those ones that did not belong to you, do possess them?

MD HONEYWELL GAS AND OIL: I will read it again, ownership of storage facilities

LAWAN: ownership?

MD HONEYWELL GAS AND OIL: Yes, and we do have storage facilities.

LAWAN: But you did not own them.

MD HONEYWELL GAS AND OIL: We own them, it says a proof of ownership storage facilities with a minimum storage capacity of 5,000metric tons for the particular products as well as distancing facilities.

MD HONEYWELL GAS AND OIL: We do have storage capacity of 40million litres, we also have affiliated stations that actually carry our own logo.

LAWAN: Conoil, is your Managing Director here?g

ABIODUN LAWAL (EXECUTIVE DIRECTOR): He is actually out of the country; I am the Executive Director representing him.

LAWAN: Please go ahead and make your presentation.

ABIODUN LAWAL (EXECUTIVE DIRECTOR): Good evening distinguished Chair-

man, Hon. Members. We must thank you for allowing us to make our presentation tonight, we sincerely thank you for that. Conoil Plc is a refining petroleum marketing company that operates over 402 retail stations across Nigeria. Conoil Plc is an offshoot of the reformed Shell Petroleum Company that was incorporated in 1927 and became Shell Nigeria Ltd in 1956. The company metamorphosed into what is known as National Oil & Chemical Marketing Plc. In the course of privatization on the 5th of November 2005 and have been operating till date. The company has a rich history and has been operating in Nigeria for well over 85 years. Since privatization, the company has grown astronomically and is a more than a billion Dollar company under the present management. Currently we operate from two major terminals or what we call depots; one in Apapa in Lagos and the other one in Port-Harcourt. We also have inland depot in Kano which is presently not operating, awaiting facility that is supposed to be fed by rail but because of the inability of the rail lines we are unable to feed that facility. We also have a similar facility at Warri. We have what is called a floating depot which is about a million litres and we have a lighter terminal in Port-Harcourt. It is from these locations in Port-Harcourt and Lagos that we trucked out all our products particularly PMS, HGO, HTK and lubricants to our major sales points that are located all over Nigeria. We have our customers across the length and breadth of Nigeria. We have a combined storage capacity for PMS of 51.2m litres. In Apapa, Lagos we have 23.6m litres capacity for PMS while in Port-Harcourt which came up in 2010. We have 25m litres capacity of PMS from where we trucked out all our products. Our participation in PSF Scheme under the subsidy regime started in 2008; we did not participate in 2006 neither did we participate in 2007 because of the apprehension of refunds coming back to government. As a result we were very cautious in not rushing to join the scheme but when the scheme stabilized in 2008 we joined, about June of that year and our first cargo (interruption).

LAWAN: When was your company incorporated?

ABIODUN LAWAL (EXECUTIVE DIRECTOR): 1927. So we joined the scheme in June 2008 and the quantity that was given to us to import was 161m litres and we received subsidy payment of N7.8m. In 2009, we had 218m litres and we received the subsidy payment of N5.3bn because fuel price came down as a result the under-recovery also came down. In 2010 we actually did 214m litres and it was divided into two parts. For 131m litres we were able to collect the subsidy within the Year 2010. The balance of N83.6m fell into 2011 to give us 214m litres. So what we really got back as subsidy for 131m litres was N5.9bn only. In 2011, we were given a permit to bring in PMS to the tune of 297m litres and initially I had mentioned to you that we had a carryover of 83.8m litres, so when we add the two together what we had in the Year 2011 was 381m litres and the subsidy paid after the end of December for 381m litres imported so far was N27.2bn. The total PMS imported between 2008 and 2011 is 890m litres with a total subsidy paid N46.3bn with an outstanding balance

of N6bn yet to be collected for PMS.

LAWAN: N6bn?

ABIODUN LAWAL (EXECUTIVE DIRECTOR): Since we joined.

LAWAN: No, no, no. How much was it for 2011?

ABIODUN LAWAL (EXECUTIVE DIRECTOR): It was N87.2bn.

LAWAN: And you have an outstanding of how much?

ABIODUN LAWAL (EXECUTIVE DIRECTOR): It was about N6bn.

LAWAN: You would have waited to make your presentation tomorrow so that we can ask you questions.

ABIODUN LAWAL (EXECUTIVE DIRECTOR): Mr. Chairman we have been around since Sunday and all of us are from Lagos, we came with only two clothes with the hope that we would be done yesterday.

LAWAN: Anyway I have a feeling that you heard what we have already requested from you with all the necessary documents. I am talking of bill of lading, letters of credit, certificates of discharge, please give us all those documents. Outside NNPC do you have investment elsewhere?

ABIODUN LAWAL (EXECUTIVE DIRECTOR): Mr. Chairman thank you very much for that beautiful question. We classify ourselves to be among the first forty or first fifty in spite of the fact that we have huge investments in this industry and the fact that we also just relocated and developed additional facility in Port-Harcourt. The permit given to us we had to practically write for the increase in the quantity they gave to us, a company with 402 outlets and in Abuja today; Conoil has the largest service, has the largest number of pumps and same in the North, same in the East and West.

LAWAN: Do you mean you have the largest affiliate stations?

ABIODUN LAWAL (EXECUTIVE DIRECTOR): No sir, our stations in Abuja are built or bought directly by our company. We only have a few affiliate companies. This is a public company that is 85 years old (interruption)

LAWAN: How many retail outlets do you have?

ABIODUN LAWAL (EXECUTIVE DIRECTOR): We have 402 retail outlets across the country.

LAWAN: Thank you very much for your presentations. I am sure that the information given to us will enrich our report. We thank you for your time, we thank our guests for their time. We will continue tomorrow with other stakeholders. Thank you for your patience.

The ad hoc committee adjourned at 6 p.m

CHAPTER 6

Day Six: 25th January, 2012

HON FAROUK LAWAN, COMMITTEE CHAIRMAN: Hon. Colleagues, let me on your behalf welcome the invited guests that have responded to our invitation. From our programme we do not intend to have a very long session today. That is why we restricted the invitation to just a few organizations. Of course, we are going to have a very long one tomorrow because we have invited more than 30 organizations to appear before us. I know it will be a very long day..Let me first of all welcome those who have responded to our invitation. Let me also apologize that we are coming in at this time. This is because we needed to hold a little meeting this morning to prepare and to reflect on the journey so far with regard to this public hearing. As usual, let me remind the people who are here with us and by extension, Nigerians, the reason for this exercise. We are doing this exercise because the House of Representatives through a Resolution set up this ad hoc Committee and mandated us to verify and monitor the subsidy regime, and to ensure that the lingering questions that have risen with regard to the issue of subsidy are finally resolved. We started this public hearing last week, and so far, we have interacted with several government officials, key stakeholders in the oil and gas industries, especially those who are involved in the downstream sector of the industry and so many patriotic Nigerians who are not in government. Some of them are not even doing business that is related to the downstream sector but they have their various views, and they have been here to share those views with us. We have also interacted with some labour unions, the Nigeria Labour Congress, the

Trade Union Congress, PENGASSAN and a few other unions. The whole idea is to give opportunity to all those concerned; to listen to those in government, the regulatory agencies, the various ministries involved in these exercise; to listen to the major marketers and other marketers who have done one kind of business or the other, particularly, those who are part of the Petroleum Support Fund Scheme. It is only through these interactions that the right answers would be provided to Nigerians. Let me once again remind us that this matter is a very important and very critical one. It is a matter that has gripped the attention of every Nigerian because the issue of subsidy is a matter that concerns all of us. If the monies government has been spending on subsidy are freed, it will go into areas of development. So far some of the questions are, whether there was subsidy and if there was subsidy how much was it in the past, how much should it be, and who should pay. What should be the procedure for the management of subsidy in terms of whether it should be appropriated or whether direct deduction should be allowed by some of the agencies. Who should be involved? Who should be part of the scheme? What should be the criteria of getting people to be part of that scheme? In the course of this hearing so far, we have tried to elicit answers from various people. Today, we are also going to continue with this exercise. As I said, we do not intend to make it a long day, because we have said tomorrow we would take on more people who will come and respond to these issues. We will also continue next week because we will not stop until we get the right answers to solve these problems. We do not go into it with the desire to witch-hunt anybody. We are in it because Nigerians are asking questions and Nigerians desire to have factual answers. We would be fair to everybody. We would be objective, and as much as possible, we will bring out the facts as they are and you will be able to interpret them. This will guide the way we will conduct this exercise. We seek the cooperation of those who are invited to please be as candid and as frank as possible; to open up and share their views with us. The desire is to ensure that Nigerians get value for their money and that they get good governance from the people they have elected - all of us have a responsibility in doing that. We expect that you have suggestions and you will make those suggestions available to us. If there is information which you know will help in addressing the issues around the entire subsidy regime in the country, please do not hesitate to give that information to us. You will be contributing to the cause of trying to improve on the way things are done. We have also invited all those who are on the list of the PPPRA, members or participant in the petroleum subsidy scheme. Everybody would have to be here and speak to us about the role he is playing or the role he is expected to play; whether he is playing it or not, whether he is playing it well or not. We need to continue to instill transparency and accountability in the way we do things. Let me use this opportunity to invite the immediate past Executive Secretary of the PPPRA. We have tried to send a letter to him; apparently we have not been able to reach him. We need him to be here tomorrow. So many issues have been raised regarding the role the PPPRA played prior to the appoint-

ment of the current Executive Secretary. Now, our desire is to ensure that everybody is given an opportunity. We need him to come here so that we share from his own experience. We would learn about the way things are done, and we have so many questions that we would like to ask him, so we want him to be here. Once again, I will like to welcome all of you and I want to assure you that whatever information you give to us will go a long way in bringing about improvement and sanity in the way the subsidy regime is managed in this country. I want to thank you and welcome you once again. I want to apologize to IPMAN in particular because they were supposed to be taken yesterday but because we could not so we asked them to come here this morning. With this I want to start with IPMAN as I promised yesterday. Please can you proceed?

ALHAJI AMINU ABDULKARIM (PRESIDENT OF IPMAN): Sir, I will like to start by distinguishing between IPMAN and the Independent Importers. IPMAN is Independent Petroleum Marketers Association of Nigeria. We have those, before this time, who are brief-case petroleum businessmen importers, and they categorized themselves as independent importers. So in most cases these two names conflict. IPMAN, was established some 33 years ago during the then Gen. Olusegun Obasanjo's Administration, that was in 1978. The idea of creating IPMAN then was to bridge the supply gap in the rural area and semi -urban areas. We are grateful to God that today we did not only bridge that gap but we have taken over the downstream sector completely, because we control 78 per cent of the total retail outlets in this country. This statistics of 78 per cent was done by the DPR, PPPRA, IPMAN the major marketers and other stakeholders. This census was as at 2006. If another census is conducted today, I am afraid I do not know what it will look like. So conservatively we control 78 per cent of the total retail outlets in this country. It will interest this Committee to note that slightly less than 1 per cent of the total import that was done last year came to IPMAN through her commercial arms; NIMCO Plc, and Import Investment Ltd which is grossly inadequate. I want to say clearly here that in this country, the norm in the industry is that major markets and independent marketers source their products directly from the NNPC, we have the sales manual. You can request that from the NNPC, all products are being shared between the major marketers and the independent marketers. The reason for this is that these are the two bodies that have the retail outlets. Apart from the retail outlets, the rest of the facilities are owned by major marketers. The year 2001 saw the entrance of DAPMAN into the industry. The idea then was to provide additional storage facilities to the majors; independent marketers and the NNPC. Today, most people that are involved in importation do not have retail outlets to support the importation. So if government through this Committee want to save subsidy money, all import should be tied to retail outlets. You cannot be taking products or importing products without knowing where you are taking this product to. Today IPMAN has a purchase agreement with NNPC, and because of some

problems NNPC is unable to take products through the inland depots. Now, independent marketers are left with bringing these products from the coastal areas to the inland depots, and that is why today road haulage has become the order of the day. Now, with this small analogy, you will agree with me that subsidy will be better managed with major marketers, independent petroleum marketers and, of course DAPMAN, because of their strategic position in increasing our storage facilities. Actually, the advent of DAPMAN in 2001 was to improve our storage facilities and we are to pay them certain amount for throughput. In a situation where you take products away from the retail outlet owners back to the store; then, what do you expect? These are the areas where some of the problems lie. The point I am trying to raise here is that the import can be better handled if the regulatory agencies like PPPRA saddled with the responsibility of giving import permit insists that whosoever that is given import permit must be attached to retail outlets with IPMAN, because that is the only recognized retail outlet in this country. The major marketers have their storage facilities and they have their retail outlets. Of course, IPMAN, we have our own storage facilities, and we have our retail outlets. When the system drifted from the laws of recognizing the retail outlet and storage facility owners, the problem came. We now have uncharacterized petroleum importers taking over all the allocations even though they have no storage facilities, and they have no retail outlets. Where are they taking these products to? So, these are the issues. Mr. Chairman, there is no doubt that you are on the right track, and I believe that this Committee will do a lot to ensure that sanity returns to the import and the way and manner our products, particularly the products from NNPC are being treated. Both the one from the NNPC and the one being imported, all belong to the tax payers' fund. There is no product that belongs to anybody. So the best way of appreciating this issue is for the Committee to ask for the Sales Manual of NNPC. Is the manual being followed? If there are reasons the manual is not being followed let the Committee find out what has gone wrong. Mr. Chairman, we have invested trillions of Naira. Independent petroleum marketers are the only ones that deal on cash and carry basis. Up to this moment that I am talking to you every day we pay billions of Naira to NNPC on cash and carry basis. We take this money from banks. Sometimes, when we pay this money we do not get the products on time, and nobody cares to know what happens to you. That is why some of our members have gone under. Today all the retail outlets you see in this country whether it is painted mega or major marketers or whatever, are not for our members because we can no longer meet the conditions for bank facilities. So, we opted for a means of survival by leasing our outlets to those who are actually supposed to supply these products to us. These are actually the areas where the discrepancies and the frustration of IPMAN are. Now the frustration has engulfed the whole nation. If subsidy is well managed I do not think we will be where we are today. If the import too is well managed we will not be where we are today. I believe and agree with most of the speakers who said that today the PPPRA needs to be

repositioned. It is true, because I remember that the man there now when he was MD of PPMC he tried as much as possible to be modest in distribution of these products among independent petroleum marketers, major marketers, and DAPMAN. Since he left DPS we started having these problems. This is the truth. Today he is in PPPRA, and he should be in a better position to support the cause of this Committee by ensuring that all import permits that are being granted, the products should be tied to retail outlets; except that is done, we will be going back to where we were yesterday. The NNPC after having some of the problems I think they have intervened through some intervention products directly from Lagos. The cause of this committee, I believe, is how to assist government in saving the colossal sum of subsidy money that is going down the drains. The truth there is this, and I insist on it; the industry drifted. We now have a situation where an importer will import a product, though he has no storage facilities, and he has no retail outlet. Yet he continues to import millions upon millions litres of products. Where does he take these products to? Yesterday TUC and NLC made their presentations and informed the Committee that during Chief Olusegun Obasanjo's Administration there was a committee that was set up like this one concerning a similar situation. The TUC and NLC all agreed that all products should be channeled through the retail outlets and for some time we had a respite. Even in their presentation yesterday the TUC was asking which outlets were receiving these volumes of product being imported. The submission we have made if you look at it, it is very scanty, because of technicalities. There are detailed outlets step by step, zone by zone, capacities and what have you. I hope the Committee will find time to go through this report. You will discover that all the things you are asking here, you do not need to ask anybody again, because I have given you the blueprint. We all agree that we should correct the anomaly and this is why we are here today. That is why we took the pains to give you the complete report of the census we took last, every detail is there. The retail outlets in every state and every local government are there in the report. So, let us now know which state or local government received this quantum of products claimed to be imported. The capacities of those outlets are all stated in the report. Now, we will understand if today less than 3-5 per cent retail outlets can sell one truck in a day. We know that if you receive 33,000 litres today, we expect you to sell in 2-3 days. So it is not the question of taking 'x' quantity of product today and you will take the same quantity tomorrow. It is not possible, and it is not practical. This is where we are. I believe that the draft issue that was mentioned yesterday the committee should look into it. I am referring to the draft positions of Apapa, Port Harcourt and other jetties so that bigger vessels can come rather these shuttle vessels. Government has to take the pains to make sure that those drafts are dredged so that we can have a bigger vessel. If you import 30,000 metric tonnes, let the 30,000 metric-ton vessel come to the jetty. That will help a lot in eliminating some of these little boats. Mr. Chairman, I do not intend to take too much of your time; my concern is to give you the actual

fact that will help your Committee so that you can help us and help Nigerians. I believe that with the little submission we have made, if taken seriously, the issues of how much we consume, how much we require will be a thing of the past with minimum cost. Frankly speaking, I want to say that the PPPRA needs to be strengthened; you need to back it up seriously. We believe in the present leadership; he is doing a lot because we have seen him when he was the MD, PPMC. We normally fight; in fact, he will be surprised if he hears that I am praising him here. We normally fight him that this and that is not done; we never knew then that he was a genius. That time he always insisted on how many retail outlets we had in a particular location before he would give allocation. Some of us that are big shots in the industry felt that we were not getting enough and that he was not being fair to all. Today the retail outlets are not getting the products, that is where we are. Of course, NNPC have to take a few other marketers that do not belong to IPMAN, like the Capital Oil, and we relate with Capital Oil. We have an arrangement with Capital Oil because of the volume of products that we take. We do not have enough facilities to take all. So we take some of our imported products to Capital Oil and evacuate from there. That is why I say I am not against DAPMAN. DAPMAN is also very useful to us. What we do not want in the industry are these briefcase importers that come in, mess up the whole industry and then leave us in trouble with Nigerians. Mr. Chairman, I want to sincerely thank you for giving me this opportunity to make my short presentation.

HON. LAWAN: First of all let me express our very sincere gratitude to you for that presentation. Before I start asking the questions, I want to go over your last statement. These briefcase importers have come and we have information that they are leaving. I do not know maybe they have a new ad-hoc committee elsewhere. Alright, it does not look like they plan to leave. Hon. Colleagues, we have heard from the President of IPMAN and his presentation is very enlightening, so I want to thank him very much for that, and say that bringing him here is worthwhile. I am glad for the information you have given us, especially the documents you provided, which like you said, will help us to even address the level of consumption that we have been discussing. One of the very thorny issue that have arisen throughout the course of this hearing and even before was the question of how much we usually consume in this country per day. Again, this has become a very difficult question to answer and we need to rely on various agencies to determine information available to us. But you will agree that it is much easier that way. You are the people on ground, you are the people that actually work and maintain retail outlets, so you are the gate keepers to those who consume this product and I am sure your information will be very useful on that.

Therefore, let me raise a few issues from what you have said. You said you own 78% of the total retail outlets, who owns the balance of 22%?

IPMAN President (ALHAJI AMINU ABDULKADIR): The NNPC.

HON. LAWAN: The NNPC?

IPMAN President (ALHAJI AMINU ABDULKADIR): The balance of the 22% belongs largely to major marketers. But substantial part of it still belongs to our members because they take them on lease. Sir, I want to tell you that in recent time, I think for the past 10 years, most of the major marketers have not been embarking on new retail outlets. Only NNPC constructed a few, and I think it is one each across the 36 States of the Federation. All the other mega stations you see in the north are our stations; they belong to our members. The NNPC know what they are passing through building these outlets. We told them to concentrate on building refineries, pipelines and so on. This is because going into retailing is like somebody leaving manufacturing and going into retailing, the type of work that does not suit them. We told them that they would be saddled with problems that they might not be able to handle, because retailing requires very close supervision. This is one of the issues they are battling with today. In spite of the NNPC efforts, I want to tell you, Mr. Chairman, that most of these retail outlets in the federation whether in Abuja, Lagos or wherever, you will find they belong to the independent marketers. If you take Port-Harcourt as a case study, I do not think the major marketers there have up to 10 retail outlets. All belong to independent marketers. This is where the distortions are. As said, let us leave distributions and allocations to outlet owners and strictly adhere to Sales Manual by giving out products according to the number of the retail outlets. Otherwise, we will never get there.

HON. LAWAN: But the 78% you have mentioned, in actual number, how many retail outlets do you have, according to the census?

IPMAN President (ALHAJI AMINU ABDULKADIR): They are all in this booklet. But this is as of 2006, I believe that the percentage has substantially increased today. If you check Table 12, you will find out all the details there. Major marketers owned stations and the independent marketers owned stations are listed there on page 12. This census was conducted as of 2006, so today the situations have changed; we have virtually taken over all the retail outlets in the country, except the few ones that the major marketers own. Majors, of course, combining all of their outlets together as of 2006, they had just a little over two thousand petrol stations and we had well over seven thousand.

HON. LAWAN: Let me tell you why I am asking. You know that you have a very important role to play in the determination to establish how many outlets you have. If you can establish, for instance, that only very few outlets can actually sell a truck a day; if we can determine those figures then it will be easier for us to determine the level of consumption per day. If a thousand trucks deliver PMS in a day, and we know that it will take three days

to dispose of its content, then we all know that we can work out that per day consumption, since it is actually one-third of the total quantity that a truck delivers per day. If we can have that information that is something I will crave your indulgence for. Give us a suggestion from the information available to you, give us a rough idea and statement of what you said is actually the level of consumption per day in this country. You can give an idea from your own experience; what you deliver, what you sell from your various storage facilities, or outlets. We have heard 59 million litres per day, we have heard 35 million litres per day, and we have heard all kind of figures that people come here to give us. We will actually look for them to come back, and say no, no we were not quoted properly. From your own angle let us have your rough idea because you are more on ground than most of the people that are just flashing figures before this Committee. If we eventually know the consumption of Nigerians per day, it will help in budgeting for the subsidy. If we know the actual consumption it will eliminate most of the issues that we have mentioned, like the issue of briefcase importers who have no retail outlets; yet they are bringing imported products! Obviously, they will rather divert or smuggle it out or they will not bring it at all. Now, I just want to raise the issue of kerosene because you have not spoken about kerosene. The GMD of NNPC was here yesterday and he mentioned that they had monopoly over kerosene, because they are the ones who own it. What is the relationship between you, I would expect that you are the people who actually distribute and market kerosene as well?

IPMAN President (ALHAJI AMINU ABDULKADIR): Sir, on kerosene we have spoken at various forums that NNPC is not supposed to handle kerosene. The MD of Oando, Mr. Tinubu, in his submission yesterday was only trying to polish the issue of kerosene. But I have to speak frankly. You asked the PPMC man yesterday to whom they were allocating this product and he told you to your face that it was to DAPMAN. Are you supposed to take this product back to store or give it to the retailers like us? I expected you people would ask this question yesterday. Why is he taking the product that is meant for Nigerians' consumers back to store, whereas he is supposed to direct us to go to the storage facility owners to collect this product for Nigerian consumers and sell at approved price? So he takes this product to DAPMAN and our members will buy from DAPMAN at whatever cost. If you ask us why we are not selling at an approved price; the answer is because we buy at premium, so we sell at premium. Sir, there was a time President Obasanjo asked: You Independent Marketers why are you selling this product above pump price? We said: Your Excellency; we have to sell above pump price because we buy at a premium. So they will ask us, why should you buy and why should you not leave it? Why should will leave it, do we have any other business? We do not have any other business apart from this in this country. We are part of the business of this country, we have no any other business other than this, and we inherit it from our parents. We got educated through this business, so we cannot

abandon this business at this time to go and do other things. So the truth there is that we are not getting the product that they are supposed to give us, they are not approving this product to us. They allocated it to the people that do not have the retail outlets and we are going there to buy at premium. Mr. Chairman, sometimes we buy at N80.00, and we buy at N100.00, so we sell at N110.00 and N120.00 that is the truth and that is the situation. And that is how we find ourselves being invited to the National Assembly all the time and being asked why kerosene is this or that. Kerosene will find its way to DAPMAN, find its way to Aviation, and find its way everywhere. At one time late President Yar'Adua, may his soul rest in peace, was angry with the issue of kerosene. He said he had removed subsidy from it, why were we insisting on deregulating it? That is the question. Despite the Presidential order that the deregulation has been effected so we could also import, they hold tight to it. If you ask they will tell you that they want to help the masses. Who are the masses? We are closer to the masses than anybody because of our retail outlets. Of course, Sir, we are in all your constituencies, we are the ones you will see there, no white man goes there. That is why I cited the example of Port-Harcourt. You would not see major marketers; if you go far north you would not see major marketers. In fact what we have today is transnational oil companies, most of them are not oil marketers. The only major marketers remaining in the downstream are Total and Mobil. We have Oando, these are owned by transnational oil companies. Today, we independent marketers are wholly independent marketers; we are larger than all of them. We have more investment than all of them and we play a vital role greater than all of them. Other than NNPC nobody has our infrastructure on ground, they can blow their grammar, we do not speak grammar; but what we have is what we have and people see it and everywhere you will see it. What we have is the whole constituencies in the Federation, all the local government areas we have our retail outlets there. So that is the situation, if you want to handle kerosene, it is very simple, but I want to tell you kerosene is not being accessed by us because of the percentage that we get. Now if we have 78% outlets, if you ask NNPC, out of this product that you import, on which you claimed we have two hundred and something billion naira, how much of this product got to IPMAN?

HON. LAWAN: Actually, from what the Minister of Finance said, the subsidy is over N300 billion. The figures we are receiving now, we do not know.

IPMAN PRESIDENT: Sir, if that is the case then, we also know from the other side that actually the issues of kerosene need to be addressed holistically. If subsidy will remain on kerosene then it is better we speak the truth. Let the allocation of kerosene be based on retail outlets, so that consumers can access it. You can summon independent marketers and said all right, you have received 'x' quantity of kerosene why is it not visible in your retail outlets? If you ask them they will tell you that they are diverting. As I told you, we independent marketers are the only one that pay cash on each product we take, we do not take

this product on credit and we reconcile our notes. Sometimes they can cause confusion, but I want to tell you that if you see 1 litre with an independent marketer he has paid for that product. Now, they have seen our contribution, they have seen that we are the one stimulating the economy, they have seen all that we are doing; yet this product goes through a third party, except PMS that they have allowed freely now. For PMS, I commend the current GMD; she has tried in the area of PMS because PMS has done wonderfully well. They have allowed us to access it both at the coastal and the inland depots, which is the truth. Where they have done well we will say it and where they have not done well we will say it so that the Committee would have a focus on the areas of their problems and address the problems once and for all; so that Nigerians can access this product at approved price and so that we can save colossal sums of money on this subsidy. But I still emphasize that I cannot believe that somebody who has no storage facilities, no retailing outlets; yet he will continue bringing millions of litres of product. And we that have all the facilities cannot bring in something substantial. Look at the percentage of our import that we get, just 1% of the total volume, the number of our retail outlets notwithstanding. Supposing we have imported just 10% of that volume, then we will have been all right. So from there you really have an idea of what is happening, that is on kerosene Sir. I think that you have a big job to do because it has a lot of intricacies. If am in the position of allocation today, I cannot sit down and give product to a storage owner, when the intention of creating that storage was to augment the storage facilities of NNPC and back-up the security reserves. Now that you are taking the product back to the store, it means somebody else should go and take it and we are the one taking it at premium.

HON. LAWAN: If I get you right about PMS, just having distribution channels, as far as NNPC is concern, is all right?

IPMAN PRESIDENT: It is all right.

HON. LAWAN: But for kerosene?

IPMAN PRESIDENT: No.

HON. LAWAN: You will now have to go through a third party.

IPMAN PRESIDENT: Yes, third party.

HON. LAWAN: Now, what would you either at a time in the past when you were getting kerosene directly without having to go through a third party or like now when it looks like a new thing is practiced, and from your own experience, what do you think it is the reason NNPC, PPMC or whoever; what justification do they have to explain why they are not giving you? Let me tell you why I am asking this question. I am a manufacturer, usually I

know sometimes the manufactured goods go through a dealer and it is from the dealer that the retailer will buy. I know that it is the practice for most textile and household goods, and for so many things. I do not know how Dangote disposes his rice and cement. But I heard that he goes through the dealers. I know in Kano for instance, most of the people there are not retailers; they are like dealers. Then we have the small retailers who come and from various parts of the country to buy from them and then go and retail the goods. So, I am asking this question as a layman in the marketing of petroleum product. What is the procedure? If you could get PMS directly, what excuse or justification have they given for not giving you kerosene directly?

IPMAN PRESIDENT: Sir, that is very interesting. First and foremost let me explain the scope of the last issue. For one to be qualified to become IPMA, once you have license you are free to construct retail outlet of unlimited numbers across nooks and crannies of this country. We have bulk purchase agreement with NNPC, and the agreement states clearly each retail outlet, the capacity of the retail outlet, its allocation on monthly basis. But that is not being met for reason of this vandalisation. If you can access the sales manual agreement, you will find out that only two marketers are recognized by law; that is major marketers and independent marketers. It is only the independent marketers and major marketers that are qualified to have their own dealers. If there is any allocation, it is supposed to come to IPMAN or major marketers; then we will give it out across the country to our various retail outlets. For us to go to a third party to take products is uncalled for. I told DPR in one of our recent meetings that they should please stop going to my members' retail outlets to sanction them; they will no longer take it. They should go to the depots where they are selling that product, ensure that they sell at the government's approved price. But if you go to the retail outlets, we would definitely close shop because we cannot afford to lose our hard earned money. We go to the bank to borrow money, then go and buy products at premium with your consent, only for you to go and say you are imposing fines. What are you imposing? Who are you deceiving? The truth there Sir, if you look at PPPRA's template, there is depot and ex-depot price, and there is retail outlet price. Why is the ex-depot price not being enforced, why are you going to retail outlet to enforce it? Enforce it at the depot, we also have depot; if you enforce it at the depot and the dealer or marketer buys from a particular terminal at approved price and he is found selling above government approved price, then you can sanction. These are those intricacies. We have the resource to build the best retail outlets; we have the resource to build the best terminals. We have the largest LPG in this country, we have OPS gas centre in Edo State. So we are able to achieve this in this country. Who else has OPS gas? We are the only ones apart from NNPC with a share of 30%, so what are we talking about. The issue here is that there are distortions and those distortions need to be corrected so that we fall

in line. Now, the truth is that we can reach the people because we have the investment and because we do not have any other industry, only in this work. The GMD has tried. Recently, he called us to a meeting where I told the DPR to stop going to independent marketers but go to the depots in the coastal area to enforce the price as per PPPRA's template. Then we would enforce our price at various retail outlets. But you cannot leave the depot to sell DPK N80.00/N90.00 then you come to my retail outlet and say I should sell at N60.00, am I an alien in this country? The GMD said he understood the point, and honestly speaking they cooperated very well and assured us that they would go back to the depot. We are waiting for them to go back to the depot. In fact, because of this problem, Sir, at a point when petrol sold at N65.00 my members were selling at N64.00. Because we were efficient and because we do not have any other thing to do rather than this work, we are able to sell at N63.00/N64.00 even below mega stations' price. That is why even recently when they upgraded the price of this petrol, Mega was selling at N130.00 and we said we should not have two markets in one group, because a regulator is a regulator; not operator. Now, here we are, a regulator is also an operator, where is the fairness, where is the level playing ground? We complained bitterly about the mega stations, they thought we do not want them to be in business, but I will not tell you that they know what they are facing now in the retail. They should have channeled these resources into upgrading our refineries, in ensuring and improving the integrity of the pipelines. If that has been done we would have gone further than where we are today. Now that government has successfully increased this price by N37.00, please, let me use this medium to appeal through your Committee that the government, as a matter of urgency, put N5.00 or N10.00 from this increase, create an Escrow Account and put it there for new refineries. Whatever we are talking here Sir, we will be repeating it until such a time that Nigeria can boast of new refineries. The last refinery, I was told was constructed about 35 years ago. There is no nation with abundant crude that we have today that is not constructing new refineries. All we are doing is talking power-point, grammar here and there 24 hours and we expect to grow, we will never grow. The truth is that let there be an Escrow Account, let us be specific that this particular amount is dedicated for new refineries. So that at least the industry itself will grow and we have no objection also, if the Parliament can enact a law insisting that major marketers and independent marketers should have a separate account for their refineries. I am not looking at one way, let the government set a pace, so that you as Parliament set a law: all right, major marketers, independent marketers what we are interested in is that you each have an Escrow Account also. If it becomes a legislation we must abide by it. The good ones we are having today, if something is not done, we would see something that is worse than what has happened. We have all gone to elementary schools, and we know from experience that if something happens today, we know what would happen. Why should we wait for that time? The truth there is that we need refineries in this country, and the only way we can get it successfully is

through legislation. Once you pass it into law, major marketers and independent marketers will comply. Definitely national oil company like NNPC, should be talking about 7/10 refineries today, and if that has been the case, we would not be talking about importation; we will be talking about export of our refined products. Now, all the pressure, all the grammar the Central Bank of Nigeria (CBN) is speaking will be useless. But once we have refineries, we will be exporting product. It will make for more value for our money; it will reduce the pressure on our local currency. As at now, we are only providing an avenue for academy exercise. Everyday this one will come with his economics, this one will come with ideology, and this is not what we want. What we want is practical issues, we want refineries in place, we want independent marketers to have their own refineries, and we want major marketers to have their own refineries. Before now LPG was costing about N20,000.00, but since we have that LPG, the price has dropped to N9,000.00. By the time we expand it the price we still go down. But before only the NNPC have it but now we have entered. So I think one good thing I know the current administration of NNPC is doing is that they are opening up for us to do business investment. That is why we are able to achieve this. But we are saying, this is not enough, we want new refineries and all these issues will be over.

HON. LAWAN: Thank you very much. Do you keep records of all trucks delivered to your station? For instance, is it possible to determine from January to December, 2011, how many trucks were delivered in your stations? If it is possible we will like to have that information, including the total quantities that were delivered by your retail outlets; they will assist us to determine the entire volume that was consumed in 2011. Of course, you have the highest number of retail outlets, even though your level of import is very low. Are you, by the requirements set by PPPRA, qualified to be importer? I am asking this question against the background that there are different areas of business in the oil sector - some perhaps decide to be retailers, some perhaps storage owners, some perhaps importers, maybe you need to have petrol stations and storage facilities as well. If you are getting one percent, are you importers? If you have the capacity, why do you get only one percent of the import contract from the PPPRA? Since to import and enjoy subsidy you need to be contracted by the PPPRA. That one percent I believe must have been approved because you are enjoying the PSF scheme and that is why you imported one percent. If you are importers and you meet other requirements, how come that your import is limited to one percent?

PRESIDENT IPMAN: Sir, I think that we are all aware of the position of the Executive Secretary and PPPRA. I believe that some of the reasons the Hon. Minister took this decision was because of this type of factor. I want to say here categorically that if today PPPRA or NNPC or government says that those of you who have storage facilities only will be given licence to import, the difference will be clear to all of us. I said in my earlier remark that IPMAN has storage facilities, we have retail outlets, we have LPG plant. The truth

there is that as Independent marketers we are like labour, we may not be able to do what others are doing. Today God has brought an open environment, a platform that is free. It is not a situation of we cannot buy if we do not lobby for it; it comes naturally. And this is because we were patient. Now we are saying that they have not done enough because we have capacity. If we have the storage capacity we have trillions of naira; it the capacity in terms of approval to import cargo that we do not have. We the capacity to take all the products being brought to our facilities but we do not have capacity to import for ourselves.

The truth there is that it is the new Executive Secretary (ES) that now agreed to register some of our companies. When we complained to the Minister, the MD took cognizance of our position, and to be fair to them, they took action and that is why today there is reform in PPPRA. My colleague mentioned it yesterday that major marketers were happy at least, because, normally, we fight. The situation was painful and all we wanted was equity in the share of the market. As I said, we have retail outlets and we the capacity to import the commodity. DAPPMAN has the prerequisite retail outlets and is allowed to import. IPMAN cannot exhaust the market in terms of storage facilities, so we need them; let them do their importation they have the facility. What we are against are those who do not have storage facility, no retail outlet, yet they import contrary to laid down requirements for licence. If the DAPPMAN has greater portion of storage facility and we have the greatest part of retail outlets, if they are qualify to import what stops us from being qualified to import? The fact here is that something is wrong somewhere, but as I said, the hon. Minister and the DGM have addressed this issue. I think the PPPRA is well informed and they have promised us that this quarter everybody would get appropriate. I think if something is wrong again we will not hesitate to write to you.

HON. JOHN ENOH: Thank you for your submission. The Chairman has already wet the ground. You spoke so much about carrying allocations to retail outlets and to storage facilities; we need to be clear as a committee about this. As part of the work we are doing, we need to look at what went wrong so as to be sure of going forward and not repeating the same thing. Now do you think there is a violation on either the part of PPPRA or NNPC in terms of allocation that have been made in the past, because the details from the sale manual may itself suggest who and who qualifies for allocations. The issue of targeting allocation to a company without storage facilities and without retail outlets; what does it amount to in terms of negative effect? You also admitted that although one percent was allocated to you, you have not been bothered because you appreciate the fact that whoever is allocated to and whoever imports will eventually sell it to you, whatever the situation. Do you not think that when people do not have retail outlets and no storage facilities and they get allocations it encourages a lot of smuggling across our boarders? Do you think it is correct to think that whoever imports will eventually bring it to you? In all these things

we need to be properly guided, because what we are doing here should be able to inform what we are doing tomorrow or what we will be doing in future. I believe, for example, and like my Chairman has emphasized that the total figure in terms of the consumption is very critical. If the work we are doing is able to establish that we will help our country a great deal. The chairman has alluded to the fact that we need that for budgeting on subsidy. In the past, especially in 2004, that you had allocation and importation of products, given your experience what do you think that we consume in this country?

IPMAN President: First and foremost, why I said there was a drift from the norms in the industry is because it is a known fact that the tradition in the industry is that the product in NNPC depot whether coastal or inland depot is shared among those who have retail outlets. In a situation where that does not exist, what I called drift has a very big effect on both marketers and consumers. I cannot say and I cannot guarantee that all the importers sell product to us, but I believe that major marketers and some DAPPMAN members sell products to us. I said it in my preamble, so I cannot claim that all the imported products go to IPMAN; no that is not what I meant. I did say that some of the importers like DAPPMAN have facilities and they do business with IPMAN members. I have acknowledged that and these are the categories of people that I said yes, even if they import they can sell to us. On our daily consumption, I gave a very simple formula. If the committee can take its time and work out procedures with NNPC, DPR, major Marketers, Independent marketers and DAPPMAN, these five bodies, and insist that all products that come into this country from this quarter must be attached to the retail outlet owners, it will take you three weeks on sampling to come with near perfection as to our daily consumption. Mr. Chairman we have our figures, but somebody will come with power point and polished language to convince you that these things are not like that, and you will be convinced; that is a problem. I want to carry you along on this experiment. What I am saying you do not know it but my members and I know a lot of things. Are you sure the allocation to my members will be there tomorrow if we carry you along on this experiment? Will they not tell us to go back and collect from those people? We have made a serious effort; we make sure we give you actual fact. You made mention that there are issues with IPMAN, I want to tell you publicly that there is no system that is perfect, so I cannot claim that we are perfect. But I want to tell you that if products are channeled through IPMAN, if you have leakage it is less than 3 or 5 percent. All of us must follow the trend and it takes some trust for somebody like me to be where I am. If you put things on table they will still say no, we want to know more, that is why I said in our own business we are like labour. Masses are involved, and not all marketers are very rich, some marketers have only one retail outlet and from there they pay their children school fees; from there they do everything for their family. So you cannot sit on their products, the system in IPMAN is different; still we cannot say we are perfect

because we cannot cover everywhere. When the minister intervened, I can assure you that when they were selling N65, we were selling N64, then if we were doing sharp practices and smuggling - people will be talking about smuggling, who are the smugglers anyway? You have a banker who is giving you finance, can you go and risk that on ad hoc business that is not permanent? If you do, then you are fool. There are people doing this but they are not IPMAN members, most of these people that are doing this are doing so in jerry cans in the coastal areas and other parts of the nation. This is the truth. No Independent marketer that has his own retail outlets, has his own truck and his own capital can risk all these things. I want to tell you that we are not involved in this but that is not to say that we are all saints or perfect. Definitely in a given society, you will have people that are very difficult to manage but we try as much as possible to manage our members. I want to assure you again that we will get you some statistics through our various depot chairmen all over the federation, we will do that. The only problem we will have is the private depot because we do not have absolute control there, and that is why I keep saying that it is important for the government to ensure that every facility owner is tied to Independent marketers, so that the purpose they are created benefits the nation and benefits the consumers. If you take this pain then you will solve so many problems. If you create a five man committee and you say you want to know the product that comes in this quarter, you want to know the retail outlets, you want IPMAN to be there, you want major independent to be there, DAPPMAN to be there; tell this five players and you want the truth to prevail. I am assuring you sir that it will take just three weeks on this assignment. Sorry sir, it includes DPR. Major critical stakeholders should be involved, so that when there is a problem, we can collectively amend it. We have reached a level now where the slightest thing can cause summersault and that is why we are worried. In fact my member will not allow me to sleep because of their investment. We were selling our fuel and everything was going well but now people just came in all of sudden and scattered the whole thing, we have serious problem. We are part of it, we know everything, they know that we know them, the truth there is that we have to face this squarely and let us solve this problem, so that you can continually legislate further laws. Sorry sir, you asked about whether we import more than we need in the country, this question is very tricky. It requires a professor of economics or somebody who is more knowledgeable. I told you my percentage of importation, the only way I can answer you is to give you details of the products my members receive nationwide. I can always account for that. It is up to you to calculate 78 per cent of our total retail outlets - this is what they have taken, why the balance of these products, who and who have kept it. I am giving you a native sense, so that you will not use power point, you said yesterday somebody was speaking diplomatic language.

HON. LAWAN: Just a couple of issues, how would you recommend the percentage import

on PMS, because kerosene is not imported apparently NNPC has monopoly over that, what would you recommend for the major marketers, for IPMAN, DAPPMAN, and the portfolios?

IPMAN President: Sir I will crave your indulgence that you remove the portfolios except if you are one of them sir. I am very sorry for telling you that because I know you have coat of arms, and I do not have anything behind me. I have to apologize for telling you that you are one of them, it is nightmare for all of us, we have suffered.

HON. LAWAN: You have 78 percent of retail outlets behind you, you are a very high man, but let me assure you that the closest I get in doing business in the oil and gas sector is drive into one of your outlet and buy fuel, that is the closet I have gotten. In the course of doing this job at hand now I have no intention after doing it to go into that business and that is why we would be as open, transparent and accountable as possible. There will be no sacred cow; nothing will be swept under the carpet because of the method of the business in that sector. As matter of fact, I am chairing so many committees, and I want to quickly finish this so that I will continue handling very critical sector that I am over-sighting. My colleague here is the Chairman of Committee on Appropriation, the other of my colleague is chairing the Committee on Justice, I want to make this very clear. I think you have started making recommendations, because from what you said, you actually said you have zero percent. Let us continue from there please.

IPMAN President: Mr. Chairman I think IPMAN is very comfortable with your last statement because we received this invitation for this public hearing a day before yesterday, about 11 a.m., and when we saw the chairman, we believe that justice will prevail and we flew in from Yola, Port Harcourt and so on, about 20 of us came in yesterday. With the way your committee members conducted this public hearing from the time we joined, we are very much satisfied that something will come out of it. It is good that we did not make presentation yesterday because I was able to reflect with my national executive yesterday. We thought whether it was worthy to reach out or manage the one percent. The unanimous decision yesterday was that we had confidence in you people and therefore I should speak out. I cannot on my own say all that I am saying; it is the collection of all the result of the federation depots, coastal areas, riverine areas, far north, everywhere. We all partook in the decision and that is the beauty of it. I am the President from the North, the Vice President is from Port Harcourt, the Secretary is from the West, and others are from other geographical locations. We have people from Imo and all over the country, it is like NNPC. That is why I said to run IPMAN is a big problem because one statement you make they will say you are bought over, you are expelled, that is the situation. I want to thank you sincerely that we believe in you we believe in the quality of this committee members, we also believe

that we will be well protected, and I believe that our one percent we will go above that, this is why we took this risk and approach. As to my recommendations on allocation to DAPMAN, IPMAN, and MOMAN, I will leave this to the committee to do. I have given all the ingredients. I do not have powers to do allocation and I am also an interested party, so it is the Chairman and Committee Members that will look at the variables and come out with recommendations. One thing I will appeal to you about sir is that you insist that all products should be channeled through retail outlets. If you do that and this committee will remain in history of this industry of Oil and Gas, because this is what everybody has failed to do. If you ensure that all products that are being imported must be attached to particular retail outlets of IPMAN and Major Marketers, you will make the difference. The GM did not come out clearly with the problem, he has an industry but the industry is now naked. Some came in despite all the good jobs they are doing. They sympathize with the GM they tell him he is a very good refiner, most of our refineries are brought on stream, but the refineries are unseen because they cannot pass the products. This is the problem the man is trying, but how can he pass the products. This is the situation, one thing leads to the other. Our GM is a very refiner; everybody knows he is a very fantastic individual. If we want to save cost on importation sir, the best way of doing it is get the refining capacity of our refineries, look at the national consumption, deduct the local refined product and you will be able to get near perfection what we need.

HON. LAWAN: First of all, I want to thank you very much. In the course of responding to this issue for instance you cited the case of GMD of NNPC that it has done very well in the refining but he has a problem in distributing the product. What would be your suggestion on safeguarding our pipe lines vandalism? We know it is not your direct responsibility but you are in the sector, and you may have some ideas of how we can safeguard or secure the pipelines. Secondly, my colleague here raised a question on product diversion, smuggling and so on. Many of those who came before us said smuggling is done through trucks, through many ways even on donkeys. You have already said that obviously you could not speak for all that there is, no doubt that there must be some bad eggs in any system. How do you think we can address the issue of hoarding, if hoarding exists?

IPMAN President: Mr. Chairman, these are terminologies that are being used to crucify my members unjustly. Every retail outlet has either four at the ground tanks, maximum 10 at the ground tanks. Mr. Chairman, let me ask you this question, sorry, you are supposed to ask me but I will ask you. How long can I hold a product in a particular retail outlet and product continues coming and I continue holding it? Those products, are they in the air? Mr. Chairman, as I said, these are terminologies that are being used; these are the power points I talked about. If they tell you, you will be convinced and you will again drift not because of any interest but because of the power point because you might think that they

are talking grammar. Which grammar are they talking, what is hoarding? Hoarding can only be done with oil terminals who can store 60m litres, 100m litres but you are talking of this agent that all his capacity is not more than 4 trucks, what is he going to hoard?

HON. LAWAN: Mr. President, you see the issue is when I talk about hoarding I think you just hit the nail on the head. What I thought you would now tell us is who has the capacity to hoard and whether it is being done? The question is not necessarily directed to the retail outlets, maybe you do not do it in the retail outlets but do you think the storage owners do it; do you have this experience of holding products?

IPMAN President: Sir let me be honest with you; if hoarding exists then it must have been encouraged by the regulators. Why should you hoard, why? How can somebody in the business hoard, why do you have to hoard? So this hoarding they are talking about is just terminologies. Why is it that we have not been hoarding for the past two years? Why is it Mr. Chairman that you always drive to your filling station freely take your product and go? I keep on challenging the authority, nobody can hoard. If there is hoarding then the regulatory authority is involved. It means they are telling you that this product we would not allocate them. It takes two to tango. Even DAPMAN cannot hoard, for what? They want to sell their product. Sir, on the DPK I forgot to tell you, let other marketers import the DPK, that solves the problem of kerosene. Today NNPC is the only one importing DPK and the problem continues persisting there because there is monopoly. Somebody can sit down and decide who takes what then what do you expect? So, continuously there would be problem and once they create a scenario they would bring one terminology and everybody would run to that terminology that yes marketers have hoarded, they have done this, they have done that. We are busy wasting the scarce resources chasing nothing you will never get the answer because the answer is with the regulator. So long as somebody controls this product, so long as he is the only one who can give product; definitely something like that would happen, the monopoly is there.

HON. LAWAN: Pipelines vandalisation?

IPMAN President: Yes sir, my opinion on the pipelines vandalisation sir. You see when government wants to do something they will do it. You would agree with me that recently there was destruction of about 6,000 illegal refineries. How did they get across to those places to destroy the illegal refineries? If government wants to do something they would always do it and if they are not willing to do it they would always have excuses. On the pipelines issue before this time normally IPMAN, NNPC, Petroleum Tankers Drivers were involved in policing the pipes. If they burst this pipe definitely a driver must drive it and he must use truck to carry the product. So get the PTD and get the marketers involved, get the soldiers involved, and the Police. The pipeline pass through the communities so

get them involved too. The joint action of all these groups and communities would always rescue the pipeline but where the regulators say they can do it alone they would always get it punctured. With IPMAN in Port-Harcourt, PTD in Port-Harcourt, Police in Port-Harcourt, Soldiers in Port-Harcourt there is no way that pipelines would not be safe. Normally IPMAN Chairman in every zone or in every depot heads such operation, so if you can still talk to the NNPC we can still go back to the normal tradition. Up till now in the West they are still doing it. Even in Kaduna/Abaji here, my people are doing it. So the issue here is that sometimes you would be requested not to partake in something and you would get that grammar later they would not be able to do it. There used to be such joint committees, and if we are going to revisit those committees then we take them one after the other – Port Harcourt/Aba/Enugu to Wukari/Makurdi then Yola and so on. We can take a pilot scheme and you take it from Warri to Benin. The other time the MD told me that he was interested, we should move that product. You see without their support how can we do it? We are the people that own this product; if they give us this product we would handle it. But if somebody does not want you to partake in an operation and you are not government then you cannot force yourself. So, this is the scenario. The pipeline vandalism we can reduce drastically if you people are involved and we revitalise the committees.

HON. LAWAN: Hon. Colleagues, I think we have heard very interesting presentation and interaction from the President of IPMAN. He has educated us with his power point presentation and also with his very big, big grammar (Laughter). In any case, I want to assure you that those of us on this side of the table cannot be easily swayed by big grammar. There is no big grammar that we have not heard. Do not forget quite a number of us served in the same chamber with Hon. Patrick Obahiagbon so no power point, no big grammar can intimidate anyone of us. I want to use this opportunity to express our gratitude to you and I want to assure you that the committee you recommended would be there, we would have a small group that would meet next week maybe between Monday and Tuesday. We would write you or put a call to you and we hope you would respond so that you would be part of it. It is a very practical suggestion because we really want to address these topical issues. I want to assure you that the people in the industry are watching what you said. I want to give you my absolute confidence. You will come back maybe next week and tell me maybe your association has improved. This committee would make sure that your members are fully encouraged. Once again, my hon. Colleagues I want to use this opportunity to express our gratitude to the President of IPMAN. He did exceedingly well through a very strong and candid presentation. I know NPA is here and I know the Indigenous Ship Owners Association of Nigeria is also here. Let us take the Indigenous Ship Owners.

CHAIRMAN (ISOAN): Mr. Chairman sir, Hon. Members of the Ad-hoc Committee, I want to first and foremost thank you most sincerely for inviting us and to say that we thank

you for the laws that you have put in place to develop our maritime sector, which unfortunately has not been made to work and for this reason we are all here. The Indigenous Ship Owners Association is the umbrella-body of the indigenous ship owners, an auxiliary service provider in the maritime sector. The Association consists of 100 ship owning Companies with over 250 vessels and an investment of more than \$3bn. We have over 1m metric tonnes net weight made up of bankers and off-shore support vessels. We also have 45 Associate Members consisting of Banks, Insurance Companies, Logistics Companies, Ship Repair Yards, Freight Forwarders, Ship Brokers and Marine Lawyers. We have given the brochure to the Secretariat. Unfortunately from what we now know we have been excluded from the supply chain for reasons, like I said earlier, that we are here today. Our vessels are not involved in the receipt of any fund relating to oil subsidy payment during the period under review or at any other time. In fact, our vessels have not been engaged in petroleum product importation and just a handful is contracted for light rage operations of the import vessels. So our participation is limited to freight only. However, from our perspective, Nigeria is being short changed. If we say we are importing 30 to 50m litres everyday there is a short-change of about N2.25 to N3.75 trillion every month or between N27 to N45 trillion naira annually being lost in freights or shipping costs that Nigeria should be earning from transshipment of cargo from outside. This is more worrisome to us than the petroleum subsidy itself. We say that the action of not engaging Nigerian vessels is a brazen contravention of Section 36(1) of NIMASA Act 2007, which provides for the exclusive right for carriage of all export and import cargoes belonging to the federal, state and local governments including that of the companies, agencies owned by the federal, state and local governments. Section 37(1) – (5) of NIMASA Act 2007 further re-enforce the participation of vessels in the carriage of light or liquid cargo generated by Nigeria. Similarly, Sections 3 to 6 particularly Section 5 of the Cabotage Act 2003 provides that only vessel whose beneficial ownership resides only in Nigerian citizens shall be engaged in the carriage of petroleum products and auxiliary services. The Nigeria Oil and Gas Industry Content Development Act 2010, further provides that Nigerian indigenous service companies shall have exclusive consideration provided they demonstrate ownership of the equipment. Nigerian personnel and capacity contracts and policies contained in Section A of the Act include shipping and transportation. The spirit and intendment of these laws is to ensure transparency; hence carriage is exclusively reserve for the indigenous ship owners. We talk of the Nigerian current average production of crude oil to be 2.4 million barrels per day and that Nigeria also imports various grades of products to the tune of 50 million litres per day. But the Nigerian ship owners have nil participation in the carriage of these cargoes generated. So also all the shipping of all the NLG projects existing and on-going has no indigenous ship owners' involvement. This of course is a national deficiency in terms of revenue and job losses. The agency responsible for the growth, development and regula-

tion of the provisions of all the extant maritime laws is the Nigerian Maritime Administration and Safety Agency in accordance with section 12 of NIMASA Act 2011. According to Section 11 of NIMASA 2007 the objective of the agency shall be to promote the development of indigenous commercial shipping in international and coastal shipping. NIMASA Act Section 22 subsection (1)(a), (k) and (i) on the functions and powers of the agency empowers the agency to pursue the development of shipping, develop and implement policies and programmes which will facilitate the growth of local capacity and the enforcement of the Cabotage Act. It has not carried out this provision till date. We also talk about funding which has made it quite impossible for the Cabotage laws to work. The maritime sector must be funded such that it would enable strategic development and less reliance on foreign domination; domination which we believe lacks transparency. The maritime industry is capable of providing the much needed alternative to oil and if well developed, would provide the necessary transformation and creation of employment across the various economic sectors. We have 250 vessels now that are working but because of the fact that our vessels cannot be used you have the mother and daughter vessels. The mother vessel is the vessel that brings products from Europe. We are supposed to be bringing the product from Europe. There is no specialization in any pattern, it is a simple tank.

HON. LAWAN: Do you have the qualified people?

CHAIRMAN (ISOAN): We have quite a number of PPRs that are able. So, the issue is that they are bringing the cargoes through the Nigerian backyard. If for reasons of limitation, the people who are bringing these cargoes ought to have their own vessels; their own small vessels but the fact is that they are going to ply our waters through these mediums. So whether our ship is delivered from shipyard base, because it is flying Nigerian flag, carrying Nigerian captain and engineers, it is disqualified. It is not the issue of efficiency or competence; it is because the vessel is flying Nigerian flag. We are not looking at the part of the tank over and above because none of our ships can be used to take 20,000 metric tonnes, discharge the product and then take the 50,000 metric tonnes without us reporting. Of course, it looks like an offence that we would have committed.

HON. LAWAN: I just want to establish something, do you usually apply or do you go through some processes of getting your ship to be used and then, along the line you get rejection? I am saying this because there must be a reason for your ships not being utilized. It will make sense if you say you are given only one or ten or twenty per cent; apparently your ships are not utilized at all. What is the reason for that? We are not experts in the maritime business so you are now talking to people who need to understand why importers will not like to use indigenous ship at all.

CHAIRMAN (ISOAN): The problem is that the mother vessel is either chartered by a

major oil trader or brought off shore Lome. They have gone for one reason or the other from Nigerian waters to Cotonou waters and other borders. When they get there, the Nigerian trader that is going to buy from them now sends the name of the vessel to be used. Of course, because the ships that have brought the cargo also have their own vessels fleeing around our waters will ensure that our vessels are rejected. Today we are doing not up to 20 per cent. In fact, we are capable of doing 100 per cent of that type of business. We are capable of bringing our imported petroleum products to this country but today, in the oil areas, the maximum we have ever done is not more than 20 per cent.

HON. LAWAN: You know that we have several problems with NNPC, their major importers, agents and even NNPC itself.

CHAIRMAN (ISOAN): Well the NNPC is another issue entirely. The NNPC signs the august contract; I call it august because they give us contract, they make the Bill. From the bill itself you will know that Nigerians are not able or will not be able to get the contract. This is the main issue. I was with the NNPC right from the inception and in charge of marine transportation and I have had the responsibility of chartering vessels and using the NOMAN internationally recognized standard of chartering vessels.

HON. LAWAN: Sorry, did you work with NNPC before?

CHAIRMAN (ISOAN): Yes, I was with the NNPC and in marine transportation. Things suddenly changed, foreigners come in pretense to be Nigerian company but we the practitioners know. You can go and check how many of them are really Nigerians or how many ships belonging to Nigerians are in the service of NNPC.

HON. LAWAN: Do you have Nigerian ship owners who are not members of the association?

CHAIRMAN (ISOAN): Well, I cannot say yes or no but we have tried to embrace every ship owner that has Nigerian flag vessel. A Nigerian can own a vessel but the vessel can be registered in Liberia or elsewhere but that does not qualify him as far as our own association is concerned. We try to bring in every Nigerian that owns a vessel that is registered in Nigeria and of 500-tonne capacity vessels and above.

HON. LAWAN: Thank you very much. Let me call your attention to Nigerian Extractive Industry's presentation, one of their recommendations was that Nigerian indigenous ships should be utilized in product import. I think we can still achieve that because this will guarantee greater transparency in the growth of the local industry and it will promote local content.

HON. JAMES ABIODUN FALEKE: The question I have concerns insurance cover for

investors. He claims that most of the vessels you have do not have insurance cover in case of loss. Can you clarify that please?

CHAIRMAN (ISOAN): That is not true because you have two types of insurance that cover investment, one is oil and machinery. The oil and machinery, the insurance companies in this country are capable of covering it and we do not have to go outside this country to cover our vessels, especially when investment is flying Nigerian flag. The other insurance, what they call protection and indemnity is where the ship owners pool their resources together, once you are attached to any of those BMI then you are qualified to do anything anywhere. So I do not know why they are complaining that it is because of our insurance that they are not paid. It is not true, it is totally false.

HON. JAMES ABIODUN FALEKE: You told us here that NNPC normally have what you called bogus contracts issue that is more or less in line with international standards. You also said that you once worked with NNPC especially in marine department. Are you expecting NNPC to have a sort of contract agreement that will be more suitable for Nigerians to participate and to move away from international standards, is that what you are suggesting?

CHAIRMAN (ISOAN): What I am suggesting is that the Cabotage law should be made to work. NIMASA today is just a toothless dog as far as NNPC is concerned. NIMASA cannot hold NNPC to anything and until the NNPC is able to comply with the Cabotage laws we cannot get the shipping side of our things right. This is the supply chain, there is nothing like maritime supply in this country today, and if we do not have the shipping side in these things, then, we are missing it because the chunk of that money is in the shipping industry.

HON. IRONA GERALD: In one of the presentations to us, it was said that the reason why most of the mother vessels cannot berth in Nigerian territorial waters is that Nigerian waters are too shallow, so they berth off shore Cotonou. As a practitioner in the maritime domain, can you please elaborate? Can you tell us what our coastal shores are like? Secondly, what is the present NNPC pre-qualification for selecting ocean-going liners, those vessels that carry petroleum products? Can you give us some of their pre-qualification?

CHAIRMAN (ISOAN): I will take the first question. Our waters outside the PRO buoys you can anchor in VLGC very large goods carrier (VLGC), which takes about 350,000 tonnes. Of course, because of these sharp practices some years back, the CBN wrote to the traders that they cannot be allowed if the ship that brings in cargo is made to berth in Nigerian waters. The traders then gave out their vessels to Cuban group. Of course, that alone has made it impossible for the government to capture whatever dues these ships are

supposed to pay. Secondly, it has made it impossible for us to pay tribute on cabotage cargo, because it has already gone out of our waters. ISOAN has made efforts to make CBN revert these things so that these ships can come off shore our waters. But because of the powers that be, it has made it impossible for reversal. We have met with CBN on several occasions. So, ISOAN is not putting the blame anymore on those countries. At off shore Lome, we have our military or naval company guiding them, how do you explain this? We have lost the Cabotage law today and the Cabotage law is not designed for importing cargoes into Nigeria but for Nigeria to generate its own petroleum products. Your second question is on the agencies pre-qualification process. If out of two with what should be, they put tenders out every two years, and it will take another five years before the tender will be due. Of course, the process already eliminates Nigerian vessels from going in. Like I said, there are international standard practice of saying that this vessel must be this and that. In a country where Cabotage trade is practised, you do not put an international tender. You will think for your nationals first, even when your nationals cost is higher you are retaining that money in the country; but of course this is not the case here. You will find out that Nigerians are already excluded before they call one commercial or technical tender. It is only when the nationals of those countries are not able to provide such facilities that you should go and look for people.

HON. IRONA GERALD: I do not think he has answered my question because I am not talking about commercial tender. I am talking about the technical problem. Since it is a pre-qualification, you must be pre-qualified; you must show some level of capacity. You must show that you have the insurance policy; you must know that this is international trade. You are buying from off shore manufacturers and this is a very risky business. Are you saying that NNPC should localize their marine engagement to Nigerians to suit the local ship owners or are you saying that you should not compete with other nationals just like you can go to Lome or Cotonou to compete with the indigenes of those areas? What are the pre-qualification processes which you think are too cumbersome that you request government to give you some waivers?

I want to remind you that while you are waiting, you should equally be aware that you should be an international operator and not only local operator? So, could you tell this committee those pre-qualification processes so that we can see how cumbersome they are as you said?

HON. LAWAN: Before you respond, there is another question so that you can respond to them at once.

HON. MAKINDE ROTIMI: You have just told us that you were in NNPC before. I am aware coming from the system as well that there is change from time to time. I am aware

that some people invested heavily in 5,000 tonnes here and there when NNPC was still using them. With the demand now I know that such specifications change. When you were in the system especially as the head of marine, what was the practice?

CHAIRMAN, ISOAN: When I was in the system, the practice was to ask for tenders stating the quality of the vessels you are looking for. Of course, there was no Cabotage law then; but it was also reserved for Nigerians first. In those days you still have a number of Nigerians in the system. Today, it has not changed much from what it used to be in the past except that we need more involvement. Of course, we have Nigerians with 20 tanks hovering over there that cannot be engaged by NNPC.

HON. MAKINDE ROTIMI: Would you now say that if given the chance, Nigerians can meet up with segregation at the best?

CHAIRMAN, ISOAN: As at now, we have more than what is needed in the downstream sector. We are not supposed at this point in time to be using foreign vessels to carry our petroleum products around anymore. It is insensitivity that is making us do what we are doing today. If it is the upstream then we can say Nigerians are capable and at the best and say that maybe, 50 per cent of it but today they are having only 5 per cent. As far as downstream is concerned we are not supposed to have any foreigner. In places like Indonesia, before they put their Cabotage law in place, they are already taking their indigenes with them. We have had the Cabotage law now for many years and we are still struggling. We have not achieved 20 per cent in the downstream.

HON. MAKINDE ROTIMI: I was talking of the specification.

CHAIRMAN, ISOAN: It is not that our ships do not comply with international standards. It is not that we are asking to be spoon fed. That is not it but the issue here is that there are preferences because of what goes on in the business.

HON. MAKINDE ROTIMI: You alleged that NNPC does a very bogus business in their contract arrangement. What are those bogus things that make you people not to get qualified? I am a Deputy Chairman of Committee on Cabotage and I am aware that some of the Nigerian ship owners are involved in lifting gas from Warri to Europe. So, let us know those things that have made you not to be involved by NNPC so that we can get NNPC and ask them why Nigerians cannot operate in that system?

CHAIRMAN, ISOAN: I do not know of any Nigerian vessel that is carrying gas. It does not exist at all. If it does, it is not flagged in Nigeria and so it is not a Nigerian vessel. It may be owned by a Nigerian.

HON. MAKINDE ROTIMI: Anyway, the Chairman did ask you a question whether all the Nigerian ship owners are part of your organization. You should just speak for those you know.

CHAIRMAN, ISOAN: I will still go back to your question. If we are chartering a vessel, it is on time charter and not on a separate basis. There are charter party agreements of various types. NNPC has their written agreement different from what is practiced internationally. We know that it is not merely saying that the intention is to exclude Nigerian ships. It is not as if Nigerian ships are sub-standard but if you want us to believe that maybe, what they have said is right, that is all right.

HON. LAWAN: The point is there is no sacrosanct position from us here. But, we are going to observe and if we understand these issues, we will be in a better position than we came in. You were here when IPMAN made a presentation and even though we know the law like the president of IPMAN said, there may be certain other practices and he opened up. Now with that information other issues came up to the ear of Nigerians. Now, if I may say, you need to be a little more convincing. You are ISOAN and you are ship owners but you do not know why, we do not want a situation where we invite NNPC. They now tell us things that we may not be able to technically condemn. We cannot argue with them if you have not given us the reasons why they have not done certain things. If there are grounds why you said NNPC is not utilizing Nigerian ships let us know so that we can take them on it. Once you have the capacity to compete or meet up the standards that are expected, I do not see why you would be unduly and unnecessarily relegated. We want to know the reasons why you believe that NNPC is not using you; let us know the reasons for that so that we can now take on NNPC and the other relevant agencies on that in our recommendation and encourage them to utilize Nigerian ships.

CHAIRMAN (ISOAN): Thank you very much Mr. Chairman. I will say that it is because of interest that they are not allowing us, and it is not only NNPC. I can give you a typical example. I went to one of the oil companies told them that I have a 20,000 tonnes vessel, that it met all specifications and the Group Managing Director (GMD) took me to the Managing Director (MD) in charge of Trading and Sales. He said we started using this man's ship when we started this company and we did not even pay when we were using it. You must take the ship. And the guy said yes sir. Two weeks later they wrote back to say Nigerians could not run the ship; they were going to get foreigners (Greek) to run the ship. And we said yes, it was all right, let them come and run the ship. Then they turned round and said oh! When they took the management and what have you out they were left with \$3,000. If that vessel is being managed, the daily management cost should have been around \$3,000 or thereabout. The vessel is going for about \$24,000, so deduct \$4,000 from

\$24,000 you will have \$20,000. But we have been offered \$3,000 just to insult us. And we said you cannot insult us, we know what you want to do with the ship, and maybe you do not want us to know it, that is why you are keeping us out. That is why we are being kept out, simple. It is not the issue of pre-qualification or whether we are qualified or whether our ships are good or our ships are bad; it is because of the corrupt vested interest.

HON. GERALD IRONA: Is it true that most of the vessels that carry Nigerian flags are being patronised by this expatriate multinationals, thereby denying Nigeria of taxes, is that what you are trying to say?

HON. LAWAN: I believe he has made more points very clearly. Let me once again express our gratitude to you for coming here. Thank you very much and the information you have given us will form part of our report. Of course before we do that, we want to interact with other agencies. We will also try to get their responses to it. I want to assure you that our desire here is to make sure that Nigerians get value for their money. I want to thank you so much, if there is any need for us to get back to you, we will get across to you. I will appreciate however, that you give us the list of all the ships that fly Nigeria flag, ships that are owned by members of your association, their tonnage and the ownership. It will be good if we can have that information so that it will be easy for us to actually make a case that you have the capacity to handle import to Nigeria. Once again I want to thank you very much. May I please invite NPA. NPA can you please come forward and while NPA is getting seated, let me once again announce that the immediate past Executive Secretary of PPPRA is expected to appear before us at 10.00 a.m. tomorrow. We have been trying to reach out to the immediate past Executive Secretary of PPPRA and he needs to be here because a lot of issues have been raised and these issues relate to the time when he was the Chief Executive of that Agency. So it would be important for him to come and shed light on some of the issues raised before the conclusion of this hearing. Yes, NPA go ahead.

MR. SOTONYE IYENEKE (ED (M&O), NPA: Distinguished Chairman, Members of the Committee, before I commence, I want to quickly express the apology of the Managing Director of Nigerian Ports Authority (NPA), Engineer Omar Suleiman, who is unavoidably absent. He is actually out of the country and he asked me to represent him and make this presentation to this honourable Committee. My name is Etomi Sotonye Iyenege, I am the Executive Director, Marine and Operation of the Nigerian Ports Authority. Mr. Chairman Sir, we received this letter from this honourable Committee asking us to make a presentation as it affects vessels in the importation and distribution of petroleum products and the payment of demurrage by the government under the subsidy regime and that our submission should include but not limited to details of vessels that accrued demurrage and amount paid by the Federal Government from the subsidy regime from the period 2006

to December, 2011. We have the submission which has been given to the Secretariat. Our submission or presentation is actually structured in line with the request of the letter. By way of introduction, the Nigerian Ports Authority was established in 1954 by the Act of Parliament as amended by the Act in 2004. We commenced operations in April 1955 starting with the Port-Harcourt and Lagos Ports. But today the following Ports exist; Lagos Ports Complex, that is Apapa Port, Tin Can Port Complex, the Rivers Port which is also known as the Port-Harcourt old Port, Onne Port Complex, Delta Port Complex which include Warri Port, Koko Port and Sapele Port. But let me say here that the Sapele Port is not in use by the Nigerian Ports Authority as it is currently occupied and used by the Nigerian Navy from when it was built; we also have the Calabar Port and Associated Jetties. Sections 7 and 8 mainly of the Port Act have enumerated lot of functions of the Nigeria Port but in line with our request today, we want to state that prior to the concessionaire's regime when the Port Reform started in 2005, Nigerian Ports Authority operated a full service port and we also had responsibility that covered ownership operation and regulatory functions. The port activity covered services to vessels and services to cargoes. With Port Reforms, we have slight changes in the responsibility and functions of the Nigerian Ports Authority. The Nigerian Ports Authority now operates a landlord model in line with the model adopted by the Federal Government in 2005. Services to vessels are handled by the authority while services to cargoes are handled by the private terminal operators otherwise known as concessionaires. Service to vessels which is the responsibility of the Nigerian Ports Authority includes the following: we have pilotage; simply it is the movement or bringing the vessels through the channel from the fairway buoy to berth. We also have towage, the use of tug boats to expedite the movement of mode of vessels to berth and the mooring responsibility. The service to cargo which is currently and mainly the responsibility of the concessionaire, include stave touring, one finger storage, cargo handling and delivery, processing, that is, consolidation and baggaging, security within the terminal of the terminal operator.

The operational procedure is that when a vessel comes in, upon entering into our territorial waters, a vessel is expected to declare that it has arrived the country. At this point relevant shipping documents are submitted by the ship agent to Nigerian Ports Authority and documentation, billing and other responsibility will commence. The vessel arrives to the fairway buoy; the vessel is now taking to berth. Our responsibility actually starts when the vessel gets to the fairway buoy. The vessel is taken through the channel to berth where cargo is now discharged to the tank farm. And when I refer to cargo, please because of request, we are looking at wet-cargo, which is PMS, Kerosene and other aviation fuel and so on. After the discharged of cargo, the vessel is also taken back through the channel to the fairway buoy for onward movement to the next destination of the vessel. Earlier on I said that once

we are notified, we want to receive the manifest from the shipping agent. We will then start our billing and other documentation processes. Now it is from the declaration we are able to deduct the tonnage and then apply a tariff for charges. We then charge appropriate charges and levies on the vessel for the service in line with the authority tariff in respect of vessel and cargo as well. We have attached the list of government approved jetties, because most of these petroleum products actually go to both public and private jetties but we have more of private jetties. And for ease of reference we have attached the list as part of our submission. But we will also want to emphasize at this point that for safety reason and in line with global best practice, the Nigerian Ports Authority, as a policy, does not encourage the receipt of petroleum product at the quays in our port. So, most of them berth at the private-designated jetties, not on our own designated ports. We were asked to talk about demurrage on vessels. What we have here to say is that demurrage is always determined by the terms of the charter party which is a contract between the vessel owner and the consignee or the chartered. This is a commercial agreement which is strictly between the party and the Nigerian Ports Authority is not a party to the contract that is a chartered party contract. In this regard NPA does not have any information because we do not charge on revenue that could have accrued or any accruable on demurrage on vessels and amount paid by the Federal Government thereto, we are not aware and we are not party to that. However, because we have to talk about demurrage, waiver and subsidy, an aspect which affects us which we believe is also part of subsidy is that we have directive from the Federal Government to extend 50% waiver to all jetties charges for petroleum products. This was effective from the 1st of July, 2009 and up to this moment, it is still running. By our calculation so far we have waived about N1,771,850,530,264.00 with effect from 1st of July, 2009 to date. Why the dollar component of the waiver also is \$135,319,040.80 only. The waiver, like I said, is still on, up to this moment, but we are being unable to give you what have been waived up to July. So very briefly this is the way our operations with regard to the transportation, the importation and movement of vessels and transportation of cargoes affect the Nigerian Ports Authority. We also have taken steps to provide this honourable Committee, for the purpose of details, with the list of the names of the vessels that are coming with petroleum products from 2006 January to 31st December, 2011. The names of the vessels, the country of origin, the rotation number of the vessels, the nature of products on board the vessels, the tonnage, arrival time, period of discharge and the date the vessels sailed back. So these have all been submitted to the honourable Committee. I want to thank you very much Sir.

HON. ENOH JOHN ENOH: Thank you for that brief presentation. I think the Chairman is already seated, I came in mid-way through your presentation and I think I listened to a few of the things that you raised. But I will just make a few comments and asked some

questions. On the issue of demurrage like you said between the ship owners and then the chartered and things like that. But you also know that you are familiar with the fact that the PPPRA's template that eventually gets us to what the pump price of fuel and oil subsidy has some components that will have to do with demurrage and all that. Although you are limited to the ship owner, the chartered but we also know that in some other aspects the NPA is sufficiently knowledgeable in terms of what and what amount to demurrage. Is it that on every transaction, when a ship gets into demurrage or whatever, there is accrual to that particular transaction or there some general principles that will drive it to such an extent that we are able to know if we are able to pay X, Y, Z as demurrage for this particular period that the government has not been made to pay for what others should not pay. You are familiar with the matter with this subsidy issue. What do you think is unique about PMS importation that demurrage itself is playing a very huge role, very huge component debt of government? You need to give us greater brief about that. You cannot just say because it is between the chartered and the ship owner, NPA does not know anything about that. You are in NPA and whatever it is, you should know a little bit more to be able to inform this Committee. Let this Committee benefit from this appearance. The other issue has to do with the fact that you say you do not encourage receipt of PMS at the ports, it goes to private or whatever jetties and all that. Another issue of concern is the fact that people have different claims as to the volume of what they have gotten. Is NPA in any position to determine actual quantities brought in and actual quantities discharged? It is very important, what do we lose as a country, if NPA did not encourage this PMS or whatever to berth in your port, it goes to the private jetties or whatever jetties. So how can we be in the position as a country to ensure that we are not short-changed in the process of the debt of the volume that is brought in and discharged, I think you should be able to tidy up.

MR. SOTONYE IYENEKE (ED (M&O), NPA): Thank you very much Sir. On the first question on demurrage, it is actually difficult for us as NPA to know how much demurrage is going to be, because like I said we are never availed of any copy of the chartered party. Now, the terms of the chartered party could differ and vary and if we do not know the terms of the chartered party we are unable to establish if actually demurrage has occurred or has accrued or how it is payable also to the PPPRA where this issue would have come up as well. So for NPA, it is extremely difficult for us to know. What really happens is that our services, when we take the vessel to berth, all we are concerned with, is safety. Safety, now most of the storage tanks are actually outside the NPA or after the port. We are very much concerned with the safety at the point of discharge so we ensure that all the standards and the processes are followed to preserve the safety. What happens behind us is totally unknown to us because the tank farms are licensed by NNPC and most of the supervisory activities are actually done by them; we were not party to it. When the discharged

is concluded, we are informed and then the reverse process takes place to finally take the vessel out through the channel to the fairway buoy. So it is difficult for us to know. I would not tell you what we do not know.

MR. SOTONYE IYENEKE (ED (M&O), NPA): The second question has to do with verifying the quantity of what they brought in and part of discharge was actually known, but we deal more with the manifest. The only extent to which we have gone is to ensure that our revenue is captured correctly, that we have the same thing from quantity surveyor who determines what the quantity that is coming in, as against what is in the manifest. Normally, at the end of it we reconcile and raise our bill in accordance with our target, we do not know beyond that.

HON. LAWAN: Two things and I will start from your response to that last question. From what you have said, you clearly have the goal of determining the quantity, because it is based on that that you are guided. If it is under reported is likely more of under reporting what the quantity is to you and the lower the quantity the lower the amount they will pay. So, the quantity you determine actually means the quantity of loading. I do not know if you have provided those figures, and if you have I do know from which period.

MR. SOTONYE IYENEKE (ED (M&O), NPA): From 2006 to date and we gave the names of the vessels, the country of the origin of the vessels, the occasion number of the petrol, the products carried by the vessel, the time of arrival, date of arrival, number of days of discharging at the berth and also the date of sail.

HON. LAWAN: Truth is that you have the information to compare the load you are getting from importers as well. The importers have given us some information so it is very easy to determine, but what you are saying is in line with what they brought in, it will also help us to determine the quantity. This issue of back-loading, we heard of cases were products are brought in on the back loading, have you any experience of that? Then there is the issue of mother vessel or daughter vessel, what is your opinion on that? Your operation is within the Nigerian territorial water, that is, within the port, so since the mother vessel does not berth within the Nigerian territorial waters, you do not have access to them, and whatever operation you want to do is based on the feeder vessels. Like I said, what has been your experience in this whole issue of mother vessel or daughter vessel? The argument we have confronted is the shallow draft of our waters, so this mother vessels cannot come in. Can you confirm from your professional experience, and what do you think we should do as a parliament if indeed that is true?

MR. SOTONYE IYENEKE (ED (M&O), NPA): I explained earlier on that the issue of back loading is difficult for us to ascertain because after discharge the vessel goes out.

When that vessel gets out, it gets out of our waters, and we do not have any further responsibility as it were to track it. When it comes in again, because we would have ascertained the quantity of any vessel that comes in, the process starts again - there is a declaration, we also receive the manifest from the agent and the process goes on again. So the issue of back loading is difficult for us to confirm. As regards the issue of mother vessels or feeder vessel, as you rightly said, our interaction is not with the inner vessels. In fact most of the manifests that we have seen are usually off Lome, off Cotonou and so on, until the final vessels get to us; that is where our interaction and responsibility commences.

On the issue of draft, drilling is an expensive venture, extremely expensive ventures and a lot of our ports because the primary responsibility we have is to our port and they advertised draft level that we have out. You will be surprised to know that a port like Port Harcourt has 90 percent. In fact when some of us resumed work in Port Harcourt both from the foundation of the report has been eaten up, we had to carry out report; if you carry out such activity beyond the foundation of the report it collapses. Now we look at the comparative analysis of fuel for instance. As an authority, I cannot achieve a particular step, it does not make sense to draft it with the entire channel to come to a point where I know that a vessel cannot get through. So what we were looking at is that we cannot run away from the construction of new deep sea port, and in building this new deep sea port we also want to ensure that SPM, (Single Point Mooring) we have one now up Lagos but the usage is very low because from that point it could actually discharge through pipes to the storages. Now we also encourage that to build the deep sea port we also establish mooring point so that this bigger vessels can actually come in even if it cannot come to port even from those port ark. At that point it could also be designated a port so that the activities of the port can take place there so that you still have this filler vessels to come in. Let me also quickly say that, currently when we have this mother vessels off water, they are carrying cargoes for other destinations, they are like distribution points, so most of them willing to come in, have fear of insecurity and also the cost of movement, they prefer to stay at a point for other vessels to come, take off there and they go back. So the issue is a technical one, that it should not be looked at from a point of view that it can wreck and take all of these vessels. At times also, some of these mother vessels carried certain cargo that heavy rings cannot accommodate in our port, so their activities actually are more complex. Now I know that, a lot of private jetties have raised the issue of track custom, the truth of it is that most of these private jetties were not originally designed to be private jetties, they were filling terminals. Such terminals will not need very deep vessels where the draft will go there. It was the failure of pipelines transportation as I will say that accumulated a lot of injustices to private jetties for the receipt of petroleum products, and the sudden development of tank farm all over the country.

HON. MAKINDE ROTIMI: I want you to expatiate on your analysis on page 5, where you said from 2006 a reform was carried out that made NPA now landlord, operating under landlord activities. Is there any comparative advantage to our economy now that NPA serves as landlord? To the best of knowledge, a reasonable percentage of NPA land is now split to marketers, is there comparative analysis with this?

MR. SOTONYE IYENEKE (ED (M&O), NPA: I will say that the reform and particularly the coconsciousness which is the transactional aspect of the reform has been one of the most beneficial policies of federal government. Before the reform NPA had ownership, operational and regulatory responsibilities. That created an inefficient system where we had a lot of backlog of cargo, we had long ship turnaround time, and we have very high cargo fuel tank and all that. Since 2006, when the conversion took place, things have tremendously improved; the revenue has risen because there is a drastic cut of overheads as well. Throughput has increased, vessels turnaround time has also improved; efficiency and security have as well improved in addition to compliance with the HPS code. The existing fault about concession is that most of the terminal operations handle petroleum products. So it is out of our scope but in general cargo handling the concession has definitely improved efficiency; it brings more revenue and the Port is much more secured. We have not gotten there yet but we know that it will get better.

HON. IRONA GERALD: On the issue of mother vessel. If we have the same facilities in Nigerian territorial waters, is it possible that those big vessels can come to the Nigerian territorial waters?

MR. SOTONYE IYENEKE (ED (M&O), NPA: It is possible. But there are very many factors with regard to mother vessels, some of the cargoes are destined for other destination. Very important is the issue of security, the rate of piracy is high, and if you have been following you will agree that it is a very serious threat now. Piracy, armed robbery within our waters has increased. Calabar that used to be very peaceful, very safe, piracy is higher there now. What we have done or what we are planning or what we are working on at the moment as a preamble step is to designate certain areas off-shore where we want to encourage mother vessels to come for official duty, from mother vessels to feeder vessels. We are still working on that but we have to also increase the security situation around the designated axis, and we are working on them. I believe once we are comfortable with security, the draft can accommodate them because they are offshore and we can extend our operational responsibilities to these axis.

HON. JAMES FALEKE: Is it just the issue of security? NIMASA was here and they told us how much effort they have made eradicating robbery, piracy, and government recommended them to assist the Republic of Benin and they have been able to take care of such

problems there. I am wondering why you are still talking about the same thing, telling us now that this problem is even on the increase in Calabar area. Can you tell us what is the average tonnage or maximum tonnage of a daughter vessel?

MR. SOTONYE IYENEKE (ED (M&O), NPA): The mother vessel is about 50,000 tonnes while the feeder vessels, depending on the design can range between 10 to 15,000 tonnes.

HON. JAMES FALEKE: You give us an indication that the vessels listed in this document are all feeder vessels which we all know here as daughter vessels and we also know from the previous people that have appeared here that the mother vessels carry a maximum of 30 to 45 tonnes. How come we are not getting our feeder vessels to carry up to 30 or 36 tonnes?

MR. SOTONYE IYENEKE (ED (M&O), NPA): If you look at our list, you can see that they are very many, those ones actually came to Lagos, some of them are NNPC vessels, for example Atlas Cove 11,000 liters while the smaller jetty has 6,000 litres. So bigger vessels actually go to Atlas Cove.

HON. LAWAN: Before you conclude cross-checking I have gone through the document you have submitted and it will be extremely useful but I wonder whether it is possible to also have the name of the shipper, for instance you take January, 2006. You have the name of the vessel before it moves, the product on board, PMS, the tonnage is 36891, arrival 31st January, 2006, whether you discharged 5 days and later sent out one the 26th of January but there is no indication as to whose cargo is sufficiently carried, is it possible you send us that information, so that with the information we have it will be easier for us to actually compare. Two or three importers can be claiming the same thing, which is a possibility. Owing to the fact that we suspect a lot of sharp practices in this system, you could have two to three importers collaborating to do the same thing, and you would not know who actually owns what. You can please give us that information. If we can have sample copies of Bills of lading and the manifests for entire 2011 January to December, 2011, that will help.

HON. AZODO EUCHARIA: During the course of your presentation, you told us that you have been encouraging this offshore Cotonou, because of the piracy and other things that are happening here. You are telling us that you are making effort to dredge the Nigerian waters so that the mother vessels can come into the country. Some of the Independent Marketers said that they did dredging up to 10 metres; I think Capital Oil said that. I do not know whether you are making any effort to encourage the Independent Marketers to do the dredging or whether you will refund them after dredging. I think if you are encouraging the Independent Marketers to do that, many other companies can afford to do it. I want to know sir.

MR. SOTONYE IYENEKE (ED (M&O), NPA): Your first question is on the issue of

mother vessels, we are making efforts, but like I said, dredging is such a technical thing. I said earlier on that the issue of security is paramount but we have no control whatsoever over a mother vessel because of so many reasons. The mother vessel is not carrying cargo destined for only Nigeria or Nigerian importers, so it chooses to do or go to where it likes, and we have no control at all. Ordinarily, maybe they could have come to our port, but the truth of it is, the piracy and armed robbery level is extremely high. Let us cast our minds back to the fact that we just came out of militancy, but even after that, the rate has continued to increase. This matter is purely on security issues. On the issue of dredging we are speaking with the stakeholders to see if we can collaborate, and that is why we are looking at designated areas for future operation. I believe that once we get that right, the vessels will probably come in, even within our water, we can be more comfortable with them, that is the truth. On the issue of private jetty dredging on their own, well any dredging activity that is carried out by third party, we are not involved. But the fact is that you cannot dredge a jetty if the channel is not dredged. The vessels cannot jump over the channel, so it is waste of money to dredge jetties without thinking of the channels. That is why they need to consult with the regulatory body, and let me say here that this is on record that we are always available to collaborate with stakeholders as we have done with LNG. We really have constraints and we need revenue that will allow us to carry out such infrastructural development, and operational activities. So if we are deprived of revenue as a result of the present system that will affect the extent of capital infrastructural development and operational activities that we have to carry out.

NIGERIA PORTS AUTHORITY: Secondly, usually we have problems with other government agencies that owe us and would not want to pay and we need approvals to get them to pay. As we speak today, NNPC owes us N6 billion and that would be required for infrastructural development. Six billion Naira was reconciled and agreed on, so it is not as though there is a dispute with it. As I said, non-payment of the debts is affecting our ability to carry out infrastructural development. So we also have some of these constraints, and it is not that we do not want to carry out these activities.

HON. EUCHARIA AZODO: The NIMASA boss was here the other day and he was telling us that they are capable of doing everything especially securing the whole coast, if they are encouraged by the NPA. What do you have to say about that?

MR. SOTONYE IYENEKE (ED (M&O), NPA): Coastal security is part of their responsibility but how effectively it is being done I cannot comment. All I know is that we have the record; each time there is an incident it is recorded and documented by us so we are not talking about insecurity as perception. We have accurate record of incidents from all our ports and we can make that available if you require it. So it is real, they are making effort,

no doubt, maybe over time the effort would yield result. We are also not relying on them, within our channel we also ensure that the channel is secured. It is part of our channel management and channel management includes the dredging, the provision of buoys and directional buoys, security and lighting as well. In all channels where we have responsibility we make sure we provide security as well but beyond our channels like what we are talking about now what happens there is beyond us.

HON. LAWAN: Hon. Colleagues, I think we have heard most of the information we required from the Nigerian Ports Authority and I truly like to thank you very much particularly this information that you have given to us. I would appreciate it if you can work on it again as earlier indicated, so that the names of the shippers would be indicated as well and their manifests too. It would truly be appreciated if we can have that as quickly as possible because we intend to round off this hearing so that this issue would be put behind us and necessary improvements can be made. Once again I want to thank you very much for taking the trouble to come and share your views with us. We have noted some of the other issues you have raised especially your funding constraints and we would encourage the relevant committees in the House of Representatives and possibly the Senate to engage further with you on this issue. Fortunately the Chairman Committee on Appropriation is a member of this Committee and he has listened very attentively to your constraints and I believe that it is imperative and it would be in the overall interest of this country if we address these issues. Once again, I want to thank you very much and I wish you journey mercies back to Lagos. Hon. Colleagues, we deliberately decided to make today a little bit lighter but tomorrow is going to be a very exhausting day. We have so far invited about 32 different organisations and agencies and we intend to take them on as thoroughly as possible. By next week the ones that have not been invited would also be invited particularly the importers. Before the end of this exercise we would want to have an interaction with all those who are on the list, the companies that participate in the Petroleum Support Scheme. The former Executive Secretary of PPPRA is also going to be here tomorrow because so many issues have been raised regarding what happened under his watch; we are going to discuss that as well. I know my friend Femi Falana is also coming here tomorrow to join us so that we would also benefit from his own experience. Once again, I want to thank my Colleagues whose intervention has brought out so many salient issues. We would start at 10.00 a.m. tomorrow and with this I wish to adjourn this meeting.

The Committee accordingly adjourned at 3:46p.m. till 10.00 a.m. Wednesday 26th January, 2012.

CHAPTER 7

Day Seven: 26th January, 2012

HON FAROUK LAWAN, COMMITTEE CHAIRMAN: Hon. Colleagues, let me welcome the entire guests who have responded and who are here to provide us with the information that will guide the work of this ad hoc committee. As we always begin, for those of you who are here it is important to appreciate why this exercise is going on. On the 11th of this month, the House of Representatives had a special sitting. That was the day before the Labour Union began the strike action over the withdrawal of subsidy on PMS. The House Resolution to set up this ad hoc committee was for the purpose of investigating and monitoring the subsidy regime and ensuring that all issues relating to the subsidy issue are addressed. This ad hoc committee started this hearing last week, and we have interacted with various government ministries, agencies and also those who are key players in the oil and gas particularly the downstream sector of the business. This is why we have interacted with various unions - NLC, TUC, and PENGASSAN. We have also sought the opinion of well-meaning and patriotic Nigerians who equally have one thing or the other that can help us do this work. Individuals like Engineer HammanTukur, the Former Minister of State on Petroleum Resource, Alhaji Umaru Dambo, Mr. Olisa Agbakoba (SAN), Chief Gaius Obaseki and so many others who have appeared before us to equally provide us with the necessary information that may enrich the work that we do. I want to say once again that when we started this work we approached it with a very open mind, because the desire is to ensure that we give fair hearing to all those concerned so that whatever report

we are going to tender will be a report that will be fair and objective to everyone. I want to say, once again, that the responsibility of this committee is to ensure that Nigerians are given the right answers. Nigerians have been demanding answers on the fuel subsidy. Questions like whether there is subsidy, and if there is, how much it is, and how much should it be in 2009. How much was it prior to 2009 and how much it should be in 2012? Nigerians have also been demanding to know how has the subsidy regime been managed; were there accountability, transparency and openness in the way it was managed? Who played what role in this whole saga? These and many more answers are what we will try to give to Nigerians. Nigerians demand answers, we are committed and determined to ensure that Nigerians get answers. We have invited you so that you can shed light on your various roles with regard to the subsidy issue and we please enjoin you to be as frank and candid as possible, because it is only by doing so that we will try to improve on the implementation of the subsidy regime in this country. So many things have come out of this hearing and I believe that we will hear a lot more. We want to make sure that whatever we do will add value to the way business is managed especially with regard to the subsidy issue in this country. Once again, I want to welcome you to this hearing. I want to sincerely appreciate the fact that you have responded to our invitation and I want to assure you that whatever you say would be taken as seriously as possible, and it will, in the end, add to the quality of a sort that will lead the House of Representatives. I want to welcome you to this hearing and hope that your contributions would go a long way in providing the much needed answers that Nigerians are demanding. In the end, I believe that the work of this committee will help everybody in this country. Those in government will benefit, because if there are wastages and if we find a way of addressing those wastages, there will be more money that will go into the federation account, which might be shared by the various beneficiaries for the purpose of development. It will also help those in the sector, because they will have better regime of accountability and transparency, but the ultimate winners, to me, are the ordinary Nigerians perhaps who have been shortchanged through various means and who certainly do not deserve to have their resources wasted. Once again, let me welcome all of you on behalf of my colleagues, and let me also apologize that we are commencing a little bit late. May I crave your indulgence to invite Mr. Femi Falana to make his presentation?

BARR. FEMI FALANA (SAN): The Chairman and the Hon. Members of the House of Representatives ad hoc Committee on the Management of the Fuel Subsidy, let me commence my presentation by expressing my profound gratitude to your office for the sense of courage, fairness and the commitment to transparency you have so far displayed in the conduct of this public hearing. I have watched the proceedings and I want to commend you, because if we can get it right this time around, we are going to get more money for the development of our country. We are going to promote transparency and we are going

to get correct pricing for petroleum products in our country. Having said this, I want to say that many Nigerians are skeptical about this investigation because of what happened to similar investigations conducted by the National Assembly in the past. This is not unconnected with the fact that the recommendations of reports of similar probes in the past were not implemented. In some cases, some of those reports never saw the light of the day. I decided to submit a memorandum to this committee based on my implicit confidence in the leadership of the House, as well as, members of this committee coupled with the belief that the report of this committee will certainly not be swept under the carpet. With the earthshaking revelation coming out of the ongoing investigation, it ought to have occurred to government by now that there was no legal justification or moral basis for the new pump price of N97.00 per litre for the PMS. I, therefore, hope that this committee will not hesitate to make a strong case for a return to the status quo antebellum and the prosecution of all the public officers and their cohorts in the cartel who have engaged in the monumental fraud that has exposed the country to unprecedented odium and ridicule. It is a common knowledge that Nigeria is the 6th largest producer of crude oil in the Organization of Petroleum Exporting Countries (OPEC), but ours is the only member of OPEC that depends on imported petroleum products to meet our domestic requirement. As four refineries owned by the Federal Government (FG) are not properly maintained they have been unable to operate at their total refining capacity. Worst still, the Federal Government deliberately refuses to invest in new refineries and have been awarding multi-billion naira contracts for turn-around to incompetent contractors. Having failed woefully to add value to our abundant oil and gas petroleum resources, we were either discussing importation of toxic fuel or fraud in the petroleum products or smuggling of the imported products to neighbouring countries. We do not discuss how to make use of our resources to advance development in the country. Instead of earning huge revenue from refined crude oil locally, Nigeria is said to have spent over N4 trillion from 2006 to 2011 on fuel subsidy due to reckless importation of petroleum products from foreign countries. It has since been emphatic before you that what have been subsidized over the years are incompetence, corruption, mismanagement and inefficiency, which have characterized in importation of petroleum products by the so-called oil cartel. From available records, the Nigerian National Petroleum Corporation (NNPC) as the leading member of the cartel, haven collected more than 50 per cent of the fuel subsidy from 2006 to 2011. In fact, the PPPRA has admitted publicly and I quote: 59 per cent of the total subsidy amount was paid to NNPC while 41 per cent was paid to other marketers. I have their presentation before the Senate Committee last year October 25 when that submission was made. I am addressing a number of violations of our laws because that is the root of this crisis and impunity is the root of it all. In January 2012, the PPPRA decided to increase the pump price of PMS from N65.00 to N141.00 per litre. The increase was illegal and the decision was not taken by the Board of the PPPRA as required by the

provision of the PPPRA Act No. 8 of 2003. A general strike and nationwide protest forced President Goodluck Jonathan to reduce the price from N141.00 to N97.00 per litre. The new price, I submit, is equally illegal as the statutory functions of the PPPRA was usurped by the Presidency in imposing the new pump price on Nigerians. The House of Representatives was, therefore, on a solid ground when it resolved that the pump price of PMS be reversed to N65.00 per litre. Since the Resolution was ignored by the Federal Government, the Nigeria Labour Congress (NLC) and the Trade Union Congress (TUC), and their allies, the Joint Action Forum, embarked on an indefinite general strike and demonstrations to protest the fuel hike. At the end of the avoidable civil disobedience, Nigeria was said to have lost several billions of naira. However, in view of the allegations of the grand fraud associated with the importation of the petroleum products, the House of Representatives has rightly decided to conduct an enquiry into the matter in exercise of its powers under section 88 of the Constitution, contrary to the belief in certain quarters that the general strike embarked upon by labour failed. I wish to say with profound respect that the struggle transcended the narrow ambit of fuel price. Even though labour did not succeed in forcing the Federal Government to revert to N65.00 per litre for now, the ongoing investigation by the House, the probe of the fuel importation scam by the EFCC, as well as, the approval last week by the Federal Executive Council of two external auditors to audit joint account, are some of the quantified gains of the protest. The grand fraud which is characteristic of the petroleum fraud was committed by various agencies of government in the following manner:

i) The fuel subsidy of N245 billion was illegally increased to over N1.76 trillion in 2011 (we have not gotten to the roots of the matter) without a Supplementary Appropriation Bill passed by the National Assembly as required by section 81 of the Constitution. The payment was authorized by the Federal Ministry of Finance and paid by the Central Bank on the recommendation of the PPPRA.

ii) The NNPC collected not less than 59 per cent of the total subsidy fund, which is over four trillion naira, while 41 per cent was paid to other marketers for the period we are talking about and a lot of these payments did not follow due process.

iii) Whereas the sum of N421 billion and N673 billion were paid as fuel subsidy for 2009 and 2010 respectively, the NNPC was paid over N300 billion as arrears of subsidy claim for 2009 and 2010. There is yet another outstanding N200 billion NNPC debt and subsidy on kerosene. When the debt of N220 billion is added to the figure of N1.76 trillion credited to the CBN, Nigeria might have spent not less than N2 trillion on fuel subsidy in 2011.

i) Let me say this that from the table that PPPRA has shown to the whole world, what Nigerians spend every year is stated out. In 2009 it was N421 billion, in 2010 it was N673 billion. In a fresh deal, N250.7 billion said to be unclaimed or arrears of subsidy for DPK was brought from 2009 and paid in 2011, that increased from what was shown to the whole world from N421 billion to over N700 billion. Of course in 2010 it

was N673 billion and another deal of N15.7 billion was added to that making it N691 billion yet, what is on record is N673 billion.

- ii) Variations between the NNPC claims and verifications by PPPRA led to over deductions of billions of naira. For instance, over deductions made in 2007, 2008 and 2009 were over N35 billion. The sum of \$196 million, at an average of \$6.6 million per month, was paid by NNPC for demurrage on imported fuel from 2007 to 2009.
- iii) Whereas, payment for import of petroleum products was to be effected within 45 days of the submission of NOR (Notice Of Readiness), this was deliberately delayed for up 250 days leading to payment of huge interest by the NNPC
- iv) The NNPC refused to use its storage facilities of 18,000 cubic metres which were in good condition, thus for 5 years the NNPC paid colossally for use the of private storage facilities.
- v) PPPRA was recommending subsidy to NNPC without subjecting it to auditing as was done for other marketers. NNPC admitted, with impunity before you, that it took over the regulatory job of the PPPRA. That is what has happened here.
- vi) The Nigerian Customs Service, and this evidence has been given before you, was directed by the Federal Ministry of Finance, the supervising Ministry, not to inspect ships importing petroleum into Nigeria, contrary to the provision of the Customs Excise and Management Act.
- vii) The two external auditors engaged by the Federal Government to audit these claims have been collecting billions of Naira as professional fees for covering up the grand fraud in the fuel importation scam and it will be good to find out from these auditors what they have been auditing for Nigeria.
- viii) The off shore processing swap arrangement by NNPC is made in fraud as the contractual arrangement is not transparent while other derivatives are not accounted for, and this is very crucial. We must have an audit of the other derivatives and there are very many of them.
- ix) Although the daily consumption of the PMS is said to be in the region of 35 million litres per day, the PPPRA imported 59 million litres daily in 2011. It has been said that the remaining 24 million litres were daily smuggled out of Nigeria at the subsidy rate of N76.00 per litre. The sum of N667 billion is earned (by smugglers).

On this, let me say that the figure of N35 million is highly disputed by me because, and I am happy IPMAN is there. It is a better authority in these areas. The total filling stations in Nigeria are just about 16,000. I understand that by 2006 they were about 10,000. There is an audit of this by IPMAN and all the relevant agencies of government particularly, DPR, and there is no filling station in Nigeria that can accommodate more than the content of 12 trucks. In fact, most of them can only take between

5 and 7 trucks. So this figure of 35 million litres said to be consumed in Nigeria daily cannot be correct. I am suggesting that it is in the neighbourhood of 20 million litres. But, assuming without conceding that it is 35 million litres daily, as per the presentation in 2010, that I referred to which I do not know if a copy has been made available to you, it was claimed that this country consumed 43 million litres. In 2011, in their own record, it is 40 million litres, but before your panel, it has now become 35 million litres.

- x) The NNPC refines millions of litres of fuel in Nigeria and Cote d'Ivoire only to collect subsidy claims as if they were imported from Europe or America.
- xi) The NNPC uses foreign exchange rate that are lower than the rate fixed by the Central Bank of Nigeria.
- xii) Contracts for fuel importation were awarded to companies and supply that were not in the approved pre-qualification list. It is my submission that the Federal Government is entitled to recover the money paid to such supply as the contract awarded to them violated the provisions of the Public Procurement Act, 2007. In other words, if you engage in an illegal contract, I am not obliged to pay you, and if you have been paid illegally, the government should ask for a refund of the huge sums that have been paid out to such suppliers.

In addition to the foregoing, evidences have been laid before this committee by all departments of government and such evidences have established a clear case of institutionalized corruption; otherwise, how could the Federal Ministry of Finance prevent the Custom Service from checking documentation of ships bringing fuel into this country? How could the Federal Ministry of Finance give a figure of N1.3 trillion while the CBN paid N1.7 trillion for fuel subsidy in 2011? Why did the Ministry of Petroleum Resources disregard the presidential directives of stopping subsidy on DPK in June, 2009? Why did the PPPRA allow the NNPC to usurp its statutory functions? Why is PPPRA promoting smuggling by importing 59 million litres of fuel? At this juncture, it is pertinent to point out that by virtue of the provisions of the PPPRA Act No. 8 of 2003 the Agency has a Board of 26 members with representatives of the Presidency, Federal Ministry of Finance, Federal Ministry of Transport, Ministry of Petroleum Resources, Federal Ministry of Employment, Labour and Productivity, the Nigeria National Petroleum Corporation, Petroleum Equalization Fund and the Central Bank of Nigeria. There are four of them; none of these Agencies can claim ignorance of the goings on in the PPPRA, because they are the Board members of that organization. But for some inexplicable reasons, the NNPC was allowed to usurp the functions of the PPPRA while other departments of the Government represented on the Board showed total indifference to the detriment of the national economy. Both the Federal Ministry of Finance and the Central Bank of Nigeria ought to have questioned the astro-

nomical rise of fuel subsidy from N673 billion in 2010 to N1.76 trillion in 2011. Mr. Chairman, if you go to the filling station and you normally filled your tank with N10,000.00 fuel, and in a particular day your driver says I have filled that tank with N25,000.00, you would likely raise an eyes brow. Therefore, the negligence or the failure to question this strange figure really tells so much in the competence of those who are managing this affair. Having abdicated their statutory duties, both institutions engaged in the misconceived campaign for the removal of fuel subsidy when they ought to have known that the so-called subsidy was a package of fraud. If the report of the KPMG Professional Services engaged by the Federal Ministry of Finance submitted since November 2010 had been implemented Nigeria would not have been in this mess. And that report has been on the internet for the past three to four months or thereabout. The Federal Government stopped deregulation of DPK that is Kerosene in June 2009. There is a Presidential Directive to that effect. I do not know whether a copy has been made for the Members, if not I will make it available. Hence there was no subsidy for DPK from June 2009 – December 2010, but the directives was disregarded in 2011 when there was a bazaar, hence N300 billion was collected by the NNPC as subsidy arrears for DPK in 2011. There is another NNPC debt of N220 billion, and I got this from part of that presentation. Since kerosene is not sold in Nigeria for less than N120 per litre in the market, the NNPC should refund the N300 billion illegally collected as subsidy for DPK in 2011 while any claim for the outstanding debt of N220 billion should be disregarded. This suggestion is anchored on the fact that the aforesaid Presidential Directive has not been withdrawn or varied in any material particular. I have the two Presidential Directives here Sir. I want to appeal to the Members to take this aspect of my submission very seriously because there is no basis for Nigeria to import 1 litre of fuel from any country and this is my position. Notwithstanding that the four refineries in the country are not operating at full capacity, the Nigerian National Petroleum Corporation (NNPC) is allocated 445,000 barrels of crude oil per day. In December 2011, Mr. Austin Oniwon, the GMD of NNPC, informed the Senate Committee on Petroleum (Downstream), Appropriation and Finance and I quote: “That 80,000 barrels of crude oil are supplied to Warri Refinery, 90,000 barrels to Port Harcourt Refinery and 60,000 barrels to Cote d’Ivoire, 90,000 barrels swapped to Duke Oil, owned by the NNPC and 60,000 barrels to Transfigura in the United Kingdom.” The 170,000 barrels of crude oil refined in Warri and Port Harcourt Refineries should fetch us 27 million litres of PMS at 159 litre per barrel daily. Added to the 9.5 million litres produced from the 60,000 barrels refined in Cote d’Ivoire, we should have 36.5 million litres of PMS daily. The 150,000 barrels refined through swap to Duke Oil and Transfigura Oil in the UK will fetch us additional 23.3 million litres daily. Although the NNPC sells the remaining 65,000 barrels of crude oil in the international market the 380,000 barrels of crude oil refined at home and abroad will produce 50,420,000 litres of PMS per day. The NNPC should be made to explain if this is what is recycled and imported into the country.

The Committee should find out the cost of producing a litre of PMS in Warri and Port Harcourt and the landing cost of fuel from Cote d'Ivoire and the United Kingdom. They cannot be the same. It is, therefore, my submission that there should be no importation of PMS or Kerosene into Nigeria from Europe or America. Since the fuel refined locally and in Cote d'Ivoire can meet our domestic consumption, the issue of subsidy should not arise. At N65 per litre, the government would make the sum of N870 billion on the 35 million litres consumed in Nigeria daily. The fuel subsidy debate, therefore, is a package of fraud designed to deceive the government and the people of Nigerians. Painfully, there is nothing I have said here now that I have not discussed as counsel to the Nigerian Labour Congress and the Trade Union Congress. We have problems because President Obasanjo increased the fuel prices about 6 times in eight years. So we have problems, and when they were talking of the fact that our refineries were not working properly, I said no. Instead of them going to Europe and America, go to our neighbouring countries whose refineries can assist us, Senegal has a 46 years old refinery functioning, Cote d'Ivoire's refinery is functioning today. Mr. Chairman, Chad and Niger have completed their own refineries, and that was done in the last 2, 3 years. So we do not need to go to Europe assuming that the 30% the NNPC claimed to be refining locally is not enough. We can go to these neighbouring countries, after all, we sell fuel to them, and we give them crude oil on discount rate in the spirit of ECOWAS or African Union (AU). Petroleum Equalization Fund (PEF) I know has not come up, but it is very relevant for your job. It is common knowledge that fuel is sold beyond the official price in many parts of the country. This is illegal as it violates the provision of the Petroleum Equalization Fund Management Board (etc), Act (CAP P11) Laws of the Federation of Nigeria, 2004. This law was made in 1975 by the Gowon's regime, which established a Fund to be applied for the reimbursement of petroleum marketing companies for any losses suffered by them arising from the sale of petroleum products at uniform prices all over the country. Specifically, the PEF collects the sum of N5.85K per litre for equalization of the prices of petroleum products and 15K for marine transportation. Since petroleum products are not sold at uniform prices in the country the House Committee should summon the Secretary of the Petroleum Equalization Fund to explain what has happened to the over 500 billion naira which has accrued to the Fund from 2006 – 2011 from the PPPRA template as part of the subsidy. I think you understand what I am saying Sir, it is part of the whole template put in place by the PPPRA. Similarly, the PPPRA has been collecting administrative charges of 15K per litre of PMS imported into the country since 2006, so if they claimed it is 59 million litres, that is times 15K; if they say it is 35 million litres per day, that is times 15K. The revenue collected from the administrative charges runs into Billions of Naira and has not been paid into the Federation Account. The PPPRA should explain what has happened to the fund. By virtue of the Federal Roads Maintenance Agency (Establishment etc) Act 2007: "There shall be at 5% user's charge on

pump price of petrol, diesel and of which 40% will accrue to FERMA and 60% to be utilized by the established State Road Maintenance Agencies.” For some inexplicable reasons the law has not been implemented since May, 2007. Mr. Chairman, I have attached two letters- one that I wrote in July last year to FERMA why this law has not been implemented and how much has been collected. FERMA sent me a reply the same month under the Freedom of Information Act that the law has not been implemented. But in my further enquiry, Sir, I have now discovered that the sum of N821,632,388.50 was collected from the road levy of N1.50K per litre of PMS from January 1 – 20, 2004 and that that fund is domiciled in Account Nos.: 1014000-10 and 10140002-10 in the Central Bank of Nigeria. The Committee should direct the Central Bank of Nigeria to release the fund to FERMA so that it can be distributed in accordance with the law to mend our roads that are in bad shape. The controversy surrounding the planned removal of fuel subsidy has drawn attention to the legal management of the Federation Account by the Nigerian National Petroleum Corporation. Curiously, it has been said before you that the NNPC deducts fuel subsidy from source. This is illegal as it is a contravention of the PPPRA regulation which requires payment of fuel subsidy by the CBN on the recommendation of the Federal Ministry of Finance after verification of all documentations by auditors appointed by the Government. Admittedly, Section 7 of the NNPC Act empowers NNPC to defray all expenses incurred from “such monies as may be received by the Corporation in the course of its operations.” That provision is not an authority for the unilateral operation and management of the Federation Account by the NNPC. As all revenues collected by the Government of the Federation shall be paid first of all into the Federation Account by, virtue of Section 162(1) of the Constitution, therefore, NNPC cannot withhold, divert or remove any fund in the Federation Account without appropriation. This is very crucial; no Agencies of Government including the Central Bank of Nigeria can dip its hands into the Federation Account without appropriation that is why we have the National Assembly. Sir, in this age of transparency, NNPC must be asked to bring its budget to the National Assembly; there must be an estimate of what NNPC is going to spend this year. If that is not enough, they must bring a supplementary budget here. But there is no provision in our Constitution for any Agency of Government to dip its hands into Federation Account, pay any money from source without Appropriation; any withdrawal or payment into that account must be appropriated. The same thing goes to the Central Bank of Nigeria because the CBN is open expansively to manipulation. The Central Bank of Nigeria too manipulates the foreign exchange market and what I mean is this. We are paid in dollars for the crude oil sold by Nigeria daily. That fund is supposed to be deposited in dollars into the Federation Account because the honourable members or any of us here can maintain our domiciliary account. If you earned your money in foreign currency you put it there, and that is what the law says. There is nowhere the Central Bank of Nigeria is empowered to take money for the three tiers of Govern-

ments, change it at the price determined by the management of that bank and then put naira equivalent in that account. They then distribute naira only to now complain about excess liquidity which they claimed they mopped up. If an individual can operate a domiciliary account, why not each of the three tiers of Governments? When any of the tiers of Governments now want foreign exchange you then go back to the forex market to buy. So this is the greatest pressure on the naira and this is the greatest manipulation of the naira. NNPC does it, it is in this report. That is the report of the auditors that, before funds are paid into the Federation Account, NNPC too manipulate it: NNPC is involved in dollar for domestic crude allocation, but prior to remitting the equivalent value to the Federation Account, however, we observed that exchange rate used by the NNPC was lower than the average exchange rate published by the CBN during the period in review. You cannot run a country like this where Agencies just decide to manipulate the funds that belong to the entire country. For several years, I have suggested the effective maintenance of the four refineries and the construction of new ones. I am happy to note and I commend the Government, which has concluded arrangements with Chinese Company, this company is owned by the Chinese Government because here they tell you Government has no hand in business. Government must have its hand in business, all the people we sold our assets to, you already have the report, stripped the country of. So Government must have hands in business that is the provision of the Constitution. Three new refineries, in Bayelsa, Kogi and Lagos States and award of turnaround maintenance contracts to the companies that built our refineries in the first phase; this action is commendable. To stop the smuggling of petroleum products from Nigeria to neighbouring countries, I have repeatedly tasked the NNPC to build mega stations in neighbouring countries like Benin, Cameroon and Niger to discourage smuggling and generate revenue for the Government. This is not rocket science because Venezuela has over 18,000 gas stations in the West Coast. The issue of deregulation has been reduced and this is the way Government looks at deregulation and pricing of petroleum products. Let us increase price, that is what they call deregulation. AGO or diesel was deregulated over five years ago. But today, it is more expensive to purchase diesel in Nigeria than in any of our neighbouring countries which do not produce oil, and this is a shame. The reason is not far-fetched. Deregulation of diesel has led to a monopolistic control of the product by a few importers who dictate the price with the connivance of the Government. Again that is another application of the statutory duty of PPRA. In taking up the challenge before us as a nation, I will like to call on the National Assembly to pass the Petroleum Industry Bill without any further delay. This is the only way to ensure that the oil and gas industry is in the hands of the people of Nigeria, right now it is in the hands of oil majors, what we do at end of the month in the FAAC's meeting is to share crumbs from the master's table, this must stop in the interest of our country. However, in passing the Petroleum Industry Bill, the National Assembly should take cognizance of Section 16(2) (c)

of the Constitution which enjoins the Nigerian State to ensure: That the economic system is not operated in such a manner as to permit the concentration of wealth or the means of production and exchange in the hands of a few individuals or of a group. Mr. Chairman, permit me to conclude this memorandum by recalling the cautionary words of the Venezuelan Ambassador to Nigeria, Comrade Enrique Fernando Arrundell. Instead of re-branding Nigeria, the diplomat advised Nigeria through Professor Dora Akunyili, former Minister of Information, that Nigerians should take over her oil industry. According to the Ambassador: "In Venezuela, since 1999, we have never had a raise in fuel price. We only pay \$1.02 to fill the tank. What I pay for with N12,000.00 here (Nigeria), in Venezuela I will pay N400.00. What is happening is simple. Our President, Hugo Chavez, decided one day to control the industry, because it belongs to the Venezuelans. If you do not control the industry, your development will be in the hands of the foreigners. You have to have your own country. The oil is yours. Sorry I am telling you this. I am giving you the experience of Venezuela. We have 12 refineries in the United States, 18,000 gas stations in the West Coast. All we are doing is in the hands of the Venezuelans. Before 1999, we had three or four foreign companies working with us. That time they were taking 80%, and giving us 20%. Now, we have 90%, and giving them 10%. But now, we have 22 companies working with us in that condition. It is the Venezuelan condition. You know why? It is because 60% of the income goes to social programmes. That is why we have 22,000 medical doctors assisting the people in the community. The people do not go to the hospital; doctors go to their houses. This is because the money is handled by the Venezuelans. How come Nigeria that has more technical manpower than Venezuela, with 150 million people, and very intellectual people all around, has not been able to get it right? The question is: If you are not handling your resources, how are you going to handle the country? So, it is important that Nigeria takes control of her resources. We have no illiterate people. We have over 17 new universities totally free, I graduated from the university without paying one cent, and took three meals every day, because we have the resources. We want the resources of the Nigerian people for the Nigerians. It is enough! It is enough, Minister!"

LAWAN: Well honourable Colleagues, I think this is one of the few moments where a speaker is given applause by those who are here. Usually they listen to the presenter. But apparently what you have said appears to resonate with the people. Let me on behalf of my Colleagues express our sincere gratitude to you, of course, we did not expect anything less, even though I was not too sure of your credentials as far as the oil and gas sector is concerned. But I think you have made it very clear that you have been in touch with development in that sector and you have always been available to make contributions to the development of this sector. On behalf of my Colleagues, I want to very sincerely express my gratitude to you. I know my Colleagues will have one or two questions and I do not

think the discussion is going to be a long one because whatever you have to say, you have said it very eloquently, your position is very clear and I do not expect there will be too many interventions from my Colleagues. But let me just raise just one issue. I do not know today if the operators of the sector are not here, but you calculated the 445,000 barrel per day that is usually sold to NNPC daily. Do you have an idea of the various products, the quantity of products that come out of a barrel of crude oil? This is important because, how many litres of PMS, for instance, do we get from a barrel crude oil? You made some calculations here and from what you have presented, your argument is that if the 445,000 per day is refined, then there will be no need to augment that figure through importation by other marketers. That will depend on the calculation as to how many litres of PMS we can actually get from a barrel of crude oil. So I do not know whether you have that figure, so that you can give to us.

BARR. FEMI FALANA (SAN): Mr. Chairman that has been shrouded in secrecy and I am going to appeal to your Committee to ask for details. We are even trying to take advantage of the law to get the exact figure. But what I am trying to say is that if 380,000 of crude oil refined locally in Cote d'Ivoire and elsewhere fetch us 50 million litres of PMS; they have given the figure of 10 million litres of kerosene here.

HON. LAWAN: From their own document?

BARR. FEMI FALANA (SAN): Yes, last year 2011, it was 3 million litres; but that does not mean we could not get the 10 million litres of kerosene.

HON. LAWAN: Sorry what document is that?

BARR. FEMI FALANA (SAN): This is the role of the PPPRA in the administration of the PSF, a presentation to the Senate's Committee last year. This presentation was made on October 25, 2011. I am saying that, assuming without conceding it is 10 million litres of kerosene daily that will still be covered from the 380,000 barrels of crude oil refined locally and internationally daily. As I have said, assuming it is 35 million litres PMS, we separate that, if we are talking of 50 million litres, kerosene can be accommodated in that figure. That is why I am saying that we must get the NNPC that is in charge to claim that this is what we refine. That body must tell us how much we refine in terms of quantity of PMS, Kerosene and even Diesel; what do you export from the 60,000 dollar that you sell, what do we get, so that when you are going to recommend appropriate price you would do so from an informed position. Once you leave our border Sir, once you finish Immigration's formalities particularly in Seme Border where I am very familiar, you will see these bottles of fuel from Nigeria. On the 24 million that is said to be smuggled that is not true, there is no way you can smuggle out 24 million litres. A lot of it is to cover up the false voucher that

has been settled in the PSF scheme. There is no way they can smuggle 24 million litres daily, a lot of millions of litres purportedly imported to Nigeria never get here, and this is done usually by those briefcase importers who have no storage facilities. They just send the vouchers to Abuja and the vouchers are honoured.

HON. IRONA GERALD: Sir, please have a close look at the page 7 of your representation, illegal subsidy of PMS. You made Nigerians through this forth medium to believe that a barrel of crude oil, when refined gives us 159 litres of PMS, what are the other components. You know we are before Nigerians we should be mindful of the information we give out, now if you refine a barrel of crude oil, you will have 58 litres of PMS, it is when you put all these derivatives together that you have 159 litres and based on that you equally informed us that 170 barrels allocated to Warri and Port Harcourt will give us 36.5million litres, I want to disagree with that.

BARR. FEMI FALANA (SAN): There is no problem.

HON. IRONA GERALD: We are before public domain, so that we inform public adequately and properly. If you refine 170 barrels of crude oil it will give 9.86million of litres of PMS; that is the component you will get from the PMS. I just want us to look at that perspective, so people will appreciate what we are doing and we would be able to inform Nigerians accordingly and appropriately. Mr. Chairman that is clarification I just want to make. I am not making a case for anybody, but as member of the committee, we are bound to make informed opinion from issues. The GMD of NNPC has presented this issue, we took him to task on that, so I just want to inform us and let us know adequately what is before us.

BARR. FEMI FALANA (SAN): I can let you have further information I have attached to my presentation and the report of the presentation of GMD of NNPC. He never said they were other derivatives, all he said was we refine crude oil here. They are to show us those derivatives, and that is why I have pleaded with the Committee to get those details. From the information at my disposal this is my own belief and if you have said that only 9million will come out of 170million litres what of 380,000, how many litres will come out of 380,000? You will still get over 29million. But we must have details of how we refine locally and internationally before we can conclude who is right and who is wrong.

LAWAN: Thank you very much, let me quickly intervene at this stage. What we are trying to do is to listen in the areas, and at the end of the whole exercise, of course we would sit down and establish what we believe that is reliable. Obviously Femi Falana is not an expert, and I think he mentioned this at the beginning of this presentation, but we appreciate your passion, your concern and your commitment and patriotism for taking the trouble to follow

what the key stakeholders have been doing in that sector. That shows that you have a keen interest in what is happening, we appreciate your presentation. As to how many litres of PMS we can derive from a barrel of crude, these are issues we will look into when we retire into consideration of the presentations. We have heard from other people, NNPC, PPPRA, and agencies from government, major marketers, Independent Marketers, and we have learnt and we will come up with a position that we believe is what would be presented to the Nigerian public. I think just one intervention from my colleague and then we will allow you to leave.

HON ALI AHMED: A lot of conscious Nigerians have come forward to talk about these issues of fraud. I want you to share your opinion about institutional fraud. They say, for instance, if government did not create avenue, the fuel marketers will not mess up. There are some organizations that have detected fraud, organizations like NIMASA. But they cannot prosecute without the permission of the Attorney General of the Federation, and the Minister of Justice.

BARR. FEMI FALAN (SAN): What National Assembly did when the ICPC Act was enacted, was to empower these agencies to imbue them with persecutor and power. Most of these organizations can, on their own, initiate criminal and civil proceedings. Of course the Supreme Court has decided in the case of Osahon and Federal Republic of Nigeria that any of the investigation agencies either the police or EFCC and the rest, can initiate criminal proceedings. I think there are only four countries left that still combine Office of the Attorney General with that of Minister of Justice in our neighbouring countries. I am speaking about 11 Members of the ECOWAS, where you have the Minister of Justice, who is a Member of Executive, and you have Attorney General who is independent of the government of the day. He is appointed on his own merit; he prosecutes without anybody interfering. So it depends; but for now I am saying I have not discussed this matter with the Attorney General, but I can say that any of these bodies can on their own initiate criminal prosecution. If NIMASA has discovered fraud, this agency must also use the avenues that are available. They can lodge a complaint with EFCC who can prosecute any economic and financial crime, be it fraud, corruption, and the rest of them. They should take advantage of existing mechanism for dealing with the criminality.

HON. ABBAS TAJUDEEN: My question is concerning your proposals for establishing mega-filling stations in our neighboring countries. It looks very simplistic the way you put it. I want to be well guided by what you mean, are you saying that we should send Nigerian fuel or product to the mega stations and sell at Nigerian rate or sell at the rate obtainable in the host countries?

BARR. FEMI FALANA (SAN): What I am saying is something we want to discuss with

some members of government agencies. The whole idea is that, if Nigeria decides as a member of ECOWAS, to talk to Benin, Niger, Chad, Cameroon and others, her desire to have gas stations in their country, it will work out, it will be bi-literal agreement. Nigerians will have these stations and sell Nigerian fuel at prices by far lower than what some of the merchants that smuggle the product there. This action will keep smugglers out of business. That is what Venezuela and other countries have been doing. In America alone, Venezuela has about 2,400 gas stations. Those who will charge high will cooperate with you. The argument all the time is that our products are being smuggled out; therefore, we want to internationalize our price. It is difficult because in some of these countries the product pump price goes for over N200 per liter. Standard of living is not the same, someone has told me that Ghana has just increased its pump price to N175 in December, I said yes Ghana only increased by 15 per cent. Even then I do not need generator in my house, and if I am staying in Accra, I do not need one in my office. I am not going to spend too much on security, but all that you have to take cognizance. So when you increase the price of PMS it has little effect on the entire economy and that is what I am saying. That is possible here too. If it's possible we can build mega stations in all our borders with these countries, they will come and buy. Then you can say you want to sell at the international price; certainly higher than what you pay here.

LAWAN: Hon. Colleagues, we have several organizations that are expected to make presentations, let me at this juncture express our profound gratitude to Barr. Femi Falana for responding to our invitation and for being here this morning and for making a presentation that certainly brings to light a lot of facts. I will assure you that most of the issues raised are issues that we desire to look into thoroughly and come up with recommendations that will improve on efficiency and effectiveness of the management of the subsidy regime in this country. Your time here was not wasted; it was actually in pursuit of accountability and transparency. Once again on behalf of my colleagues, I want to salute your courage, your patriotism, your commitment, interest in the purpose of this country.

We wish you journey mercies back to Lagos. I now invite the Managing Director of NIPCO, Mr. Venkaharaman, to take the witness stand.

MD NIPCO PLC: Hon. Chairman and hon. Members of the Committee, it is our great privilege to be present here and to present to you our report, which covers the country at large, but before I proceed, I like to introduce to you our Members. (Members introduced). I have submitted copies of our presentation to the secretariat. I start the presentation with the company's mission and vision. It is the 4th largest company to all stakeholders in the oil sector. Our mission is to meet the need of all stakeholders who are regular in the downstream sector.

LAWAN: Do not worry about the mission and vision of the company just go straight, we are more interested on the kind of business you have done and your participation in PSF scheme.

MD NIPCO PLC: NIPCO Plc is a downstream operator in oil and gas sector, and a marketing operator in PMS, AGO, DPK. The company was incorporated in 2001 as an Independent Marketing Company and a member of Independent Petroleum Marketers Association of Nigeria (IPMAN) to enable IPMAN participate in the downstream sector. Its establishment enables IPMAN to build filling stations with a market share of 60 percent, and to have terminal and distribution channels. The operation of the company started in late 2008, for the benefit of the members of the fuel marketers nationwide. Since its inception, NIPCO has grown from strength to strength and has played very radical role in the nation's petroleum products distribution. In answer to federal government's clarion call it has participated in the gas sector and the LPG, and built modern terminals.

LAWAN: Thank you very much. Hon. Colleagues let me raise a few questions. You have mentioned several retail outlets, the retail stations are they wholly owned by you or are they affiliates?

NIPCO MD: They are all franchise stations; they are stations we have taken over on lease rent from owners.

LAWAN: They are leased so they are not owned, how many retail outlets are owned by NIPCO?

NIPCO MD: We have 100 stations and we have about six of them on our own basis.

LAWAN: Six of them are your own?

NIPCO MD: Yes.

LAWAN: What is the spread of the six, are they all in one location or are spread across the country?

NIPCO MD: They are spread.

LAWAN: If you have six I am sure you can tell me the location of those six. One hundred may be difficult for you to read out the locations but the six I am sure you have an idea; so where are those six, you have one in Lagos?

NIPCO MD: One in Lagos, one in Ogun State, one in Kaduna and one in Oyo State, one in Anambra, one in Zamfara State and one in Benue State. I am not very clear about the States.

IPMAN PRESIDENT: Mr. Chairman I think the MD is not very conversant on those retail outlets. The retail outlets that belong to NIPCO are precisely 103, while the 7,000 is from franchise on partnership so the six he is talking about are the mega stations of NIPCO.

LAWAN: Did you say 103?

IPMAN PRESIDENT: 103 precisely.

LAWAN: So, if I go to these 103 I will see them branded as NIPCO?

IPMAN PRESIDENT: Yes sir.

LAWAN: They are fully owned by NIPCO?

IPMAN PRESIDENT: Yes sir.

LAWAN: But the Mega Stations are six. Now second question and I am glad that you are the one responding, looking at the details that we received from PPPRA there is an indication that NIPCO participated in the petroleum subsidy funds. That is subsidy funds were paid to NIPCO in 2011. IPMAN equally collected money through that fund. Now, is IPMAN and NIPCO the same company or are they two different companies for the purpose of this operation?

IPMAN PRESIDENT: Mr. Chairman, as I said yesterday, IPMAN is a very big conglomerate; we have over 7,500 members or companies. As a commercial arm that promotes the product availability among our members we conceived NIPCO, an IPMAN Investment. Of recent we have IPMAN Refinery for Petro-chemical which I explained yesterday because we do not want to be static, we want to grow with the industry. In this circumstances IPMAN has been taking product not only from the three companies that is owned by IPMAN including the major marketers because of the size of the retail outlets that we have, that is, IPCO, IPMAN Investment and IPMAN Refinery. So, we still take from NNPC, we take from Major Marketers and we still take from DAPMAN. This is a situation: IPMAN imports through NIPCO and imports through IPMAN Investment and of recent IPMAN Refinery Petro-chemical. As I said we still intend to go to other regions. If you take West or East as a case study you will find out that we have thousands of retail outlets there that still cannot cater for the consumers so it is not possible for one company to service the 78% of retail outlets by IPMAN, it is not possible.

LAWAN: Let me minimize my question. I thought NIPCO was a baby of IPMAN or its commercial. My thinking was that whatever the quantity of allocation given by the PPPRA with regards to the importation of product to the IPMAN is to be done by NIPCO, because NIPCO is the company responsible for doing that. Basically what IPMAN does is the main-

tenance of the retail outlets because that is your primary responsibility, you may be into other things but that is the major primary commercial activity that you do. Now because you want to participate in the import, you now incorporated NIPCO to do that, but it is curious that on the list of those who benefitted from or paid the subsidy fund, NIPCO is listed and IPMAN is also listed.

IPMAN PRESIDENT: Mr. Chairman you are correct, the IPMAN that you saw was not IPMAN as an association, it is IPMAN Petroleum Company Limited. It is a liability company, it is not IPMAN as an association. I think that is where we are getting it wrong.

LAWAN: Has it got any relationship with IPMAN?

IPMAN PRESIDENT: It is a company sir.

LAWAN: Or is it like Pinnacle oil and Pinnacle Construction?

IPMAN PRESIDENT: Not at all Mr. Chairman it is a limited liability company owned by their directors and shareholders; it is not the same thing as IPMAN as an association, an umbrella body.

LAWAN: Is IPMAN a liability company?

IPMAN PRESIDENT: That is it.

LAWAN: Then why NIPCO?

IPMAN PRESIDENT: Mr. Chairman, because of our size - more of the companies are coming - we intend to have more companies from all the regions of Nigeria. If you take DAPMAN as a case study; DAPMAN is just an individual, they are having a lot of facilities and they are importing. But we are much of a group that has a chunk of the interest in the downstream, and we are now going to promote more companies; most of the geo-political zones would have our companies that would cater for our members. We are trying to reduce the exploitation of our members and that is why we are encouraging more companies to be listed so that we can do our business in the right manner. Mr. Chairman we are only trying to protect our business and investment. Do not forget that we have invested trillions of naira in this industry and if others that have invested less can do importation I do not think you are suggesting that we should wait for these people to import and then we should go and buy at premium.

LAWAN: I am not suggesting anything and I am not asking you to make any suggestion. I am trying to elicit as much information as possible so that we can be guided. In your presentation you indicated that you have capacity for 4,000 tonnes?

NIPCO MD: Yes, for LPG storage and 40m for other types of storage.

LAWAN: But you applied to import 195,000 tons?

PMAN PRESIDENT: That is LPG Mr. Chairman.

LAWAN: So he is talking about LPG not PMS. All right, I want to be certain on that. Look at your presentation, the distribution of your storage facility is as follows: 22.5m litres PMS and DPK and AGO 24m litres?

IPMAN PRESIDENT: That is very correct Mr. Chairman that is the storage capacity.

LAWAN: You applied to PPPRA in 2011 to import how many litres?

NIPCO MD: For the Year 2011, we imported 34m litres for the whole year.

LAWAN: In how many tranches?

NIPCO MD: In about twelve to thirteen tranches.

LAWAN: Which was the highest volume you imported.

NIPCO MD: We have imported 30 to 33,000 tons.

LAWAN: 30,000 tons, so that is how many litres?

NIPCO MD: That will come to about 38m litres.

LAWAN: And your storage is 22m litres?

NIPCO MD: Yes.

LAWAN: So what happened to the volume, was it diverted, was it smuggled or did you put it into jerry cans, what happened?

NIPCO MD: No we did not smuggle anything, the mother vessel comes in capacity of 38m litres and the mother vessel which is a big vessel comes in capacity of 38m litres and then the Apapa Jetty cannot take vessel of 38m litres so we put it in 15,000 tonnes which is about half of that which about 20m litres. It comes into the tank and we exhaust the product in about five to six tanks maximum and then the necessary daughter vessel comes and we were able to do it

LAWAN: We have the details, we have the manifest from the NPA, so if we check the records from what you have given us it will indicate that this did not come all at once?

NIPCO MD: It will show you.

LAWAN: I know we have also gotten information from NPA as well. Can I have some few details?

NIPCO MD: I hope you have understood this if you want to check with NPA it will tally 100% of what we have presented here.

LAWAN: IPMAN investment limited apparently is a different company, so ideally this presentation should be for two different companies because IPMAN Investment Limited should not hide behind NIPCO. They are two different entities, that is my understanding. IPMAN Investment has got separate facility or do you share the same storage facility?

IPMAN PRESIDENT: The same storage facility.

LAWAN: So if you look at the import by IPMAN Investment and import by NIPCO your storage facility should be able to accommodate your import?

IPMAN PRESIDENT: Very well sir. In fact we still have space because we load on 24hrs shift and we have PPPRA, DPR, IPMAN and we have everybody there.

LAWAN: I was not there and I am sure Femi Falana was not there.

IPMAN PRESIDENT: You cannot be there Mr. Chairman. If you were there we would not be before you sir. That is very true sir, but I want to assure you that our facility is being utilised at 300%. You see these are also the inefficiencies we are talking about. If a facility is being run efficiently we would be able to maximize profit on it and I want to assure Mr. Chairman that NIPCO Plc is one company that from the day of installation is highly automated you cannot manipulate anything there. We have our record of loading from day one up till date I want to assure you that there was no magomago, thank you sir.

LAWAN: Thank you very much, first of all, before you leave, there are certain information that we require. For all the imports you have done, we would want the bill of lading, the letter of credit and the certificate of discharge. Let me also have this information if you have it available now I want you to take it down. When was NIPCO incorporated we want the date.

NIPCO MD: We were given the certificate of incorporation on the 8th day of January 2001.

LAWAN: And the date of registration with the PPPRA, 2006? When did you first get the allocation from the PPPRA, what year?

NIPCO MD: 2007 was the first.

LAWAN: And you have the detail of the total volumes from 2006 to 2011 and the total volume delivered?

NIPCO MD: All that has been delivered sir.

LAWAN: And the tank volume delivered as well?

NIPCO MD: Yes, including the tank volume delivered as well.

LAWAN: When did you first receive payment from PPPRA, 2007 for subsidy?

NIPCO MD: 2007.

LAWAN: Alright, do you have any outstanding payment for 2011?

NIPCO MD: We have three cargoes.

LAWAN: Three what?

IPMAN PRESIDENT: The Chairman is talking about the value.

LAWAN: Yes, how much. Do you say N9.2bn? You have so far not been paid outstanding N9.2bn in 2011, how much were you paid totally in 2011?

NIPCO MD: N18.4bn.

LAWAN: N18.4bn and you have outstanding of N9.2bn?

HON. JAMES A. FALEKE: NIPCO, the Chairman asked you the capacity of tank and in your document and you gave 22,000 litres. I have observed from the document you submitted to us that your vessels came in with 28,000 litres, 32,000 litres at various times and the particular one you referenced the first item on your document came in on January 24, 2007 and left February 7, 2007. The volume of product imported 28,568, country of origin Netherlands, date of departure from country is it Netherlands or Nigeria? Where was the volume discharged into, this 28,568?

NIPCO MD: We have indicated the quantity of 16,240 into NIPCO tank and the daughter vessel of 9,645 litres also into NIPCO tank, the 2,999 is delivered into Calabar. This is the break up. This is the first one.

HON. JAMES A. FALEKE: The details we have from DPR of capacity of your tank say that you have 23,616m litres capacity. The functioning capacity is 21,713 of your tank.

NIPCO MD: I am talking about million litres; I think you are talking about the tank that is the different.

HON. JAMES A. FALEKE: Your document says that you have 22m litres capacity storage not tons.

NIPCO MD: I have indicated this; 22.5m litres perhaps the figure that you are saying could be in tons, that is what I am presuming. What I have given is in million litres and the figure that you have taken from DPR could be shown in litres. That is what I am presuming.

LAWAN: Well, thank you very much. If you have any further information please be ready to submit to us anytime but for now we want these details we requested from you. We would be glad that if you probably will let us have them, latest by Monday next week, thank you very much. Can I invite the Managing Director of SPOG Petrochemicals Limited?

ADEKUNLE AJALA, MD/CEO SPOG PETROCHEMICALS LTD: Good afternoon Mr. Chairman, the hon. House. I represent SPOG Petrochemicals Limited, and I have my team members here. Spog Petrochemicals Ltd was incorporated in 2005 and it is wholly an indigenous company. We have invested significantly in the industry. We have two tank farms with 30,000 metric tons capacity in Apapa. We have two vessels with the capacity of 30,000 tons as well; then we have about 64 trucks and presently have acquired spaces for lands and properties for retail outlets all over the country. We have land already established for purpose of building refinery in the Lekki Free-Trade zones. Our activities presently are to source, procure and market refined petroleum products and we have in our employment, over a hundred staff. I think this is a summary of what the company does for now.

LAWAN: When were you registered with PPPRA?

ADEKUNLE AJALA, MD/CEO: That was in May, 2010.

LAWAN: When did you first get allocation from them?

ADEKUNLE AJALA, MD/CEO: The first allocation came in the second quarter of 2010.

LAWAN: Second quarter?

ADEKUNLE AJALA, MD/CEO: Yes Sir.

LAWAN: So, you registered in May and got allocation in May?

DEKUNLE AJALA, MD/CEO: No Sir.

LAWAN: First quarter of 2010, January – March and the second quarter is against April – June. So you registered with PPPRA in May, 2010 and got allocation in second quarter. Is that all right? I just want to establish it.

ADEKUNLE AJALA, MD/CEO: I must have had a mix up there, but I am convinced that the first consignment we brought was in June, 2010.

LAWAN: Yes, it was brought in June, you must have been given allocation possibly what

date in June?

ADEKUNLE AJALA, MD/CEO: June 22, 2010.

LAWAN: Yes, you must have gotten that allocation earlier?

ADEKUNLE AJALA, MD/CEO: I do not have the details.

LAWAN: Sorry, from the date of the allocation to the date a consignment comes in, how much period does it normally take?

ADEKUNLE AJALA, MD/CEO: It can be in the neighbourhood of 21 days.

LAWAN: From the date of allocation and not from the date that the ship sails. From the date of allocation to the date of discharge, it usually takes the average of how long?

ADEKUNLE AJALA, MD/CEO: Well, it all depends on the consignment.

LAWAN: On the average?

ADEKUNLE AJALA, MD/CEO: That is why I said 21 days but it all depends, if for one reason or the other like now we have had a regular allocation.

LAWAN: What is the date of your registration with PPPRA?

ADEKUNLE AJALA, MD/CEO: That document is not here with me.

LAWAN: Alright can we have the precise date you first got allocation? Can we have the precise date your consignment first came in? So, what was the total of that first allocation given to you?

ADEKUNLE AJALA, MD/CEO: The first allocation given was 50,000 metric tons

LAWAN: How much money did you collect on that as subsidy?

ADEKUNLE AJALA, MD/CEO: For that quarter only?

LAWAN: Yes, only for that quarter.

ADEKUNLE AJALA, MD/CEO: For that quarter, I collected N2.019 billion.

LAWAN: Since then, how much did you collect in 2010 and the total in 2011?

ADEKUNLE AJALA, MD/CEO: In 2010, it was N7.479 billion and in 2011 it was N7.908 billion.

LAWAN: Do you have any outstanding claims?

ADEKUNLE AJALA, MD/CEO: Yes, I have outstanding for 2011 which is N1.8 billion.

LAWAN: How many retail outlets do you have?

ADEKUNLE AJALA, MD/CEO: Actually, we have affiliated outlets not particularly our own.

LAWAN: So, you do not have any?

ADEKUNLE AJALA, MD/CEO: For now no, but we have commenced building retail outlets in five locations. Lagos-Ibadan expressway, Ilorin, Kaduna, Abuja and Sokoto. These are the areas where we plan to build retail outlets.

LAWAN: You have acquired the land or you are shopping for them?

ADEKUNLE AJALA, MD/CEO: Basically we have designs in focus. We have land, we have design and I must confess that it is an opportunity to express one fact. We do not follow the group to do evil. We do things in uniqueness and that is part of the reason why if you look at what we are trying to design on Lagos-Ibadan expressway it is to contend with a number of other issues. We normally have trucks parked in it; it is a very massive land about two hectares of land. If you go there now, you will see effective work going on. So, it is not as if we are trying to buy land now.

LAWAN: What is unique about what you are doing that is different from others?

ADEKUNLE AJALA, MD/CEO: We are doing three things. We have truck parking where about 90-100 trucks can park at the same time. We have the retail outlet normally as it is.

LAWAN: How many trucks?

ADEKUNLE AJALA, MD/CEO: 90-100 at any point in time.

LAWAN: In a retail outlet, do you need a retail outlet with 90 parking space? Would you have sufficient facility to take it?

ADEKUNLE AJALA, MD/CEO: That is what I am saying that, it is a massive land on its own.

LAWAN: It is not about the land, somebody can own the entire land, but I thought that you are in business. I would expect that the utilization of the land would be based on maximum utilization.

ADEKUNLE AJALA, MD/CEO: Yes, we have thought of it already, implying to improve the capacity before the end of the year. So, what I am saying is more like a truck yard.

LAWAN: So, it is not really a retail outlet, it is a truck yard!

ADEKUNLE AJALA, MD/CEO: Yes, I told you that it is performing three functions.

LAWAN: No, you did not tell me, you are just about to tell me now.

ADEKUNLE AJALA, MD/CEO: I said we are trying to do three things in this same environment. We are doing retail outlet, we are doing truck yard, and we are doing various activities as well. So, it is an ultramodern and unique thing that we are trying to do.

LAWAN: What about the tank farm?

ADEKUNLE AJALA, MD/CEO: The tank farm, one is in Apapa the other one is in Ibafo.

LAWAN: So, what is the capacity of your tank farm?

ADEKUNLE AJALA, MD/CEO: The one in Ibafo is 22 metric tons and the one in Apapa 8,500 metric tons.

LAWAN: So, you have a total of about 30 metric tons?

ADEKUNLE AJALA, MD/CEO: Yes!

LAWAN: What is the highest volume that you have imported?

ADEKUNLE AJALA, MD/CEO: The highest we have ever had at any point in time is 28,000 metric tons.

LAWAN: And when was that?

ADEKUNLE AJALA, MD/CEO: That was at various times, but I think we have the one of March, 2011.

LAWAN: When did you acquire these storage facilities, the one at Apapa and the other one at Ibafo?

ADEKUNLE AJALA, MD/CEO: We acquired them in 2005.

LAWAN: You have had them since 2005?

ADEKUNLE AJALA, MD/CEO: We rehabilitated them and put them in best of state in 2009.

LAWAN: So, what were you using them for between 2005 and 2010?

ADEKUNLE AJALA, MD/CEO: We were just working on the various facilities we

wanted to put in place.

LAWAN: So, they were not functional for that period?

ADEKUNLE AJALA, MD/CEO: No, they were not functional before then.

LAWAN: Before 2010 they were not functional? There is certain information we require from you. Of course, we have already spoken of the Deed of Incorporation, the first letter of allocation, all the letters of allocation from PPPRA from the time you started business to date, the amount of money you have collected, your letters of credit, your certificate of discharge and the Bill of Lading.

ADEKUNLE AJALA, MD/CEO: I have everything.

LAWAN: I know you must have everything obviously but we want them. If you have them here we will collect them, but if you do not have them you send them later.

ADEKUNLE AJALA, MD/CEO: I have a number of them here already.

LAWAN: Give us the ones you have and then you bring the rest latest by Monday.

ADEKUNLE AJALA, MD/CEO: Is it the total subsidy that we have collected that you want?

LAWAN: We want supporting document, the information is here quite alright but anything that requires documentation we need the supporting document.

ADEKUNLE AJALA, MD/CEO: We have all those documents here.

HON. ALI AHMED: Are you aware of lease with Oando sometimes in 2010? Are you aware of the transaction in which you deposited your products with Oando in 2010?

ADEKUNLE AJALA, MD/CEO: Sorry Sir, I did not get the question right.

HON. ALI AHMED: Are you aware of a transaction between Spog Petrochemical and Oando last year?

ADEKUNLE AJALA, MD/CEO: Basically we had a number of transactions with Oando in 2011, not just one.

HON. ALI AHMED: The one that I am specific about is the one that raised some doubts, where you placed some products with Oando and basically it is about over invoicing with NNPC, are you aware of that specific transaction? If you are not, then you are not supposed to be here.

ADEKUNLE AJALA, MD/CEO: I am not aware of any specific transaction involving

over invoicing. For all of the transactions, the ones that were taken to Oando, we never had any transaction with NNPC at any point in time. So, basically, all these, if you look at the list we forwarded to you, Oando has always been a regular buyer from us. A number of other people are there but I have never been advised on this transaction where NNPC was involved.

HON. ALI AHMED: To be specific, there is a transaction where you placed government whether NNPC or PPPRA, you got an order to supply a product and you deposited it in this tank farm and you supplied 3,800 tons and you asked government (NNPC/PPRA) to pay for 13,000 tons. Dust was raised that you have not supplied 3,000 tons and you are asking for 13,000 which amounted to \$400 million. Are you aware of that?

ADEKUNLE AJALA, MD/CEO: I think there is a mix up somewhere because basically it will be difficult for anybody to present a case to PPRA like that.

HON. ALI AHMED: Are you aware of it?

ADEKUNLE AJALA, MD/CEO: I am not aware.

HON. ALI AHMED: What position do you occupy in Spog?

ADEKUNLE AJALA, MD/CEO: I am the Managing Director of Spog Petrochemicals Ltd.

HON. ALI AHMED: For how long?

ADEKUNLE AJALA, MD/CEO: Since 2008.

HON. ALI AHMED: Remember that you are on oath and you are not aware of this transaction. Oando has been here, they have forwarded a letter. The Attorney-General of the Federation is aware of this, it has been investigated and you as the Managing Director of Spog you are telling us that you do not know. Somebody will have to go to jail if you are telling us that you do not know of this transaction and you are on oath.

ADEKUNLE AJALA, MD/CEO: That is why I said there is a mix up somewhere. The transaction in question was not between us NNPC and Oando. We brought in 13,000 metric tons of oil products, we sold to Oil Park, 10,000 metric tons and we sold 3,800 metric tons to Oando and the 2,000 metric tons were discharged to Lisdat and there was a discharge certificate to that effect. So, I wonder why the issue of having to see it from perspective of 3,800 metric tons and wanting to claim 13,800 metric tons. It is not possible Sir.

HON. ALI AHMED: What we want is that with the additional document that you are submitting give us the document of this particular transaction you have mentioned, all the documents and how you got payments from the government.

HON. JAMES ABIODUN FALEKE: I just want some clarification from your presentation. The consignment arrived on May 2, 2011 and the vessel departed on of March 7, 2010. Is that an error or what?

ADEKUNLE AJALA, MD/CEO: It was a mistake.

HON. JAMES ABIODUN FALEKE: All these consignments you brought in, none was discharged to your own tank, did you sell them directly to major marketers?

ADEKUNLE AJALA, MD/CEO: In most cases we always have allocations.

LAWAN: Go back to that item 10 that you raised. Actually what this document is indicating is that the vessel left the country of origin on the 7th of March, 2010 and arrived on the 2nd May, 2011 which is a difference of one year, two months. What happened? Was it a mother vessel and it had to put to bed before arrival or what?

ADEKUNLE AJALA, MD/CEO: Please let us get ourselves sorted out with our documents before we get back to you but I am sure it should have been typographical error.

LAWAN: Can you verify that?

ADEKUNLE AJALA, MD/CEO: For sure I will come back to you.

LAWAN: We have requested for certain documents, please bring them along later. We invite Mr. Mustapha Fashanu, MD, Lime Trail to the witness box, please.

MR. MUSTAPHA FASHANU, MD LIME TRAIL: I will like to thank Lawan and the members of this hearing on subsidy management regime. Lime Trail is a Nigerian independent Energy Trading company. We started operation in September, 1999. We trade on oil and LPG all the way to bitumen. We provide trading and shipping services to our end users/customers. We are a business that has grown from two people in 1999 to about 42 people today. I am a Chemical Engineer by training. I have worked in the upstream oil fields, implemented infrastructure and sold crude oil. My partner is a lawyer by training and he has traded in oil and worked for the NNPC in the past. We have an extensive network of producers with finance and large volume traders as well. We have an investment potential in downstream storage facility, we have 40 per cent interest in a marginal field off shore Niger-Delta.

LAWAN: Did you say potential?

MANAGING DIRECTOR, LIME TRAIL: Yes, we have a piece of land that we are trying to develop.

LAWAN: You have the land?

MANAGING DIRECTOR, LIME TRAIL: Yes, what we are doing is that we are working on the design and all the necessary approvals for construction.

LAWAN: And what do you want to construct?

MANAGING DIRECTOR, LIME TRAIL: We want to put on a storage tank

LAWAN: When did you register with PPPRA?

MANAGING DIRECTOR, LIME TRAIL: We registered with PPPRA in January, 2011.

LAWAN: When did you first get your allocation?

MANAGING DIRECTOR, LIME TRAIL: On the 18th January, 2011.

LAWAN: You registered in January, 2011 when precisely?

MANAGING DIRECTOR, LIME TRAIL: I do not have that precisely but it was just that we applied for the first quarter of 2011.

LAWAN: Of course it should be in January, but let us have the precise date that you applied and the date you first got your allocation. How much were you allocated?

MANAGING DIRECTOR, LIME TRAIL: We were allocated 15,000 metric tons.

LAWAN: What was the amount paid as subsidy on that allocation?

MANAGING DIRECTOR, LIME TRAIL: It was N1,213,903,930.00

LAWAN: Since that 2011 from January to December what was the volume of allocation given to you?

MANAGING DIRECTOR, LIME TRAIL: That is the only one.

LAWAN: What happened?

MANAGING DIRECTOR, LIME TRAIL: The opportunity to do business with PPPRA is the one we considered most; however, we were not given another allocation until 3rd quarter in 2011.

LAWAN: But, you said that was the only business you did? You are now saying you got allocation in 3rd quarter?

MANAGING DIRECTOR, LIME TRAIL: Yes, we got the allocation but we did not do it because we had a shortfall from the first allocation.

HON. LAWAN: So, you had shortfall in payment of the first quarter allocation? Was it a liquidity content or what?

MANAGING DIRECTOR, LIME TRAIL: We are a trading company; we are providing services to major marketers and major buyers of oil. If we are taking a decision never to add up then we have to reconsider what type of option there is. We decided not to do it because we had a shortfall from maybe in calculation as to what we should receive in payment.

HON. LAWAN: Have you been paid that shortfall or you still have outstanding payment?

MANAGING DIRECTOR, LIME TRAIL: We still have outstanding.

HON. LAWAN: How much is it?

MANAGING DIRECTOR, LIME TRAIL: It is about above N500 million.

HON. LAWAN: And the total allocation given to you was how much?

MANAGING DIRECTOR, LIME TRAIL: It was N1,213,903,930.00

HON. LAWAN: So, you would potentially have storage facilities?

MANAGING DIRECTOR, LIME TRAIL: Yes, potentially.

HON. LAWAN: Right now you do not have any, but you would potentially have storage

facilities.

MANAGING DIRECTOR, LIME TRAIL: Yes.

HON. LAWAN: Are you equally looking at a potential ownership of a retail outlet as well or do you have retail outlets?

MANAGING DIRECTOR, LIME TRAIL: No, we are a trading company; our investment in the storage facilities is separate from what we do.

HON. LAWAN: That I know, I am talking about retail outlets.

MANAGING DIRECTOR, LIME TRAIL: I am clarifying that to you. For us, having storage does not necessarily translate into having retail outlets.

HON. LAWAN: I know you have already clarified that and I am satisfied with your answer. I do not doubt that, but having established that; I am saying do you have retail outlets or are you planning to potentially have retail outlets?

MANAGING DIRECTOR, LIME TRAIL: Not at the moment Sir.

HON. LAWAN: So, there is no plan to have retail outlets?

MANAGING DIRECTOR, LIME TRAIL: Well it is something we would consider but not at the moment.

HON. LAWAN: There are certain details we require. For that business you did with PPPRA we would want the certificate of discharge, we would want the Bill of Lading and we would also require the letters of credit.

MANAGING DIRECTOR, LIME TRAIL: They are all in the document submitted.

HON. IRONA GERALD: Were you pre-qualified by PPPRA before you started lifting products?

MANAGING DIRECTOR, LIME TRAIL: Yes, we passed technical evaluation if that is what you mean. When we sent in our application there was a technical evaluation with certain criteria that I believe that the PPPRA must have assessed before awarding us the contract. So, my answer to you is yes.

HON. IRONA GERALD: You have a contract with PPPRA, can you avail us with the terms of the contract?

MANAGING DIRECTOR, LIME TRAIL: Yes we can, it is in the package that we submitted to the committee.

HON. SAMSON OSAGIE: You are a limited liability company?

MANAGING DIRECTOR, LIME TRAIL: Yes Sir.

HON. SAMSON OSAGIE: What is your share capital because it is not part of this document? I can see the evidence of incorporation here but I cannot see the evidence of your share capital here.

MANAGING DIRECTOR, LIME TRAIL: Yes, we are a limited liability company and our share capital is N20 million.

HON. SAMSON OSAGIE: Where is the evidence here because it is a corporation document such as the ones that you have submitted? It ought to be included, why did you not include it here?

MANAGING DIRECTOR, LIME TRAIL: It was not requested but if you would like that we would make it available.

HON. LAWAN: Yes, we would appreciate it if we can have that as well.

MANAGING DIRECTOR, LIME TRAIL: All right, we will do that, two documents now. One is the exact date of application to the PPPRA.

HON. LAWAN: We want to thank you very much for your presence here and we will expect the documents we requested. We have taken note of most of the information you have given us and I will assure you that it would help in the report that you have finally presented. I want to thank you very much for taking time to be here with us. Thank you so much and I wish you journey mercies and success in your business.

MANAGING DIRECTOR, LIME TRAIL: Thank you very much Sir.

HON. LAWAN: We will just take AMG Petrol Energy and then the former Executive Secretary of PPPRA. AMG Petrol Energy, please take your oath.

MD, AMG PETROLEUM ENERGY: Hon. Chairman, hon. Members of this Committee, distinguished ladies and gentlemen. AMG Petrol Energy Limited is a petroleum company that has been fully operational for about seven to nine years. We trade in wide varieties of petroleum products including crude oil and other oil products for export and import. We have offices in Abuja, Lagos, Kano, Calabar, Ghana and we are expanding to other African countries. We thank the Honourable Committee for inviting us to this presentation/briefing because we feel that it is an opportunity for us to get our position across. We are a very serious company and I will like to give a brief outline. But before I go ahead, Mr. Chairman, I will like to state that we as a company take objection to several comments that

have been made that companies who do not have depots are briefcase companies. This is not correct and it is very wrong. The reason why I say that is because we as a company have built capacity over the years, we have a credit line of over \$600 million. We joined the PSF scheme in 2008 when we are only about 15 companies and we have been through a lot in trying to build our company. When we were doing the PSF scheme, there was nothing like Sovereign Debt Note, which is what you get if you cannot get your money within 45 days. We used to get our money in 120 days, 150 days. Negative positions were recorded on our books because of this delayed payment due to interest charges from the banks and fluctuation in the currency. But we kept on doing the business because we believed that it was a sacrifice business. Some days you make money, some days you do not. We have over 50 employees in Nigeria and outside Nigeria, our counterparts are international trading companies and refineries; like Shell Supply and Trading Company, Time-oil Overseas, Petrobras Brazil, Annen, Agip, Chevron International, NNPC, GNPC (Ghana National Oil Corporation) among varieties of other companies. We have imported quite a huge number of products by our standard to handle it. In 2008 as you can see from the presentation of the breakdown that has been given in the schedule, we imported about 15 million litres. In 2009 we increased from 15 million litres to 78 million litres. In 2008 we increased that from 17 million litres to 105 million litres.

HON. LAWAN: Sorry can you take that again, you started in 2008 right?

MD, AMG PETROLEUM ENERGY: 2008.

HON. LAWAN: 2008 when the import was.

MD, AMG PETROLEUM ENERGY: We imported 15 million litres plus.

HON. LAWAN: All right, just go ahead.

MD, AMG PETROLEUM ENERGY: My colleague is advising me to give those figures in tons, it is probably easier. So we imported 11,000 tons in 2008, in 2009 we imported 57,000 tons, in 2010 we imported 79,000 tons and in 2011 we imported 58 - there was a drop. And this drop is as a result of the policy from PPPRA which states that if you do not have a depot, you will not be allowed to participate in the process. As I said earlier, we brought all the supporting documents for all the vessels.

HON. LAWAN: So you did not import in 2011?

MD, AMG PETROLEUM ENERGY: We did, but from 79,000 tons in 2010 it dropped to 58,000 tons in 2011. This was because during the 4th quarter of 2011, the policy came that if you are not a depot owner you are not allowed to participate in the programme. We brought supporting documents for most of the vessels that we have brought in. Unfor-

tunately, we did not bring all of them because the time we got was very short. They are very voluminous, just for 8 vessels we brought a whole carton. From the products that we brought into the country, we have supplied major marketers, like Mobil, Total, Oando, Conoil, MRS, and so on. We supplied them with a lot of requirements and as I said over the years we have been exposed to a lot of places and things - operational risk as a result of demurrage, interest risk and so on. At a time the PPPRA template did not cover our cost and other cost such as increase in port use and payment in cargo goods. When the SGN was introduced it made things a lot easier, still we have incurred quite a lot of shortfall, we would not have remained in the business except that we believe that we are an ongoing company and as a result we will grow with time. I also want to mention something about the wrong conception out there in the Nigeria public that subsidy is a gift. For us it is not a gift, the cost of petroleum products to land in Nigeria is about N140 per litre today. When we bring it in Government tells us to sell at N65 and then they give you a refund of about N75. What we get as subsidy is a refund and the profit that we make maybe at times 50 kobo per litre, at times N1.00 per litre. In some cases we do not even make a profit. In some cases we pay the Government subsidy because there are times when we bring the product in and the cost of landing in the product is less than what we are told to sell at, is less than N65.00 per litre, so we pay the Government the difference.

HON. LAWAN: But that is not paying Government subsidy, it is like the refunding part of the subsidy you have collected.

MD, AMG PETROLEUM ENERGY: No, it is not, when you are given subsidy, it is called over recovery. And when you pay back it is called under recovery.

HON. LAWAN: Which one is the payment?

MD, AMG PETROLEUM ENERGY: In some cases we pay the Government.

HON. LAWAN: But when you import, the cost of the product is less than N65.00 per litre.

MD, AMG PETROLEUM ENERGY: Yes.

HON. LAWAN: All right, continue.

MD, AMG PETROLEUM ENERGY: If you look at the table I gave you, in 2009 the first two cargoes were brought in, when we sold the product in the market we sold it lower at N65.00 per litre but our landed cost was below N65.00 per litre. So we made a refund of N96 million to the Government with the first vessel. But the second cargo we made a refund of N50 million. It is there in our documentation. We also realized the fact that there is a lack of infrastructure in Nigeria and that brings a lot of cost, like demurrage for instances. Other countries that have the infrastructure, when you are coming in either from

your local refinery or from outside it will take you two to three days to discharge. But here you can spend as much as 20 days. We realized that we are spending quite a bit of money, so we are building a depot in the eastern part of the country, we have started construction. We have another that is going to cost us over N3 billion. We have another facility that we are going to build in Lagos and we have already acquired the land. We have a petrol station that we have just built in Kano, an automated petrol station, and we are building another one in Abuja. We have inland depot that we are building in Kano. The total cost of these infrastructures that we are building over a period of 5 years is about \$400 million. So that is why it is painful when someone looks at you, and even when he has not actually looked to know your exact position, he says you are a briefcase company - after the amount of sacrifices that you have made. As I said earlier we have brought all the supporting documents, everything is very open. The allegation being made about sharp practices AMG Petrol Energy has never come across these practices and we are not involved in them.

MD, AMG PETROLEUM ENERGY: Sorry, are you saying you have never been involved, or are you saying they do not exist?

MD, AMG PETROLEUM ENERGY: We are saying we have not come across them. We cannot make categorical statement because we do not have evidence. We have not come across them and we are not involved in it; honestly we did not know anything about it. We have a very open policy, our papers are here.

HON. LAWAN: You are under oath.

MD, AMG PETROLEUM ENERGY: Yes.

HON. LAWAN: Under oath, you have never heard of it.

MD, AMG PETROLEUM ENERGY: I will say we have never come across it.

HON. LAWAN: You have never heard of it?

MD, AMG PETROLEUM ENERGY: We have heard of it happening but we have never seen it and they say seeing is believing. Our documentation is here, we buy it from suppliers, we issue LCs to suppliers, and these LCs are issued by banks and these LCs are confirmed by international banks. We have physical vessels that go offshore to load these products or go to Europe load these products and bring in these products. We deliver to major marketers and most of the major marketers have petrol stations. And since we do not have a depot at the moment and we are building' in the meantime rather than put the product in the depot and then sell to those who have petrol stations, we say we can combine the two; sell to those major marketers who have depots, who have petrol stations. We have physical cargoes, they come to depot, they discharge, and we get payment from these major market-

ers and into our account. We document our activities at the point of discharge. We have over nine government Agencies involved; the DPR, PPPRA, Akintola Williams, the Navy, the Customs, the Immigrations, even the disease control agency; they are all there. They all see the products that we are bringing, and that is why I said, as a company, we do not know about any sharp practices that take place. The reason our volume dropped is a very serious issue. Mr. Chairman, I believe that there is a deliberate policy of exclusion. This administration under the current Minister of Petroleum Resources has put in place a lot of policies that have really helped indigenous companies. Our company has not grown as much as we have done in last couple years like it has recently. But then this policy of exclusion!

HON. LAWAN: Sorry, you said this Government under the leadership of the present Minister of Petroleum Resources has put so many policies in place?

MD, AMG PETROLEUM ENERGY: Yes Sir. That has encouraged the growth of indigenous companies.

HON. LAWAN: All right, like what?

MD, AMG PETROLEUM ENERGY: Local content policy, a lot of supports have been given to indigenous companies by giving us more business and by making policies that are aligning with the business that we are doing. So we have witnessed a tremendous amount of work in the last year.

HON. LAWAN: So the Minister has actually played a role in giving more businesses to more companies.

MD, AMG PETROLEUM ENERGY: Yes, to more local companies.

HON. LAWAN: To more local companies?

MD, AMG PETROLEUM ENERGY: That I can categorically say.

HON. LAWAN: All right.

MD, AMG PETROLEUM ENERGY: But the recent management of the PPPRA feels that they want to bring about policy of exclusion and I believe there is a problem in Africa today and in Nigeria with this policy of exclusion. If people have the capacity to participate in an industry, I think it is the job of the regulatory authority within that particular industry to be able to determine those who have the capacity and those who do not have capacity. But you look at an oil company and then say you have a blanket judgment: if you do not have a depot you are not allowed to participate. I think it is highly wrong, because we have 50 employees as I have I said, which means that we feed 50 Nigerian families who with this kind of policy will be out of job. At the end of the day, one of the problem that we

are having today in Nigeria, indeed in Africa is because there is so much resources but we do not let it spread. If people can have the capacity to participate, they should be allowed to participate. That is one issue which I want to bring to the attention of the Committee. Some of the companies that were participating with us in importation of products in 2008, about 15 companies, quite a large number of them have built depots and that is because of the support that they have been getting from Government and we are also in the process of building depot as well. As I said we have started construction and the Committee is free to come and inspect all the things that we mentioned that we have. I think this sums my presentation. Thank you very much Sir.

HON. LAWAN: Thank you very much for that presentation. Who is the Chairman of the company?

MD, AMG PETROLEUM ENERGY: Well, we do not have Chairman as such but I am the Chief Executive. On my left is my colleague, partner; Ibrahim Baloni. He is also a shareholder. On my right is Mr. Chidi Nwabueke, Head of Finance. I am the highest office in the company; we have a board of shareholders.

HON. LAWAN: You are Chairman, Managing Director combined together?

MD, AMG PETROLEUM ENERGY: I am just the Chief Executive Sir.

HON. LAWAN: Wholesome administrator.

MD, AMG PETROLEUM ENERGY: No, I have colleagues Sir, just Chief Executive.

HON. LAWAN: And what is the share capital of the company?

MD, AMG PETROLEUM ENERGY: The share capital of the company is N50 million.

HON. LAWAN: All right, you said it is was incorporated in 2006?

MD, AMG PETROLEUM ENERGY: The Company was incorporated in 1991 actually. But we have actively been doing business in the industry.

HON. LAWAN: As at 2006.

MD, AMG PETROLEUM ENERGY: 2003.

HON. LAWAN: All right, 2003, about 9 years now and you joined this subsidy in 2006?

MD, AMG PETROLEUM ENERGY: 2008. PSF started in 2006, I joined it in 2008.

HON. LAWAN: So what accounted for your low participation in 2011? You said it was because of the new guideline that says those who are not depot owners should not partic-

ipate. You did a large quantity of business in 2010 in particular but in 2011 it is quite low.

MD, AMG PETROLEUM ENERGY: The reason why the level of business has dropped is because this report that we have given you is only for the import of petroleum products. Generally, our business increased.

HON. LAWAN: No, I am talking particularly on subsidy.

MD, AMG PETROLEUM ENERGY: In terms of petroleum products it dropped because there has been deliberate policy that says that if you are not a depot owner you will not be allowed to participate. So in the 4th quarter of 2011 we did not participate at all. In 2011 our quantity shrunk, which is the battle we have with the previous management of the PPPRA. We said we thought good performance should be rewarded. If you give us 15, we will do 15. Next time give us 30, and if we do 30, next time give us 60. We realize that all the allocations that we have been given all over the years, we have done everything Sir. In 2011 we just started shrinking from 30 and it now became 15, and we are wondering about what is going on, especially when we realized that there were other companies that are being given 60, 30, for unjustifiable reason - which you know, I do not know Sir.

HON. LAWAN: But do you not think there is apparently a little contradiction in what you said. Earlier on you praised the honourable Minister of Petroleum Resources for patronizing or bringing in more indigenous companies. But do you not think from what you are saying now it is because there are many players now that you are gradually being muscled out? You just said that many other companies for whatever reason came into the business and possibly they are what are affecting your own participation, even though you have longer history in the whole things?

MD, AMG PETROLEUM ENERGY: Sir, I think when I talk about the Minister's initiative to support local companies, it can be seen in 2011, the companies that were participating increased tremendously. I believe that PPPRA as a regulatory authority is the one that is supposed to determine the companies that have the capacity and those that do not have the capacity. We cannot do the job for them Sir, and we believe that if they had taken that position of deciding who has the capacity they should keep on supporting them and even increase their participations, but everybody was treated to this blanket approach; you have a depot, we give you large quantity, if you do not have a depot we give you some small quantity. They just bunch you all together, and we feel it is very unfair.

HON. LAWAN: Thank you very much. As I said before we need your Bill of Lading; we need your certificate of discharge from 2008 to date, if you have that. And we need the letters of credit as well. Do you have any outstanding payment for 2010, 2011.

MD, AMG PETROLEUM ENERGY: Yes, we do, right now we are being owed, all right, and we have not gotten our SGN yet because it is the valuation that will state exactly the amount. But we can give a rough estimate, I think it is in the region of about N1.8 billion.

HON. LAWAN: That is the outstanding payment?

MD, AMG PETROLEUM ENERGY: Yes, the outstanding payment.

HON. LAWAN: All of it for 2011?

MD, AMG PETROLEUM ENERGY: Yes, it was for the 3rd quarter.

HON. LAWAN: Yes said about N1.8 billion?

MD, AMG PETROLEUM ENERGY: About N1.8 billion, this is our rough estimate.

HON. LAWAN: You say rough estimate, we should take it not precise figures? All right, thank you.

HON. JAMES FALEKE: You told us that you hardly make profit, yet you still want more volume from a business you do not make profit from! You make little or less than 50 kobo or even loss sometimes. Why do you still want more volume or business? You also said that you made payment to PPPRA in year 2009, N96 million at a point and N50 million at another point. Do you have receipts? What was the mode of these payments; bank transfer, cheque, do you have the receipts from PPPRA? We want copies of the receipts from PPPRA and the letter advising you that you have to pay these particular amounts and all the shipping documents for these particular transactions.

MD, AMG PETROLEUM ENERGY: I need to make a very clear distinction. In the oil industry you have trading companies and you have companies that represent two differences in trading business. It is a voluminous business and your profit is determined by the amount of volume that you take. The margin is very little, so the more volume you do the better for you. What you will try and do is to use the volume to reduce your cost. I will give an example. If I have a vessel that is charging N30,000.00 for 15,000 tons and I am able to put 20,000 tons on the same vessel, the amount that I pay the vessel does not change and the unit per cost will reduce. So if we do more volume, then our profit increases and it is not on all trade that you do profit, all trades are not the same. I may go to Apapa Port, I might go to Port-Harcourt, and there are two different levels of demurrage there. In Apapa Port because of the amount of congestion I might spend 10 to 15 days, if I go to Port-Harcourt Port, I will probably spend 2 days. So it depends on the trade, but you get better with time as you understand your trade. The assumption is that at the end of every year you come out with healthy profit and that is what we have done.

HON. JAMES FALEKE: Talking about your capability you did say that you have objected to being classified as a briefcase company. As far as we are concerned, according to the guidelines of PPPRA, the eligibility state that you must have minimum of 5,000 metric tons storage tank and you have retail outlet as added advantage. You do not have retail outlets, you do not have tank farm, and so where then do we classify you? Is it Major marketer, is it DAPMAN, and is it Independent or what?

MD, AMG PETROLEUM ENERGY: Well Sir, first of all, I want to state again that we have retail outlets, which I mentioned initially. We have an ultra modern petrol station in Kano, if you wish to visit there, I can take you. We have a depot that we are building in the eastern part of the country which right now is under construction and it is costing us over N3 billion. We have another depot that we are building in Lagos. There is also a clear distinction between a trading company and a depot. Most depot owners do not have trading farms and then most trading companies do not have depots. It is only here that they said before you can participate in production or in trading of product you must have a depot. It is like saying that a travel agent must have an airline before he can sell ticket, no. As far as you have the eligibility and the capacity to be able to use those depots and pay, then you should be able to trade. That is my assumption, this is my belief. Secondly, Sir, over the years PPPRA has given us allocation based on agreement with depot owners, which states that if you bring your product, they would receive it on your behalf. You will pay them and then you can sell your product from their facility. They would give you an import permit, it is in the guideline, that you can be given permit based on that, which is the reason we were given from 2008 to 2011.

HON. SAMSON OSAGIE: Your Company is into full-time importation of petroleum products. Looking at this chat you have given us, the origin of most of the product you brought in, is either off-shore Lome, or off shore Cotonou, Lagos offshore; If you bring in product from off-shore Cotonou, or off-shore Lome, will that be regarded as importation or you just know about the vessels and you go to the mother ship, collect some products into your depot and you call that importation?

MD, AMG PETROLEUM ENERGY: I am glad you ask that question, because I am hoping that the Committee will likely help us to understand the difficulties that we faced, because of the lack of infrastructure in Nigeria, these vessels cannot come into port directly, they anchor offshore Nigeria or offshore Lome, and because Lome is considered safer than Lagos, and then we take smaller vessels, lighter vessels to bring the cargo in.

HON SAMSON OSAGIE: Do you not see that the origin of those products is Lome, and Cotonou as you have put here?

MD, AMG PETROLEUM ENERGY: No sir; the origin of the products is not Lome, the origin of the product is not West Europe, but the area where it has been loaded for bringing it into Nigeria is Lome because that is where we do ATS. Why I said that was good question is because we also have a limitation from our banks, our banks do not allow Nigerian companies to issue LCs directly. In most cases we have to rely on the Nigerian Trading Companies, that bring this product offshore Lome and we now go and buy from them.

HON. LAWAN: Eventually, what it means is that International trading companies that have licences bring in products to safer place around Lome, and then you go and buy, get into the country and regard that as import? There is column here where you said you brought in 16,000 metric tons in 2009 directly from Amsterdam. Can you then say that one can get into Nigeria safely without any problem?

MD AMG PETROLEUM ENERGY: The reason that happened was because we had offshore line. If the quantity that we get from PPPRA is sizeable quantity like 30,000 tonnes, why should we buy 15,000 tonnes in two lots offshore Cotonou, when you can go directly to refinery and buy? What we did was that we used our offshore line LC's, offshore refineries, and offshore trading companies and went all the way to Europe to load. Since then for some reasons our quantities have reduced and because of a lot of limitations we are not able to do that again. We have to go offshore Cotonou and offshore Lagos to buy.

HON IRONA GERALD: I cannot understand, you said while you cannot berth in Nigeria territorial waters is because of insecurity, and we do not have infrastructure. Can you expatiate on that please?

MD, AMG PETROLEUM ENERGY: What I am saying is that you cannot bring in all the imported products that come into Nigeria mostly from Europe, most of the companies that actually bring these products from Europe feel that the minimum they can is 30,000 metric tons. So why use 15,000 tons vessel when you can use bigger vessels. In Nigeria they can think about 3 or 4 facility that can take full 30,000 metric tons, the most of some depots can take is 15, or 20 metric tons. So what we do is get smaller vessels to bring the product.

HON. IRONA GERALD: We are not saying you should come to the port; most of these things are offshore Lome, why can you not berth in Nigerian territorial water, or offshore Nigerian waters?

MD, AMG PETROLEUM ENERGY: There are a lot of limitations, the first is the security of the vessels, a lot of vessels are very expensive, and we do not intend to expend a lot on security risk e.g. insurance cover. Offshore Lagos because we have lot of pirate activities, and there is a lot of legislative requirements. NIMASA, tries to protect local companies that own vessels, some of them find it cheaper to go offshore Cotonou to buy than to come to

offshore Lagos.

HON. MAKINDE ROTIMI: From the accounting point of view, will I be correct to say the cost of production of products from off Shore Lome, Cotonou, or Lagos is the same as products you are importing from Amsterdam? By way of calculation, will I be correct to say that?

MD, AMG PETROLEUM ENERGY: Sorry sir, can you reframe your question please.

HON. MAKINDE ROTIMI: I do know that there is template for the calculation of fuel subsidy, but I am now asking you; will I be correct to say, this quotation, the template used for products from Amsterdam is the same as used for the product offshore Cotonou or offshore Lome, is it the same?

MD, AMG PETROLEUM ENERGY: Yes sir, if you bring in cargo from Amsterdam to Offshore Lagos or offshore Cotonou, it is still the same quotation. It is just that the vessel owner chooses his own reason and prefers to go offshore Lome because of the limitations I talked about. I do not know whether I have answered your question sir.

HON. LAWAN: Yes you have, even if you have not, you are covered, you are protected. Honourable colleagues I think we will allow AMG to leave, we made some request for some documents, we will also add that you let us have the certificate of loading in addition to what we have requested. I want to thank you very much for sharing your view with us; we truly appreciate your participation in this public hearing and be assured of greater effectiveness in the way things are done. If there is anything we require or any additional information we need from you that will be useful to this exercise, please do not hesitate to provide that information to us.

HON. LAWAN: Let me on your behalf welcome the former Secretary of PPPRA. We felt it was important to invite you here, because so many issues have been raised concerning some activities done under your watch. We felt it would be important to share your views with us on the way PPPRA was run, the management of Petroleum Support Fund (PSF) and particularly, on some of the issues that have risen in the course of this discussion. What I will do is this, if you have presentation, I will allow you to do so first, thereafter we can take the issues.

FORMER SECRETARY OF PPPRA: I thank you for this privilege. I must say that I have carefully followed most of the sessions and have availed myself of some of the information exchanged. I am very happy that, at this very point in time, I can say that most of the things I expected to come out from my former office has come out, even those information I thought were erroneous and thought that I would love a situation where I have the

privilege to explain. I saw corrections being made by the very people who provided that information. Today I am very happy that the Committee is well abreast of things going on in that sector, particularly the misconception about the PPPRA, you will notice that is the only organization that eventually lost the entire Executive including the Chief Executive at the midst of this hearing. I and my past management have not had the privilege to talk directly with this Committee. In spite of that, I can tell you that most of the things I heard represent what the situation is today. I am not here to say let me start giving all the petty details because we have submitted documents, which add to what NNPC submitted, but I will like the Committee to take the advantage of my presence here to ask any specific questions that they may want to clarify. We made representation about the role of the agency under my management, we made it available to the Committee before now. I still stand by the contents up to the time I left office. I am very happy that the marketers themselves have been called to testify and I believe at the end of it, I may still have opportunity to provide any information in case the Committee wants. As at today, I still want to say I still stand by the fact that I was appointed at the middle of February, 2011 and I assumed office on February 25. I left office on November 11, so, I had the privilege of managing two quarters of the subsidy regime. I had taken the opportunity of my experience to raise so many issues about the subsidy regime, right in the midst of those issues. We were cut short and made it look like it is a National problem. I want to tell you with every confidence that we made several ministerial visits to the President to discuss with him on his tremendous concern about the rate of subsidy. I also took time to bring in the subsidize activities of the industry for the whole world to see all the effort made to see what other alternative to be made, and actions to be taken to mitigate the issues. I never knew it would take this turn, whereby it will seem as if it is the making of PPPRA or the failings of the officials because they were reckless. We sought an opportunity like this for an honourable body like this or the Executive, those who are charged with responsibilities in the downstream sector to take a harder look at the subsidy regime. Today that this has been achieved, I am a very happy and fulfilled man. I participated in the ministerial visit of my honourable Minister, to raise alarm all the time about what happened and what would happen. So, this twist that we are coming across now, are opportunities for us to actually discuss them. I do not want to see them as opportunities to simply ignite, so I am happy that I am given this opportunity to make this type of expression and to say that I will give this honourable House my maximum corporation in its quest to find lasting solution to the problem of what exact status of this subsidy regime is for the betterment of our Nation.

LAWAN: Like I said earlier, we truly appreciate your presence here to give us your experience as the former head of PPPRA. There are quite number of issues that you can equally help us with. You have contributed to the facts and several interventions were made in line

with your ideas. Of course we have heard so many different versions, so we would not know among the intervention which one agreed with your position. Yes, different people come with different positions on different issues which border on some activities just before you left office. Now can you share those ideas; what were your concerns in the period from February to November, 2011 that you presided over PPPRA, what was your experience, what were the major issues of concern and from your perspective, what was it that you wanted to do? Please address those issues.

FORMER SECRETARY OF PPPRA: First and foremost, just as I resumed in February, negotiations had been concluded by PPPRA and a 27-man board that included NLC, Federal Ministry of Finance on an agreement to increase the margin for marketers. I agreed and signed the agreement. I am not saying that they were still negotiating, no this has been agreed upon but I pleaded for time to enable me look at this properly, and when I did I found that it could have disastrous effect. In discussing the transportation problem at that time for this product, the Federal Government said it was interested in the issue of carrying out corrections for subsidy regime; rather it wanted the abolition of the subsidy issue, it gave me only two months to implement that. So we had only two months' budget and if there was any need it has to be on monthly basis. Within those two months, we got close to the election period, so all the preparation we made to ensure product supply during that because in fairness to the management and even the government we anticipated that there might be some crisis in the making when switch from subsidized regime to non-subsidy, that was clear from all the security reports. By the time the issue of election came, it started suffering from extension too, these were affecting planning because each quarter you had a plan, supply plan, anytime you have this interruption, it disturbed the regime and at those times, crises of products were simply galloping because prices of crude were also increasing. I inherited the six template, which means my option were limited. In any case the issue about deregulation continued to be deferred in one way or the other. At one of the visits, the President made it clear to us that we must do it by October 1. We continued planning again and again and it did not take place before I left office middle of November, 2011. The only related issue is that on January 1, 2012 the government removed the subsidy. So this program was dragging on and it has affected all the supply plans from November, 2011, including prices galloping. Each time I listened to all these ideas about how did this happened, it just look like somebody changing figures, that PPPRA simple multiplied or inflated those claims. As I said, in my opening remarks, I am happy that the issues are all before us. So those were the two major areas that I felt yes, I made strenuous effort to ensure that something about subsidy was still done.

HON. LAWAN: This proposal for marketers that you met on ground, what was it actually? You said almost everything was concluded and it was when you came that you decided that

you needed to take a look. I am sure when you came on board there must have been some discussions to put forward some justification on why the board and the management were so eager to increase the margin. When you discovered that there was no justification for doing so; what justified your own decision that the increase was going to be a disaster to the country and what was the argument advanced by the previous management or by the board on why they wanted to increase at that point?

FORMER SECRETARY OF PPPRA: The demand came from the marketers that they were experiencing high increase in the course of operation and they persistently presented their cases until finally they were joint meetings of various departments of stakeholders and agreement was reached. I did not participate in all those meetings, I only met final resolution that was supposed to be presented to the government that was when I said I should be given a little time to check it. By the time I saw the consequences, I felt I should not just ask for an approval but I should draw the attention of the authorities to the fact that, if the resolution was approved the result would be further crisis.

HON. LAWAN: From the figures available to us so far, two days ago the CBN Governor was here and he gave a figure of N1.73trn as the amount paid for 2011 so far. Since morning you have been listening to most of the marketers that appear before us and all of them have outstanding payments N9bn, N10bn, N7bn and we have about hundred of these companies participated in the scheme in 2011. By the time all these figures came in, even if you are taking just an average of N5bn or thereabout, it means the figure for 2011 would ultimately exceed N2trn. In 2010 the total amount of money that was paid I think it was about N600bn. As the Chief Executive of that Agency what should justify such a huge quantum leap from about N600bn to over a trillion in just a period of one year. What from your perspective, from your experience do you think brought about that huge difference?

FORMER EXECUTIVE SECRETARY (PPRA): Hon. Chairman, just like you have explained, this was how the bills of 2010 were also not paid in 2010 they were paid in 2011. Any payment not made as at the end of December 2011, is regarded as paid in 2012.

HON. LAWAN: What are you saying about the N600bn that was paid in 2010?

FORMER EXECUTIVE SECRETARY (PPRA): That must have been for the delivery of the previous year.

HON. LAWAN: Can you give us the record, or do we ask the present management of PPPRA?

FORMER EXECUTIVE SECRETARY (PPRA): Yes we can, the figures are there.

HON. LAWAN: We need the figure, we need to know how much was paid in 2011 for the

previous year, so that we can establish the figures for 2011. So we need to know, if you can give us the details and the breakdown of all those details. Now, are we to take it that in 2010 we were so insensitive that as a government that we did not pay substantial part of what we should have paid in 2010 and so it was now paid in 2011 and that was why the bill for 2011 became so huge? What could have accounted for that? If part of those payments were for 2010 why were they not paid in 2010 from your experience perspective?

FORMER EXECUTIVE SECRETARY (PPPRA): Early in 2011 we were having the unit cost subsidy gap of just about forty-something naira per litre and that was the one that went to seventy-seven or so naira per litre by early part of 2011. So you can see that, that one also rose by almost 100% and mathematically when volume is increasing, cost is increasing. You also have exchange rate increasing; honestly when you multiply these things across it can be very expensive. I have listened to past presentations, all these presentations are in line with what I am saying, but it seems people are still seeing it as if it is a magical thing, there is nothing magical, the volume is there, the cost per unit is there, the reasons for those things are there and they are both in line with the trade. Once you multiply them, that is what you will be getting as cost, but you have to remove the elements that are in arrears. Since the subsidy as a regime was being phased out all outstanding subsidised activities were being put on the radar for 2011, assuming most of the payments were made as at that time and it included even those products that were not in the past years, like kerosene was not there before, so all the arrears of kerosene came into this regime. If you take them off you will see that it is just the normal growth for both volume and cost that took it to that level and I am saying that it should not be very difficult because the figures are there, the volume is there, the cost change is there. If they are multiplied out they would rhyme. I do not think it is something I can say is just suddenly increased; what increased is the cost per litre over that period and the volume is normal growth over that volume. For example, initially I heard the figure 35m litres per day. In fact some are even saying it is not possible to consume 35m litres per day, but there is an unbridled consumption of PMS in this country. In the whole of 2011 I do not know anywhere that could say it experienced shortage of PMS, I do not think I can tell you most of the things people are doing with PMS were highly consumptive. So if there is going to be a control it should start with the rate at which the PMS is consumed and we can do that by pegging the supply. As at today the intention is to ensure the type of energy crisis we encountered in the past do not reoccur and that has been heavily achieved. We do not have any shortage of PMS in the country. Even people do not believe that PMS is imported.

HON. LAWAN: Yes, you spoke that one of the reasons why there is this heavy rise is because of the normal growth, how normal is that growth? For instance, from information available to you when you took over the PPPRA what was the rate of consumption, what

figures were you using for planning purposes? You know PPPRA is basically in charge of everything so there must be figures of consumptions you were using? What figures were you using? This sudden rise what could have happened because we have requested and obtained a total number of vehicles imported into this country in 2011 from the Nigerian Customs Service and we also have the total numbers of I pass my neighbour generators, and we have total number of Okadas and tricycles; it does not look like the growth of these machines is beyond the normal growth in the previous years?

FORMER EXECUTIVE SECRETARY (PPPRA): If I remember, it is the Federal Ministry of Works or so that gave percentage of vehicle just in one year and it is almost about 40% or more. This was publicly advertised. When we planed supply for a quarter we take the experience of the previous quarter in determining how to plan for that quarter. We also take feedback we get from all the depots. For example, there are closing stocks everyday and, there are many ways by which you can know the consumption. When you take these closing stocks everyday over a long period you are likely to get the rate of consumption or the daily consumption for that period. So if something closes at forty-something like it did in early 2011 you use that for planning for the next quarter, just allow a marginal growth of about 5% to 10% of that and then you allow one month supply in case there is any crisis or there is any delay in getting your next approval. The average is almost shifting and immediately you get to the next quarter you adjust it again so the last thing we used was exactly 49m litres and that is what by the end of 2011 the actual has come to about fifty-six or fifty-something million litres per day. Whether that represents all the products consumed per day it should remain the fact that there are some stock it may not be called the strategic reserve but if there is a stoppage in supply today the nation has some days of sufficiency so it is a premium on top of the consumption; if it is recalculated about two or three million addition would be enough. If I am going to plan for the next quarter I will take just about that as a starting base and the PPMC and PPPRA published daily what you call day sufficiency. If you monitor this you would always know whether you are doing well in your supply or there is need for you to cut down. If you tolerate what has happened in the past years and we are using that to compare what is going on now I can even cut it down to 45m litres but you would see that only the major cities would be getting products at the pump price, the rest people would be buying it at higher; it is just like transferring the cost to the rural areas. They would be buying it at heavy premium so supply planning is a profession by itself and if you want to get it right; you have to know what exactly you want to achieve. If you want to achieve a wet country that is the kind of planning you do. If you want to save cost in fact National Assembly can say look let us work on 40m litres per day and we would work on that, Abuja can get, Lagos can get but some other cities would be buying it at a premium and it would seem as if they are hoarding so the cost would be trans-

ferred to those living in such areas. We have had that in the past but today I think product supply is nationwide.

HON. LAWAN: One of the concerns expressed in the course of this hearing is the fact that it makes sense to saturate the place with product but do not forget that these supplies come at a cost to Nigeria. It is okay perhaps if you have a deregulated system where you can encourage everybody to bring as much as possible because perhaps when you have more supplies then that will help in crashing the price. Something in economics the more of product the lower the price but in this case the more that is brought in the more cost to government. Did it not occur to you to find a better way of still making sure that there was availability of this product in the market but at a lowest cost to government? What I mean is let the product still be available but then at the most economical way on government, because whatever comes in subsidy was paid on it so whether it was consumed or was not, subsidy will be paid. Yes, of course we could afford to saturate the entire country; everybody that has any opportunity to bring in can bring but let us not forget that payment of subsidy is done on whatever comes in. Was there no strategic decision, was there no period in the course of your tenure as the Executive Secretary of PPPRA that you sat down and consciously reflected on the situation on ground and decided that this is not economical, this is not fair on the Nigerian people so why can we not devise a better means of determining how much should be paid as subsidy vis-a-vis the level of consumption?

FORMER EXECUTIVE SECRETARY (PPRA): Please sir, I would like you also to give attention to what I would try to repeat again because in my opening remarks I started by saying nobody expected that this regime would drag too much. Right from February and March we were given only two months March and April to finish so nobody expected then that there would be this type of very wide subsidy gap. So these two things, one, you did not expect to drag regime beyond April but you dragged it almost to end of December. You did not expect that you have this kind of rise in subsidy gap but it happened over 100%. So when you multiply these two factors it is very costly to the nation, but what did we do for the fourth quarter? I said because of this situation we never gave out any licences. The worst we did as at that time was if there was anybody who had a late licence and was still valid we renewed it for you to deliver because there was evidence that you had paid some money and you were already in the course of delivery. But we did not issue any permit for the fourth quarter when we should do, so we have already reacted in such a way that by the end of December the only price we would be paying was not taking a decision on what would happen to subsidy. As at the time I resumed in February, honestly speaking, I never knew that I would have such a subsidy gap; I never even had opportunity to expect such planning to say that suppose it happens this way. If you are dealing at presidential level and they tell you to go and plan for the deregulation you would not go and say sorry in case they

do not deregulate let me give a short supply because the instruction is such that if you are taken by surprise you would hold yourself accountable. Anybody that brought in product, any day the deregulation is announced all those things would be sold at the market price Nigeria is not supposed to carry this burden at all. So the question of PPPRA planning to impose this type of burden on the nation did not arise at any point in time even though it has happened. There was no such time we sat down and expected to say if this type of thing continues we would just continue to do that. What happened in managing the subsidy has really shown that everybody felt bad.

HON. LAWAN: Let us move on to another issue. In 2006 I think the number of companies that participated in the subsidy regime was limited to about five or six by the list we have from the PPPRA; in 2011 we have over a hundred what accounted for that?

FORMER EXECUTIVE SECRETARY (PPRA): From 2006 to 2011 they got only N250bn, that alone is enough for you to know that something has happened. Let us assume that we did not do any other thing, that study alone where a reputable firm could give that type of information was enough to raise an alarm that what is that thing that made 2011 unique; that despite the fact this market share has gone down so much we were still making more than 50% of what we were making before over that period of five years? The reason is that we kept on studying the analysis of the performance of these marketers over the period and we noticed that they were failing, most of them were failing. Somebody comes in, he takes a product, he is able to fund it with \$30m the next one he takes he says he is prepared to bring \$90m and you see him performing very poorly. So what happened was that the cost was becoming higher and we now needed more people because they were not able to raise enough capitals as individual companies to meet up with the growth. Initially, they moved from two to three but when I resumed I met 51 companies on ground including those that did not have facilities. The guidelines allow such people, provided they have agreement with storage owners. The owners of storage facilities too are contributing heavily to the economic fortunes of those who have the facilities. There has been less idle time for their facilities because the users pay rent for using those facilities. As long as the guidelines were kept, we did not see any reason we should allow the scheme to collapse. So, if anybody says allowing those people is creating problem I do not think so, and I do not believe that we should condone any criminal act simply because more players have come into it. I have opportunity to listen to some of them who said even those who have the facilities today there was a time they had nothing; so they have grown their facilities and I also listened to my Minister where she said in spite of the fact that new procedures have evolved where only the facility owners would be allowed to do it that she also plans to allow a little more of those who would not have facility, because they have shown evidence of performance. To saddle one company with hundred of billion of Naira in our midst is not necessarily the

best way of doing this business either. You will see now that if it is limited to those who have facility they will still depend on most of the people that are going to be mopped out.

HON. LAWAN: As a layman I did not have opportunity to be an active player in this subsidy regime, but I had thought that where you have those people who have better capacity to do it and they do not have any empirical indication that they cannot do it, while you are widening the space for people that clearly may have weak chances of succeeding - and it is good to allow them to come in - it should not have been at the expense of the efficiency of the process. Do you have any information that you can give us that would provide us or will tend to show that if you have given them more they would have failed and that was why you needed to bring in these other players? As at the time you came in you said there were 51 companies participating, how many were there when you left?

FORMER EXECUTIVE SECRETARY (PPPRA): We had just 100.

HON. LAWAN: So you only increased it by 49, it was not a majority increase, it was a minority.

FORMER EXECUTIVE SECRETARY (PPPRA): Even though the cost doubled nobody lost fund.

HON. LAWAN: Can you respond to the first question? I am saying on the first question, do you have anything that would prove that you needed to increase the number because the 51 were incapable of providing efficient service and that was what justified the increase. Those new ones that were brought in, were there some among that you met when you came in that perhaps built sufficient capacity so big and probably bigger than that of maybe Oando, MRS, Conoil - those ones that you already met on ground?

FORMER EXECUTIVE SECRETARY (PPPRA): I tried to explain it earlier that I followed the guidelines and these guidelines have been approved by the board even before I came so I just followed the guidelines. In following the guidelines people were applying, the economy is growing. Given priority over 80% went to them and all other people shared the rest so it is not like there was an evaluation to say this one may fail because it either he is capable of handling this or that. It is not only one company or two companies, there are some companies that had more volumes and still did not perform and they have facilities. We have performance evaluation every quarter. As I said some did not perform but they have facilities and there are some that do not have facilities but they performed. So we do not make any investment in any of them by either giving them any advantage, the risk is entirely that of the person.

HON. LAWAN: Yes, I agree with you that the risk is for them and also agree with you

that the economy is growing, but it does not justify that everybody has to be an importer of PMS. Some people have to produce Akara, for instance, in this economy. It does not have to mean because economy is growing it has to be like that. The Minister of Petroleum Resources was here and she acknowledged the existence of sharp practices and manipulations. Do you also agree on her position that there were sharp practices and manipulations? As the Executive Secretary of PPPRA, I would assume you were better positioned to even see or experience these sharp practices and manipulations than the Hon. Minister whose domain was much larger, from your vantage position, what is your take on that?

FORMER EXECUTIVE SECRETARY (PPRA): In every situation like this there is a bottom line, the customer would still be paying exactly the same thing over and over, so I believe we had enough opportunity to take a hard look at the processes and that would have saved some funds.

HON. LAWAN: Like you said from the period you took over in February and the time you left in November, 49 marketers were added what procedure did you use in getting these people or these companies to participate in the scheme?

FORMER EXECUTIVE SECRETARY (PPRA): Just the guidelines, you apply and provide all the documentations required.

HON. LAWAN: So I can just work into your office once I have the entire requirement you just put my name down and I get the contract?

FORMER EXECUTIVE SECRETARY (PPRA): Let me give you more details. There is an advert that we want to consider permit for the next quarter and if you are interested, you apply and provide all the required documentation. There is a committee under the Legal Department that would now evaluate all those things, cross-examine especially the company documentations and all the documents provided in compliance with that advert. Then there is a table showing the outcome, it is from those tables that you make your selections so it is not possible that it has to be anybody that walks into the office. First of all you must indicate an interest; we do not just look at the companies and just give them allocation. So if I may repeat, you apply, you provide all the documents in compliance with the guidelines and there is a committee at the Legal Department that would verify the documentations and put it in tabular form from beginning to the end of the scores of those who applied, and from there, those who scored above a minimum standard, would be selected, depending on the number you think you could accommodate within that very quarter.

HON. LAWAN: Averagely what is the time frame from the time somebody applies to the time somebody is allocated?

FORMER EXECUTIVE SECRETARY (PPPRA): It is usually between one month and one week to the time we start the exercise and make recommendations at least one week before the deadline of issuing new permit.

HON. LAWAN: So if I want to participate and I decide to apply today it would take me at least one month before I get the final approval.

FORMER EXECUTIVE SECRETARY (PPPRA): I am saying that all the exercise would be done within one month so if you applied and it has not closed.

HON. LAWAN: So if I applied like on January 30, I can get approval on January 31 because all is within the month of January?

FORMER EXECUTIVE SECRETARY (PPPRA): You would not get approval. I am saying if you apply within the period allowed for application before the closing of the application, you would be considered along with others. Some people could have applied two weeks before you and you are applying today but the important thing is when it closes all the applications would be evaluated and the result would come out. All that exercise must be done within one month.

HON. LAWAN: Which means somebody can actually apply and get the approval within one week, depending on the date. Someone can do it within three weeks maybe those who apply early but those late entrance can actually apply and if it is on the closing date maybe get it a couple of days.

FORMER EXECUTIVE SECRETARY (PPPRA): Yes, somebody who has good documentation can do that but somebody who applied a month before but did not have good documentation may not be able to get an approval.

HON. JAMES ABIODUN FALEKE: I want to know if you are still in the employment of NNPC. You told us when you came on board that the board of the PPPRA had already taken a decision about the margin, how many times did the board actually meet during your tenure? You also said the government had planned to remove subsidy by April 2011 and that was why you were only asked to provide the budget for two months. In the process of this presentation, when you were responding to a question you also said that the payment for the subsidy in 2011 had a carryover of 2010, so also 2011 could also have a carryover just like that. Can you then tell me that the N245 billion that you made provision for in the 2011 budget did include arrears of 2010? You made a provision for two months which was N245 billion in 2011 budget. Did you include the arrears of 2010? You told us here that you have a committee within your legal department that carries out evaluation; can we have a copy of this report and then, also tell us how many companies applied but were disquali-

fied? Was it only office verification or there are actually stricter verification of parties? You also said that the importers of the product increased by 49. Was that part of the overhaul you said you carried out when you came on board? You said you carried out an over haul, is it by increasing the number of importers? How many of the previous 51 importers were actually sanctioned for none performance before you brought 49 more people on board? The 49 people you brought were they approved by the board, and is there a board resolution to that effect? We want to see the copies of the board resolution. Finally from me I want to ask about the guidelines you referred to. I am sure there is a column there which says eligibility for participation. You talked about 5,000 metric tons of tank farm and retail outlets, but, we have seen here that so many of these companies do not meet the guidelines, yet you lifted them as importers. Is it part of your political patronage that you had to do to keep your office?

FORMER EXECUTIVE SECRETARY (PPPRA): First and foremost, even if I did that you can see that I lost my job, so it could not have been political patronage. In fact, maybe, it is a political suicide. Yes, I am in NNPC, I went back to NNPC. Board meetings, there was only one, but there is a sub-committee of the board that we were interacting more frequently with, especially whenever allocation is to be made. The Chairman of the board was playing an active role in reviewing the list and making contributions. We were not taking the list to full board meeting because full board meeting is called at the discretion of the Chairman and not at the discretion of the Secretary.

HON. JAMES ABIODUN FALEKE: You said there was just one board meeting between February and November. You left the office in November and there was just one board meeting but in-between this period there was a sub-committee meetings. This sub-committee is made up of the board members?

FORMER EXECUTIVE SECRETARY (PPPRA): It is made up of some selected board members. They are part of the general and multipurpose sub-committee of the board but they are very active. The Chairman is also the Chairman of that committee. The other question is on the budget of 2011. I never made any budget in PPPRA. If you take the federal budget of 2011, you will never see anything like subsidy. The provision we are talking about was just a provision. The Ministry will just say for the subsidy regime we are allowing this amount of money.

HON. JAMES ABIODUN FALEKE: Was that done by the National Assembly?

FORMER EXECUTIVE SECRETARY (PPPRA): I think it was more of the government and not the National Assembly.

HON. JAMES ABIODUN FALEKE: What about the N245 billion?

FORMER EXECUTIVE SECRETARY (PPPRA): I will like to be educated if for example in your budget you can show me the N245 billion. I never made that kind of budget, but I was given just two months to say what we could do. But, if for any reason you are going beyond that, the Federal Ministry of Finance said they would only be making the budget month by month. I am not saying it is right nor wrong but I am only saying that was what I met on ground. The third question has to do with copy of report on applicants, apart from the submission that we made earlier, we have that. I will need to plead that some people give me that because I am not in the office for now. The committee itself may require the office to provide that information, but I am reliably informing you that there is that type of exercise. The next one is the growth and overhaul of companies. The overhaul I was talking about is the method by which products were being managed to ensure no practices or anything that would affect them. It required complete overhaul of all the applications of supervision and monitoring of product movement including traffic. This has been verified by so many people that have appeared before you here. For example, facility major people must sign the document, the DPR, PPPRA and the auditors.

HON. JAMES ABIODUN FALEKE: I wanted to know if out of the 49 companies you met on ground whether the non performing companies were actually deleted before you added your 50.

FORMER EXECUTIVE SECRETARY (PPPRA): What you should act for or against is the evaluation of performance. Each application for approval used to come with performance of the previous one. In that one you will see that if somebody was given 50,000 metric tons and for the end of that quarter he has not even performed at all, in some cases they just drop him off.

HON. JAMES ABIODUN FALEKE: Are you confirming that?

FORMER EXECUTIVE SECRETARY (PPPRA): Yes I am confirming that and if he performs, we either give him exactly that or a little bit more.

HON. JAMES ABIODUN FALEKE: You have not touched on the issue of Legal Department on the issue of contract evaluation.

FORMER EXECUTIVE SECRETARY (PPPRA): The issue of Legal Department enables you to make sub-contract, for example, if you are a depot owner. The Ministry forces the various groups such as NOMAN, IPMAN, DAPMAN to carry out joint inspection of their members and report on them. We already have copious records of all those who claim to have facilities. We compiled them from the DPR records, as well as, physical examination sponsored by the marketers whereby they visited all the facilities across the areas where they had them and report on them. So, there are records of individual's facil-

ities in our custody.

HON. JAMES ABIODUN FALEKE: We have DPR's record of tank farms, who owns them. We have so many other companies on the list of PPPRA who have participated in this scheme without having any structure whatsoever and yet you have given them permission to import.

FORMER EXECUTIVE SECRETARY (PPRA): I will not call this a loophole, but there is technical loophole which is that, if you do not have the facilities but you have depot agreement with somebody who has the facilities. The board made that provision even before I arrived and they used it to admit applicants. If you do not have the facilities but you have agreement with somebody who has you are eligible for it.

HON. IRONA GERALD: Do you know one Engineer G.O Komolafe? He was General Managers Operations.

FORMER EXECUTIVE SECRETARY (PPRA): No Sir.

HON. ABBAS TAJUDEEN: I have just two questions for you, one is personal, but please do not be offended when I do ask. The Minister of Petroleum when she came two days ago, did mention you briefly in her speech. She said she removed you because she was not too satisfied with your performance. Would you please tell this honourable Committee the circumstances of your removal from office? Is it because you were unable to manage the charges of fuel import regime or there were other extraneous reasons? The second concerns guidelines on petroleum subsidy which I was made to understand was reviewed a second time. Was that review done by the board of your organization? If yes, can you please furnish us with the details of the minutes of that particular meeting where the review was completed?

FORMER EXECUTIVE SECRETARY (PPRA): Let me answer the second one first. If you request for the board's extract you will get it because the Legal Adviser has it. It is one of the things I requested for when we were making our initial submission to this committee. I am satisfied that we have something like that in our records. You could ask the Legal Department or the agency to supply you with that. The Hon. Minister gave reasons why she removed me. I do not think I have a better explanation because she is my superior. If she feels I have not met up with what I am expected to do I cannot fault that.

HON. ALI AHMED: Did you appoint the two auditors that assisted you in verification of the figures?

FORMER EXECUTIVE SECRETARY (PPRA): When I resumed I had only one and they were very thin on ground to meet up with the scope of what we were doing, so

we applied to Federal Ministry of Finance that we would like a second audit firm and they obliged us. I felt more comfortable dealing with two rather than just one.

HON. ALI AHMED: Who was responsible for appointing the Auditor, you or Federal Ministry Finance?

FORMER EXECUTIVE SECRETARY (PPPRA): We did not even have any comment on that.

HON. ALI AHMED: All right, I have been trying and I will try hard not to let the combustion inside me come out. PPPRA is an organization that the whole Nigerian people's trust was placed and that trust is squandered, and you were at the head of affairs at this period. The oil industry as a whole used to have two Ministers, now we have only one. Given what you have said so far, that perhaps is your opinion. Do you think the industry is too big? Given what is happening now, I think either everybody in that sector is incompetent or corrupt. I do not have any other explanation. So do you think, assuming it is not corruption, and it is not incompetence; do you think we should revert to two Ministers or three Ministers in the oil industry? As a former key player, what do you think could be responsible for the mess that we are in today?

FORMER EXECUTIVE SECRETARY (PPPRA): I do not know whether this is a verdict, but I do not believe we are in a mess because of either incompetence or corruption. We are simply overwhelmed by the economic trend and this is nationwide, it is simply that we do not want to admit it here. We have just been saddled with something that we never planned for. With the hearing going now and at state and stage, I do not think the same conclusion will still be drawn. The people you have talked to can neither be said to be incompetent or corrupt. If I had any problem, I do not have the problem of corruption as a person.

HON. ALI AHMED: The kerosene arrears paid in 2011, are you aware that it was brought forward from 2010.

FORMER EXECUTIVE SECRETARY (PPPRA): I think I mentioned it before that during the late President Yar'Adua tenure, were rejected. Then it was brought forward in 2011 and it was paid. We paid N268 billion and there was another N268 billion paid in 2010.

HON. ALI AHMED: Who authorized that?

FORMER EXECUTIVE SECRETARY (PPPRA): First and foremost I will like to admit that it is a subsidy items.

HON. ALI AHMED: It is subsidy item? That does not answer the questions.

FORMER EXECUTIVE SECRETARY (PPPRA): No, I am just saying let first admit that it is a subsidy item. One government can have a look at something, take a decision and another government can also look at it and take another decision. No government is superior to the other. So if this government decides to honour it legitimately and admit that yes, they decided to honour it, I would advise that we should let it be. In fact the question is not about government, the question is about appropriation by the National Assembly.

HON. ALI AHMED: These sums in 2010, and 2011 were not appropriated, so the action was unconstitutional?

FORMER EXECUTIVE SECRETARY (PPPRA): I think that question should be answered by the National Assembly.

HON. ALI AHMED: No, that is not what I said here. You do not need to tell me that National Assembly did not know anything about fund.

FORMER EXECUTIVE SECRETARY (PPPRA): I do not know.

HON. ALI AHMED: You were not aware when somebody just approved it?

FORMER EXECUTIVE SECRETARY (PPPRA): I am aware that government paid this thing but I am not aware of the approval.

HON. ALI AHMED: Did PPPRA have any input to all.

FORMER EXECUTIVE SECRETARY (PPPRA): We will verify it.

HON. ALI AHMED: Verify it?

FORMER EXECUTIVE SECRETARY (PPPRA): Yes and we can submit our finding.

HON. ALI AHMED: Some companies were not pre-approved contrary to your own regulation; this much has been said by some external auditors that came contrary to your own regulation. What do you say to that?

FORMER EXECUTIVE SECRETARY (PPPRA): I do not accept that; we followed our guideline as much as possible, that is what we kept to.

HON. ALI AHMED: So you are saying under oath that every single company, those 110 that got supplies, met your pre-qualification, regulation, everything.

FORMER EXECUTIVE SECRETARY (PPPRA): Yes.

HON. ALI AHMED: All right, thank you very much.

HON. JAMES FALEKE: Looking at some of the letters, some of the permits issued by

the PPPRA during your tenure, I want to find out, were you at any time on leave during the tenure or were you down health wise?

FORMER EXECUTIVE SECRETARY (PPRA): Even if I was on leave I do not think any other person issued or was authorized to issue permits.

HON. JAMES FALEKE: What we observed is that somebody like Engineer Komolafe was signing for or on behalf of the Executive Secretary. We think that the value of these permits is so great that an acting person cannot be signing on behalf of somebody.

FORMER EXECUTIVE SECRETARY (PPRA): I do not think it was during my time.

HON. MUSTAPHA DAWAKI: Thank you Chairman. I just want to align my question with the Chairman pro tempore's question with regard to the number of people that were given the import allocation from 51 to 110 during your time. Between 50 and 110, which one is more manageable in terms of reconciliation, in terms of physical evaluation and in terms of verification between? Secondly, in your requirement for giving out the quarter allocation do you, at any time, think that bank statement of any company that applied for the quarter allocation was also very important to enable you make an informed judgment whether that company had the capacity to do that payment? If that company does not have a capacity as long as he gets that paper from you, the permit, the bank could not immediately give the money, you know that. In the template that you had, I can see like three items, I do not know whether there was any time you people sat down and reviewed downward. We have some items like NPA's charges, it is like NPA is taking a revenue and PPPRA is paying the cost. I think that kind of thing can be eliminated from the template, so also the maritime charges. The 15 kobo that PPPRA is collecting as administrative charges, all these things are money that are going to government and coming out as payment by government. Lastly, do you have interference by your Ministry that actually made you to make certain decisions against your wish?

FORMER EXECUTIVE SECRETARY (PPRA): I think there is something I have not sufficiently explained. Our records will show that even when we gave permits to say 100 people, by the end of that quarter maybe just about 40 or 45 would respond. Honestly it is not true that because we gave to 100 or for 50 that is the same number that all will respond. The reason why you will have high performance rate in 2011 was because of this perception about subsidy being eliminated, that is all. Before then you might give it to 50 and about 30 or 35 would respond or perform, and performance would be at various levels not 100 per cent. They do it at their own expense; we do not get involved in giving them any money or any fund. If it is something that we are advising them with government's fund, it would have been a different ball game altogether. As regards bank statements, usually, our Finance and

Administration Department takes verification of bank statements. They contact the bank to ensure that such supporting documents are provided by them. It is part of the evaluation they do in carrying out the evaluation of the applicants. On template review, I said that one of the things I did was to commission a consultant to look at the template, and they made a bit far-reaching recommendations. But I want you to bear in mind that all stakeholders sat down to agreed on the terms on the template. So, if you want to make any change on the template which we believe will be desirable, you will have to invite them again to have a look at it and reach a new agreement. There is a lot of room for improvement. I would like to see a situation where the volume of trade is increasing, then by some appropriate adjustment, the margin should also marginally reduce. On the issue of possible interference, I cannot describe any of my interaction with my bosses as interference, so I did not experience that. I reported to the Minister of Petroleum Resources.

HON. MUSTAPHA DAWAKI: Not the board?

FORMER EXECUTIVE SECRETARY (PPPRA): The board, I am a member of PPPRA's board, I act on behalf of the board when needs be.

ON.

MUSTAPHA DAWAKI: You are the Executive Secretary?

FORMER EXECUTIVE SECRETARY (PPPRA): Yes, I am the Executive Secretary.

HON. MUSTAPHA DAWAKI: Do you have the Act establishing the PPPRA with you there? You can read Section 3.

FORMER EXECUTIVE SECRETARY (PPPRA): I have it but I do not have it with me here.

HON. MUSTAPHA DAWAKI: Whom do you report to in the Act?

FORMER EXECUTIVE SECRETARY (PPPRA): I report to the board.

HON. MUSTAPHA DAWAKI: Is the board under Presidency or under the Minister?

FORMER EXECUTIVE SECRETARY (PPPRA): Just before I resumed, it was transferred to the Ministry of Petroleum Resources from the Presidency and there is a letter to that effect.

HON. JAMES FALEKE: I just want some clarifications; do you have an account for this administrative charge of 15 kobo? We want statement of account for that charges separately. What did you use administrative charges for? NNPC paid your salary, everybody there, what is that administrative charges used for?

FORMER EXECUTIVE SECRETARY (PPPRA): Are you asking for my own salary as a person or the staff of the Agency. My own salary is paid by NNPC but the staff of the Agency, the Agency paid both the allowances and their salary and everything and they run the operation from the 15 kobo.

HON. JAMES FALEKE: Finally, you said if you have to give permit to about 50 companies, maybe less than 20 or 30 of them would actually perform. If actually proper verification was carried out, do you think that could have happened?

FORMER EXECUTIVE SECRETARY (PPPRA): In fact you will be shocked to hear that even those who failed, some of them that came here and said that they were very big, some of them even failed. So it is too risky for us to subject this nation to that kind of problem.

HON. ALI AHMED: We appreciate your coming despite the exchanges, we all love the country, we all work for the country and we are all passionate about the country and the common man on the street. You are welcome and we thank you for your time.

FORMER EXECUTIVE SECRETARY (PPPRA): Thank you very much.

HON. ALI AHMED: With that we will have Pinnacle Contractors, are they here?

SHOTUNDE OLUFEMI (MD, PINNACLE CONTRACTOR LTD): Good afternoon the honourable Committee on Subsidy Regime. My name is Shotunde Olufemi, and I am here to present our involvement in the petroleum subsidy for Pinnacle Contractor Limited. Before I start my presentation I would love to advise and equally make a disclaimer concerning names. I represent Pinnacle Contractor Limited and we wish to categorically state here that we are Pinnacle Contractor Limited; we are not Pinnacle Construction Limited and we are not in any way associated with the company. All our business dealings have always been in Pinnacle Contractor Limited. Pinnacle Contractor Limited is a wholly Nigeria owned private limited liability company, duly incorporated in Nigeria under the law of the Federal Republic of Nigeria in July, 2001 with RC.419968. The company is equally registered with DPR and PPPRA, we are a team of experienced oil and energy marketers with highly trained professionals and result oriented staff involved in haulage business, marketing, engineering construction and energy consultant services. Our skilled professionals work earnestly to make sure expectations are met, we are prompt in our service delivery, dealing with passion like no other. We share the same goal and aspiration of our client. Our services include transportation, engineering, construction, energy and marketing. We deal in a wide major product, energy products that include DPK, Oil and Gasoline and LPG. Concerning our importation under PPPRA scheme, Pinnacle Contractor Limited is involved in the importation of petroleum products, particularly white product, which include gas oil, gaso-

line, aviation fuel and fuel oil. We seek product both locally and internationally. Our local supplies include NNPC, PPMC and other local traders as our supplier of products. We have participated in the importation of gasoline to the country under the PPPRA scheme since 2010 and not from 2006 as requested by the Committee. Since we started participation in the PPPRA scheme, we have been allocated so far 55,000 metric tons of gasoline for importation into the country. I have a tabular form of how it was allocated. In 2010 quarter 4, 15,000 metric tons. 2011 quarter 1, 15,000 metric tons; quarter 2; 10,000 metric tons; quarter 3; 15,000 metric tons. In all in 2010, we were given 15,000 metric tons allocation and in 2011 we were allocated 40,000 metric tons. Sorry, out of the volume allocated, the company has successfully delivered 35,991.96 metric tons of gasoline and has been paid subsidy based on the quantities delivered to tanks at different period. As regards to our distribution and consumption, imported products were delivered into Master Energy Storage Facility in Port-Harcourt, Rivers State, at different time of importation and we sold to customers for onward transportation to hinterland and urban cities for consumption. Products were loaded into trucks of different sizes, our PFE and Aviation Charges were paid at different periods of importation to PPPRA Agencies. The schedules of our payments were received under the PPPRA scheme, up to date we have N3.8 billion and under the subsidy being for the quantity of products delivered under the PPPRA. These payments were paid by PPPRA through CBN at different payments period and batches. I have a schedule of how the payments were made in batches, the first payment was N1.4 billion, the second being N1.5 billion and the third being N1.2 billion, all in all we had N3.89 billion as subsidy received so far.

HON. LAWAN: When was Pinnacle Construction Ltd registered?

MD, PINNACLE CONTRACTOR LTD: The company name is Pinnacle Contractors Limited, not Pinnacle Construction Ltd. Sir.

HON. LAWAN: All right, not Pinnacle Construction but Pinnacle Contracts. All right, so you guy are contractors.

MD, PINNACLE CONTRACTOR LTD: Yes, Sir, we are contractors.

HON. LAWAN: All right, so that is your main lines of business?

MD, PINNACLE CONTRACTOR LTD: No Sir, our main lines of business involves engineering construction, energy provision and marketing.

HON. LAWAN: When was the company incorporated?

MD, PINNACLE CONTRACTOR LTD: It was incorporated in 2001.

HON. LAWAN: All right and when did you start business with the PPPRA?

MD, PINNACLE CONTRACTOR LTD: We started participating in the PPPRA scheme in 2010.

HON. LAWAN: When exactly? When did you apply?

MD, PINNACLE CONTRACTOR LTD: Our first participation was in March.

HON. LAWAN: March, 2010.

MD, PINNACLE CONTRACTOR LTD: March, 2010.

HON. LAWAN: And your allocation was?

MD, PINNACLE CONTRACTOR LTD: The first allocation was in August, 2010.

HON. LAWAN: What was the volume?

MD, PINNACLE CONTRACTOR LTD: 15,000 metric tons Sir.

HON. LAWAN: What was the payment? How much were you paid for that alone?

MD, PINNACLE CONTRACTOR LTD: We were paid N1.1 billion and some fraction.

HON. LAWAN: And the total payment so far is N3.8 billion; what was the volume?

MD, PINNACLE CONTRACTOR LTD: Yes, Sir, it was N3.8 billion.

HON. LAWAN: From commencement to date?

MD, PINNACLE CONTRACTOR LTD: Yes Sir.

HON. LAWAN: And do you have outstanding payment for 2011?

MD, PINNACLE CONTRACTOR LTD: Yes we have outstanding for quarter 3.

HON. LAWAN: How much?

MD, PINNACLE CONTRACTOR LTD: I did not come with the figure now; it is something I can bring back to you.

HON. LAWAN: You can get it to us between now and Monday, can you try to get that across to us?

MD, PINNACLE CONTRACTOR LTD: I will do that.

HON. LAWAN: We also require the Bill of Lading.

MD, PINNACLE CONTRACTOR LTD: Yes Sir.

HON. LAWAN: We require a certificate of discharge, we require the letter of credit and if we can also have certificate from the port of loading.

MD, PINNACLE CONTRACTOR LTD: All right sir.

HON. LAWAN: How many times have you actually provided products to PPPRA, the first was last quarter, if I get you right, the third quarter, first quarter or third quarter of 2010?

MD, PINNACLE CONTRACTOR LTD: Third quarter first.

HON. LAWAN: That was in August.

MD, PINNACLE CONTRACTOR LTD: The allocation was issued in August.

HON. LAWAN: Yea, August, the third quarter, right?

MD, PINNACLE CONTRACTOR LTD: Yes.

HON. LAWAN: So you got allocation third quarter 2010. Did you get another one?

MD, PINNACLE CONTRACTOR LTD: First quarter 2010, Sir.

HON. LAWAN: All right, it was meant for fourth quarter.

MD, PINNACLE CONTRACTOR LTD: Yes Sir.

HON. LAWAN: All right, you got only one allocation in 2010.

MD, PINNACLE CONTRACTOR LTD: Exactly.

HON. LAWAN: How many allocations in 2011?

MD, PINNACLE CONTRACTOR LTD: Three, totaling 40,000 in all.

HON. LAWAN: You did not get in the fourth quarter?

MD, PINNACLE CONTRACTOR LTD: No, Sir.

HON. LAWAN: All right, you only got first, second and third quarters.

So what qualified you contractors to be importer of petroleum products?

MD, PINNACLE CONTRACTOR LTD: All right, probably the name is a subject matter here.

HON. LAWAN: No, do not worry about the name, what qualified you?

MD, PINNACLE CONTRACTOR LTD: What qualified us in our line of business, engineering, construction, marketing and energy, we engage in procurement. And that is part of our product line or service line, so we have every capacity to fund and bring in products; we have the expertise also in bringing in products to the country.

HON. LAWAN: Yes, what I mean is this. I believe there are guidelines but one must try to address that when you are going into business, there are certain basic things one should have. Somebody cannot just wake up and decide to be into engineering construction. Now for you to go into trading product, I believe there are certain things that you have. How many retail outlets do you have, for instances? Because when you bring it in, you need to find a way of making sure it reaches outlets. Do you have any retail outlets?

MD, PINNACLE CONTRACTOR LTD: Yes we have retail outlets.

HON. LAWAN: How many?

MD, PINNACLE CONTRACTOR LTD: **We have about 6 at present.**

HON. LAWAN: About six or six. Six is easy to count. If you have six you will know you have six.

MD, PINNACLE CONTRACTOR LTD: We have six at the moment.

HON. LAWAN: You have six and they are all fully operational.

PINNACLE CONTRACTORS: At the moment we are even acquiring more and buying more.

HON. LAWAN: I am talking about the 6, are they fully operational?

PINNACLE CONTRACTORS: They are, Sir.

HON. LAWAN: Where are they located?

PINNACLE CONTRACTORS: We have in Asaba, we have in Keffi and we have in Aba, Owerri and Abakariki, the site is under construction now.

HON. LAWAN: We got a number of location right

PINNACLE CONTRACTORS: No, not location really, I mean is under construction.

HON. LAWAN: You are a construction company.

PINNACLE CONTRACTORS: They are 6, the last one is Owerri under construction, but I do not know the area in which it is in Owerri, that is what I am taking about

HON. LAWAN: It is only one that is under construction. Storage facility do you have it under construction too?

PINNACLE CONTRACTORS: We have a bi-literal relationship with our storage owner, Master Energy, triple agreement.

HON. LAWAN: When you bring in these products, how do get them across to the consumers?

PINNACLE CONTRACTORS: Most reasons in my representation, I said when we bring in products, we store it in master energy in Port Harcourt 'and from there we have both bulk buyers and broke buyer that will buy them and move them into various filling stations across hinter lands and urban cities and also we take to our operational filling stations at the moment sir.

HON. ABBAS TAJUDEEN: My question is about the vessel you used in 2011, you did not indicate to us if the ships were anchored successfully in Nigerian territorial waters like your other colleagues?

PINNACLE CONTRACTORS: The vessel bated in Port Harcourt, River State, Nigeria sir. And it was mentioned here

HON JAMES FALEKE: Just take a look at this page, the capacity, 14,700 metric tons, volume reported 13945, culture quality China, how long does it take the ship or a vessel from China to Nigeria?

PINNACLE CONTRACTORS: For vessels coming from China, it is an average between 45 and 60 days.

HON. JAMES FALEKE: Look at the number of days 28-12-2010, and 23 – 2 – 2011, and then you discharged on the 25th, you just told us, where is the master energy storage?

PINNACLE CONTRACTORS: Is located in Port Harcourt sir.

JAMES FALEKE: What is the capacity?

PINNACLE CONTRACTORS: It has a capacity for 150,000 tons

HON. LAWAN: If I go to Aba now, I will find your outlet stations?

PINNACLE CONTRACTORS: Yes sir.

HON. LAWAN: You said you have one in Keffi, is it branded Pinnacle Constructors or what? So that if I get there I will know this is your filling station.

PINNACLE CONTRACTORS: Is not branded Pinnacle Contractors, its branded in another name sir.

HON. LAWAN: In another name and it's yours?

PINNACLE CONTRACTORS: In retail business, we acquired. When acquiring, it involves you finding suitable filling stations that do not have the capacity to fuel them. So we go into partnership with them to supply.

HON. LAWAN: So it's an affiliate station, you do not own any retail station?

PINNACLE CONTRACTORS: it's a partnership sir.

HON. LAWAN: No partnership is different from ownership.

PINNACLE CONTRACTORS: You are right sir, but it has to do with our understanding.

HON. LAWAN: Can you sell it without the other party?

PINNACLE CONTRACTORS: What I am saying in essence is this, you have a different arrangement as in MOU. I have a filling Station, and I have difficulty in getting supply over time, number of the challenges, so let us work a working arrangement, that I have capacity to bring in product, and I know that, the more spread I have, the more business I get in those area. When we enter into agreement with some of the filling stations that do not have capacity to wet their stations, we have control in terms of controlling our stock.

HON. LAWAN: You are in control as far as supply is concerned?

PINNACLE CONTRACTORS: For sure

HON. LAWAN: But they might decide to sell their filling station?

PINNACLE CONTRACTORS: No sir, he cannot sell his filling station, if my product is there, he has to let me know.

HON. LAWAN: Of course he has to let you know, not that he cannot sell?

PINNACLE CONTRACTORS: Even if he has to sell, agreement says that, should you want to sell, please let us have notice to move the product, or he can even sell to me.

HON. LAWAN: You are saying that someone else can actually sell that filling station, which means you do not own that filling station

PINNACLE CONTRACTORS: Like I said, I have understanding with XYZ.

HON. LAWAN: When I was coming in this morning, I came with one of my colleagues in

my car, and he has some of his files in my car, I am sure they are there right now, that does not make him the owner of my car. What I need is to move out his files and dispose of my car or I give it away. He cannot go and claim my car because he has some documents, that is the same thing. I will let it go, you have your products in five filling stations and the one that is under construction, is that also in partnership?

PINNACOCAT CONTRACTORS: No, this particular one, like I said in my presentation, we are acquiring, and we are expanding the retail outlet on the energy side, so this particular one in Owerri is ours.

HON. LAWAN: And you said you collected over N3.8billion with this kind of partnership? Thank you very much; we have requested for some documents, we hope latest by Monday, we can have those documents.

CEO - SETANA ENERGY LTD: Thank you Hon. Chairman and Members of the Committee, we thank you very much for the opportunity to make our presentation to this Committee. We got this invitation at a very short notice, we hope that whatever contributions we will make here, however little we know will somehow help in the process that we have on going. Setana Energy is an oil and gas supply and trading company, we started in 2006, we have interest in trading on refined products across board, gasoline, gas oil (AGO), DPK, Fuel oil. We have over the years since 2006 a turnover of billion dollars in all facet of our business, I fall into PPPRA starting in 2010. We came into PPPRA scheme to render some services to some of our customers. We dealt with most of the major marketers Total, Conoil, Mobil, and Oando. Sometimes these marketers require that we bring these products direct to them and because we do not have the products, we decided to end our services. We had to get PPPRA import allocation to be able to render that kind of service since there was also the introduction of SDF (sovereignty of the debt Note). Earlier, we could not participate because our banking line did not allow us to do that kind of business for obvious reason. They considered it a high risk, and they were not ready to fund, but with the advent of the SDF, we got our banking line approved to do PPPRA transaction, which we started in 2010. Since 2010 up to date, we have done a total of about 5,000 metric tons of PMS. We have collected a subsidy of about 10.8million, we have presently an outstanding of about N1.6million from PPPRA unpaid. PPPRA, I must say has been a very rewarding venture, when we started with PPPRA transaction, there was a bit of terms in all the tedious factors that run around the business that we do, so we do a transaction, make a decent gross margin. But lately, towards the end of last year, there were massive factors that affected our business in so many ways, most especially was the foreign currency fluctuation and referential, it did a lot damage to the transaction that we had. We had situation where we open LC at 152 a dollar and at the time that LC matured and we had to pay back this morning,

we had to buy this trend dollars from the market from the CBN at about 160 towards the end of last year. We had a very big depression that made a lot of negative impact on our business. We also had an issues of outstanding payment from PPPRA, which in some cases were long overdue and we had the issue of demurrage and some of those other factors. When you put all these together, it did not make our business very interesting especially in 2011. Apart from the business of PPPRA that we do which is PMS, we are not involved in any other thing.

HON. LAWAN: First of all let me thank you very much for that contribution, I do not think we will keep you for too long, just a couple of questions and we will allow you to go. You said towards the end of 2011, business with PPPRA was not profitable, are you still planning to continue with that business or you have decided to look around for something else?

CEO - SETANA ENERGY LTD: Well, towards the end of 2011, because of the volume, we had about two transactions already that were not looking good at all with PPPRA, we decided to pull out from that transaction. The bank even advised us that we might want to ease out of our stress and see what happens, but we have 1st quarter allocation. Even if we wanted to do something else, it did not work out. But the truth is that of course we will like to do PPPRA business, but has to do with volume. If you have something where you do not come with volume then, the profit margin we made is very slim. The more you do, the more you gain on economics scale. So it is good to continue as far as it pays you back. The PPPRA scheme is not guaranteed, but tried to pay back your cost and allow you certain margin of profit. That is how the team setup works, it is not as if someone gave you a gift of money, that is not what the scheme is about. You cover the cost and make a margin, PPPRA does not provide fully for inferential, they pay you based on 5 days around of your bill of lading.

HON. LAWAN: You have already cleared that point and I agree with you, that towards the end of 2011, the business with PPPRA was no longer profitable, my simple question is, in line with that have you made up the decision that you will no longer continue with the business, have you decided that you are cutting off the business, so that maybe in our recommendations, we actually recommend to PPPRA that Zenata is already out.

CEO - SETANA ENERGY LTD: I said it was not very rewarding, I did not say that the PPPRA transaction that we did throughout the period never paid us as a business. All I said was that especially towards the end of last year, it was not worth it, but as a businessman, you want to go into something and you see the profit.

HON. LAWAN: It is all right. You have already made that point and I agreed with you no problem on that, that towards the end of 2011, the transaction with PPPRA was no longer profitable. In line of that have you made up the decision that you would no longer continue

with the business; have you decided that you are cutting off your losses. Maybe in our recommendations, we actually recommend to PPPRA that this one is already out, and because some people have come here to say 110 companies are too many, we now have an opportunity to reduce them to 109. Should I take it that is what you are saying?

MANAGING DIRECTOR/CEO (SETANA ENERGY): Distinguished Chairman, I do not think I said that, I said it was not very rewarding, I did not say that the PPPRA transaction that we did throughout the period never paid us as a business. All I said was that towards the end of last year, especially, it was not what we bargained for that we got. As a businessman you want to go into something and reap some advantage.

HON. LAWAN: It is alright, I just want to understand you properly. When was your company incorporated?

MANAGING DIRECTOR/CEO (SETANA ENERGY): In 2005.

HON. LAWAN: You will give us the names of the directors; I suppose you are the chairman?

MANAGING DIRECTOR/CEO (SETANA ENERGY): We have all the documents there.

HON. LAWAN: When did you start business with PPPRA?

MANAGING DIRECTOR/CEO (SETANA ENERGY): In 2010.

HON. LAWAN: When exactly, 1st Quarter, 2nd Quarter or 3rd Quarter?

MANAGING DIRECTOR/CEO (SETANA ENERGY): 3rd Quarter 2010.

HON. LAWAN: You applied that same quarter and you started, which was the first allocation that was given to you?

MANAGING DIRECTOR/CEO (SETANA ENERGY): We got 30,000.

HON. LAWAN: How much did you collect as subsidy on that?

MANAGING DIRECTOR/CEO (SETANA ENERGY): We had N921m.

HON. LAWAN: So far the business the total subsidy you have received is N10.8m?

MANAGING DIRECTOR/CEO (SETANA ENERGY): We have received about N10.8m.

HON. LAWAN: So the first business was in the 1st Quarter or 3rd Quarter of the Year 2010.

MANAGING DIRECTOR/CEO (SETANA ENERGY): The first business was in the 3rd Quarter.

HON. LAWAN: 3rd Quarter, and you also did 4th Quarter of 2010?

MANAGING DIRECTOR/CEO (SETANA ENERGY): We got continuously, almost every other quarter.

HON. LAWAN: Every quarter or every other quarter?

MANAGING DIRECTOR/CEO (SETANA ENERGY): Every quarter in 2003, 2004.

HON. LAWAN: Yes, you had four quarters in 2011 and two quarters in 2010 I think?

MANAGING DIRECTOR/CEO (SETANA ENERGY): Yes. But then your performance is also key to them giving you allocation.

HON. LAWAN: You are telling us something sounding a little bit different. You know there appears to be more confidence in this business after introduction of sovereign debt instrument?

MANAGING DIRECTOR/CEO (SETANA ENERGY): Yes.

HON. LAWAN: And that was done in 2011 I suppose?

MANAGING DIRECTOR/CEO (SETANA ENERGY): In 2010.

HON. LAWAN: Was is it in 2010?

MANAGING DIRECTOR/CEO (SETANA ENERGY): Yes.

HON. LAWAN: But you are saying towards the end of 2011 it was not very rewarding. But you had those reassurances that you will not have serious problems with the banks.

MANAGING DIRECTOR/CEO (SETANA ENERGY): As I said the sovereignty debt note guarantees you that you are going to get your payment.

HON. LAWAN: And it gives you some comfort?

MANAGING DIRECTOR/CEO (SETANA ENERGY): It gives you some comfort and you can actually discount it with your bank in some cases after you have received it. What I am saying is that there are other factors; so many other factors that can affect your business and those factors came to play a lot last year in 2011. Talking about foreign exchange especially it really dealt with a lot of people.

HON. LAWAN: But the CBN Governor came here and part of the arguments was that you

players in the oil and gas sector equally contributed to the forex crisis so maybe you created your own problems?

MANAGING DIRECTOR/CEO (SETANA ENERGY): I would presume that what the CBN Governor was trying to say refers to the activities of the oil and gas office sector in terms of importation. If you want to buy product to supply under the PPPRA scheme you have to open an LC. When you are redeeming that LC you are buying this product from international market so you have to pay back in dollars, that is the pressure on the market which overwhelmed CBN probably.

HON. LAWAN: Now that you have mentioned the issues of LCs please can we have copies of your LCs, your certificate of discharge and the bill of lading? Did you import directly or were you buying from the mother vessels that were usually anchored off-shore Cotonou or off-shore Lome?

MANAGING DIRECTOR/CEO (SETANA ENERGY): We import our cargoes directly. The LCs were opened by the Nigerian entity, we have a trading arm that buys our cargo from different parts of the world, from Europe, Rotterdam and wherever. When they get to some points where the banking facility does not allow them to move further, we open our lines based here locally. We have lines with GTB, NCMB and Diamond Bank, based on those lines we have available we open LCs and then we are able to bring this product into the market.

HON. LAWAN: Do you have storage facility?

MANAGING DIRECTOR/CEO (SETANA ENERGY): No we do not.

HON. LAWAN: Do you have retail outlets?

MANAGING DIRECTOR/CEO (SETANA ENERGY): No we do not.

HON. LAWAN: Alright, how do you dispose your imports?

MANAGING DIRECTOR/CEO (SETANA ENERGY): All the time under the PPPRA scheme, we dealt with four major customers. All of them were people who were grounded in the product distribution in Nigeria. We are talking about Oando, Ascon, Mobil and Conoil. These are the four marketers we dealt with.

HON. LAWAN: So your supplies were to these four major marketers?

MANAGING DIRECTOR/CEO (SETANA ENERGY): We supplied into their facilities and they trucked out. That is the structure that we have. As a trading company we have at various times tried to look at the need to invest in storage facilities. You know this

investment in storage facility is not something that you just go into, you have to make business sense, and you do not do it because everybody is doing it.

HON. LAWAN: Importation is not something you just go into even though we have had so many people who just go into it.

MANAGING DIRECTOR/CEO (SETANA ENERGY): I tell you sir there is a company called Valpak Research. They are four hundred years in this business of terminal management they are the biggest in the world. They were there when the first product called crude ever came out and they put it in a container. They have never traded one litre of product, they are not a trading company; they are facility managers. So there is division of labour in this industry. Somebody might decide that this is where I have my competence and this is what I want to do. A retailer, somebody who does distribution can decide that this is where they want to be. When you are doing importing product there are some intricacies and you can get burnt easily. The people who even have storage facilities and filling stations who tried to deal with PPPRA, once or twice, they got somewhere and found out that they did not want to do this and I am telling you this and it is a fact. So, sometimes you look at the business, you say to yourself I want to be in this area. I want to develop a retail base business whereby at every point in time I would be able to say this is the area I want to be. Somebody might say I do not like this retail business because it is too much for me to manage; it is too much headache. It is all choice if you look at it. We have looked at it so many times, the possibility of owning storage facilities, of owning retail outlets and we actually want to start from retail outlets and move forward, that is like a backward integration. That is what our ground plan is, but oil is something that you know we would eventually get to do if it makes business sense for us to do.

HON. LAWAN: Thank you very much even though one of the issues you just raised does not seem to agree with the fact we have, that is, the issue of some people who had gone into this business having their hands burnt and then ran away. From the list we have since the commencement of PSF Scheme nobody has left. I am just saying that from what is available to us, not one has left. All those that started whether they were doing well or not they still remained; in fact you are the one closest among all those who have appeared before us indicating that well you are trying to review your position if what happened towards the end of 2011 continues to happen. You may perhaps have a re-think.

MANAGING DIRECTOR/CEO (SETANA ENERGY): From the beginning of this year when this subsidy issues started, a lot of people had allocations, but they did not want to import.

HON. LAWAN: I think it was because there was no subsidy to be collected. When the

government came out on the 1st of January and said subsidy was withdrawn a lot of people had allocations but they were not willing to import because they knew when they bring in their product they would have to take them to the market and compete with everybody; there was no subsidy to be collected from government. Now that people know government would pay subsidy I am sure most of those who have those approvals would quickly run to PPPRA to make sure their approvals are valid so that they can quickly bring in the product. Anyway let me thank you so much I have actually raised all issues. My Colleague from Lagos State wants to ask some questions. You know Lagos is now the highest ranking tax collector in Nigeria among other states in this country. If you are looking for the government that has imposed all kind of taxes, the government under the ACN in Lagos State has done more than any other government. He wants me to ask you whether you have been paying your tax, the company income tax even the PAYEE of your employees.

MANAGING DIRECTOR/CEO (SETANA ENERGY): Hon. Chairman we pay all our taxes and as at when due, it can be verified.

HON. LAWAN: Thank you very much. We have requested for some information we would be glad if you get them to us. I want to thank you for your appearance and I would assure you that our report would carry most of the inputs that you have made. Our desire is to be sure we listen to everybody because whatever we

are going to report we hope would be a fair assessment of our understanding of the operations of the sector. I wish to welcome the MD of Obat Oil and Petroleum Ltd to this hearing and thank them for patiently waiting since morning. I would now request you to please make your presentation, thank you.

PRINCE FEMI AKINYITAN (MANAGING DIRECTOR): Thank you very much sir. Good day Hon. Chairman, House Committee on Fuel Subsidy Management, distinguished hon. Members of the House Committee on Fuel Subsidy, all protocols duly observed. I am here to make presentation on behalf of my company as regard our trading activities in the past. However, kindly oblige me a brief introduction of my company. From our inception in 1981 which is about 30 years old now our focus has been trading activity in PMS, DPK and NGO. At present we have over 50 petrol stations spread across the nation and underground storage capacity of 90,000 litres each. We have over 100 trucks of 33,000 litres each for distribution of petroleum products to our outlets across Nigeria. In addition, we supply over 5,000 petroleum products to our outlets across Nigeria and we have 5,000 registered Independent Petroleum Marketers with over 7,000 petroleum service stations. We have oil servicing company, private and cooperate organizations, as well as, fishing trawlers. Furthermore, our inspiration informs the building of our ultramodern petrol facility situated at Ibafo, Apapa Lagos State. Our depot has a storage capacity of 21.6m litres each with 9 tanks for PMS, DPK and NGO making the total capacity of 64.8m litres at full capacity. We have our own private jetty with the length of 145meters and with the draft of 6.5 meters. Our berth can take a vessel within range of 5,000 to 20,000 metric tonnes. Also we have loading equipment with the loading arm up to 10 and our loading arm has a capacity of loading a truck within 15 minutes. Our equipment which has been installed since 2003 enables us to load 4m to 5m litres of petroleum products daily with full capacity. We have a laboratory within the depot for quality control. We have invested over N500bn into oil and gas project all over the nation and we are still investing more, particularly into our refinery project which has been approved for construction in May 2005. About the PPPRA allocation; we commenced our depot in early 2003. We joined the PSF Scheme in 4th quarter 2010 and the total allocation of PMS received up to date is 75,000 metric tonnes out of which we brought in 65,000 metric tonnes into Nigeria up to last year. We imported our petroleum from reputable international energy firms such as VITOL, ADAX, LENCOL and EXTRA. Between 2004 and 2006 we traded mainly in NGO and PMS which is sourced from the international market because at that time it was cheaper to buy from international market and sell locally. We purchased DPK directly from NNPC. Up till the 4th Quarter of 2010, we were trading outside the PSF scheme from 2007. We entered into depot facility arrangement with PPMC by which they bring in their products to store at our tank farms where we load them to their instruction. On subsidy claim, Obat Oil & Petroleum wishes to

correct the misleading information, making the rounds in the print and electronic Media, that at no time did we collect N85bn on oil subsidy. Kindly take note that the total subsidy received by Obat Oil and Petroleum as far as December 31st 2001 is N5,350,421,927.57 for which we have supporting document hereby highlighted:

- (i) January 18, 2011 we received N979,313,551.20;
- (ii) July 20, 2011 we received N1,550,263,750.27;
- (iii) August 19, 2011 we received N1,269,482,483.26;
- (iv) September 9, 2011 we received N541,445,152.54;
- (v) October 2006 we received N542,660,080.20;
- (vi) October 20, 2011 we received N467,247,910.10.

In total sir, if you permit me we have received N5,350,421,927.57. Lastly sir, I humbly appreciate your kind privilege given to Obat Oil & Petroleum to address this hon. Committee, thank you sir.

HON. LAWAN: Thank you very much for your presentation and also for the patience you exhibited in waiting since morning to make this presentation. There is a particular issue I am really interested in and I want you to shed some lights on it. You said you were given license to build a refinery in 2005?

MD OBAT OIL AND PETROLEUM LTD: Yes sir.

HON. LAWAN: Somewhere down the line what have you done so far? Why is that refinery not completed because during the debate on prior to the withdrawal of the January New Year Gift by Mr. President as a build up to that we have severally heard from various government officials that licenses were given to various companies in Nigeria to build refineries. Apparently you are one of the beneficiaries of those licenses. Between 2005 to date not a single one has been built why have you not built your own refinery? One of the arguments that we have heard here in the course of this hearing is the fact that we need to invest in local refineries and whereas some people are saying first of all we need to ensure that the existing ones refine to optimum capacity. There are also those who argue that even government needs to build more. I think yesterday IPMAN was talking about maybe seven additional refineries that are to be constructed by them. But then there are those who are saying that the development and management of the refinery should be left to the private sector; that it should no longer be the business of government, because government to some extent has clearly demonstrated some level of incompetence, inefficiencies and some level of lack of accountability in this business. So why not encourage the private sector to do so. I believe that was what accounted for the decision to issue licenses to private concerns to develop refineries now you are one of the beneficiaries but you have no refinery, what is your experience, why?

MD OBAT OIL AND PETROLEUM LTD: Thank you very much sir. In May, Obat Oil & Petroleum was given license to construct a refinery and along the line we have done a lot of studies and we went as far as acquiring a land somewhere in Lagos and in Ondo State, in the latter because we have more strength in the riverine areas in Ondo State. We have done much job till the end of 2008 when the economic meltdown hit our finances such that up till now we could not move to site. This is because we cannot do it all by ourselves, we do not have the financial muscles, we have to partner with some other people. But our partners really complained about fixed stock. We do not have any guarantee for fixed stock, and for you to operate a refinery you must have a guarantee of fixed stock or the support of government for the fixed stocks. Those are the two major problems that are still stalling us on the refinery project and up till now we are still working to resolve those two things, thank you sir.

HON. LAWAN: But you said that you have invested about N500bn?

MD, OBAT OIL AND PETROLEUM LTD: Yes sir, in our refinery project.

HON. LAWAN: How much have you invested in the refinery project, just a rough idea?

MD, OBAT OIL AND PETROLEUM LTD: Approximately, let us say over N100bn in the refinery project.

HON. LAWAN: But it is nowhere near commencing not to talk of being completed, because you still have issues regarding financing?

MD, OBAT OIL AND PETROLEUM LTD: Yes sir.

HON. LAWAN: So shall we take it that we should not put our hopes in you in terms of availability of locally refined products in the next few years because you are still trying to sort these issues, trying to look for international financial partners and still not really gotten your acts right yet, should I take it that way?

MD, OBAT OIL AND PETROLEUM LTD: No sir. What I am trying to explain is that we have our financials ready when we went back to site in 2008.

HON. LAWAN: I know you had concerns because of meltdown but I am saying you really have problems there and so maybe the flow of the resources was not as you envisaged or as you planned?

MD, OBAT OIL AND PETROLEUM LTD: Yes because we did not have the resources.

HON. LAWAN: So that was the main concern?

MD, OBAT OIL AND PETROLEUM LTD: That was part of the main concern.

HON. LAWAN: I am saying this is as an active industry player we have had argument from people in government that the main reason you people are not willing to get these refineries going is because the price of petroleum product is still regulated, that even if you have your refinery here you would not be able to make any profit as long as the pricing is not completely deregulated. Is that an issue because I would have thought that given the fact that NNPC has refineries located here and those refineries refine products and subsidy is paid on the locally refined product, I would have thought that if a private investor built a refinery locally and he knows that he would still get a subsidy on that, pricing shouldn't be an issue? That is my layman's appreciation of the issues, I do not know what is yours?

MD, OBAT OIL AND PETROLEUM LTD: I share your view but financial implications are some of the issues. If the price is deregulated and we are putting the refinery here in Nigeria with no guarantee of potentials of the product when those products are being produced; it is just part of the issues that our financial partners raised.

HON. LAWAN: These retail outlets are they all owned by you or maybe you have some kind of partnership with the owners of these retail outlets.

MD, OBAT OIL & PETROLEUM LTD: They are fully owned by us.

HON. LAWAN: They are fully owned by you?

MD, OBAT OIL & PETROLEUM LTD: Yes Sir. We have one in Kano.

HON. LAWAN: How many do you have in all?

MD, OBAT OIL & PETROLEUM LTD: We have 50 in all.

HON. LAWAN: You have 50 and given the population of Kano and the level of consumption, you have only one there?

MD, OBAT OIL & PETROLEUM LTD: Sir, our strength is in the riverine areas.

HON. LAWAN: And only one you can site in Kano out of the 50? What of the storage facilities? Are they fully owned by you?

MD, OBAT OIL & PETROLEUM LTD: They are fully owned by us.

HON. LAWAN: The jetties and everything?

MD, OBAT OIL & PETROLEUM LTD: The jetties, the tank farms and all the facilities are fully owned by us.

HON. LAWAN: Prior to 2011, because you said it is only in 2011 that you joined the scheme, prior to that time I suppose even before then you still had these retail outlets?

MD, OBAT OIL & PETROLEUM LTD: Yes Sir.

HON. LAWAN: How were you getting your supplies?

MD, OBAT OIL & PETROLEUM LTD: We bought from NNPC, because at that time, we had an arrangement with PPMC, they brought their products into our storage tanks. Before the PFS scheme came into being in 2006, you could buy internationally and sell at a very good price. During the time that we had not joined the PFS scheme we were buying directly from NNPC too until 2010 when we started distributing the product from PPMC.

HON. LAWAN: There are certain items that we require from you, the certificate of discharge, letter of credit, bill of lading in respect of where and when you import the PMS. I will also want to have the entire list of your retail outlets as well as the storage capacity. We want all these information and if we can have it by Monday, we will appreciate that.

HON. ALI AHMED: We are interested in the refinery; I know that many people try to give back to the community. You were given the license and your constraint is that you do not have the funds. I know as a policy that government subsidizes refinery construction by giving license for you to lift crude oil. Were you excluded from that arrangement? If you were, why were you excluded?

MD, OBAT OIL & PETROLEUM LTD: I do not think that we were given the license because we applied for the refinery. The condition then was that we should get to a certain point before the license to lift crude oil would be awarded. When we got to that point the economic meltdown happened, and so we could not move forward.

HON. LAWAN: Is there any outstanding payment for 2011?

MD, OBAT OIL & PETROLEUM LTD: Yes Sir, we have about N1,146,268,422 outstanding.

HON. LAWAN: Hon. Colleagues, let me on your behalf express our gratitude to the Chief Executive of Obat Petroleum. Thank you so much and I hope and pray that your partners recover for you to finish that refinery. We need it. We pray for them to recover so that they will come and join you in financing the refinery or you look for other partners that will help in completing the refinery. It is important we should have refineries because in that way, we can even export refined products rather than importing it. We hope that you will redouble your efforts in that direction.

MD, OBAT OIL & PETROLEUM LTD: Thank so much.

HON. LAWAN: Hon. Colleagues, I think we have had a very tough day. I was not expecting that this session will last this long. We have received presentations from quite a number

of guests. For this week, we will be adjourning now and we will reconvene on Wednesday next week. We will continue with the hearing on Wednesday and Thursday next week with the hope that some of the lingering issues that have arisen in the last few weeks would be finally addressed. I want to thank all those who have appeared before us, I want to thank my colleagues in the media who have so efficiently covered this proceedings, particularly the group from Channels who have actually covered us right from last week and this week, and I hope they will also be here on Wednesday next week to continue with the coverage.

Hon. Colleagues, I want to thank you very much and any other members of the House who have taken the trouble to join us and add to the quality of this work. I feel that last week and this week have been quite interesting because we have received several representations here, and we are getting closer to finding answers to this very serious matter to the millions of Nigerians who are waiting for answers in this matter. Once again, I want to thank you very much and I wish to bring to a close the session. So this hearing is hereby adjourned till Wednesday next week.

The ad hoc committee adjourned at 5.30 p.m.

HON FAROUK LAWAN, COMMITTEE CHAIRMAN: Hon. Colleagues, let me, on your behalf, welcome our guests today. Before I properly begin, I want to apologize to all those who have responded to our invitation for the commencement of this programme a little bit behind schedule. We will try to make up for the lost time so that we cover everyone who has responded to our invitation. On behalf of the members of the committee, I want to welcome all of you to this hearing and I want to assure you that the information you would provide to this committee will go a long way in addressing some of the concerns that have arisen with regard to the issue of subsidy regime in this country. As you are aware, the Committee was constituted by the House of Representatives on the 11th of last month and it was when the House had an extraordinary session which was conducted on Sunday with the thinking and desire to address the issue particularly related to the decision of the President to withdraw the subsidy on PMS. At that session, two committees were constituted;

one was to intercede between government and labour to ensure that the issues that had arisen were resolved amicably. The other committee which is the one that has invited you today is the one charged with the responsibility of monitoring and determining the whole issues related to subsidy and also monitoring the implementation of the subsidy regime. We have extended invitation to all the stakeholders because we believe that we need to be fair and objective to everybody and we need to give opportunity of fair hearing to all those who are in the sector. Those of you who have been monitoring what we have been doing for the last three weeks would have noticed that this committee has engaged various stakeholders, those that are charged with the responsibility of coordinating the various agencies that have bearing with the subsidy regime, as well as, those of you that do business with the government on the issue of subsidy. Like I said, the objective is to hear from everybody so that at the end of the day, whatever we are going to provide would be a report that would be fair, objective, and would go a long way in addressing some of the various challenges and problems that have been identified in the sector. On behalf of my colleagues, I would want to plead with you to be as open, candid and frank as possible so that, ultimately, the information you will provide will help us address the issues at stake. The issue of subsidy is one that concerns every Nigerian and you know that Nigerians are very passionate about that issue, and this is why we have committed ourselves to ensuring that whatever we do we will ultimately be guided by the facts and by the information provided. This hearing will continue tomorrow, we will also invite other stakeholders on Monday and Tuesday next week. We would not draw the curtain until we are sure that all the relevant information that we desire is provided so that whatever report we are going to present would be a report that will have a very lasting impact on this sector. I have said this and I will continue to say it that the committee has no desire to run down anybody. We are not witch-hunting anyone and we are not doing this with the desire to bring out problems in the sector that does not exist. But, we are also not going to sweep anything that come to our attention under the carpet. We will make sure that if there are observed lapses, we will properly address and bring them to the attention of the House of Representatives, so that action can be taken. Before I invite the first set of presentation, let me also remind the various stakeholders, particularly, the importers who have appeared before us in the past that we have sought for some information from and you were directed that some information should be provided to us. If by the time we close this hearing the information is not available to us we would deem it that those imports were not made and we will report accordingly. If we seek for information on the certificate of discharge, the Bill of Lading, issues related to letters of credit and any importer that fails to provide that information, our report will indicate that those imports were not made. This is because we can only determine that those imports were made if the relevant documents are made available to us. Once again, I want to welcome all of you and I want to assure you of a very open mind in the manner that we

will receive the information that you would provide. Once again, I want to assure you that at the end of this exercise, I believe that this sector would be better for it. Let me invite the Chairman of the Federal Inland Revenue Service (FIRS) to make her presentation.

Mrs. Ifueko Omoigui-Okauru, (FIRS CHAIRMAN): Thank you very much for the opportunity of this Service to be here to respond to your request for a detailed presentation on the activities relating to the subsidy, including taxes, dues as received by the Federal Government from subsidy regime from 2006 to 2011. First of all I would like to speak on two taxes that are immediately obvious and directed to the petroleum products regarding to the subsidy regime. First is the Value Added Tax (VAT) on petroleum products. I would like to note that under this regime VAT has not been charged on white petroleum product as separate from other products like bitumen, and lubricants. This has been a deliberate government policy aimed at avoiding any adverse effect of the tax which would otherwise have been chargeable to consumers as part of the pump price. The PPPRA template does not provide for this tax. With regard to withholding tax from the petroleum product payment, again even though extant regulations provides for the deduction of withholding tax on payment made in respect of all contract and agency arrangements, the policy intends to keep the pump price of petroleum products within reasonable limit, and has informed the non-application of this taxation to petroleum products payment. The PPPRA has been guided strictly by the template for petroleum products which does not recognize the need for this advance payment of tax. Let me note that withholding tax is not a tax. It is only meant as deduction from all payment to enable those on whom withholding tax has been deducted account fully for their taxes at the end of the year. Let me also add that in respect to these two areas, what has always informed government, and this has come up at various discussions, has been the need to put the prices low, because there was the feeling that if otherwise is the case, this would have translated toward how this prices has become. With regard to taxes, dues and receipts specifically from the operations of related companies and organization with regard to their business operations, companies and various organizations are required under extant laws to file returns and pay taxes as and when due. We have here, but we have not presented that to you, a schedule for the various companies but we are still populating it, we will still run a manual operation. A lot of our projects are into automating our operations and we needed to get this information from different parts and we will continue to code that information together. The audit of companies and related organisations are at different stages of completion and we will be in a position to provide detailed information on the taxes and dues at the end of this exercise and we hope to complete the report by March 31, 2012. We have also restructured to give a focus to textile market segment, and so in the past, we have to group related companies together. Now, we have more focus on oil and gas and even then, we have more of a focus now on the downstream

operation. Again, I would not want to give information on that until tomorrow, because I will need to check and for this, I would request the committee to give us some time to come back with a position that we can really attest to. With regard to revenue collected by the Service on a general basis, and this is based on monthly reconciliation that we have with the Central Bank, revenue collected by the service from 2005 to 2011, in general, is presented in the Appendix and I would like to note that we will continue to improve on our tax administration system concerning the collection machinery. Also, like I said, we are adopting technology to improve on our tax payment and reporting process. Hon. Chairman, I want to assure you that we shall intensify efforts to bring all those non-compliance companies and organizations into the tax net, and while I stop here we hope to have your continued support. We wish the Committee a successful deliberation.

HON. LAWAN: You have mentioned that VAT is free of charge and you have explained that the reason being that government is avoiding the situation where the pump price would be high, because if VAT is charged at any point, it will add to the pump price. Is there any circular to that effect, is there any authorisation or it is the decision of the Executive Council for the reason that we are avoiding the high price of PMS and kerosene?

FIRS CHAIRMAN: This particular situation has been in operation since 2002. We have corresponding reference to this particular order, but as I speak we are still processing the order. We intent to work even with the Minister of Finance in terms of the actual approval that we can tender to you but there are a lot of references to this approval. We have a lot of references to this approval which in the last 10 years we correspond on, but to locate the actual approval, unfortunately, we are not in a position to give that to you today. As part of the interim report we are going to give you, we should be able to locate that order.

HON. LAWAN: We will give you up to Friday to give us all the relevant documents that indicate that the FIRS actually have the relevant authorisation not to charge VAT. Looking at your page 2, for instance, you are referring to a local contract and you said you have ordered an audit to determine the position of these companies. We will give the list of 128 companies that are involved in this subsidy and we will give you till next week to give us the report. We are making a comprehensive list of all the companies, we do believe that it will take us some time, but we will give you the list of the companies that are involved in this subsidy issue. We want to know how much taxes they have paid from October, 2006 to date. We also want to know how much they are paid in terms of the imported crude for those years. We will do the debit and we expect within the next one week or so that you will react over that issue. Even though the audit is still ongoing, can you share your experience with regard to the level of compliance in terms of payment of taxes by the companies?

FIRS CHAIRMAN: I did not get that right Sir?

HON. LAWAN: Well, I am saying this because the level of audit has not been there for this long, but you will have an idea of the level of compliance or lack of it and the challenges that you receive to get them to comply.

FIRS CHAIRMAN: Like I said, we are still populating all these information from our different task forces, but based on the information we have on the populated field, I am here with a balance and I said it with high respect. Companies have been filing returns, but the reason why we have administration and audit, is that, there is always a difference between what the companies put in their returns and what the outcome of the audit of the tax administration is. That has not been different with the oil companies' taxes. In one or two cases, there have been objections. In fact, right now we are still in court and these objections are being resolved. The pattern of the marketing companies has not been different from the pattern of the others, which is to say that, the audit typically always provides much more taxes than what is in the returns. I think I would rather take it that this is an executive detail. The second thing I will like to also note is that we have always tried to make sure that all the companies in the first instance are registered for tax purposes. Again from what we have presented here, for most part, the companies are registered but not all. From the information I have today, that is why I am hesitant, we need to reconfirm, it is like four or five companies which we still have not confirmed may not have been registered for tax purposes. For that reason that information will be part of this report we will send before next week Friday.

HON. LAWAN: So what you are saying is that you are not confirming that yet, but by the time you leave this place you will be able to determine that?

FIRS CHAIRMAN: Yes Sir.

HON. LAWAN: You are saying that there is the possibility of the companies that have been doing business with regard to subsidy not being registered for tax purposes?

FIRS CHAIRMAN: There is the possibility, subject to confirmation, but the reason I haven't given you that data is because this is an interim report.

HON. LAWAN: We will give you a week to do that.

HON. JOHN OWON ENOH: I have one or two questions deriving from your position about the federal government subsidy tax policy. Do we have the benefit of any international comparison with the Nigerian situation? Looking at other climes, what is obtainable there? Without prejudice to that, in your capacity as somebody who is in charge of sharing from international experience have you tried to advise government on the limitation of doing things differently? The FEC's decision not to effect VAT is being implemented; hence the

request of the Committee with regard to the number of companies that are involved on the subsidy regime. Assuming that before this investigation, before the subsidy saga, government has paid up to N2 trillion or more and this N2 trillion subsidy was paid to companies that were involved. Assuming we have that money would that not have prompted FIRS to have a total look or watch in terms of tax purposes over these companies that have benefited hugely from Nigerian resources to ensure that the various issues that normally confront the authority will be contend with?

FIRS CHAIRMAN: I agree with you sir, considering the magnitude of the amount involved. You have to use the real best approach to determine where you focus your attention and then use that to now speak to the environment that tax payments are important. Clearly in terms of the magnitude of the amount we are talking about it requires a special focus on this sector and the companies that are involved. I agree with you completely, and, in fact, that is why even as early as 2005, we actually commenced the process of auditing oil and gas sector, but we started with the upstream before going to the downstream. In fact, if not for the issues of some of these companies, we could have even concluded on some of these issues earlier. So, the magnitude of the subsidy would clearly focus the attention of the sector to answer question headlong. Coincidentally there are some of the cases here that just by virtue of what they are, and what is mentioned in the newspapers belong to that category. Let me give you a classical example of a particular company that we could not even audit. It was a situation where in the span of one week we saw several adverts on a particular organization and a particular CEO everybody congratulating him. We became concerned about what the company was doing because by the time we added up the cost of the adverts for congratulating a particular person, it ran into quite a lot of money and so we triggered an investigation into that particular company not even so much because of subsidy but because of behavior of the company. You are right, and that is why also companies have come to the attention of the National Assembly that you believe have an impact on tax and then you refer to us. I will like to add that you continue to be fair to such organizations and not just to them, but to everybody including the general public because it will enable us to focus on those companies a lot more.

HON. JOHN OWON ENOH: What of the issue of what happens elsewhere which you have not touched?

FIRS CHAIRMAN: I am sorry about that. The issue of tax particularly on petroleum product has been one that the government has been extremely sensitive to. Throughout the reform effort, it has been one meeting after the other on the issue of taxation on petroleum products, because elsewhere, tax on petroleum product is a major source of revenue. Again, we can include this information in the report that we will give you. Even at the time

when there was a discussion around funding the police I remember there was a report at the National Assembly during the time and I think this is like three years on the issue.

HON. ENOH JOHN ENOH: Of course, I take it for granted that you have been following the signal of this Committee. You will agree with me that one of the issues that have come up here is the consumption value actually; we have conflicting figures about that. Do you think that if tax is allowed in all that, it would easily have assisted the country to determine the daily consumption? Do you think that is one of the benefits of tax in terms of proper tracking consumption? Therefore, if that is the issue, would FIRS have been in a good position to actually put to rest these conflicting figures and give us the appropriate consumption figures.

FIRS CHAIRMAN: Sir, taxes and the payment of taxes definitely help in contributing to data. However, for example, FIRS today with the support of government and the support of the National Assembly is automating its records. The reason being that, even though, we were collecting taxes before, we did not automate our records. If we do not have a unique tax clarification number for all taxpayers that help to build the data base; even when we are collecting taxes, the records that we have will not be fully reliable unless we constantly write down receipts. Automation helps to expose information in a faster manner to be able to respond to some of the requests you are talking about. I will like to add that over and above the payment of tax which will help, I think the ongoing efforts, being lead by the Accountant General of the Federation, to create a government data base, where a lot of government agencies are going to be connected to each other would be rewarding. The unique aspect is the dedication number where Federal Government will be connected to the States, for example, asking for PAYE or payment on companies. To get that information, you have to contact all the States Board of Internal Revenue. But the U-TIN project which has gotten the support and which is currently being implemented will enable us to give data that we can rely on. So in addition to the payment of taxes, we will see the ongoing project of government to a logical conclusion as early as possible. In addition, we really want to ensure that there is consistency in data across all government agencies. So automation in government will ultimately get us where we want to be.

HON. ALI AHMED: Your organization is reputed to be one of the few organisations in Nigeria that earned more than it targeted in 2006. If you look at the PPPRA template, assuming that there is no subsidy at pump price of N141.00 we still assumed there were no taxes given the PPPRA template? And now if you want to be assisted you will see PPPRA template that is reducing your own ability to even make more money and consultants have come here to tell us that even if you have local refineries in Nigeria, price of fuel might not be less than N141 per litre here for a long period. I am not asking you to comment on

PPPRA, you are in a government institution and I know you would not want me to ask you to do that. I am only asking you to comment on PPPRA template vis-à-vis what obtains in Europe and America where tax amount to a large chunk of the cost of fuel. In Nigeria's pump price of N141.00, N140.00 with zero tax, is there nothing wrong? Do you not see something wrong in the template not with PPPRA but with the template that disallows you from making this earning? Even the fact that you said in other countries, from petroleum tax you will make a large amount of money? Nigeria is losing money!

FIRS CHAIRMAN: Sir, I understand it is the whole discussion on deregulation of petroleum prices, particularly in terms of sensitivity of government to hold on to the pricing during the subsidy regime for consumers. But that the best time at which the whole issues of proper taxes will be addressed will be when it is completely deregulated. So our understanding was not that in a complete deregulated environment taxes will not be on the table, the idea was that for the taxes to be introduced as a paper on the table there will be dialogue and there will be consultation. That is why I said that even in the revision of the VAT law, which is almost ready to be presented to the National Assembly, it will become an issue on the table for us to understand that in terms of the fully deregulated environment or even in the environment we are operating today, there is an additional benefit to government that has not been realized, which is the tax. And there is a need to reintroduce the tax and there is a need for that discussion to take place because it was important that we do not lose that stream of revenue. A lot of times there is an issue of group in all revenue or a group in whole tax revenue base of the economy. When one is comparing the taxes that we are not collecting in Nigeria with taxes that are being collected in other countries, one will see that there are a lot of benefits today that are not taxed, taxes that can grow the revenue base of the economy. Another is not even the rate of VAT; I know that also poses a sensitive issue, but the truth of the matter in growing the revenue base government is looking again at the VAT rate. I know the arguments of those who say no, I am not ready to go VAT rate, in that we can be more efficient, we can be more effective. I agreed with those arguments and that is why we are doing a lot in the automation, but doing a lot, not in terms of improving the effectiveness at which we collect VAT. But that discussion at some point, over and above improving efficiency, improving effectiveness should take place. So yes sir, in truth, I did not believe that the template for PPPRA in a deregulated environment would not have considered taxes. I do not believe that but I do believe that in the consideration of taxes there will be dialogue and there will be consultations for people to understand the importance of taxes; otherwise really, the whole public will be losing a lot in not generating those revenues for the development of the country.

HON. JAMES FALEKE: Talking about a deregulated economy, we are aware that AGO (Diesel) has been deregulated, do you collect tax on this, if you do not, why not?

FIRS CHAIRMAN: That is a good question and again like I mentioned, the prevailing government policy was a blanket policy. What has been introduced on the table is for us to take a complete rethink at this issue. Now, in presenting this for discussion, the priority of government was first of all let us deal with the whole issues of deregulation first. Even when you are talking about the deregulated diesel, if we were to start taxing diesel as it should be, there is an impact on enterprises, there is an impact on companies, and there is an impact on everybody else. So the same principles that led to the original policy has not changed unless we sit down to agree on discussion, and what we have put down on the table is for us all, including the National Assembly not just the Executive, to agree on the direction of taxation. Taxation is a sacrifice for all of us, we want to collect and it is sacrifice for all of us to agree to collect it. We should also engage other factors into the revenue framework. I recall, for example, that the template is not even looking at haulage and you got all kinds of crises, like oh, why are we collecting from those who are even transporting the petroleum product. Taxation is a very emotional issue, but I can tell you, this is something we need to do; we have to grow revenue lot more than we are growing it today. The government has to recognize that there is a sacrifice for all of us. And we should all be on the same page that is something we want to do, it makes our work easier and it will grow revenue for everybody.

HON. LAWAN: Thank you very much; I suppose my colleagues have no any other questions or any further interventions. Now, like I said, you will be provided with the list of the companies that are involved in the subsidy importation regime, and by next week, we want the details: how much they have paid as company income tax, how much they have paid as taxes on their staff, how many of those staff are Nigerians and how many are expatriate staff. We want to have that information and the amount of money that has been paid, so that we will compare their various profiles concerning the amount of money they claimed to have made, to see how much through tax they have paid the Nigeria government and also by extension the Nigerian people. Once again, I want to thank you very much for your presence here and your presentation.

FIRS CHAIRMAN: Thank you very much sir. I just wanted to also know to what level we can within the period, because these companies are also liable to other taxes. To the extent that we can, we will also give you the full range beyond just company income tax and other income taxes.

HON. LAWAN: You will give us whatever taxes they are expected to pay. Hon. colleagues on your behalf I want to thank the Chairman, the Federal Inland Revenue Service (FIRS), for her presentation and also for responding to our questions. Once again, I want to thank you very much. The MD, Total, I believe he is here. Please can you come forward?

FRANCOIS BOUSSAGOL (MD, TOTAL PLC): Hon. Chairman of ad-hoc Committee

and hon. members, thank you very much for inviting us. In response to your invitation we are here to present scope of the activities of Total Nigeria Plc. My name is Francois Bous-sagol Gosego, I am Managing Director of Total Nigeria Plc. I have with me Sani Banga, our General Manager in Charge of Operations, Alhaji Abdullahi, Director, Oil Service Manager, Abuja, and Mr. Jeff Nnamani, General Manager in Charge of Strategy. We are providing you with the presentation of Total Nigeria Plc. Total Nigeria Plc was established in 1956. It is part of the company landscape now. We commissioned the first station in Lagos in 1956 and today Total Nigeria Plc is on the Nigerian Stock Exchange (NSE) since April 20, 1979. You may remember that Total and ELF, were two French companies which represent this country in the merger that occurred in September, 2001. In the company, Total today serves its customers through three territories; one in Lagos, one in Port-Harcourt and Abuja. We have 86 Area Offices across Nigeria. Total Nigeria Plc is the market leader in the downstream sector one of the major players I will say. And I will like to remind you that Total Nigeria Plc is a marketing company; we are not a trading company. We have retail network of 550 stations with wide range of products (such as lubricants, PLG, insecticides) and we also provide customers with diversification services, such as auto-clean services, shopping services; I mean distributing of snacks and beverages in our shops. We are present in all States of Nigeria and we are the most of the innovative marketers. We have introduced many years ago, a dedicated fleet management tool, Total card. It is useful for cash incentive and we also provide services such as Vendor Management Scheme which means that we manage the fuel consumptions for industrial customers. We have also high international safety standards applied in the construction of our stations. Excellent customer service is a key word in our company and we regularly monitor this service by mystery visitors and 24 hours customer complaint hotline. In terms of certification, we are under ISO 9001:2008, certification. We also have high product size ISSRS level 3 and 4, ISSRS is a certification which means International Small Site Safety Ranking System (ISSRS). We are also one of the first marketing companies certified under ISO 14001:2004 which is System for Management of Environmental Issue. Our major assets comprised 3 depots, Mende coastal depot in Lagos and total storage capacities of 112,000 cubic metres; PMS represent half of this storage capacity. We have 3 Lubricant Blending Plants in Lagos, Kaduna and Koko and 90% of our lubricants are manufactured locally in Nigeria. We also have a Bitumen Plant in Koko, Delta State, and 5 Aviation facilities, 2 in Lagos, 1 in Abuja, 1 in Kano and 1 in Port-Harcourt Airports. We also have 5 LPG filling plants, Koko, Kaduna, Kano, Benin and Onitsha and 550 retail filling stations nationwide. With the description of major assets you will understand that we are involved in the network, we supply petrol to the customers, and we distribute PMS, AGO, DPK, fuel for airlines, LPFO for industry customers. You will see that our assets spread across Nigeria. Total Nigeria Plc also provides corporate social responsibility, we have 4 main actions concerning CSR (Corporate Safety Responsibility);

Road Safety, we are in Nigeria to do business, but we are really concerned about road safety and we have built the new facilities in Ibadan in March, 2001. So far 1400 tanker drivers were trained in our Training School in Ibadan; we also have in this facility a truck inspection. We are also involved in health programme, HIV/AIDS Campaign commenced in 2005 reaching 11 States to date and our goal is to do action in all the States of the Federation. We also have Malaria campaign initiatives every year and we use our network to develop public awareness. We are involved in Youth Empowerment: Skill acquisition program through training and establishing young men and disadvantaged persons from our host communities in various trades and vocations of their choice. We are also involved in two commands; we sponsored two families' houses in Lagos and Abuja. In the next slide you will have the description of our sales between 2006 and 2011. We have reached in 2011 delivery or sales of 1,727,000 cubic metres and PMS represent sale that is too important in our network across the country. In the next slide you have the description of all the importations we have made between 2000 and 2011, the names of the suppliers, the vessels, who supplied the products on daily bases, rates, dates and months, the storage locations, and so on. We have depots, the quantity approved by the PPPRA, and the amount. So you will notice that we have in 2011 for example imported more than 200,000 million litres out of 1,246,000,000 litres.

HON. LAWAN: Sorry before you finish can you elaborate on that again.

MD, TOTAL PLC: Clearly speaking, it means that all our needs, all our supplies do not come from importation only. To give you a breakdown, we are supplied by the NNPC in our storage facilities but it is not considered as importation, so we can be supplied by NNPC in our storage facilities. We can load products in the refinery, and NNPC today is our major supplier and that represents around 45% of our supplies.

HON. LAWAN: Sorry, I know that you have not finished but just very quick intervention. Do you also buy from importers who either have no storage facilities or retail outlets? You import and you get supply from the NNPC; do you also get supplies from those that are awarded contracts by the PPPRA but who have no retail outlets or storage facilities, do they supply you as well?

MD, TOTAL PLC: Of course, I mentioned that the NNPC represents less than half of our 45% needs and there was PSF scheme, it represents approximately 20% of our needs and we have supply from our parent company Total. We are also supplied by other suppliers. DPK represents approximately 30% under PSF scheme, and the balance is supplied by local traders, which may have or may not have certificate, and local traders who have import allocations. At this stage I will like to mention that our import allocation was until 2010, 45,000 metric tons. Since 2011 our import allocation increased on our request up to 60,000

metric tons for a quarter.

HON. LAWAN: What quarter is that, second quarter or third quarter?

MD, TOTAL PLC: Second and third quarters.

HON. LAWAN: Second and third quarters?

MD, TOTAL PLC: Yes. We made this request for additional import but I do not think we used 5% of our import allocation. From the next slide you will find out payment advice in our books, everything is very clear between what we expected from the PPPRA and what we received. In conclusion, let me assure the committee that Total Nigeria Plc is committed to developing and investing in the downstream sector of the Oil and Gas in Nigeria. We have a strong business integrity and corporate governance policy. As a good corporate citizen, Total Nigeria Plc operates its business in full compliance with all laws and regulations. We are marketing company; we supply fuel oil, gas oil, and so on. And as good corporate citizen, Total Nigeria Plc. operates its business in full compliance with all laws and regulations. Thank you very much.

HON. LAWAN: Thank you very much for that presentation. Let me for the purpose of clarification raise a few issues. You have over 550 retail stations and you have storage facilities, and like you said up to the third quarter of 2011, the level of your import contract with PPPRA was about 45,000 metric tons per quarter. Now given your capacity, do you have infrastructure, that is, in terms of retail stations and storage facilities enough for your fuel import requirements. If PPPRA decides to give you contract to import whatever you request, do you have the necessary infrastructural support base to achieve that?

MD – TOTAL PLC: We have something like a 101,000 metric-ton storage facilities and we have gasoline of one million metric tons. It means that we could manage with our existing facilities, but it could be very difficult because the port in Apapa is very difficult.

HON LAWAN: Now if you remove what you get from NNPC, assuming NNPC continues to supply you, with the capacity of your facilities, do you also have the capacity to import the balance, if you do not have to get supply from other importers. I mean do you have the capacity to handle the import you require in addition to what NNPC gives you? NNPC provides about 45 per cent of your import, which means you have outstanding 55 per cent, do you have the capacity to import 55 per cent?

MD – TOTAL PLC: Yes, our storage facilities are not very appropriate yet to receive biggest import into the depot; so, we use facilities of some marketers. Economically speaking it is more economical to bring large quantity of PMS into large storage facilities and we do not have that. All the volumes of our import are not going into our facilities, and our

supply is a combination or a mix of what we get from NNPC and import. The ideal situation is to have large vessel, but it is not the case today, but truly speaking we could manage, even though it could be very difficult to match all our needs.

HON. LAWAN: You were getting 45,000 metric ton prior to the second quarter of 2011 when your allocation was increased to 60,000 metric tons. Is that your maximum capacity?

MD – TOTAL PLC: No.

HON. LAWAN: So what is the capacity that you can manage without difficulty?

MD – TOTAL PLC: We can manage 90,000 metric tons, but it depends on the availability.

HON. LAWAN: But I could have thought that a company like yours should be able to manage because you have been in the business since 1956. If people can go into this business a year or two and still manage, I thought that Total should not have any problems at all.

MD – TOTAL PLC: We are very pleased with our existing major supplier, the NNPC. We are pleased in terms of quantity, in terms of payment, in terms of quantity of loading, so is a mixture of supplies for the best of the company and for the best interest of the shareholders. We could do more but I do not think we have the appropriate storage facilities.

HON. LAWAN: How much did you collect as subsidy in 2010?

MD – TOTAL PLC: We collected N11 billion.

HON. LAWAN: And this represents what volume of product, I believe it is PMS? What is the quantity?

MD – TOTAL PLC: The quantity was 251,000 million litres.

HON. LAWAN: In 2011, how much was the total subsidy payable? Have you been paid all or you still have outstanding?

MD – TOTAL PLC: The outstanding is N16,400,211.

HON. LAWAN: In 2010 you brought 251,000 metric tons and you collected a subsidy of N11 billion, in 2011 you collected a subsidy of N16 billion, what accounts for the difference between 2010 and 2011. You brought more products in 2010 than in 2011 when you brought less products and collected more money.

MD – TOTAL PLC: In 2011 there was an increase in price compared to 2010.

HON. LAWAN: Like I said you have been in business since 1956, given your experience – remember you are still on oath – could you give us an idea of what could be the average consumption of PMS in this country? I have been in National Assembly for 13 years now and there are things I can give suggestion on because I have been here for a very long time.

MD – TOTAL PLC: By my calculation, it is between 33 to 35 million litres per day, it is an approximate figure, I do not have the exact number.

HON. LAWAN: It is all right. Do you receive allocation of kerosene from PPMC?

MD – TOTAL PLC: Our sole supplier for kerosene is PPMC.

HON. LAWAN: Do you have figures of how much you had collected on subsidy from PPMC on kerosene?

MD – TOTAL PLC: We have not collected any subsidy on kerosene because we buy net of subsidy.

HON. LAWAN: How much do you buy per litre of kerosene?

MD – TOTAL PLC: We buy according to the template, which is N40.90 per litre.

HON. LAWAN: Then how much do you sell it, because the price of kerosene is still very high.

MD – TOTAL PLC: When we have kerosene, we sell it at N50.

HON. LAWAN: When you have kerosene? Does that mean you do not have it always?

MD – TOTAL PLC: Yes.

HON. LAWAN: Can we have the volume or the quantity you got in 2011?

MD – TOTAL PLC: It is in our paper; we got 52 million litres and the allocation was slightly better than the previous years. In 2006 we imported 10,000 metric tons; you will see it in the DPK column.

HON. JOHN ENOH: Is it possible that you may have received more subsidy than was due you in 2011, 2010, 2009? Do you think you have been paid more than you are supposed to get?

MD, TOTAL PLC: It is possible and if it is the case, we will have to reimburse the PPPRA.

HON. LAWAN: What you have said is that if there is any such possibility you normally reimburse the PPPRA; is that what you are saying?

MD – TOTAL PLC: It will be returned to PPPRA, if that is the case, but I do not think it has been the case.

HON. LAWAN: Let me ask for this clarification; turn to your page 8 please. Under the column PPPRA approved quantity in litres; in 2011 you have, under/over recovery paid, N16.186 billion. Can you reconcile that with your page 9, the first column, amount received: N18.8 billion? Is it possible that you received subsidy in excess of what you identified under recovery - about N2.6billion?

MD – TOTAL PLC: It is a good question, but I do not think there should be a gap. I do not have explanation today; maybe we can provide you with a clear answer later.

HON. LAWAN: Do you require any assistance from your colleague, but I know you can give an answer because the document is before you, and it is not a matter that you will tell us that you will get back to us. You were paid N16 billion and given what you claimed was due there is a difference of about N2.6 billion. You need to explain to us, if you need help, you have many officials with you

MD – TOTAL PLC: We do not have clear explanation to give, because this document was prepared by our Finance; it was prepared yesterday. We will go with the details and provide you, as soon as possible, a clear explanation.

HON JOHN ENOH: I will not push on that, I am sure the Chairman will give a ruling on that. But do not forget that my question is a general question: Were you overpaid in terms of subsidy? Your answer was emphatic no, you have said so.

HON. LAWAN: You received allocation from NNPC, do you pay or you get it on credit and you pay later?

: We paid later, and the agreed term of payment was MD - TOTAL PLC15 days.

HON. LAWAN: In the last 10 years, how much investments have you made in the downstream sector?

MD - TOTAL PLC: I think that in last year, it was N4.5 million.

HON. LAWAN: I am talking of investment in terms of storage facilities. You have 550 retail outlets. Total and Elf were in Nigeria for a very long time, are you still investing in the downstream sector?

MD - TOTAL PLC: I will say maybe 60 per cent of our investments go to downstream operations.

HON. LAWAN: 60 per cent?

MD TOTAL PLC: Maybe about 50 per cent. Right now it is quite difficult to build new stations

HON. LAWAN: Do you have outstanding payment for 2011?

MD TOTAL PLC: For subsidy?

HON. LAWAN: Yes.

MD TOTAL PLC: No.

HON. LAWAN: So you have been fully paid in 2011?

MD TOTAL PLC: Everything had been cleared.

HON JAMES FALEKE: Let us go to page 8, item again. In 2006, the supplier, Adax Ltd., volume, 5,000, amount: N812 million. Can you relate that figure to page 9, what is the amount for Letter of Credit? To help you, what I have here is \$21,486,895, is that correct?

MD - TOTAL PLC: The Adax importation was in 2007. There was a delay, so it means that you will find particulars for Adax importation in 2008, but the importation was done in 2007. The Letter of Credit was \$3.4m and it is the same vessel.

HON JAMES FALEKE: You are under Oath. On page six, take that particular Adax, it came in when, December 17, 2007? What is the arrival date of the vessel, May? Are you saying that they are the same? Mr. Chairman, the question is this, if 5,812m litres would amount to \$21,486m what is the value compared to 40.1m litres? Compare the two values as per this your table. The value of 5m litres is about \$21.4m. These are the issues.

HON. LAWAN: Total, I am sure you understand what my colleague is asking, do you?

MD - TOTAL PLC: Maybe I am wrong but the vessel number 6 was supplied by Adax Limited.

HON. LAWAN: Before you get it wrong it is important to let him put the question again so that you listen. Remember somebody has already told you that you are under oath, and therefore, it is very important what answers you give to the question that comes.

HON. JAMES A. FALEKE: Thank you Mr. Chairman. The question I asked is this: In 2006 a supplier by name Adax Limited used a vessel MT Kembatic, which arrived on December 17, 2007, and it was discharged to Folawiyo Storage, the volume was N5,812,343 and the over recovery was N152,922,704. That is the details as you provided and when you look at 2007, the same Adax Ltd, using the same vessel but different date of arrival, different date of payment, delivery to Ibafor not Folawiyo, different delivery points, different volume.

2006 it was N45,812,343; 2007 it was N5,879,103, different over recovery payment. I tried to relate these details with your Letters of Credit which you opened for these two consignments, are you with me up to that point?

MD - TOTAL PLC: Sorry, maybe I did not understand this; the first three vessels are for 2006 so the following ones are for 2007. The number 6 provided by Adax Ltd North Kembatic with a delivery date of December 17, 2007 with a quantity of 5,812 metric tonnes supplied in 2007. The LC was for US\$3.4m mentioned in 2008. I think we are talking about the same vessel, I think so. So there is maybe a gap.

HON. JAMES A. FALEKE: We have an KPMG Audit Report commissioned by Federal Ministry of Finance and it indicated that you were overpaid between 2007 and 2010 to the value of N304,207,676.57 and when I look at your 2008 or is it 2009, I do not know which one to take, because I do not know the way you put the date; there was an over recovery where you paid back N176,645, can you confirm this overpayment?

HON. LAWAN: Have you sighted the KPMG Report before, is that a familiar document?

MD - TOTAL PLC: I do not think so.

MR. UJ. IBANGA (TOTAL GM, OPERATIONS): This overpayment was N304,207,676.57 when the hon. member asked the question whether we have ever been overpaid my MD did say that if at any point we were overpaid we could have returned the money to PPPRA. So if we go back to our record and see any over payment it will be returned to PPPRA in addition to this over recovery.

HON. JOHN OWAN: You did not mention to this committee that you have ever returned back any over payment to PPPRA.

MR. UJ. IBANGA (GM, OPERATIONS): No, what the MD said was that we have never been overpaid.

HON. JOHN OWAN: I think we should put you on oath and let it also be noted that whether you are put on oath or not that MD has already provided some answers to this committee. When I asked him the question if Total had ever been overpaid, he said no he had never been overpaid. That is all right, you would speak only when you are recognized to speak. You will now be put on oath.

HON. LAWAN: I think you can continue with your intervention, please go ahead.

MR. UJ. IBANGA (GM, OPERATIONS): Thank you Mr. Chairman. Now on oath I can say that in the process of this scheme over the years, if there had been any money overpaid to Total Nig, it had paid back such money to PPPRA and we have evidence of such money

paid back in addition to this over-recovery.

HON. JAMES A. FALEKE: Can you look at your 2010 and tell us how much was the total payment you received on this PSF fund?

MR. U.J. IBANGA (GM, OPERATIONS): 2010; N11,31 bn approximately was received.

HON. IRONA. A. GERALD: Please MD TOTAL, kindly repeat the total number of the quantity and the amount that you were paid in 2011? You have said it before, what my colleague is simply referring you to do is to re-instate what you have said before.

MD - TOTAL PLC: For 2011 the approved quantity in litres by the PPPRA was 211,308,203 litres and the amount recovered was N60,186,063,384.

HON. IRONA. A. GERALD: From record available to me here supplied by the office of the Accountant-General of the Federation and what you stated here in your record on page 9, you received a total sum of N18.8bn. So what are the discrepancies from what you told us and what you have here, because there are discrepancies?

MD - TOTAL PLC: I think we have already addressed this issue. There is no correlation between discharging and the payment of the subsidy. I think there is an explanation to your question earlier, Mr. Chairman, about the differences.

HON. JOHN OWAN: Yes, I think you have actually made some statements about that and you have said you were going to do whatever and get back to the committee. Let us go back to your page 8, 2008 in the last column; there is an amount N176,645,324.27 can you see it?

MD - TOTAL PLC: Yes.

HON. JOHN OWAN: That amount is in bracket, what is your explanation and it is the only amount that is in bracket in that entire column in terms of under/over recovery date. These are the various amounts that TOTAL had been paid but that is the only amount that is in bracket, what is your explanation, why is it in bracket?

MD - TOTAL PLC: I would make one comment, that is, to ask the GM Operations to reply you, thank you.

MR. U.J. IBANGA (GM, OPERATIONS): Thank you Hon. Chairman and Members. That figure represents amount of over-recovery. At that point the market was under over-recovery instead of under-recovery. That was the time crude oil price was around \$35 to \$40 per barrel and price came down drastically.

HON. JOHN OWAN: Let me be on the same understanding with you, that amount represents the figure that you paid back to PPPRA, is that correct? If it is correct then I think

that there are a few comments that can be made. While we expect you to give us whatever information that you have in trying to reconcile the two amounts of N18.8bn and N16bn or whatever you struggled to explain that at various times, TOTAL had made refund to government. That is important and interesting that from your document there is only one amount that is in bracket in this presentation that represents an amount refunded back to PPPRA. It is just important that I draw your attention to this because in looking at the entirety of the report, that is the only amount that is in bracket that indicates a refund and you have so explained, Mr. Chairman, I think I am okay.

HON. LAWAN: Just the final question before you leave and it is an easy one. You have 550 retail stations are they fully owned by TOTAL or there are affiliates?

MD - TOTAL PLC: We have around 350 retail stations which are our own property.

HON. LAWAN: Sorry, how many, about 250?

MD - TOTAL PLC: Maybe 350.

HON. LAWAN: 350 are fully owned by you and the difference is owned by Independent Marketers?

MD - TOTAL PLC: By Gilards, but they are under our brand.

HON. LAWAN: That is right, now when you get allocation of kerosene, did you get it because you have the retail outlets or because you have the storage facilities?

MD - TOTAL PLC: We have both of them; storage facilities and we have also retail stations.

HON. LAWAN: So you retail it yourself; you do not sell it to other retail outlets?

MD - TOTAL PLC: We give it all to our stations. We may do some sales, but honestly not so important. We are on consolidating business.

HON. ABBAS TAJUDEEN: Thank you Mr. Chairman. My question concerns your capacity. You did mention that you only import about 20% of your capacity, meaning that you rely on NNPC and other suppliers for the rest of your requirements. If you have that large capacity can you explain to us why PPPRA decided to reduce your import supplies in 2011 when compared to 2010? Concerning your supply cost management, for example, by some internal arrangements between you and other stakeholders in the industry storage facility is provided for you to enable you to supply all that you dispense out, that means the balance of the 80% that you required which you were unable to import yourself because from what you have said sir, your critical problem is that of storage, not financial. You have

the financial capacity to import, but you do not have the storage capacity to import 100% of your requirement. If by whatever arrangement you are able to get additional storage facilities either under lease bases or whatever at your disposal, would that enable you to import your 100% requirement? If so I want to know whether such will at the end of the day enable you to reduce your cost of supply. For now you are relying on other sources for 80% of your supply, which means you are giving them a commission or a margin from what you are buying. So if you are the one to import your 100% requirement would your cost of supply reduced, Would the retail cost per litre reduced if you have the advantage of importing your 100% requirement as against the 20% you are importing and buying 80% from other sources of your requirement?

HON. LAWAN: Thank you so much, I know I have raised one of the issues with you and you have responded to your capacity for import and you said you cannot do it because of your difficulties so you have already answered that. But you can answer the last aspect of the question as on lowering the cost. There is another question so that you can combine and respond to all issues.

HON. JAMES A. FALEKE: When you go to page 8, you have the names of suppliers, the vessels, you have given us 38 suppliers in all. If you go to page 9 which indicates your letters of credit for these suppliers you have 37 but the details of suppliers are actually missing on this data especially for 2006; we do not have details of suppliers as compared to what you have on page 8 and page 9. Secondly, you have 550 retail outlets, can you tell us what is the volume of your daily supply in PMS to these retail outlets? We would be happy to have detail documents to support that.

MD - TOTAL PLC: All right, concerning the supply strategy, our supply strategy is guided by four elements, reliability of quality products, reliability of suppliers, pricing and condition of payment. These four elements are key to a good supply strategy. We are not only focused on pricing, we are also interested in having payment terms, because it is very heavy to import as mentioned previously especially when the price was at N65; the weight of subsidy was very high and it is very heavy on final point of view to bear that. So it is not only question of logistics, we have to balance between local supplies and import competitiveness by local buyers. I do not know if I have replied to your question about quality of product, reliability of the supplier, conditions of payment and pricing policy. These are the four elements. It is very complex to balance between a competitive supply, quality of products and trying to obtain the conditions of payment. It is very complex.

HON. LAWAN: Hon. Colleagues, please we need to move on because we have so many others to take care of.

HON. ABBAS TAJUDEEN: Mr. Chairman, please let me ask him this final one please. The products you buy from PPMC and other suppliers are mostly imported and those people would have to charge their own margin before selling to you. I am saying, is it not more profitable for you if you eliminate those middlemen charges and import directly and would it not translate to lower retail cost at the end of the day?

MD - TOTAL PLC: Of course, for our shareholders our interest is to maximize the profit, but once again our focus is to supply our customers on a regular basis and import, once again, is not the sole solution. We have refineries in this country. Imports are made by PPMC or the main suppliers, so we try to balance. It is not only to maximize profit on supply; our main business is to supply energy to Nigerians. I do not have the daily supplies, but the average output of our stations is around 220, 000 litres per day per station. Concerning the disparities of supplies mentioned by the two members we have to check. Thank you very much.

HON. LAWAN: Thank you very much. Let me, before I allow you to go, request for certain documents; we want all your Letters of Credit for the import you had made from 2006 to date, we want your Certificate of Discharge and we also require the Bills of Lading. Hon. colleagues, quite a number of importing companies are here and I know I will soon take Duke Oil, but before I do that, I will quickly take on the Corp Marshal of the Federal Road Safety Commission. You are welcome I believe you must have seen our letter. Please put him on oath first.

MR. OSITA CHIDOKA, (FRSC CORP MARSHAL): The Chairman and Members of the ad hoc Committee on monitoring of the subsidy regime. Just before I start, one of my friends saw, yesterday, in the newspapers that I was invited to this committee and he was alarmed and asked: What did you do to the committee to invite you for subsidy? I said I guess it is because I did not receive any subsidy that is why I was invited. Basically, from the letter I received I can see that the information required is very simple. So, most of the slides here are just for information and I will quickly tell you what you will like to know as it affects the total number of registered vehicles in Nigeria and I am classifying the vehicles in the following order:

- i) Those using AGO, and
- ii) Those using PMS including motor cycles and tri-cycles.

On the first slide just to say that FRSC was brought in because of the dangerous nature of our roads and our vision is to eradicate road crashes and create safe motorable environment. Our mission is to regulate, enforce and coordinate all road traffic safety management activities. Our functions cover five broad areas:

- i) Rescue and emergency,

- ii) Enforcement,
- iii) Public education and enlightenment,
- iv) Road traffic management, and
- v) Road traffic transport regulation.

The next question for me is what we do know, because the questions you asked raised some fundamental issues about data management in Nigeria, information in taking public policy decisions and the absence of evidence based policy decisions.

In 1993, Nigeria put in place a new plate number system. From 1993 to August 2001, FRSC in conjunction with the states has issued 4,380,135 motor cycle plate numbers, 5,487,484 vehicle plate numbers, 28 government articulated plate numbers and then the private is about 25,277. So, combining motor cycles, cars and articulated vehicles we have about 10,001,270 vehicles in Nigeria. If you look at that closely, you will notice that 4,467,000 are motor cycles while 5,517,000 are cars and 25,000 are private vehicles. These figures from 2004 exclude Lagos State; Lagos State has been issuing plate numbers without transferring the data to any central authority until just last three months. With the new license system now in place it will not be possible for anybody to issue plate without going through the central system. The data we have here excludes what we consider as 30 per cent of the vehicles in Nigeria which is in Lagos State. So if we do that, we are thinking that the total number of vehicles in Nigeria will be about 12 million to 13 million vehicles including motor cycles and articulated vehicles. If you look at that closely, you will see that the preponderance of motor cycles and cars are about 9 million plus already. Before I go forward, I would like you to put this data in context. It shows you the size of the Nigerian economy in terms of fuel consumptions. The USA with a population of about 350 million people has 300 million vehicles. I did not bring the list of vehicles per 100,000 population across the world. Nigeria is one of the least because our vehicle population is just about the same with Turkey which has about half of our population or even less. On the next slide we estimated what we think will be the number of vehicles using diesel and we think it is about 0.3 per cent of the vehicles in Nigeria. The preponderance of vehicles again, the 9.984 million, is 99.7 per cent of our estimated guess - this is a very strong guess work in terms of clear data. The mode of collection of data of the vehicles does not include the vital variables that will give you the information on PMS, or diesel, which is what the upgrade in the new vehicle numbering system is bringing now. It is providing us an opportunity to bring in information about the vehicle for proper planning and also knowing the location of the vehicle. If you look at the next slide, it tells you that we have about 1,392 motor parks in the country; we have done a census of all the motor parks in the country. On a daily basis FRSC visits about 804 of these motor parks. In a weekly basis, on the average, 141,000 vehicles travel from those motor parks. A weekly average of passengers is about 1.9 million passengers travelling from

those motor parks and it is about 13 passengers per vehicle in terms of mass transit. This is significant information because it means that Nigeria is one of the countries where its mass transit moves the least number of people in the name of mass transit. So, when you see a vehicle titled Akwa-Ibom State Mass Transit, there are actually 14 sitter buses which are meant for short local run, they are not meant for mass transit. Two things are the reasons our people have shifted from the luxury buses to the small buses:

- i) In my considered view is the issue of cost. It costs about N25 million to N30 million to buy a luxury bus and it costs about N4 million to N5 million to buy a 14 sitter bus. Of course, if you buy a Chinese one it will cost you about N4 million and there is no regulation. Instead of carrying 14 passengers they carry 18 passengers on those buses.
- ii) Because fuel is substantially cheaper than diesel everybody in the mass transit business has moved away from diesel vehicle to fuel vehicles.

In our view, as FRSC, we think that the price disparity is the major reason why mass transit systems are suffering in Nigeria. Nobody is interested in buying them so, you will see Chisco buses that used to run luxury buses, now running mini buses between towns because the cost of acquisition and the cost of operation of the mini buses are far cheaper and a mini bus gives you quick returns over the mass transit buses which takes a longer time frame to defray costs. To see the significance of that: while about 88 million people travel on road in 2010 based on our data, only about 14 million went by air. The cost of fuel and diesel has great impact on mobility in Nigeria. We believe that this 88 million people are those that travel via commercial vehicles, if you factor in people that travel by private vehicles we should be talking about 130 – 140 million people's annual movement across the country. One of the information that I want to correlate with the information that I have given now is about the small buses. From 2007 to date, if you look at the next slide, you will see that road crashes are trending down in Nigeria. It is a combination of strong enforcement and awareness. We are raising record number of offenders regularly, strong presence on the road and clear view about what we want to do. When you watch this trending down process of the crashes you will see from the next slide that the number of people that died from motor crash in Nigeria are also going down. But not as fast as the number of crashes going down are the number of deaths; it is much slower in proportion. The reason is the small buses because with the small buses every crash leads to about 13 - 14 deaths. We do not get that kind of deaths when the long buses crash. When it is the small buses you get far number of deaths. If you look at the figures from 2007 - 2011, it was between four and five deaths per 100,000 population; it is now back to four per 100,000 population. If you look at our data on the mini-buses, the number of deaths shows that between 2007 and 2010, mini buses alone caused 30 per cent of the total crashes in Nigeria and 40 per cent of the deaths arising from it. So, there are disproportionate deaths and crashes caused by mini

buses. The disproportionate in cost of operation by virtue of fuel price and the diesel explains the preponderance mini buses that are in operation in Nigeria. Nobody wants to go for buses using diesel because it is far more expensive to run. If you look at the next slide, fuel consumption in Nigeria; I have been getting from this committee different figures of about 40 million, 50 million and on the web site of DPR we see it is about 150 million but our information clearly gives us a view. The tankers association has about 5,000 tankers on Nigerian roads daily transporting fuel across the country. We do not know if all the 5,000 are loaded every day but using that figure and using 33 million litres per tanker, it means that if about 5,000 tankers are full every day, we are talking of above 50 million litres of fuel here. Whether what you consume locally and what goes on elsewhere or where the fuel is; is something that we need to find out. We can count the number of tankers that go to Atlas Cove, for instance, and come out. If we count the number of tankers that will give us an indication of how much fuel they are carrying. I do not know because I am not an expert in that field, but all that we need to do is to get the manifest of all the people that load fuel from all the depots, calculate the number of trailers and we get the average number of fuel movement every day. I do not know why a country like this cannot have data of how much fuel it consumes every day. This is just an indication. We of the FRSC are of the considered view that Nigeria ought not to be moving fuel with tankers, our pipe lines ought to work because it would have been easier to go to the pipe line and ask how much fuel you pump. The tankers and trailers moving in Nigeria are a big menace on our roads. Between 2007 and 2010, there were 4,017 crashes involving tankers and 4,076 people died from these crashes, 12,997 were injured. If it is true that Nigerian economy is going to become a strong economy by 2020, and if it is true we will have the GDP in size of Brazil's, it means that our vehicle population will be almost three times of what we have today. It means that we will need about 10,000 tankers every day on our roads. If we need 10,000 tankers every day on our roads I do not see which road from Lagos to Abuja and up to Kano and Maiduguri that these tankers would be plying. There is a significant issue here, if we have fuel in Nigeria, are we going to move it by trucks or are we going to pump it by pipeline? The question remains, why do we have to move fuel from all that distance from Lagos to Maiduguri by tankers? The cost of the tanker journey is a significant portion in the cost of moving those subsidized fuel. All the distortions I see there are something that this committee will need to advise on the way forward, and on the use of tankers on our roads because they are the major causes of death. If we look at the vehicle population today in Nigeria, it is about 10 million, we have speculated that if the economy grows as planned, we would be talking of about 40 million vehicles by 2020. That means that whatever number of tankers we have today will have to increase by four fold to be able to supply fuel to the whole country. Therefore, we think that the distortion in fuel prices is one of the major factors in the shift from mass transit diesel vehicles to the fuel mini buses that are the major causes of deaths

in Nigerian roads. We are strongly of the view that we should ban those vehicles for long distance journey. We are of the view that the diesel vehicles are best for environmental issues, for sustainability and safety. We also think that we all need some information. It is a very sad event that we all come here and are speculating on numbers when actually the whole idea of government is the gathering of data for planning. Many people will ask us; why will you not have all the information available. So we need information on the number of vehicles on our roads, the distribution by location, the classification of vehicles according to the type of fuel consumption, the total number of vehicles registered in Lagos which is estimated to be about 30 per cent. This can only be achieved by recertification of all vehicles nationwide, which will provide the exact number of vehicle, the type of vehicle, what type of fuel they use and where are they located at this point in time. This is what we will tune in to know and if we do know it will help the government planners including those who are currently importing the fuel into Nigeria. They will know whether we are really importing what we need or what we do not even need, whether we are using what is necessary for the country or not. We believe that this information will be very important. Going forward I think the committee can assist in advising the government to initiate policies that will encourage the operators of mass transit programme to use large capacity engine vehicle for mass transportation instead of the medium capacity petroleum engine vehicles meant for short distance travels. I believe that from our own perspectives, we can always use every opportunity to push our own case of safety on the road, but more importantly, we believe in what I call the incentives for mass transit transport system in Nigeria, which are not there today because of the fuel structure. Unfortunately, the people that suffer this most are the poor and those that cannot afford their own vehicles. They are the people that are loaded 18 per a vehicle, killed on daily basis on the high way, and people can still not see the correlation between the use of those buses, their safety and the future of the country. Thank you very much.

HON. LAWAN: Thank you very much for that presentation even though you should be thanking us for giving you an opportunity to equally showcase what you do, and apparently making a case for your new number plate. But do not forget that the position of the House of Representatives on that matter still remains. I will not elaborate but you are aware of the position of the House of Representatives on that matter. You mentioned your educated guess on the total number of vehicles that use PMS and you said maybe between 12 to 13 million. I also wanted an educated guess on possibly the average per litre consumption of those vehicles. Obviously, what a motor cycle will consume in a day may not necessarily be the same a car would consume. We also need to bear in mind that it is not as if all these vehicles are on the road all the time every day. There are some that are grounded in the mechanic shops, there are some that are actually grounded in people's homes and

there are some that are owned by people who have more than one or two vehicles. In fact, people who have more vehicles than they actually need to put on the road. So you have vehicles that are packed in the garages and some remain there for months without being used. However, given your experience, if you can work it out now fine, but if you cannot, when you go back to your office, can you work out an average of what you believe could be the per day average consumption of PMS given the number of vehicles and given the different category of vehicles. For instance, if you have the number of motor cycles what could possibly be an average? I do not expect you to give us a precise number but we want to have a rough idea so that at least for the purpose of planning we can have a number that we could use. If we have 13 million vehicles on the average what can be the daily consumption of these vehicles and you can be conservative. Assuming all of them are even on the road, what could possibly be the consumption? From your experience you would also have an average percentage of vehicles that are usually on the roads. If there are 10 million cars, for instance, you could have a rough educated guess as to whether at any given time we should expect 10 million of those cars, 6 million or 5 million of those cars on the road. This means that we can have an average educated guess as to the rate of consumption of PMS. If you have any suggestion otherwise, we would allow you to reflect on that and then you can provide us with the details.

FRSC MARSHAL: My view will be that the guess estimate has so many variables. In fact, let me preface this by saying that of these 10 million vehicles that we talk about in Nigeria, we do not know how many are not really on the road because we are talking about number plates produced. We are not talking about registration which is why we are forcing all the states to go into online registration of vehicles so that we can collate that information at the back end. From year to year, the number of registered vehicles change, accident vehicles, old vehicles like you said, but by the type of vehicle is important in calculating fuel consumption from SUVs to Volkswagen, if we have a fair idea. When I go to other countries and I ask for the data of vehicles it is so simple, they just give you by type, by make, by volume, everything you want is available. But we can use the total number and can assume an average car which does not leave town every day. We can put an average of transport vehicles, if they are being used for commercial purposes and those for non-commercial purposes. There are so many variables, but if we do an average check, it will give us a very unreliable number, but maybe, it will give us an idea of what we should be driving at. This goes back to the root of the issue that our planning, our public policy is not hinged on the critical data that will support it, but we will go back and reflect on this and maybe forward to you what we think will be an average consumption, and we will look at other countries and see whether they have comparable numbers of average daily consumption of fuel. I know that the USA collects data on average daily consumption.

HON. LAWAN: Thank you once more for your presentation. It will definitely assist the Committee. We still have many invited stakeholders here. We will take the Duke Oil now.

AYO BALOGUN, MD, DUKE OIL: Thank you very much Mr. Chairman and the honourable members. We want to thank you for this opportunity to appear before this Committee. We are Duke Oil, 100% owned NNPC Trading Company. Currently, we serve as a flagship in international oil trading company of NNPC. And in terms of the key activities that we are involved in, basically, an international oil trading and we also participate, from time to time, in import and export of crude oil and petroleum products. Duke Oil was set up by NNPC to serve. Before I continue, kindly permit me to introduce the other members of the team: Dr. Attahiru Yusuf, Chairman of Duke Oil and Group Executive Director (Commercial Inspectorate in NNPC) and our star trader, Buhari Babangida, who is also a member of the trading team. Like I mentioned earlier on, Sir, NNPC set up Duke Oil to be a flagship trading outfit, just in the line of other national oil companies. If we must capture the value chains of oil and gases like Saudiaranco, Petrobas, Isolango, Sonatrach, we need a trading outfit that will play a critical role within the mainstream segment of the industry. The main objective which NNPC seeks to achieve really is to create market for Nigeria abundant hydro-carbon resources, and import petroleum products to complement local productions. The other objectives of government setting up Duke Oil is to capture the volume for the Corporation through arbitrage, taking advantage of petroleum price differential in more than one market. But very importantly, Sir, we need to develop capacity, the ability and competence to trade our own over time and this is very important. It takes time to develop, it takes time to build capacity, because trading in petroleum product is a highly specialized area and it is a terrain that you want to move into very cautiously. A single error may end the whole business, so we are treading cautiously in building that capacity internally. That is why I am very proud to introduce one of my staff by the left as a star trader. One of the few who have fully developed competence over time, this is the direction which we are moving. Now, when my Chairman and the Group Executive Director appeared before this honourable Committee earlier, a question was raised. In trading the crude oil which NNPC gave to Duke Oil, how do you go about it? One of the ways we go about this is to trade directly on our own. But particularly in the case of the swap arrangement before Duke Oil develop the capacity and the competence to do it on its own and in order to mitigate our risk, what we did was to look into the portfolio of all the traders within NNPC of which we are 100% owned and looked at those who can give us the best offer in terms of the margin both on the crude oil and also on the import of petroleum products. We check within our parent company, their technical competence, we check their financial capability, which is very important. It will take Duke Oil sometime to get to that level because to trade, you need international triple A; bankers that will be able to open

for you, letters of credit in shipping, clearing and so on. In order to benefit from our risk in all these areas, and to allow for some flexibility, we now entered into a contract with three companies in the swap arrangement - Ontario, Televarez and Tio. It is very important to say sir and honourable members that this is a cashless transaction, no cash is paid. They take our crude and they bring in products. Is any value added, I want to say with all sense of responsibility that yes, this has enable NNPC to supply product and keep all the stations very wet over this period of time without the attendant financial bottlenecks. If the direct importation should have been handled, for instance, by Duke Oil, things would have been different. I want to say, Mr. Chairman, honourable members that the Local Contents body says this administration should be commended - all these three companies, we want to say with all senses of pride before this Committee and responsibility are 100% owned by Nigerians. They are owned by young entrepreneur, they are owned by people who are investing in the downstream sector, they are owned by people who have taking a big risk, they are owned by people who are employing fellow Nigerians and who, overtime, are able to develop their capacity. Our ultimate goal, with time, is that Duke Oil will eventually take over these whole processes, but this is where we are today. The other point I want to make in ending my presentation is that in all these, like I said earlier on, the swap arrangement is a cashless transaction. Therefore, for the purpose of this Committee considering the administration of subsidy, we want to say very clearly, Mr. Chairman, that Duke Oil does not collect subsidy in whatever form. At this point I will end my presentation and allow for questions. Thank you very much.

HON. LAWAN: Thank you very much for that presentation. We are fully aware that Duke Oil does not collect subsidy, but we also know that what Duke Oil does has direct bearing on the issue of the subsidy regime, particularly, as regards local consumptions of our refined products. Through the swap arrangement NNPC gives you part of the crude, 445,000 barrel per day, meant for local refineries. It is through the swap arrangement that you trade it out and bring in refined products. So there is a very direct implication between what you do and the level of consumptions of the refined products. That is why you are here, so we are not going to ask you how much you collected in subsidy. But we will want to ask you some questions regarding what you do.

AYO BALOGUN (MD, DUKE OIL): Thank Sir.

HON. LAWAN: When did you start operation, and when did you start trading on behalf of the NNPC?

AYO BALOGUN (MD, DUKE OIL): As Duke Oil.

HON. LAWAN: Yes.

AYO BALOGUN (MD, DUKE OIL): We have been in existence since 1989.

HON. LAWAN: 1989.

AYO BALOGUN (MD, DUKE OIL): Yes Sir.

HON. LAWAN: And you have been trading.

AYO BALOGUN (MD, DUKE OIL): We have been trading. We started in partnership with some groups to trade in the process.

HON. LAWAN: When did you start the swapping arrangement?

AYO BALOGUN (MD, DUKE OIL): As from 2010 Sir.

HON. LAWAN: 2010.

AYO BALOGUN (MD, DUKE OIL): Yes Sir.

HON. LAWAN: I see. Prior to 2010, what was the arrangement, because even before 2010 NNPC was getting 445,000 barrels per day and even before then our local refineries did not have the capacity to refine that volume? So what was the arrangement prior to that period for 2010?

AYO BALOGUN (MD, DUKE OIL): Before 2010 we did not have the volume of the crude oil that we have today. The whole purpose of Duke Oil is to see when NNPC increases its own equity productions. Apart from this 445,000 which is allocated to NNPC, NNPC is to build capacity pending when our production from LPG, for instance, is big enough for us to trade in. So we used to have maybe one cargo, from time to time.

HON. LAWAN: I think you are missing the point. My question is on the swapping, I am talking about 445,000 barrels per day. You are an Executive Director in NNPC, you are a fully NNPC owned company, so I am saying prior 2010, NNPC was getting 445,000 barrels per day for local refining. And we have been told and Nigerians know that NNPC did not have the capacity; our local refineries for a very long time have not had the capacity to refine to optimum capacity. So, prior to that period when you started trading, what was the arrangement for the balance that could not be refined locally? How was NNPC disposing of it because there must have been an arrangement. NNPC was bringing refined products even prior to 2010 before you started trading on behalf of NNPC? How was the arrangement before?

AYO BALOGUN (MD, DUKE OIL): Mr. Chairman Sir, please permit me to limit myself to what I know, there will definitely be some arrangement.

HON. LAWAN: Can the Chairman respond to that? Please put him on oath.

Thereupon Dr. Attahiru Yusuf, Chairman Duke Oil affirmed.

HON. LAWAN: I am sure you will help us to respond to the question. You have heard the question concerning 445,000 barrels per day.

DR. ATTAHIRU YUSUF (CHAIRMAN, DUKE OIL): Yes.

HON. LAWAN: You understand the question?

DR. ATTAHIRU YUSUF (CHAIRMAN, DUKE OIL): Correctly, Mr. Chairman. The 445,000 barrels given to NNPC to refine, as rightly pointed out, we were not able to process, so the balance was given out through various arrangement.

With respect to Duke Oil, Mr. Chairman, like the MD pointed, out is a 100% trading company. Duke Oil applies and gets allocations just like any other company outside the 445,000 barrels per day. So it is that allocation that Duke Oil handles before 2010 when the sub-arrangement came in. Before 2010, Duke Oil did not get involved in the 445,000 barrels per day. We have our strategy in terms of disposing the allocations. And as he pointed out, trading is a very volatile business, it is expertise-intensive business, so we in the NNPC, we decided on a particular strategy and the strategy is to guarantee ourselves a margin, because you can guarantee yourself a margin by supplying to another person to deal with or going in yourself and trading. We opted for a guaranteed margin because of this situation.

HON. LAWAN: All right, you can now make your presentation. (Presentation made followed by question and answered session could not be produced due to technical challenges).

(Ontario Oil & Gas presented its position and questions and answers followed).

HON. JAMES A. FALEKE: Look at the Bill of Lading, page 14, this Noble Cliff Oil is it off-shore Cotonou based?

ONTARIO OIL & GAS: Interesting question, actually, they are international traders, they are like any other traders. I guess they trade out of London but they bring these cargoes off-shore Cotonou; we open LC and import these cargoes off-shore Cotonou or Lome as the case may be. Yes, they are international traders.

HON. JAMES A. FALEKE: I am very conversant with importation. Where is Noble Cliff Oil located, is it a company registered in Cotonou or registered in UK as per this Letter of Credit?

ONTARIO OIL & GAS: Registered in the UK.

HON. JAMES A. FALEKE: If it is a company registered in UK, why is their Bill of Lading originating from the off-shore Cotonou and the Letter of Credit is payable in UK?

ONTARIO OIL & GAS: A Letter of Credit is a document used in international trade and international trade could be between Cotonou, Lome and Nigeria. Noble Cliff Oil is a company registered in the UK. If you can permit me sir, I will explain how this transaction works. Noble Cliff Oil could buy product from anywhere, from Laveran or anywhere from Amsterdam, import these cargoes and we can open an LC and buy from them. The point of delivery is the off-shore Cotonou or off-shore Lome that you see on the Letter of Credit. CBN regulation does not allow us to do FOB transaction so Ontario Oil and Gas could not open an LC off-shore Laveran. If you look at Form 'M,' it tells you CIF not FOB so, I cannot as a Nigerian company open a Letter of Credit off-shore Laveran sir or any of those places.

HON. JAMES A. FALEKE: Sorry, when you do an importation of this volume it is expected that the vessel is coming in with a mother vessel and then it gets off-shore Cotonou and you do ship to ship right? Can we have the original Bill of Lading from the mother vessel? This Bill of Lading we have here is the SDC, no reference number nothing, no Bill of Lading number, it is just straight ahead. Can we have the mother vessel Bill of Lading showing transfer to this Bill of Lading?

ONTARIO OIL & GAS: Yes sir, if the mother vessel Bill of Lading is not on this book I will bring it sir. I will not only bring the mother vessel Bill of Lading, I will bring the Transfer Certificate for you, thank you sir.

HON. JAMES A. FALEKE: In addition to the transfer certificate, we also want the haulage report from the port of loading.

ONTARIO OIL & GAS: Thank you very much sir, I will do that.

HON. LAWAN: We have a document from the Accountant-General of the Federation and what we have there is the subsidy collected by you in 2010: N942,627,000 and then in 2011: N6.4bn and what you told us was N2.9 and N4.5 billions.

ONTARIO OIL & GAS: Yes, if you look at the schedule and without looking at it I can say it off hand; what would have happened is that the subsidy paid early 2011 is a carryover of what they have in their record, but if you look at their record and look at what we have, the total sum paid must tally sir.

HON. LAWAN: What is the total sum paid?

ONTARIO OIL & GAS: It is N7,371,827,749.91.

HON. LAWAN: Well, Ontario Oil we would allow you to go and we are going to see you again next week because you are also involved in the swap. We would have a session on the swap and you are involved in the swap so, after receiving details from Duke Oil, we would invite the three companies involved on the swap issue, that is a different session and not on the issue of subsidy, thank you very much. We have requested for the copies of Letter of Credit, Certificate of Discharge and the Bill of Lading, I do not know whether you have supplied them. I thank you so much.

ONTARIO OIL & GAS: Thank you very much sir.

HON. LAWAN: The next witness is the Imad Oil and Gas.

Thereupon Bashir AdamuGusau, MD, Imad Oil and Gas affirmed.

BASHIR ADAMU GUSAU (MANAGING DIRECTOR): We are involved in the whole thing, we are importers, distributors; we retail at the filling stations, no Nigeria company can boast of the number of filling stations we have. Of course, right now we have a lot of grievances against the system and I am very happy to be before the committee here to say what grievances we have against the system. We have grievances against our bankers, Oceanic Bank; we have grievances against PPPRA in particular, because PPPRA reduced our allocation from 120,000 per quarter to meagre 10,000. In fact, at a time, they even stopped us from importation, we have a case with Bank PHB, and they acted as a judge and stopped us from importation. All the records are very clear. PPPRA again paid us different figures from other importers. There was a time they paid us N726m while they paid other importers N1.2bn and N1.3bn. Our last payment by PPPRA was N1.4bn. They paid other importers almost N1.7bn. In fact what is particularly disturbing is that PPPRA told us that it was because of a difference of a day. In any case, all I received was about N24bn and I have made available all the copies of everything regarding my transactions and my imports. If you look at the presentation in front of you, it clearly relates to what I am saying here. We are victims of a particular system that needs cleansing in Nigeria, that is why we are talking here today. Like I said, our allocation was reduced from 120,000 per quarter to a mere 10,000 despite our capacity. We have immense capacity and it is not easy to have 50 filling stations from where you retail. We have the original dominance in Nigeria. We dominate the whole of North-West. If you go to North-Western Nigeria, the trademark of IMAD flies, we are in Lagos; we are in Central Middle Belt of Nigeria so, it hurts us that our allocation would be reduced from 120,000 to 10,000. Another thing is that in the same PPPRA, we have different regimes of payment. I told you we were paid N726m, while others were paid almost N1.2bn for the same import product getting 726m! We were short paid. The last import that we did, we were paid N1.4bn. People that brought products into the depot the same day were paid N1.7bn, difference of N300m and when I asked, they said ah you did

not hear that you should have imported a day later. So, Mr. Chairman and hon. members of the House I want to bring to your notice this injustice meted out to us by PPPRA. With the template in the PPPRA, it is not possible for anybody to make profit. I say it out here, the template between 2010 and 2011 does not allow an entrepreneur to make profit. I am part of the Template Review Committee and I know what I am talking about. If we are looking at how to address the system, we should go to that template and look at it. Let somebody bring that template and tell me how he has been able to make profit, and I would show him my management account in my last four years import which were forced by Oceanic Bank in the first place. They forced me to go into importation with them and I looked at the template and I thought I was going to make profit after paying my creditors, but it was impossible. I resigned from importation under PSF in 2010, and throughout 2010, I did not import because I was not making profit. Imagine that a company like IMAD could not pay salary in October and our salary is just N14m. We gave them N500m in January and we were unable to pay salary in October 2011, and yet our names are all over the place. My relatives tell me you have big money, give us, let us share some, and I could not pay salary in October. I am telling you I would not be able to pay salary in this January, because my fund has been confiscated by fraudulent banks that take advantage of fraudulent template to perpetrate evil against the Nigerian people. Our company is a role model of companies that are truly and honestly importing products into Nigeria and have the capacity to distribute this imported product. We have over 150 registered trucks. If the FRSC people are here, they would tell you we wholly own and wholly dedicated them for the service of Nigeria. But we have not been able to get the necessary support that we need from PPPRA and the banks. The whole essence of the sitting of this committee is to address the fraud in the system and if we are going to address the fraud in the system, we have to look at the PPPRA. I have spoken at various parliaments of the PPPRA that we should look at the template that I was not making money. I have many people here that were there when I spoke. I said I was not making money, and because of that I was made a member of the template review committee nothing has come out of it. In the template, you have N2.50k as what the bank would charge you, but what I have is a charge of N550m from Oceanic Bank for establishing one consignment, just 40,000 metric tons of importation, they charged me N550m. So if you are looking for the money, the PSF money is with the bank and the banks are doing what they are doing because they get help from the PPPRA officials. Having said that, may I have time to tell you what has transpired. Right now we have almost about N2.1bn case in the court; PPPRA colluded with the court and then gave them our subsidy. N2.1bn is in the court for two and a half years now; trading money of IMAD Oil and Gas is with the court. Like I told you I was pained because a lot of the North Western Region depends on IMAD to bring the supply because we have more filling stations than any other operators. I took fuel to Sokoto about four days back, the number of calls I received from

people praising me from Zamfara, Gusau and Birinin-Kebbi was too much. I just cannot believe it, there is simply no fuel in the place I used to dominate. Nobody takes fuel there anymore. I am talking like this on behalf of my region, North-Western Region that I serve. I have 50 filling stations, I have 20 trucks and my trucks are all over the place. So many people are even scared to get into the business because of me, now I cannot because of the fraud in this place courtesy of Oceanic Bank. I have written severally, I even threatened whoever I can threaten so I am begging the House to please call Oceanic Bank, let us sit down and understand why they would charge us off-shore charges of N240m instead of off-charge of N30m.

HON. ALI AHMED: Let me use the Chairman's might even if I am not using his chair to intervene at this juncture. It looks like you have some grievances with this system that you need to sort out, part of it is in court, and when you have anything in court as a lawyer we do not go near it. Let us close that. You have a lot of injustices as you claimed between your banks and PPPRA. Much as we sympathise with you, our mandate does not cover injustices to oil companies. Our mandate is very specific and you permit us to focus on that. We are here to look at the subsidy regime and how Nigerians have been short-changed by oil marketers in a larger deal or by civil servants because, if civil servants did not collude with oil marketers and provide the circumstance for all these infractions, frauds would never have happened. You have devoted more time to those injustices meted out to you and I am sure there are other avenues that you can pursue to resolve that. On the issue of the subsidy that you are here before us today, we can see that you participated on the subsidy matters since 2008 and then your allocation came down from 120,000 to 10,000 metric tons and it is like you have some insights about the template of PPPRA. So, if IMAD has a proposal about a better template you can after today forward it to the committee just for our own insight and study, we would very much appreciate it so that it would be another alternative, because we have quite a number and would be glad to look at yours as well. I am sure my colleagues have a lot of issues with your presentation and they will take you up on them.

HON. JAMES A. FALEKE: Thank you Mr. Chairman, I have a very straightforward question. Look at this your data; volume imported 10,000 metric tons or what? Then quantity discharged can you differentiate between the two, volume imported 10,000; quantity discharged for the first item 12,676m; is it the metric tons or in litres, distinguished between the two?

MD, IMAD OIL AND GAS: Volume imported refers to metric tons.

HON. GERALD IRONA: Do you have tank farm and if you do, what is the capacity of your tank farm?

MD, IMAD OIL AND GAS: At present we do not have tank farm.

HON. GERALDS IRONA: Have you ever received an overpayment debit note from the PPPRA?

MD, IMAD OIL AND GAS: No Sir.

HON. GERALD IRONA: From my records you have an overpayment N1.763 billion from 2008 to 2011. Can you explain that?

MD, IMAD OIL AND GAS: You said in 2008?

HON. IRONA GERALD: Yes, 2008. I have on records that there was an overpayment in January, 2011

MD, IMAD OIL AND GAS: I came in 2007 but my first deal was in 2008. In fact, I once experienced an underpayment and they later paid it into my account. That is all.

HON. GERALD IRONA: From records you have an overpayment of N1.763 billion from 2008 to 2011. Can you explain that?

MD, IMAD OIL AND GAS: Since I came I had never received an overpayment debit note. As I said, I once received an underpayment, which was over N2 million and they later paid it into my account.

HON. LAWAN: Thank you very much. We will look at your documents that you submitted. We will advise you to build your own refinery so that you can refine our own crude. That will encourage local contents. Once more thank you for your presentation. We would like to have Mr. Alex Chika Okafor, (Chairman, A-Z Oil and Gas).

HON. LAWAN: You are welcome. Please go straight to your presentation as it concerns your operations.

MR. ALEX CHIKA OKAFOR (CHAIRMAN, A – Z OIL AND GAS): We started with building a plant at Nnewi in Anambra State and then we had arrangement for storage tank farm in Kaduna and later we started building a tank farm at Apapa so that we can strictly depend on our own facilities. We have one in Gboko, and one in Calabar. In 2008 we were invited by the PPPRA to participate in importation of fuel.

HON. LAWAN: Where did you import from, China?

CHAIRMAN, A – Z OIL AND GAS: No we imported from Vietnam.

HON. LAWAN: But you have bought petroleum from China?

CHAIRMAN, A – Z OIL AND GAS: No.

HON. LAWAN: You have a tank farm, one in Calabar, what other investments do you have downstream? Do you have retail outlets or any other investment?

CHAIRMAN, A – Z OIL AND GAS: We have tank farms.

HON. LAWAN: When did you build the tank farms?

CHAIRMAN, A – Z OIL AND GAS: The first one was built in 1997 and the second one was built in 2007.

HON. LAWAN: When did you start receiving subsidy?

CHAIRMAN, A – Z OIL AND GAS: In the year 2008.

HON. LAWAN: So immediately after finishing your tank farm you started importing fuel? So, other than the tank farms, you have basically no other investment downstream?

CHAIRMAN, A – Z OIL AND GAS: No Sir, it is only the tank farms that we have.

HON. LAWAN: All right, how do you discharge your products?

CHAIRMAN, A – Z OIL AND GAS: We have arrangements with other marketers.

HON. LAWAN: You have an arrangement?

CHAIRMAN, A – Z OIL AND GAS: Yes.

HON. LAWAN: How do you get the products?

CHAIRMAN, A – Z OIL AND GAS: We have the mandate from the DPR

HON. LAWAN: How much subsidy did you collect in 2007?

CHAIRMAN, A – Z OIL AND GAS: In 2007 we did not collect any subsidy.

HON. LAWAN: What of in 2008, how much did you collect?

CHAIRMAN, A – Z OIL AND GAS: In 2008 we collected subsidy of N11.7 million.

HON. LAWAN: In 2009, how much did you collect?

CHAIRMAN, A – Z OIL AND GAS: In 2009 we collected N1.7 million.

HON. LAWAN: What of 2010?

CHAIRMAN, A – Z OIL AND GAS: In 2010, we collected N1.6 billion.

HON. LAWAN: And what quantity did you import?

CHAIRMAN, A – Z OIL AND GAS: We imported 7,010 metric tons.

HON. LAWAN: Did you import anything in 2011?

CHAIRMAN, A – Z OIL AND GAS: In 2011 we imported 115,000 metric tons.

HON. LAWAN: And you collected how much?

CHAIRMAN, A – Z OIL AND GAS: We have collected so far N14 billion.

HON. LAWAN: Do you have outstanding?

CHAIRMAN, A – Z OIL AND GAS: Yes, we have an outstanding of N6 billion.

HON. LAWAN: All in all you will be collecting about N20 billion? You have collected N14 billion and you have come up with N6 billion. That is N20 billion.

CHAIRMAN, A – Z OIL AND GAS: It is N14.6 billion the, outstanding is N6.1 billion.

HON. LAWAN: Total import was 115,000 metric tons?

CHAIRMAN, A – Z OIL AND GAS: No, that was in 2011.

HON. LAWAN: That is what I am saying; in 2011 the subsidy you collected was about the same thing?

CHAIRMAN, A – Z OIL AND GAS: In 2011 we collected N14 billion.

HON. LAWAN: Yes, so the expected collection is N20 billion, that is what I am saying.

CHAIRMAN, A – Z OIL AND GAS: Yes Sir.

HON. LAWAN: What did you do with the cargo because you do not have retail outlets?

CHAIRMAN, A – Z OIL AND GAS: We have completed arrangement and we are constructing retail outlets now.

HON. LAWAN: How many do you have?

CHAIRMAN, A – Z OIL AND GAS: We have eight (8) now.

HON. LAWAN: You have eight at where?

CHAIRMAN, A – Z OIL AND GAS: We have one in Maiduguri and one at Apapa.

HON. LAWAN: They are both under construction, so you do not have the one that is completed?

CHAIRMAN, A – Z OIL AND GAS: Yes they are both under construction.

HON. LAWAN: How do you retail your product?

CHAIRMAN, A – Z OIL AND GAS: You know we have all these tripod arrangements with some marketers.

HON. LAWAN: With which marketers?

CHAIRMAN, A – Z OIL AND GAS: With A.A. Rano and then Oando.

HON. LAWAN: Have you received overpayment debit note from PPPRA under the subsidy regime?

CHAIRMAN, A – Z OIL AND GAS: No Sir. There was a time they brought debit note that we had an overpayment and we paid. They discovered that we were not overpaid so they refunded us.

HON. LAWAN: If you are around we will tell you the document you are going to supply to us. We want your letter of credit, the Bill of Lading. Where do you buy your products, is it offshore Cotonou or offshore Lome?

CHAIRMAN, A – Z OIL AND GAS: We buy from our suppliers but what they do because of the size of the vessel they bring; they channel our cargo through offshore Cotonou or Lome.

HON. ALI AHMED: Under your schedule for PMS for 2011 you imported 13.7 metric tons. When you convert it into litres you will get 25,203,914. What conversion did you use because the MD NNPC converted 13.7 metric tons and he got 23 million litres and not 25. So you have about 2 million litres difference. That is my observation so, how did you come up with that?

CHAIRMAN A – Z OIL AND GAS: Two things are involved here; one is the density of the product and its demand. You can have the product with a density of about 0.7 cubic litres and you have more volumes, so density is what determines the volume.

HON. ALI AHMED: So, it is with that density you measure actual figures?

CHAIRMAN A – Z OIL AND GAS: No, we have other factor. For instance, the larger the product the greater its quantity.

HON. LAWAN: Thank you very much for your presentation. Do not forget to submit all the documents we requested, if you have not already done so. Next is Abdulkadir Hadiza Aliyu, MD Matrix Energy Ltd.

Thereupon Abdulkadir Hadiza Aliyu (MD Matrix Energy Ltd) Affirmed.

ABDULKABIR HADIZA ALIYU (MD, MATRIX ENERGY LTD): I am here to present to this honourable Committee, on behalf of Matrix Energy Ltd., our position. Matrix Energy Ltd was incorporated as private limited liability company in January 24, 2004 and we commenced operation in 2005. We have operational offices in Ogbomosho, Warri, Port Harcourt and Maiduguri. Our main operational focus is as follows:

1. Supply and trading in petroleum products,
2. Distribution of petroleum products to end users and industrial companies,
3. Product trading ex-deport, and
4. Shipping petroleum products to tank farm owners and operators.

As at today we have directly employed 112 Nigerians and there are over 100 personnel security services in our service. We are registered and approved by major oil trading companies. We also have agreement with NNPC allowing us to load both AGO and PMS for onward distribution to our various suppliers. We are the only depot owner in Warri, and as at today, we have the biggest depot in Delta State. We have tripod agreement with some depot owners in Lagos and Port Harcourt in order to supplement our own depot in Warri. We currently have arrangement with about four major Nigerian banks and we have total asset of about \$1.5 million. Over the years, we have been able to invest in strategic assets from shipping to tourism in order to improve our overall standing and meet the needs of our customers, and at the same time, increase our market share. Some of the strategic assets that we have are as follows:

1. We have a tank storage facility in Warri, about 800 metres away from the Warri refinery. Our initial fuel capacity was 20 million litres and was upgraded 4 times.
2. Completed tank farm of 10 million litres reserve thereby increasing our capacity to 70 million litres.
3. We have our own private jetty.

During the period under review we traded over 822,357,000 metric tons of petrol which comprised DPK, AGO and PMS. Out of this, PMS accounted for 31% of our total product which is 258,000 metric tons, AGO a fully deregulated product accounted for 45% of our total product. All our products are sold ex-deport and approved of the various government agencies. We registered with PPPRA in 2008 and our first import under the subsidy was done in 2009. In that year we imported 6.5 million litres of DPK and total involvement was N173.29 million. In 2010 we imported 56.28 million litres of PMS and total reimbursement was N6.559 billion. In 2011 we imported 310 million litres of fuel and we received reimbursement of N20 billion. These products were sold at our own Warri, and Port Harcourt facilities. The total products imported under subsidy: 370 million litres and total amount

collected: N28.17 billion. I want to say here that we calculated our recoverable money at very short notice and time was too short for us to do that effectively. We got our invitation through the newspapers and there was no time to adjust it well. When we get back to the office we will send a clean copy. I wish to share some of the challenges we face in the industry with this honourable Committee with the hope that you will look at it and see what can be done to aid future transactions. It is in the public knowledge that CBN has been devaluing naira for the past two or three years and each time PPPRA calculates the value of the PMS based on the exchange rate on the date of chartered mother vessel or the shuttle vessels. From the date they take the average of 50 days for us to have value thereby exposing us to unnecessary excess. There are times that we experience delays in payment and there is huge demurrage due to delay in approvals; we have shallow channels in most of the ports, especially in Delta. There is the issue of security threat, because as pirates now take over our waters and the Benin Republic waters which lead to virtually all the operations taking place in offshore Lome. This singular threat has increased our freight and insurance costs. Also I wish to say here categorically that all our imports are bought offshore Cotonou or Lome.

HON. LAWAN: All your imports?

MD, MATRIX ENERGY: Yes. We brought all from Lome and offshore Cotonou. Cost of running petroleum depots in the Niger-Delta is very high and additional premium is being paid on insurance and freight, and there is an additional cost of security. Also 90% of shuttle vessels in the market have foreign ownership as virtually all local vessels lack valid trading documents. I wish to make the following recommendations: The first is that PPPRA should periodically adjust the applicable rate either to date of payment of SGN value or PPMC date. What I mean by this is that if I import in November and I have value for the SGN in January, CBN and PPPRA should be able to automatically accommodate whatever the dollar rate is as at the day I have value for the SGN. Also with the improvement on SGN payment CBN will create a special point to accommodate product import. The passage of the PIB into law will bring about enabling policy that will encourage further investment in the downstream sector. Company like ours came into the industry because of the partial deregulation of the sector during the regime of President Olusegun Obasanjo and we hope that the passage of the PIB into law and the full deregulation of the industry will encourage people like us to further invest in infrastructures. Although NIMASA and the Nigerian Navy have commenced full patrol of our waters, this should be a continuous exercise and even encourage joint patrol with neighbouring countries. As a corporate organization, the bulk of our investment is in the Niger-Delta and we recognized that the only way that we can contribute to the society is to look at some of the critical problems being faced in the region. I am using this medium to acknowledge the special assistance

that we got from the Executive Governor of Delta State for constructing a 5.5 kilometres road specifically for our depot. If not for this road there is no way we can operate our depot. As at today, we have awarded scholarship to 80 undergraduate students.

HON. LAWAN: Do not worry about scholarship you have awarded.

MD, MATRIX ENERGY: So I will go to the figure.

HON. LAWAN: Yes, just tell us about the figures.

MD, MATRIX ENERGY: Yes, as I have said in 2009 we imported a total volume of 6.5 million litres of DPK and we got N173 million.

HON. LAWAN: you did what?

MD, MATRIX ENERGY: We imported 6.5 million litres in 2009 and subsidy received was N173 million.

HON. LAWAN: On PMS?

MD, MATRIX ENERGY: Yes, PMS. In 2010 we imported 56 million litres.

HON. LAWAN: Of what?

MD, MATRIX ENERGY: Of DPK.

HON. LAWAN: 56 million litres.

MD, MATRIX ENERGY: Yes.

HON. LAWAN: All right, and you collected how much.

MD, MATRIX ENERGY: N2.5 billion. Then in 2011 we imported 307 million.

HON. LAWAN: And you collected?

MD, MATRIX ENERGY: We collected N20 billion.

HON. LAWAN: Go over that again; how much do you import?

MD, MATRIX ENERGY: 307 million litres

HON. LAWAN: 307 million litres?

MD, MATRIX ENERGY: Yes.

HON. LAWAN: How much will that be in metric tons?

MD, MATRIX ENERGY: In metric tons it is 226,820.

HON. LAWAN: 226,820 litres?

MD, MATRIX ENERGY: 226,820 litres

HON. LAWAN: And what is the amount of money you collected, N20 billion?

MD, MATRIX ENERGY: Yes, N20 billion.

HON. LAWAN: Do you still have an outstanding?

MD, MATRIX ENERGY: I cannot say now, but we had three discharges which are under verification.

HON. LAWAN: But sorry, this N20 billion covered how many volumes?

MD, MATRIX ENERGY: It is a subsidy on the entire volume imported.

HON. LAWAN: So, N20 billion is the subsidy on the entire volume imported, right?

MD, MATRIX ENERGY: Yes, there is still an outstanding of about N3.5 billion.

HON. LAWAN: Sorry, the 226,820 metric tons or the 307 million litres, the entire cost should be N23 billion or N20 billion, that is what I want to establish. How much subsidy are you expected to get?

MD, MATRIX ENERGY: It will come to N23 billion.

HON. LAWAN: It will come to N23 billion not N20 billion?

MD, MATRIX ENERGY: Not N20 billion.

HON. LAWAN: All right. I am trying to establish that, because the last group that left imported 182 metric tons and they collected over N20 billion as well. So I do not know how come you are bringing in 226,820 metric tons and you are collecting the same amount as those who are bringing in 182 metric tons. Anyway we will verify those figures and we will determine whether you are the one that was paid correctly and some marketers have been over paid.

HON. ALI AHMED: You claimed here that you had registered with PPPRA in 2008; do you have evidence for that to avail us with a copy?

MD, MATRIX ENERGY: The first letter we received from PPPRA was dated July 22, 2008. The usual processing of registration is for you to submit your letter of intent and if your documents are all right, you will be given an agreement to sign, after the execution of the agreement to sign, you are qualified to import.

HON. LAWAN: Do you have retail outlets?

MD, MATRIX ENERGY: We do not have retail outlet as of today.

HON. LAWAN: All right.

MD, MATRIX ENERGY: But we are working, we have land but for the purpose of this meeting we only concentrate on what we have on ground. As for today, we do not have functioning retail outlet. As I said in my presentation all our products are sold ex-depot.

HON. LAWAN: How do you get your product to the retail outlets, who are your major trading partners, who are those who take supplies from you and retail?

MD, MATRIX ENERGY: During the course of my presentation I said our PMS is sold ex-depot. The main advantage we have, as I said during the course of our presentation, is we have the only privately owned depot in Warri. The product is supplied by only NNPC and Matrix Energy in Warri as at today. So we sell to various stations that come to the depot to buy. We sell AGO at the depot and to end users which are mostly companies.

HON. LAWAN: Most of your imports are from offshore Cotonou or offshore Lome?

MD, MATRIX ENERGY: Most of our imports are from offshore Cotonou and offshore Lome.

HON. LAWAN: Do you pay duty to Benin Republic and if you are buying from there do you also pay; or no duty is paid?

MD, MATRIX ENERGY: No duty is paid; the only advantage to this neighbouring country is that most of the service providers are from those regions.

HON. LAWAN: And do you pay NIMASA 3% levy

MD, MATRIX ENERGY: We paid all ports dues to NIMASA, to NPA on all our shuttle vessels.

HON. LAWAN: All right, so they have all these records.

MD, MATRIX ENERGY: Our Agent should have all the records; we pay the money to our Agent who thereafter pays to either NIMASA, or NPA.

HON. LAWAN: You said you discharge your product ex-depot?

MD, MATRIX ENERGY: We sold all our products ex-depot.

HON. LAWAN: To whom do you sell?

MD, MATRIX ENERGY: We sell to various companies, whoever that comes to the depot, there are procedures though.

HON. LAWAN: Whoever that comes?

MD, MATRIX ENERGY: Filling station owners and independent marketers.

HON. LAWAN: Directly.

MD, MATRIX ENERGY: Yes. In our depot, I do not know of other places but Warri which is our own depot. The DPR officials are there, so for every truck that is load there, you must show your proof of the filling station registration with DPR.

HON. LAWAN: And you talk of kerosene as well.

MD, MATRIX ENERGY: Yes Sir.

HON. LAWAN: Domestic kerosene, I suspect you do not import domestic kerosene, do you?

MD, MATRIX ENERGY: We imported once in 2009, they did not have in PPMC.

HON. LAWAN: Yea, that is right.

MD, MATRIX ENERGY: It is under bulk purchase agreement.

HON. LAWAN: So how do you get the allocation of kerosene?

MD, MATRIX ENERGY: We are depot owners and at the same time we have bulk purchase agreement with PPMC.

HON. LAWAN: When you do, you also sell it to the retail outlet owners.

MD, MATRIX ENERGY: Yes, we do that, and PPMC monitor all DPK loading, they have a special committee for that.

HON. LAWAN: Do you buy at premium?

MD, MATRIX ENERGY: We buy at fixed price.

HON. LAWAN: And what is your fixed price?

MD, MATRIX ENERGY: I think it is N40.90k and I said it in my presentation that all our products are sold ex-depot.

HON. LAWAN: N40.90K and you sell at what price?

MD, MATRIX ENERGY: We sell at about N49.50K.

HON. LAWAN: So a premium of probably N9.00K.

MD, MATRIX ENERGY: We have to go and load from PPMC vessel in Lagos and also we load from the refineries at our own cost.

HON. LAWAN: Given the fact that that is how you do, does your record indicate the price at which you sell and the price which you buy.

MD, MATRIX ENERGY: Yes, we have the records.

HON. LAWAN: Comprehensive records of how much and the price?

MD, MATRIX ENERGY: We have a comprehensive record; our accounts are audited up-to-date, so we have all those records.

HON. LAWAN: All right, let us have the details that we have requested for, and we may invite you at a later date.

MD, MATRIX ENERGY: Thank you.

HON. LAWAN: Thank you so much. Let me once again make this announcement. Over the last two weeks, quite a number of our importers have appeared before us and we have made requests for certain documents, especially copies of letters of credit and certificates of discharge as well as bills of lading. For benefit of emphasis, by the time we finish this exercise, any marketer who does not submit these import documents, such imports would be regarded not made and we would report accordingly or demand that refund be made to the Federal Government, because we will have no record to establish that such imports were made. So, for the purpose of those who are even not here with us, it is important for all those who have appeared and from whom we have requested these documents, to make sure that those documents are submitted to us. If you do not have the documents, then our report will indicate that money were collected, but imports were not made and we will ask the Federal Government to make sure that refunds are made. These are the documents: Bill of Lading, Certificate of Discharge, and Letters of Credit. I now welcome Mr. Gregory Enahoro, CEO, Knightsbridge Ltd. to the witness box.

Thereupon Mr. Gregory Enahoro, CEO, Knightsbridge affirmed.

HON. LAWAN: Please, proceed and make your presentation.

GREGORY ENAHORO (CEO, KNIGHTSBRIDGE LIMITED): Thank you very much hon. Chairman and members of this Ad-Hoc Committee on Monitoring of Subsidy Regime. My name is Gregory Enahoro, I am the Chief Executive Officer of Knightsbridge Limited, with respect to the invitation to this Committee, I need to introduce my team

(introduction made).Knightsbridge Limited is an indigenous company registered under the Companies and Allied matters decree of 1990 on April 26, 1993 with RC 220,692. Knightsbridge Limited is one of the leading logistics companies in Nigeria having cut its' niche in the importation of petroleum equipment/product supplies to the downstream sector. We are also engaged in raw materials import to major manufacturing companies as part of the Supply Chain Management. In 2010, through agreement, DPR permit and other relevant requirements, and in collaboration with our offshore partner, we sought and secured participation in the PSF scheme with PPPRA and approval was given to us to commence importation. As a logistics company, our model is based on bulk discharge to only the major marketers (Mobil Plc, Total Plc, NIPCO Plc and Forte Oil Plc) within the Apapa (PWA/NOJ/BOP) corridor as we believe in their integrity to retail out what was discharged into their storage to all their retail outlets in the country. Our process as a supplier means we are paid the landing cost on the PPPRA template while the distribution margins on the same template are for the marketers we discharge to. Because of all these we have challenges which I just want to share with you:

Challenges:

Discharging PMS product in any of the jetties at Apapa (PWA/NOJ/BOP) is always a nightmare as there is no time we discharged at this corridor without huge demurrage being incurred. A better process by handlers of these jetties needs to be explored while security also requires enhancement. In our humble suggestion, in order to keep the country constantly wet, we believe the relevant government agencies should continue to encourage Nigerian companies with the capacity and support of the financial institutions to also participate in the scheme and collaborate with reputable independent and major marketers in terms of storage facilities and spread as per retail outlets. In conclusion, honourable Chairman, we have executed 5 PPPRA approvals totaling 75,000 metric tons since joining the process in 2010. As at today, we are yet to receive subsidy payment for the supply made for Q3 from PPPRA. A summary sheet has been attached for your perusal. Thank you very much. If you look at the summary sheet, we started with quarter 3, 2010; brought forward and put together, we have received in 2010 about N2.8 billion and for 2011 we supplied Q1, and we got about N1.5 billion and for the Q3 as per my report we are yet to be paid on that.

HON. LAWAN: You did not indicate the total amount here.

CEO, KNIGHTSBRIDGE LTD: Yes, because we are yet to receive the payment advice on subsidy, but from our own calculation we are expecting something close to N1.6 billion or N1.7 billion. So we are yet to be advised.

HON. LAWAN: For your total 2010 imports you have just collected about N2.8 billion or

so. And then for 2011 it should be about N3 billion?

CEO, KNIGHTSBRIDGE LTD: About N3.1billion roughly. We have got only N1.5 billion so far.

HON. LAWAN: You said you started business in 1993?

CEO, KNIGHTSBRIDGE LTD: Yes, 1993, the company was registered.

HON. LAWAN: Do you have any investment in the downstream?

CEO, KNIGHTSBRIDGE LTD: Logistics company basically means we do importations for our clients in the downstream, i.e. Mobil, Total and others. We seek finances from the banks; we secure LPO from them to move all their materials or raw materials and whatever they need, those are basically what we are doing.

HON. LAWAN: Now for your import, since you are like a logistic company.

CEO, KNIGHTSBRIDGE LTD: Yes.

HON. LAWAN: And you do things on behalf of the companies? Was there any time perhaps any of these big companies, the ones that you have mentioned here, Mobil, Total, NIPCO Plc and Forte Oil, got contracts to import and then they decided maybe to sub-award those contracts to you and you only supplied them based on the contracts given to you by PPPRA?

CEO, KNIGHTSBRIDGE LTD: Yes, they do sub-contract some to us.

HON. LAWAN: I see, half of the contracts awarded to them by PPPRA. So there are times that they sub-contract those contracts to you?

CEO, KNIGHTSBRIDGE LTD: Yes, sure we have, as a logistic company.

HON. LAWAN: In which of these imports, for instance, did you experience that kind of arrangement?

CEO, KNIGHTSBRIDGE LTD: We actually helped Exxon Mobil Nigeria and we helped AP Plc.

HON. LAWAN: So there were times when they were given contracts, maybe they lacked capacity to do them themselves and then they sub-contracted them to you, that is where I am heading to?

CEO, KNIGHTSBRIDGE LTD: I would not say they lacked capacity.

HON. LAWAN: Whatever, maybe it is easier for them to do that?

CEO, KNIGHTSBRIDGE LTD: It is the expertise that we bring to play here, such as, coming to the jetty, trying to bring in the vessel from offshore with our offshore partners, getting the products for them and so on.

HON. LAWAN: Usually, as we are told, imports come from Offshore Cotonou and offshore Lome; where do you go directly to bring in your vessel? Do you like to use the daughter or the mother vessel?

CEO, KNIGHTSBRIDGE LTD: I think the first transaction we had which was supposed to be like a 30,000 metric tons that we were given; we actually imported and brought in offshore from Norway.

HON. LAWAN: From Norway. So you now import, of course, which means that you used the mother vessel?

CEO, KNIGHTSBRIDGE LTD: Yes mother vessel.

HON. LAWAN: And then by the time it came, where did it berth?

CEO, KNIGHTSBRIDGE LTD: Offshore Cotonou and other. And we had to do what we call ship to ship transfer. This was because we could not come in to Apapa because of the draft.

HON. LAWAN: It is not like when you buoy offshore Cotonou?

CEO, KNIGHTSBRIDGE LTD: We do buoy from Offshore Cotonou. Our partners do bring larger vessels, of course, I am sure you are aware that coming to Apapa, you cannot bring in a full cargo, and for the allocation given to us from Q4, we got 15,000 metric tons.

HON. LAWAN: So why did you get smaller allocation? You were getting 30,000, 30,000, why 15,000 in Q3?

CEO, KNIGHTSBRIDGE LTD: There was a period, especially 2010, when the volatility of the prices was so high that we were scared to go into it, even though we had the approval.

HON. LAWAN: You had an approval for what?

CEO, KNIGHTSBRIDGE LTD: For 30,000 metric tons.

HON. LAWAN: So you had an approval for 30,000?

CEO, KNIGHTSBRIDGE LTD: Quarter 3, yes.

HON. LAWAN: Did you get approval for Q4?

CEO, KNIGHTSBRIDGE LTD: Q4 of which year sir?

HON. LAWAN: The last quarter of 2011

CEO, KNIGHTSBRIDGE LTD: We did not.

HON. LAWAN: There was no approval for you?

CEO, KNIGHTSBRIDGE LTD: No Sir.

HON. LAWAN: Of course I did not think you got any approval for 2012?

CEO, KNIGHTSBRIDGE LTD: Not yet.

HON. LAWAN: All right, Colleagues any question? Thank you very much there is quite a number issues we have requested.

CEO, KNIGHTSBRIDGE LTD: We have virtually supplied all that you requested.

HON. LAWAN: Thank you very much. Please once again let me request all those that were invited to exercise a little patience. We are trying, as you can see, to take on those that are appearing before us expeditiously, so that we can attend to all of you before the end of the day. So exercise patience, we are not leaving today until we take everybody. We will now take Menoil Oil and Gas Ltd. Please, come forward.

NGOZI OFODU (MD, MENOIL OIL AND GAS LIMITED): Thank you, Mr. Chairman. Good afternoon Mr. Chairman and hon. members of the Ad-Hoc Committee on the Monitoring of the Subsidy Regime. I want to thank you for your kind invitation and I would want to start by introducing our company Menoil Oil and Gas Limited. We are licensed indigenous oil supply trading and marketing organization. Our company was incorporated on the December 1, 2008 under the Company and Allied Matters Act (CAMA) of 1990 with RC No.: 789311. Our company offers a range of oil supply and trading services to its numerous customers in need of contract supplies and retail services, with an objective to continually remain focused and customer-oriented in our business offerings.

HON. LAWAN: Can you proceed to the history of the business activities? Just go straight please.

MD, MENOIL OIL AND GAS LIMITED: All right. We commenced importation of petroleum products (PMS) under the PSF Scheme in the year 2010. And prior to this period, our company was engaged in bulk trade of other petroleum products (LPFO, AGO, and DPK) which we used to supplied to Ashaka Cement Company and other cement companies. Our main or top business is in supply and since our participation in the PSF Scheme, our company has imported PMS (Premium Motor Spirit) for supplies to major marketers

and few independent marketers. Our total import in 2010 was 52,753.603 Metric tones; total value that same year was \$41,456,366.71, or N6.1 billion. Total value for subsidy claim was N3.24 billion that was in the year 2010. In the year 2011, that was last year, we had a total import of 56,072.249 Metric tons; total value of importations in 2011 was \$48,968,303.61, our subsidy claim: N5.7 billion

HON. LAWAN: Prior to the commencement of the activities with PSF, what were you doing in the oil sector?

MD MENOIL OIL AND GAS: Before that time we were handling family business dealing with petroleum products.

HON. LAWAN: What type of petroleum products?

MD MENOIL OIL AND GAS: DPK, we were engaged in bulk purchase from the depots.

HON. LAWAN: Menoil started business in 2010; when was it incorporated?

MD MENOIL OIL AND GAS: Menoil was incorporated in 2008.

HON. LAWAN: So between 2008 and 2010, what was the business of Menoil?

MD MENOIL OIL AND GAS: As part of of the family business, we were engaged in bulk purchase of DPK from the depots

HON. LAWAN: What is your position in this company?

MD MENOIL OIL AND GAS: I am the Managing Director

HON. LAWAN: Do you have a Chairman?

MD MENOIL OIL AND GAS: I do not have a Chairman.

HON. LAWAN: You combine all of the positions: you are the MD, Executive Director, and the Chairman!

MD MENOIL OIL AND GAS: I am not the Executive Director, please.

HON. LAWAN: So you have Executive Directors?

MD MENOIL OIL AND GAS: No, I do not have Executive Director.

HON. LAWAN: Where do you have your office?

MD MENOIL OIL AND GAS: Apapa, in Lagos.

HON. LAWAN: What is your staff strength?

MD MENOIL OIL AND GAS: Fifteen.

HON. LAWAN: So you have five Managers and then the rest including security and others are fifteen. List their qualifications and give them us. Do you have throughput arrangement? Do you have any business downstream?

MD MENOIL OIL AND GAS: We just acquired massive land in Port Harcourt which is under construction, with NNPC outlet.

HON. LAWAN: So you have one filling station that is under constructing in Port Harcourt?

MD MENOIL OIL AND GAS: Yes, and right now we have about six trucks under fabrication not yet on the road.

HON. LAWAN: Thank you very much, we allow you to go, but there are certain details we have requested for, so we like them to get to us, thank you. Alhaji Momoh Dakasu, CEO/MD, Triquest Energy and Oil is invited to the witness box to make his presentation.

Thereupon Alhaji Momoh Dakasu, CEO/MD, Triquest Energy and Oil affirmed.

ALHAJI MOMOH DAKASU, CEO/MD, TRIQUEST ENERGY AND OIL: Good afternoon Mr. Chairman and members of the Ad Hoc Committee on Subsidy Regime. Triquest is an indigenous company, registered in 2006 for the purpose of trading and creating an indigenous trading company in Nigeria. We have two offices, one in Lagos and in Abuja. We actually had three, but the way things went, we have two now. We are involved mainly in the import of gasoline, PMS, and we started participating in PSF scheme in 2007. Our staff strength from inception to December, 2008, 185 staff, we are currently less than 80 staff. We have 11 retail outlets. We supplied a total of 365,359.056 metric tons from 2007 to date. We submitted all our documentations as request, including letters of credit, bill of lading, certificates of discharge; they are all there, vessel by vessel. We have submitted them this morning when we came.

HON. LAWAN: Thank you very much. I can see that from 2008 to date you have invested in eleven retail outlets; do you have any investment in storage facilities?

CEO/MD – TRIQUEST ENERGY AND OIL: No sir.

HON. LAWAN: What happened in 2009?

CEO/MD – TRIQUEST ENERGY AND OIL: We did not participate

HON. LAWAN: You did not participate because you were not given allocation or you did not apply?

CEO/MD – TRIQUEST ENERGY AND OIL: We were not given. There was an outstanding payment on the volume we did in 2008; the PPPRA owed us, so banks said the amount owed was too much to give any facility. So we were waiting throughout for payment. Sometimes 180 days before we receive payments

HON. LAWAN: So, in 2009 you decided not to participate? In 2010 you imported 32,000 metric tons, whereas you brought in 250,000 metric tons; you went down to 32,000 metric tons. What happened to your capacity? For any company that has capacity to import 250,000 metric tons, I would have thought even if you are going down, it will be in the range of 200,000 or so, but going down to 32,000?

CEO/MD – TRIQUEST ENERGY AND OIL: This is part of what the entire process of the problem is. We wanted to create a whole trading company in Nigeria which we did not have in 2006, unfortunately we could not expand so much in growth despite the knowledge and skills we have. This is because we have massive outstanding in terms of payment especially from PPPRA. I keep going back to this. By the end of 2008, we were being owed N800 to N900 by PPPRA. There was delay in interest payment to the banks, and we could not get bank facilities.

HON. LAWAN: It is like you chewed more than you could swallow in 2008, but you now realized that it was better to take it little by little. Your application in 2010, how much did you apply to supply?

CEO/MD – TRIQUEST ENERGY AND OIL: We applied for 90,000 metric tons

HON. LAWAN: In 2010, you got the 90,000?

CEO/MD – TRIQUEST ENERGY AND OIL: No we did 32,000 metric

HON. LAWAN: But what I have here is approved quantity; 90,000

CEO/MD TRIQUEST ENERGY AND OIL: We got the 90,000 metric tons in terms of approval, but we only imported 32,000 metric tons.

HON. LAWAN: In 2011, you applied for 90,000?

CEO/MD – TRIQUEST ENERGY AND OIL: No we applied for 45,000 metric tons.

HON. LAWAN: What Happened?

CEO/MD TRIQUEST ENERGY AND OIL: It is the same thing; the banks were not just performing, because they lost confidence in the system. When we started and we were taking the risks with the majors, we were few. Suddenly, everybody else decided to jump into the business. When we took that risk we performed fantastically. At the end of 2008,

credit facilities crashed and in 2009, there was an absolute zero transaction with the banks, not only in our sector but I think in most of the sectors in Nigeria. Banks withdrew all credit lines, almost all our credit lines were withdrawn, and as we were waiting for payment to come, bank interests were just compounding.

HON. LAWAN: Did you have any outstanding for 2011?

CEO/MD – TRIIQUEST ENERGY AND OIL: We actually had two outstanding: 2008, for N46 million and 2011 about N290 million.

HON ALI AHMED: Was it as a result of an over invoicing?

CEO/MD – TRIIQUEST ENERGY AND OIL: I thought the figure you are looking at here is the total quantity discharged, not necessarily the quantity accepted by PPPRA. All my documents are with you by the way, there may be a mistake there.

HON. ALI AHMED If you think that it is a mistake; you need to get back to us.

CEO/MD – TRIIQUEST ENERGY AND OIL: We will check on that, thank you very much.

HON. LAWAN: Thank you very much; we will expect all the documents we requested please. The next presentation is by the MD, Nasaman Oil and Service Ltd. He is invited to the witness box please.

MD, NASAMAN OIL AND SERVICE LTD: Another bank facility was applied for and granted by our bankers; again a letter of credit was raised in its favour. The documents submitted contained all the evidence that product was discharged and supplied. The subsidy has since been paid and we had liquidated our bank facilities. Third, the last approval by PPPRA was in respect of the first quarter of 2011, although, this was later extended to May 2011. Again our banker, Union Bank funded the importation through a letter of credit raised in our favour. The product was delivered to our up-takers, Radan Oil at the facility in Ibafor, located in Calabar. The short term quality was very verified by relevant agency and later subsidy was paid by PPPRA even though our up-takers are still owing us the sum of N141m. In conclusion, hon. Chairman and members of panel, in two years of business dealing with PPPRA, we have only imported 45,000 metric tons. This was delivered to our up-takers in tank farm and up to this moment PPPRA owes us over N220m.

HON. LAWAN: Thank you very much, when was your company incorporated?

MD NASAMAN OIL AND SERVICE LTD: 2005.

HON. LAWAN: What were you doing between 2005 and 2012?

MD NASAMAN OIL AND SERVICE LTD: We were into bulk trading.

HON. LAWAN: You have no downstream investment? You are essentially a trading company?

MD NASAMAN OIL AND SERVICE LTD: Yes, a trading company.

HON. LAWAN: Thank you very much let us expect from you particulars we requested for, please.

MD NASAMAN OIL AND SERVICE LTD: Mr. Chairman, we did not get the letter.

HON. LAWAN: Oh, you have not seen the letter?

MD NASAMAN OIL AND SERVICE LTD: I just got it today, I had to go to the office personally and get it.

HON. LAWAN: Are you based in Lagos or in Abuja?

MD NASAMAN OIL AND SERVICE LTD: Abuja.

HON. LAWAN: So, just work on the details we require and submit them to us.

MD NASAMAN OIL AND SERVICE LTD: As soon as possible we will do that hopefully tomorrow.

MD NASAMAN OIL AND SERVICE LTD: How much have you received so far for what you did in 2009 and 2011; what was the total amount of subsidy?

MD NASAMAN OIL AND SERVICE LTD: N2.8 and N2.4 billion.

HON. LAWAN: What was the total amount you received because your presentation does not indicate the actual total amount of subsidy?

MD NASAMAN OIL AND SERVICE LTD: Like I said, I just got the letter, I just saw it in the newspaper and I rushed here. We would give you all of that, but roughly it was N3.4bn.

HON. LAWAN: Alright, thank you so much. I invite Mr. Benedict Peters, Ex-Chairman, Aiteo Energy Resources Ltd

MR. BENEDICT PETERS (EX. VICE CHAIRMAN): Distinguished Chairman House Committee Ad-hoc probing into fuel subsidy removal and distinguished Members of this Committee let me first start by commending this Committee on its probe into the removal of the fuel subsidy regime. Our company, as a major stakeholder in the oil and gas industry in Nigeria, supports transparency and accountability in the downstream petroleum indus-

try and also takes on an action to improve the transparency of the industry and commends this committee set up by the Minister of Petroleum, Mrs. Deziyani Allison Madueke, to sanitise the oil industry. Distinguished Chairman and Members of this Committee, permit me to provide you a summary of who we are and of our activities in the downstream. Aiteo Energy Resources Ltd is a reputable international oil and gas company with its headquarters in Lagos. Aiteo was incorporated in 1999 and was formally known as Zigmot Ltd. On October 13, 2008 we rebranded the company and changed the name from Zigmot to Aiteo Energy Resources. Since our incorporation in 1999, our company has pursued and tried to make sure we imbibe international best practices in all our chosen areas of activities. Thus we have been a true replacer in the downstream sector of petroleum industry helping to grow the downstream sector under a simile revolving regime by ensuring constant availability of refined products to the Nigeria people and providing excellent services both in the downstream, midstream and upstream sector of oil and gas industry. Our company was the first indigenous company to lift vacuum gas oil out of the refinery, put it in trucks for export to New Jersey in 2003. Prior to achieving this feat, none of the Nigerian or foreign company was able to do so despite the difficult operating environment in Nigeria. Our company has been growing rapidly within the last decade. The company is a significant player in oil and gas industry in Nigeria, because we have in place appropriate structures of responsible and accountable business processes to promote efficiency of operation and to enable us see the vision of achieving global status as a leader in the oil and gas sector. We have made significant investment in the downstream sector; we have strongly populated petroleum tank facility in the Niger Delta region with storage capacity in excess of 100,000 metric tons of storage capacity. Our world-class storage capacity in Apapa, Lagos due to become operational in this month has a total storage of about 160,000 metric tons with sixteen loading arms and can load 16 trucks within eight minutes and a total of about 500 trucks a day. We own and operate a total of 15 mega stations and additional 5 under franchise in Nigeria spread over six states namely Kano, two stations in Agwan Zoro and then one at Airport Road. In Enugu we have two stations, one in Abakpa Nike and another in Atua Layout both in Enugu. In Anambra we have five stations on Quick Road Feggie in Onitsha, Upper eweka Road, Old Onitsha Road, Kilometre 50 Onitsha Way Road, and the Old Owerri Road all in Onitsha. In River State we have two stations, one in Kilometre 1 East/West Road Joba, the other one on the NTA Road. In Borno we have one station on Bama Road and in Benue State we have two stations both at Otukpo Road in Makurdi. Under franchise we have two stations in Edo State, one in

Evobeara Quarters and the other in Wasoto Road both in Benin City. In Enugu State we have two on Garki Okwunano and the other one in Enugu Ngwo both in Enugu. In Ondo State we have one in Owo. Our company has staff strength of 650 workers locally and

15 people globally. Thus we provide indirect employment to more than 3,900 Nigerians men and women given a ratio of six dependants to one person. The PSF Import Scheme Summary of our activities. This is our track record summary of products delivery from 2007 to 2010. In 2007 we commenced the PPPRA scheme and signed the contract with the PPPRA. Our first cargo was a DPK cargo and the second cargo was a PMS cargo. We did a total of 7,993 metric tons of DPK and 12,755 metric tons of PMS. In 2008 we did 50,191.25 metric tons of DPK and 94,872.40 metric tons of PMS; we received a total N17,679,875,256.16. In 2009, we delivered 27,000 metric tons of DPK, 191,358.12 metric tons of PMs and we received a total of N6,359,749,342.19k. In 2010, we did not bring any DPK, we imported 305,194,58 metric tons of PMS, we received N26,135,767,935.05. In 2011 we did 308,782.219 metric tons of PMS and received N18,151,212,624.40. The total products imported by us since the beginning of this scheme is 1,085,326.26 metric tons of products and a total amount received is N68,654,605,168.25 over a period of five years, taking an average of N13.730b and 211,000 metric tons per annum. Aiteo/Duke Oil Crude for refined products and exchange agreement. In line with the constitution policy of President Goodluck Ebele Jonathan's administration, which is being pursued aggressively by the Hon. Minister of Petroleum Resources, Deziani Madueke, Aiteo Resources represents the local content partner of the Duke Oil Crude Refined Products Exchange Agreement. The exchange agreement gears towards the optima utilisation of un-refined quantity of daily 445,000 barrels crude of oil allocated to PPMC to meet its refined petroleum products obligation to Nigerian public.

HON. LAWAN: Sorry, can I know whether you still prefer, you have a choice, if you prefer you can make the entire presentation but for the purpose of today's meeting we are discussing mainly on the aspect of your import. We would give you another day and we would discuss the crude oil swap arrangement because there are still outstanding issues/details we require from Duke Oil and it is after we have received that, that those of you of the three companies that are involved would now make an appearance before us. So if you want you can avoid those aspects since you are coming back, but if you want to make your presentation and then we discuss that is all right; but the main discussion today is going to be on your participation in the petroleum. Just keep those aspects since you are coming back to give detailed presentation.

MR. BENEDICT PETERS (EX. VICE CHAIRMAN): All right. Our other company, Zigmot Nig. Oil Works Upstream is a wholly owned indigenous company registered in 2001. Zigmot Nigerian Works Ltd is an engineering construction and procurement company with optima specialisation and experienced in provision of techno services in the oil and gas petroleum industry in Nigeria and West Africa. Zigmot Nigerian Works Services was established to participate in the opportunity presented by the Nigeria Content directive of

the Federal Government of Nigeria which was eventually signed into law as NOGIB Act 2010 by President Ebele Goodluck Jonathan. Our mission is to provide world-class engineering solutions under the strictest safety and environmental standards and to evolve into a leading and most trusted provider of off-shore engineering services. There is the summary details of the activities that Zigmot Engineering has done well, a vast number of them. We worked with Stablin Petroleum, Adax Petroleum, the NNLG, the NNPC, Mobile Producing, Agip and Pan Ocean. Mr. Chairman, distinguished members of this House Committee, may I again commend the effort of this committee and thank you most sincerely for your invitation to Aiteo to come before this hon. Committee.

HON. LAWAN: Thank you very much. Let me just draw your attention to just a few issues for the purpose of clarification. On page 2 you spoke of your investment in the downstream sector of the business. You said you have a world-class state of the art outfit petroleum storage facility at Apapa, which is due to become operational this month which has a total storage capacity of 100,000 metric tons.

MR. BENEDICT PETERS (EX. VICE CHAIRMAN): 160,000 metric tons.

HON. LAWAN: Yes, 160,000 metric tons. You said you also have 15 outlet stations apparently. I mean it is a bit surprising, given the size of your business, that your retail outlets are so few. From the information you have provided, it looks like you have so few when clearly you are investing in storage facility. Given the volume of what you do I would have thought that maybe your investment would be much more than that. Look at page 3; you have the summary of products delivered in 2007 and 2010. First of all let me ask you, do you have outstanding payment on subsidy for 2011?

MR. BENEDICT PETERS (EX. VICE CHAIRMAN): Yes.

HON. LAWAN: How much?

MR. BENEDICT PETERS (EX. VICE CHAIRMAN): Currently, I believe that has been completed by PPPRA. We have not been advised on what value they should pay, but we anticipate they should pay N2.3bn, and for 2012, we just recently discharged about 4,000 tons into our storage on which they have not given us any valuation.

HON. LAWAN: I am talking of 2011.

MR. BENEDICT PETERS (EX. VICE CHAIRMAN): I think it is probably about N2.3bn.

HON. LAWAN: Now if you look at the table you provided, your track record, in 2010 you brought in 305,000 metric tons but you collected 26bn.

MR. BENEDICT PETERS (EX. VICE CHAIRMAN): Yes.

HON. LAWAN: 2011, you brought in 308,000 which means the number has gone up?

MR. BENEDICT PETERS (EX. VICE CHAIRMAN): Yes.

HON. LAWAN: But the amount of money you collected was N18.5bn and if you put together N2.3bn outstanding it would be about N 20.8 or N20.9 billion?

MR. BENEDICT PETERS (EX. VICE CHAIRMAN): Yes.

HON. LAWAN: How come when the price was going up and exchange rate went up between 2010 and 2011 that you imported more in 2011 and collected less money in 2011. In 2010 the amount collected was N26bn, in 2011 you supplied 308,000 metric tons which is higher than 305 and collected about N20bn what accounts for this?

MR. BENEDICT PETERS (EX. VICE CHAIRMAN): Thank you Mr. Chairman, if you recall, under the late President Yar'Adua's regime, a committee was set up to look into a similar situation and there was a freezing payment to suppliers in 2009. At the end of the Isa Yuguda's Committee sitting, there was literally a freeze, there was a long delay in payment and virtually it got to a stage even when the major marketers and the trading companies decided that they would stop importation unless they got paid. At that time there were huge interests on our account. What happened was that, at the end of that particular process, the whole monies were now paid in the coming year. Most of the monies that you find that we received in 2010 were part of our deliveries in 2009.

HON. LAWAN: I see, some substantial part of the monies for 2010 were for your import in 2009?

MR. BENEDICT PETERS (EX. VICE CHAIRMAN): Yes. In 2009, because of the probe which led to the removal of the first years of the PPPRA and then the freeze; nobody got paid, and when the report went through, they released the money and most of what accrued were now paid in 2010.

HON. LAWAN: That is all right. It is not necessarily that the money released to the import done was for that year. This one is already here and we will keep it. we would also like you to equally revise these details so that we would now know how many litres you imported in 2010 and how much you collected for 2010, how many metric tons you imported in 2011 and what is your expected payment in 2011, because that is why I made this request to know whether you have outstanding payment. If in 2011 we are not going to base our calculation on the N18bn that is provided here, we would also add the N2.3bn because that should cover the amount that is payable to you in 2011.

HON. ALI AHMED: Two quick questions: What do you think is your market share in the industry? Secondly, you are wholly owned Nigerian Company and within the policy of the present administration on local content and all that, you are an upcoming indigenous oil company. Local content can run amok so as you go for a local content policy you have to be really sure that serious business companies who are not “portfolio companies” are in the business. What do you see that the local petroleum is headed, I mean as per the up-coming petroleum player in the industry?

MR. BENEDICT PETERS (EX. VICE CHAIRMAN): Thank you, on the issue of market sharing, our share is the largest privately owned and independent company in Nigeria. On the second question that you asked currently, the enabling environment that has been created by the Hon. Minister, Deziani Allison Madueke, on the Local Content Act and the reason pushed for the PIB, we believe that there is a great opportunity for the Nigerian entrepreneurs. However, that opportunity cannot be harnessed if the banks are not brought to the table. What it costs an average Nigerian businessman to do business in this environment is actually very high. The elements that are playing in it actually are just working for the banks. There is no infrastructure that would be developed in this country if nothing is done seriously concerning the rate that we pay for the cost of the funds that we used to do our business. The business environment in this country is gradually crawling and growing to what I would call a crap colony. We are existing in a developing economy we should be growing, but what we see is that there is this psychology problem, pull him down syndrome. When you see a young entrepreneur move, your only act in life and dream is to bedroom and think of how you will try to bring him down. I think those two things need to change. I encourage the activity of the current CBN Governor, but one of the things I think he should try and do to develop this country is to get the banks to reduce their interest rate. There is nowhere in the world that people would grow businesses with the kind of rate we are paying today. There is no businessman, we have gone through a lot, when we set out in the very early 2000, we borrowed money and went through a lot. So I believe one thing that we need to do is to reduce the interest rate and create enabling environment, thank you.

HON. LAWAN: Well, thank you very much, just very briefly. Your import, do you bring in through mother vessels or you also buy from off-shore Cotonou or off-shore Lome?

MR. BENEDICT PETERS (EX. VICE CHAIRMAN): Mr. Chairman, we deal directly with Refinery Terminal Owners and major international oil companies from TOTAL, Chevron, Texaco, SHELL and we buy from terminals in Main Forte Haven in Israel. We do not buy or do off-short Cotonou ship to ship; we buy directly.

HON. LAWAN: You do not buy from Cotonou, do you sell Cotonou?

MR. BENEDICT PETERS (EX. VICE CHAIRMAN): We do business strictly with ourselves.

HON. LAWAN: No, what I am saying is you do not buy Cotonou but you are dealing directly with refineries abroad and you are bringing it in, do you not have those who buy from you? We have traders, you have been here you have listened to some people who actually buy off-shore Cotonou and since you are among those ones that bring in mother vessels; do you also have clients who buy from you either at off-shore Lome or off-shore Cotonou? Is your own simply to buy what you need and you do not sell to other people?

MR. BENEDICT PETERS (EX. VICE CHAIRMAN): As a matter of principle, Mr. Chairman, I do not sell products to third parties; I do not sell products to companies that I do not vet.

HON. LAWAN: No, no, no! You can actually vet all those companies if somebody is coming to buy from you, obviously it does not stop you from vetting those companies. It is simply either you do or you do not. If you do not sell we would understand you do not sell. I am not questioning those companies, I am not saying they are not good and I am not saying they are not sound but you sell to them. They came here and said they buy off-shore Lome and off-shore Cotonou and you are telling us you actually bring mother vessels. So if you are bringing mother vessels and there are people who want to buy with their daughter vessels do you provide those services yes or no?

MR. BENEDICT PETERS (EX. VICE CHAIRMAN): No, I just buy what I need.

HON. LAWAN: And when you buy what you need and you bring it into the country how do you dispose of it because your 15 retail stations certainly are inadequate to dispose of what you bring in; so you must have third party retailers who buy from you, what do you do with it?

MR. BENEDICT PETERS (EX. VICE CHAIRMAN): Well my cargo is going to our terminals. In this country you have four segments of the market. You have the Major Marketers, you have the Independent Marketers, you have DAPMAN and you have what I call small whole gas station people, every company in this country that imports cargo probably made maximum use to any percent of that through their own retail outlets whether they are called big, medium or small.

HON. LAWAN: Which of the third parties even though you earlier said that you do not deal with the third parties; but you must have a third party group that you still retail your product to, otherwise 15 outlets cannot be the major marketers or is it the independent who among them?

MR. BENEDICT PETERS (EX. VICE CHAIRMAN): It is the independent retail outlet that we use. We have a long list of clients that we have actually vetted and we have regular customers.

HON. LAWAN: That is all right, that is just the question I asked because there must be an outlet for you. So your outlet is through retail market. You do not sell to the major marketers?

MR. BENEDICT PETERS (EX. VICE CHAIRMAN): We sold at one time to the major marketers when we lost a ship in Port-Harcourt, on January 8, 2008. Our ship exploded in Port-Harcourt and NPA banned us going into that terminal; that was what led us to build our own terminal. During that period we had four vessels and we had demurrage on daily basis; then the NPA MD refused us to berth and we had no alternative than to look for other sources for these cargoes imported from Europe. We sold to MOBIL, TOTAL, Oando, NIPCO so we discharged to NOJ Terminal and we went to Makoba for Oando. I think that was what we did. But since then till now we discharge through our own system.

HON. LAWAN: Since we are going to see you again on your swap arrangement let me express our gratitude for your presence and also thank you for patiently waiting to this time to make this presentation. Maybe on Tuesday or Wednesday we would let you know if you would come on the issue of swap, because that is another thing that we would discuss. Thank you very much.

MR. BENEDICT PETERS (EX. VICE CHAIRMAN): Thank you very much.

HON. LAWAN: There are details we have requested for, we would gladly expect those details. We are likely going to have another session either on Tuesday or Wednesday especially to take on the issue of oil swap and the three of you plus ECO oil will be invited to participate and discuss the roles that you play in this. Please accept my apology.

MD: Mr. Chairman, thank you very much, it has been a pleasure working with you.

HON. LAWAN: Please accept our apologies for keeping you waiting and I appreciate the fact that you waited here patiently. What we try to do is to make sure that when you come back here we will make sure that you get priority hearing. Please, invite Mr. Gholahan O. Obanikoro, MD MOB Integrated to the witness stand.

MR. GBOLAHAN O. OBANIKORO (MD MOB INTERGRATED): Our Company became active in 2008 and we have been incorporated since 2003. We have been service providers to oil industries leading to the growth of the Nigerian economy. With respect to oil and gas, we have been trading in oil and gas; we do supply and own 8 facilities. We have also adequate truck park at Apapa accommodating over 150 trucks, which shows that this

company is like NIPCO, MRS, Conoil and so. We also maintain fleet of our own trucks. We began importing PMS under the PPPRS in the 3rd quarter of 2010. In 2010 we successfully brought in 4 cargos with a total importation of 70,000 metric tons approximately 94 million litres. We brought along with us all the documentation but we will repair it and then we submit to the committee as required. That is the activity of our company and we will take questions that this honourable committee might ask us on this presentation.

HON. LAWAN: You said you incorporated in the PFS what year?

MD MOB INTEGRATED: In 2010

HON. LAWAN: What were you doing before that time?

MD MOB INTEGRATED: We started up as waste management company.

HON. LAWAN: Waste management?

MD MOB INTEGRATED: Yes Sir.

HON. LAWAN: All right?

MD, MOB INTEGRATED: We started as waste management company in 2003 and then in 2008 we got into maritime activities; then we got into logistics before we went into importation of heavy duty equipment, trucks and so on.

HON. LAWAN: When did you go into oil importation business? Prior to that, were you engaged in importing any other petroleum business, either retailing, storage or importation?

MD MOB INTEGRATED: We were suppliers of AGOs to houses, tanks, etc.

HON. LAWAN: You were supplying from where?

MD MOB INTEGRATED: We buy from a tank farm or whoever has the products.

HON. LAWAN: Do you have trucks?

MD MOB INTEGRATED: Yes sir.

HON. LAWAN: So right now you have trucks?

MD MOB INTEGRATED: Yes sir.

HON. LAWAN: How many do you have?

MD MOB INTEGRATED: We have up to 20 trucks.

HON. LAWAN: So, before you started the importation you were involved in the supply

of the products?

MD MOB INTEGRATED: Yes sir.

HON. LAWAN: When did you acquire these trucks?

MD MOB INTEGRATED: Between 2008 and 2010 to now.

HON. LAWAN: From 2010 till date, have you made further investments?

MD MOB INTEGRATED: On the trucks?

HON. LAWAN: Yes, from 2010 till date.

MD, MOB INTEGRATED: No sir.

HON. LAWAN: You did not buy any?

MD, MOB INTEGRATED: No sir.

HON. LAWAN: So, you had 20 trucks as far back as 2008?

MD, MOB INTEGRATED: No, in 2008 we got 5 trucks and at the beginning of 2009, we bought 10 trucks and at the end of that year we added 5 trucks.

HON. LAWAN: Since you started, how much did you collect total amount on subsidy in 2010.

MD MOB INTEGRATED: In 2010 it was about N1.8 billion.

HON. LAWAN: N1.8 billion and in 2011 you have not received anything?

MD MOB INTEGRATED: Not yet, sir.

HON. LAWAN: Yes, I can see because here you said yet to receive.

MD MOB INTEGRATED: That is correct.

HON. LAWAN: What happened that in quarter 4 of 2010 you had 15,000 metric tons, you brought in 15,000; you did not do quarter 2?

MD MOB INTEGRATED: No, what happened was that, in quarter 1, we had an allocation of 30,000 metric tons, but in quarter 4 when we brought in the cargo, it lapsed into 2011 eating into our quarter 1 allocation time. By the time we got our quarter 1 allocation for 2011, we had to apply for an extension we got. Our quarter 1 was 30,000 metric tons, but what happened then was that by the time we brought it in, they made a major shift in personnel of PPPRA. There was a dispute on the time for acceptance, when the LCs

were established and when the vessel actually entered the Nigerian waters. We were of the expectation that they would count our performance from the date that the LC was established, but the PPPRA said no, that they would count the date the vessel actually got to Nigerian waters. So, there was a date dispute over the issue, but we finally resolved it. That was why our **quarter 2 allocation was actually 30,000 metric tons.**

HON. LAWAN: So, what is your total outstanding now?

MD MOB INTEGRATED: **Roughly about N4 billion.**

HON. LAWAN: How much?

MD MOB INTEGRATED: About N4 billion

HON. LAWAN: About N4 billion standing for 2011? So, what other investment do you have? Do you have retail outlets?

MD MOB INTEGRATED: No, we do not have retail outlets.

HON. LAWAN: Are you trying to develop one or you are just limiting yourself to the import and the sacking business.

MD MOB INTEGRATED: Like I said, we are an integrated company, with regard to oil and gas, we intend to develop trading.

HON. LAWAN: You are interested in trading rather than retailing or storage. You have no plans for going into storage or retailing, you are more interested in developing the trading aspect?

MD MOB INTEGRATED: In the short term sir.

HON. LAWAN: And in the long term?

MD MOB INTEGRATED: Perhaps, we might get into that.

HON. JAMES ABIODUN FALEKE: Looking at this document you submitted, the letter from Eco bank in November, 11, the bank opened a letter of credit for 28.24 metric tons. When you look at another letter of January, 15, 2012 it also said that a letter of credit was opened for 28.8 metric tons. If you look at your details here, there is no 28.8 metric tons on this sheet. The quarter 3 for 2011, you gave us the volume of 30,000 metric tons the value corresponds with the one issued but the bulk for the quantity does not correspond.

MD, MOB INTEGRATED: I think that is very simple, the quantity you have in that document was as allocated by PPPRA not as imported. PPPRA gave us an allocation of 30,000 metric tons to import, but we ended up bringing in 28.8 metric tons that you talked

about.

HON. JAMES ABIODUN FALEKE: If that is the issue, then do you want to claim the same value? The value for 28.8 was N30,327,840.00 and then the value you quoted was the same amount?

MD, MOB INTEGRATED: The value for what was quoted in the Eco bank where you referred to was what was paid for 28,200 metric tonnes. Now the 30,000 on our PPPRA summary as given to you that is to allow you understand how it was allocated by PPPRA. So, the value of the transaction is what I have there in terms of how much we invested, but the subsidy claim is yet to be received. So, that is going to be paid against 28,200 metric tons not the 30,000 there.

HON. LAWAN: Thank you very much. As I mentioned earlier, we expect you to redo your presentation based on the template and we will also expect your letters of credit for these imports you had done, including certificate of discharge, as well as, the bill of lading.

MD, MOB INTEGRATED: Just a quick question sir, how do we get the detailed information you want from us?

HON. LAWAN: They will be given to you right away. Please, the MD Rahamaniya Group, Mr. Amin Abdullahi, should take the witness box.

MR. AMINU ABDULLAHI (MD RAHAMANIYA GROUP): Mr. Chairman, hon. members of the Committee, Rahamaniya Global Resources was registered in 2005 to carry out the business of petroleum trading. From 2005 -2008 the company was trading mainly in the importation of gas oil into the country. Within that period, we imported about 213,315 metric tons of AGO. By 2008, Rahamaniya Oil and Gas was incorporated when the PSF scheme came on stream and the idea was that the group would efficiently and effectively add value to the importation and distribution of petroleum products. So, Rahamaniya Oil and Gas commenced the importation of petroleum products; PMS, AGO and DPK. During the period, we have been able to make substantial investment in the oil and gas sector of the industry. We currently have depot located in Apapa and a tank farm of 70 million litres of which 40 million litres is for PMS, 20 million litres is for AGO and 10 million litres is for DPK. In addition, we have sub-tanks in the capacity of 250,000 metric tons. The business that has been undertaken by the group is such that we have companies that are established to add value to the whole chain of importation and distribution of the products into the country. We have Ocean liner in oil and gas about three of them with a combined capacity of about 52,000 metric tons, MT Mitosofia about 24,000 metric tons, MT Musa Bashir about 18,500 metric tons and MT Kalifa about 20,000 metric tons. These are vessels that handle the chain of operations in bringing products from off shore terminals to you. We also have 35 retail

outlets currently in operation with additional 19 under construction. We have 70,000-litre tank farm which is based in Apapa, we have 255 trucks ferrying products from the depot to the retail outlets that we have. When the PSF scheme began in 2008, we imported 115,882.89 metric tons. We collected total subsidy of about N8,394,417,486.93. For 2009 we did PMS of 149,152.5 metric tons and we received N3,015,053,404.39. For the year 2010, we did PMS volume of 201,355.53 metric tons. We were reimbursed N11,728,600,813.61. For the year 2011, we did PMS volume of 220,726.12 metric tons. We were reimbursed subsidy of N18,026,900,205.13. For DPK in the year 2008, we imported 122,422.9 metric tons and in 2009 we imported 44,983.15 metric tons. The amounts collected as subsidy are also stated. For 2008, N14,576,541,784.32 and then for 2009, N2,852,393,044.77. We have gone ahead to prepare the template as requested by the committee for all the importations that had been done from 2008 when we joined the PFS scheme to 2011 as I mentioned. We have also stated the summary of the total amount collected so far on the subsidy scheme from the year 2008 to 2011, which is: N58,591,996,439.00 for both PMS and DPK.

HON. JAMES ABIODUN FALEKE: You said your company started in 2005?

MD, RAHAMANIYA GROUP: Rahamaniya Global Resources was incorporated in 2003 while Rahamaniya Oil and Gas was incorporated in 2005.

HON. JAMES ABIODUN FALEKE: Have you ever been overpaid by PPPRA?

MD RAHAMANIYA GROUP: No sir.

HON. JAMES ABIODUN FALEKE: You would need to give us copies of your importation documents, letters of credit, bill of lading, the haulage report to enable us treat some other issues that we have.

MD RAHAMANIYA GROUP: All right Sir we will do that.

HON. JAMES ABIODUN FALEKE: Did you do all the allocations you received from PPPRA?

MD RAHAMANIYA GROUP: Not in all cases, sometimes we tried to do as much as we could and sometimes we actually met with the amount of allocation and sometimes we were not able to. There are a lot of factors that go into that, the finance is there and some other issues, but sometimes we were able to meet the allocation and sometimes we are not.

HON. JAMES ABIODUN FALEKE: In 2011, how much have you been paid and how much do you have outstanding?

MD RAHAMANIYA GROUP: For 2011, we have been paid N18,026,900,205.13.

HON. JAMES ABIODUN FALEKE: How much is outstanding?

MD RAHAMANIYA GROUP: It is in the region of about N6.5 billion.

HON. ALI AHMED: There are uncomplimentary remarks flying here and there. If you will assist this committee, can you avail us with original copies of your letter of credit and the bill of lading? And with this, I think that you should come in person for citing because the committee needs to really see these documents.

MD RAHAMANIYA GROUP: Sorry?

HON. ALI AHMED: Like I said, there are some insinuations before us, and the only way we can be assisted as to the true position of things is to get the original bill of lading that we can cite. Secondly, this figure that you gave us as your total subsidy collected, N58,591,996,439.00, is that the total figure for Rahamaniya Oil and Gas and Rahamaniya Global Resources?

MD RAHAMANIYA GROUP: It was for the two of them both Rahamaniya Oil and Gas and Rahamaniya Global Resources.

HON. GERALD IRONA: Now, you said the total receipt is N58 billion for both. Can you give us the outstanding and the total receipt of each of them?

MD, RAHAMANIYA GROUP: All right for the Global Resources, basically, the collections that we had done in 2008 for PMS is N8.3 billion and N14.5 billion for DPK.

HON. LAWAN: PMS?

MD, RAHAMANIYA GROUP: In 2008, for PMS, we had N8.3 billion and N14.5 billion for DPK. Those were actually a bill under Global Resources. But when oil and gas came into operation, all such importation seems to be done under Global Resources. Sorry, Chairman I am being made to understand by my Head of Operation that the original Bill of Lading that have been requested by the hon. member had been given to supplier at the point of loading actually. At the point of loading after the vessels have been loaded and signed the documents and the original is given to them and they present it to the bank for payment, because that is the condition that is stated in the house.

HON. LAWAN: Do you have copies of the bill of lading, right.

HON. ALI AHMED: There are 3 originals; you retain one, the one you retain that is what I am asking for.

HON. LAWAN: I do not know whether you have seen a copy of the PKMG report? Apparently there are some issues regarding your operation. I do not know whether I can

run through them. For instance, at page 40, the report and the caption is apparent over payment of subsidy by over N25 billion from the Petroleum Support Fund. It says:

We noted apparent over payment of subsidy amounting cumulatively to about N25 billion to various marketers between January, 2007 to June, 2010. The over payment was due to application of incorrect charges, CBN rate, finance charges and arithmetic errors for both the PMS and DPK templates.

And you are listed in number 4 as having collected over payment of N1.9 billion, do you have an explanation for this Committee. Then on page 42 of the same document, there is also another conclusion about marketers that might have claimed subsidy even though sub-landing was apparently altered, and Rahamaniya Oil and Gas is number 3 and the amount there is: N300 million. Do you have any clarification or explanation as to what could have led to this kind of conclusion by the PKMG's report?

MD, RAHAMANIYA GROUP: Thank you Mr. Chairman. Sincerely this is the first time we are even aware of this. We are aware that PKMG was assigned to audit the PPPRA and NNPC accounts and they actually requested for documents which we provided to them. Apart from that, we have not been aware of any such differences alleged here. I think probably it has to be maybe with a reconciliation issue because in the whole process of collections of subsidy, there is a lot of check and balances along the way. If there is any alteration in any bill of lading, I do not think PPPRA and other Agencies will even accept them. So like I said, maybe we will have to check and see the report.

HON. LAWAN: So just the summary, how much did you collect in 2010 in subsidy payment?

MD, RAHAMANIYA GROUP: 2010, we collected N11 billion.

HON. LAWAN: And you imported, I suppose PMS only.

MD, RAHAMANIYA GROUP: PMS only.

HON. LAWAN: In 2010, how many metric tons did you bring in?

MD, RAHAMANIYA GROUP: 201,355.35 metric tons

HON. LAWAN: You brought in how many?

MD, RAHAMANIYA GROUP: 201,355.35 metric tons.

HON. LAWAN: And you collected, how much?

MD, RAHAMANIYA GROUP: We have collected N11 billion.

HON. LAWAN: N11 billion.

MD, RAHAMANIYA GROUP: N11, 728 billion.

HON. LAWAN: Then in 2011?

MD, RAHAMANIYA GROUP: We brought in 220,776.46 metric tons.

HON. LAWAN: And what is the subsidy payment?

MD, RAHAMANIYA GROUP: N18 billion.

HON. LAWAN: Sorry?

MD, RAHAMANIYA GROUP: N18.026 billion.

HON. LAWAN: Do you still have outstanding payment or?

MD, RAHAMANIYA GROUP: Yes, we do.

HON. LAWAN: About?

MD, RAHAMANIYA GROUP: About N6 billion.

HON. LAWAN: N6 billion was released for 2011?

MD, RAHAMANIYA GROUP: Yes.

HON. LAWAN: So in 2011 if you were fully paid, you will be in receipt of about N24 billion?

MD, RAHAMANIYA GROUP: Yes.

HON. LAWAN: In 2011, there was marginal increase of 220 tons and then the figure was N24 billion; it was more than double. What could have accounted for this; is there any explanation as to what could have happened?

MD, RAHAMANIYA GROUP: Within 2011, Mr. Chairman, you were aware that the exchange rate that we were using for letter of credit went up from about N140 in 2010 to about N160 within the transaction period in 2011.

HON. LAWAN: From N140 to N160, right?

MD, RAHAMANIYA GROUP: Yes.

HON. LAWAN: But the leap is so huge that there must be other explanation rather than exchange rate! What is the rate at which you were buying the crude oil? You see, N11 billion to N24 billion is more than double. The increase in terms of quantity is from 201 to 220 metric tons, very marginal increase.

MD, RAHAMANIYA GROUP: Yes, the initial price of products actually went up in excess of a thousand dollars per ton; it is in the region of \$1,100, or \$1,200. That was why the cost had to go up differently.

HON. GERALD IRONA: I will like to take on you based on the answer you have just provided now. The exchange rate, I need to know what exchange rate? Because I am aware of the official exchange rate for 2010 and 2011, right. The second thing is that if you look at the benchmark price of crude oil for these two years: in 2010 it was \$75; in 2011 it hovered between \$70 and \$75. So you cannot explain the variance you had in terms of this fixed sum. The market price of crude oil between those two years was even better in 2010 than 2011. I need to know what exchange rate that you are talking about; is it the black-market exchange rate or the official government exchange rate within this period?

MD, RAHAMANIYA GROUP: Actually for the purpose of the remittances, for example, the price of crude oil per barrel is not what is actually used for the price in update. What the PPPRA used to determine the landing cost of product for marketers in 2011 I am sure it was in excess of a thousand dollars per ton. The international price of crude oil of \$75 was actually per barrel of crude oil. That one is different; this one is the flat price mechanism that is used by the PPPRA, and it is actually in excess of a thousand dollars at a time. I know in 2010 it was less and that was why the volume of subsidy was lower than that of 2011. In 2011 it actually went up. Currently it is about nine hundred and something dollars per ton.

HON. GERALD IRONA: It is same product that we are talking about, is it not? It does not mean, the market price is the market price, what is important is the volume of what we are talking about, whether it is in terms of barrel or in terms of whatever you are now talking about; it is the same product. So the prevailing market situation is also the same. If, for example, we do our budget base on the barrel of crude oil derived daily and the market price, let's say a \$100, our budget benchmark is \$75, it is about the same product, the difference is the depth of the quantity of what you are require to import.

MD, RAHAMANIYA GROUP: There is also the difference in the terms of the price, so the price is not the same. The price fluctuates on a daily bases and it is monitored.

HON. LAWAN: What was the average price of crude oil in 2010?

MD, RAHAMANIYA GROUP: We do not deal on crude oil price; that is not what we do; it is based on our own calculation, not the price of crude oil, like I said. The crude oil price is on barrels.

HON. LAWAN: I know.

MD, RAHAMANIYA GROUP: The pricing class that we are weighting is on metric ton.

HON. LAWAN: We earlier had interaction with the regulatory Agencies; NNPC, PPPRA, DPR, PPMC and the Minister of Petroleum Resources and the point as always has been on this leap or difference in terms of the subsidy, which is, that it is largely because of two major factors. The first is the difference in price of crude oil between 2010 to 2011 and two the exchange rate. The question he is asking is we need to establish the difference in term of price of crude oil to justify this quantum leap. One of the other questions he was asking is about the exchange given to you, whether it is the official exchange rate or the black-market exchange rate.

MD, RAHAMANIYA GROUP: All our exchange purchases are done through the CBN exchange rate.

HON. LAWAN: Through what?

MD, RAHAMANIYA GROUP: CBN exchange rate.

HON. LAWAN: CBN exchange rate?

MD, RAHAMANIYA GROUP: Yes.

HON. LAWAN: Because you open letter of credit through them?

MD, RAHAMANIYA GROUP: Yes.

HON. LAWAN: Through the CBN you get the official exchange rate. And it is based on that, that you had exchange rate of N140 in 2010 and N160 in 2011?

MD, RAHAMANIYA GROUP: All right, I may not really have the exact rate.

HON. LAWAN: I am not asking you for the precise rate, that is why I said average. Granted that the exchange rate fluctuates, the exchange rate of yesterday is different from the exchange rate today, so what was the average?

MD, RAHAMANIYA GROUP: One thing I know is that the exchange rate in 2010 was not what it was in 2011 and what it is in 2011 definitely has increased over that of 2010. I know also that in 2010 or the early part, the rate was not even as high as it was later in the year. I really do not exactly remember. The fact is that if you have an LC that you are going to bid, you will send your request to the CBN, and you will try to access CBN market. But for any reason maybe CBN was not able to meet what your requirement are, for example, you have a LC for \$10 million, that you want to pay and CBN can only give you \$2 million for example because they do not have enough to give you; your cannot wait, you have to go

and buy inter-bank market and inter-bank market is usually higher maybe by about N2.00. That is why you intend to see that the price is a bit higher.

HON. GERALD IRONA: That maybe true but you see for the purpose of computation, for the purpose of making your claims, for the purpose of government, right, we need explanation in terms of the huge difference between what you were paid in 2010 and 2011, especially when the quantity was almost the same. So what we are saying is that the two reasons that you have advanced cannot be the reason that will explain the more than double subsidy claimed in 2011 over that of 2010. The huge difference cannot be explained in terms of exchange rate; it must be something else which we think, while reminding you that you are on oath, you should be able to let this committee know.

MD, RAHAMANIYA GROUP: Hon. Chairman like I said all the documentations for these things, I mean the computation, the calculation everything is done by PPPRA and the template was agreed between the marketers and PPPRA and no marketers can actually amend anything. The pricing is there, the exchange rate is there, flat price is there, they know it so, and no marketer can actually tamper with these things. So we complied with the necessary requirements, we submitted our documents and did all the necessary verifications and the fuel subsidy was paid. For instance, before the product is discharged, they would come and look at the product itself. So really, there was not anything we can do about these things; we cannot exchange the figures.

HON. LAWAN: I can see your consultant talking to you.

MD, RAHAMANIYA GROUP: Yes, but he was just telling me what I already mentioned.

HON. LAWAN: All right.

MD, RAHAMANIYA GROUP: That a marketer does not have anything to do with pricing or template or anything.

HON. LAWAN: That is right. The pricing is determined by the template agreed by the PPPRA and marketing. I can see you have investment in the downstream, how many retail outlets?

MD, RAHAMANIYA GROUP: We have 35 retail outlets currently in operation, and we have 19 under construction right now.

HON. LAWAN: All right, the 35 are they wholly owned by Rahamaniya or there are affiliates?

MD, RAHAMANIYA GROUP: Out of the 35 retail outlets, 30 of them are wholly owned by Rahamaniya.

HON. LAWAN: The remaining 5?

MD, RAHAMANIYA GROUP: Under franchise.

HON. LAWAN: I see, and you have storage facilities as well?

MD, RAHAMANIYA GROUP: Yes, we have a storage facility in Apapa. We have a capacity of 70 million litres with 10 loading arms and we have capacity to load 1 million litres every one hour.

HON. LAWAN: I see. Do you have a haulage facility, trucking and so on?

MD, RAHAMANIYA GROUP: Yes, Mr. Chairman, we have 265 trucks.

HON. LAWAN: And when you do bring in your products, I suppose you do not have enough retail outlets for your products. Who are your clients, that is, who buys what you import? Who are your major clients?

MD, RAHAMANIYA GROUP: All right, some of our major clients are actually; A. A. Rano, they buy a lot of products; we also have Samsung Global Resources and we have Saliu Surajo.

HON. LAWAN: Sorry, who?

MD, RAHAMANIYA GROUP: Saliu Surajo & co. Then we have Comprehensive Oil and Gas, just the major ones, Gatewise Nigeria Limited and then later extended to Sunnypal Oil and Gas Service. These are companies that buy oil regularly from us.

HON. LAWAN: Thank you very much. We are supposed to allow you to go and I am sure you have had the kind of documents that we require; the bill of lading for all that you had imported, letters of credit and certificates of discharge, just send to us the details of those items. If there are issues that may arise during this exercise, we will invite you once again. So thank you very much. Next, stakeholder is Lloyds that has been waiting, Lloyds can you please come forward.

Thereupon Engr. Barry Ezimone, MD, Lloyds Energy Ltd, affirmed.

HON. LAWAN: Just make a very quick presentation, please.

ENGINEER BARRY EZIMONE, MD, LLOYDS ENERGY LIMITED: All right sir.

HON. LAWAN: In three minutes.

MD, LLOYDS ENERGY LIMITED: Good evening Mr. Chairman and hon. Members of the Committee. It is very interesting that at my own time, the time started –

HON. LAWAN: No, please go ahead.

MD, LLOYDS ENERGY LIMITED: Actually when I was waiting, it would have been nice to have been given a specific time.

HON. LAWAN: You have already used two minutes out of your three minutes.

MD, LLOYDS ENERGY LIMITED: So, I said, it started with me sir.

HON. LAWAN: Please go ahead!

MD, LLOYDS ENERGY LIMITED: Lloyds Energy, first of all, the proper corporate name for the organization is Lloyds Nigeria Ltd. not Lloyds Oil that is for the correction. Lloyds was incorporated in June 14, 2007, with initial capital of N1 million share capital. It was increased to N200 million subsequently in 2009.

HON. LAWAN: Sorry, is Venro Energy here? Can you come and sit next to them? It seems you have something in common, right?

MD, LLOYDS ENERGY LIMITED: Yes.

HON. LAWAN: Are you the same?

MD, LLOYDS ENERGY LIMITED: Not exactly, we collaborated on one of the trades.

HON. LAWAN: No, do you have the same ownership?

MD, LLOYDS ENERGY LIMITED: No, not at all.

HON. LAWAN: Can you come and sit next to them? Do not worry, do not shake your hand because this one are related, they are cousin, that is why we ask them to come and sit next to each other. So you do not have the same ownership.

MD, LLOYDS ENERGY LIMITED: No Sir.

HON. LAWAN: Your certificate of incorporation will not show any link?

MD, LLOYDS ENERGY LIMITED: No sir.

HON. LAWAN: Please, go on.

MD, LLOYDS ENERGY LIMITED: Like I said we were incorporated in 2007 and we started all our operation immediately with fuel supply to Shell SNAPCO Offshore. That particular opportunity gave us a window of involvement in downstream of oil and gas business. Before then under another umbrella, we have had 10 to 15 years of experience in oil and gas. On the supply side, we now realized the gap in the industry having participated in

supply for Shell and all the oil majors. Offshore supplies are very sensitive operations, and as you are able to meet the stringent requirements, you should also be able to play well in the industry. That gave us the indication of what was going on. And one thing was informative throughout that period that actually informed our entry into this programme. I will say our participation in PSF was a means to an end and not an end in itself. As I said, when we participated in Shell supply in 2007, we realized that there was a gap in the full supply chain. And the gap was obvious and the key one was the refinery development programme that was lacking in the nation; that actually brought us back to this position of this subsidy and so on. So you will find out upon reception that we did not participate in the PSF. After the first delivery that we did for Shell Programme, we went into refinery development. We studied extensively the refinery configuration in the country and around the world, and the problem with private refinery development in Nigeria to establish exactly what was required. In course of that, therefore, we realized that a very strong element in getting offshore facility for a high development was a demonstration of market rate in your local market. In refine development, there are three major stages, the off stream stage which is the 6th stage, the mid stage is the fiscal infrastructure when developing the refinery and the last thing is the marketing. The loops must close before a dollar can be given to you by any investor and any foreign agency; they must see the loops close. So imperatively, we had to get involved in petroleum trading to demonstrate market reach as part of our development programme. If you look at our presentation, you will see that in 2008 and 2009, we were engulfed in preparing development; we never traded in any product at all. In the same year our refinery development programme received attention. We actually applied to the Presidency then for the upper-end of the programme. We were not very lucky because we were informed the policy on ground did not support that, and that is one of the major problems for us. So moving forward, we now got involved in the PSF in 2010 and quickly we brought to the table our expertise in managing processes. And briefly in 2010, we did three basic transactions. One, we received the 60,000 metric tons allocation from the PPPRA. At that point of our entry our facilities from the banks were being processed, because they have seen through our refinery development. And they wanted to exploit the facilities, but the process was not through because they had to go through all kinds of their board meetings. Meanwhile the permit from PPPRA was expiring and so we had to, at that time, assigned 30,000 metric tons of our permit; 15,000 to PINACO and another 15,000 to Brilla Energy.

HON. LAWAN: What that means is that you were not the one that actually brought in the 30,000?

MD, LLOYDS ENERGY LIMITED: No, we brought in the balance.

HON. LAWAN: What was the balance?

MD, LLOYDS ENERGY LIMITED: The balance was 30,000. We applied to PPPRA and provisionally assigned it to them.

HON. LAWAN: Go ahead.

MD, LLOYDS ENERGY LIMITED: We imported the balance of 30,000 metric tons during the second quarter immediately, because we had huge credit lines from the banks; we had about \$35 million from UBA and about \$40 million from GTB. By the time the credit lines came out we had already given out 30,000. We were also willing to support all the traders who did not have the financing.

HON. LAWAN: So who and who did you assist, Anozike or Venro Energy?

MD, LLOYDS ENERGY LIMITED: No, we were not involved with Anozike; it was Venro Energy.

HON. LAWAN: Venro Energy; that is why I say they are your cousin, please continue your presentation.

MD, LLOYDS ENERGY LIMITED: So we imported about 11,000 metric tons.

HON. LAWAN: Under Venro Energy?

MD, LLOYDS ENERGY LIMITED: Yes.

HON. LAWAN: You imported for them or they imported for you?

MD, LLOYDS ENERGY LIMITED: We imported, because we had a facility.

HON. LAWAN: You imported for them?

MD, LLOYDS ENERGY LIMITED: Yes.

HON. LAWAN: Good, did your import mostly direct from Europe or from China or did you import from offshore Cotonou or offshore Lome?

MD, LLOYDS ENERGY LIMITED: We normally place our order with Duport International.

HON. LAWAN: But do you get it offshore Cotonou or offshore Lome? Do you usually import it through the mother vessel or you do it through the daughter vessel?

MD, LLOYDS ENERGY LIMITED: Something is important here, I should have mentioned this.

HON. LAWAN: It is just whether you do it or you do not?

MD, LLOYDS ENERGY LIMITED: Can I explain a little bit Sir.

HON. LAWAN: All right.

MD, LLOYDS ENERGY LIMITED: When you open up your own trade to the trader in UK, he will direct you to where you can get your cargo and we have a unique arrangement with the traders that supply our cargoes for 2010. That was because of the credit terms in the back facility which was such that they cannot cash their LC until the products gets into the tank. Therefore, there is mid range that needs to be bridged between this group from the UK and the Dupont international that we ordered that guaranteed that all the products must get there into the tanks before they could get their LC. That was how we did all our 2010 import. In 2010 we used that opportunity to really study the market, because anything we got involved in, we looked at all the costs to see how we could bring our own experience to bear on it.

HON. LAWAN: Please, our intention initially was to close by 6.p.m, and you have not even answered my question.

MD, LLOYDS ENERGY LIMITED: I can summarize by saying that in 2010, we imported a total of 34.7m litres and in 2011 it was about 56 million litres. In 2010, we received a total subsidy of N3.9billion and 2011 we received a total of N3.6 billion and we have an outstanding, they just advised us yesterday, of about N1.5 billion.

HON. LAWAN: How many metric tons did you import in 2010?

MD, LLOYDS ENERGY LIMITED: It was 84 million litres, in metric tons. We import in tonnage but we are paid in litres. The figures are tabulated in our submission, using the guidelines given to us.

HON. LAWAN: 84million litres, right?

MD, LLOYDS ENERGY LIMITED: Yes sir.

HON. LAWAN: And you were paid how much?

MD, LLOYDS ENERGY LIMITED: N3.9 billion.

HON. LAWAN: In 2011, how much?

MD, LLOYDS ENERGY LIMITED: About N5.6 billion.

HON. LAWAN: And how much have you been paid?

MD, LLOYDS ENERGY LIMITED: N3.6 million.

HON. LAWAN: And you still have an outstanding of how much?

MD, LLOYDS ENERGY LIMITED: N1.5 billion.

HON. LAWAN: All together, that should be like N5.1 billion. In 2010 you imported 84 million litres and collected N3.9 billion, in 2011 you imported 56 million litres but you collected N5.1billion?

MD, LLOYDS ENERGY LIMITED: Yes sir.

HON. LAWAN: Like I asked earlier, do you import through mother vessels?

MD, LLOYDS ENERGY LIMITED: No, we just passed the LC to the trader.

HON. LAWAN: No! Simply, did you bring in mother vessels?

MD, LLOYDS ENERGY LIMITED: No we did not; our imports were small to bring in mother vessels

HON. LAWAN: What arrangement did you have with Anol Energy and so on?

MD, LLOYDS ENERGY LIMITED: On PSF, the programme we had with Anol CK was LGO supply to Shell in 2007, On DPK we collaborated on Q3 with Venro to import 11,000 metric tons, that is the relationship we had with Venro

HON. LAWAN: Do you have any investment in the downstream?

MD, LLOYDS ENERGY LIMITED: Yes sir, we do have.

HON. LAWAN: What were you doing?

MD, LLOYDS ENERGY LIMITED: We are developing our refinery programme.

HON. LAWAN: You were building local refinery?

MD, LLOYDS ENERGY LIMITED: Yes.

HON. LAWAN: Simple yes or no?

MD, LLOYDS ENERGY LIMITED: Yes sir.

HON. LAWAN: You have the license to do refinery, right?

MD, LLOYDS ENERGY LIMITED: No sir.

HON. LAWAN: You have no license, and you are building a refinery?

MD, LLOYDS ENERGY LIMITED: Sir, license is the least of the problems in the chain of rebuilding refinery.

HON. LAWAN: I am only asking. I am not saying whether it is the least problem!

MD, LLOYDS ENERGY LIMITED: No sir, we do not have.

HON. LAWAN: Where is it sited, this refinery you are building?

MD, LLOYDS ENERGY LIMITED: Our refinery development is a coordinated refinery after our study?

HON. LAWAN: I said where? I am talking of the location.

MD, LLOYDS ENERGY LIMITED: We are developing a network of refinery in Calabar, Cross River, Delta, Abia, Rivers and Akwa-Ibom States.

HON. LAWAN: How do you do that, all the locations are coming together?

MD, LLOYDS ENERGY LIMITED: That is why I needed to explain that to you sir,

HON. LAWAN: And how far have you gone?

MD, LLOYDS ENERGY LIMITED: We have finished the front end design for all our refineries.

HON. LAWAN: On paper you have finished the designs, on ground how much investment do you have? Have you done anything, have you done the DPC or do you have foundation or you have started laying the blocks

MD, LLOYDS ENERGY LIMITED: Sir, I said this at the beginning; we do not have any block on ground.

HON. LAWAN: So there is nothing on ground yet. Where is the land?

MD, LLOYDS ENERGY LIMITED: It is in Calabar, Energy City in Calabar, given to us by Cross River State Government.

HON. LAWAN: And you have done the feasibility study, and the drawings?

MD, LLOYDS ENERGY LIMITED: **Yes sir.**

HON. LAWAN: And you do not have a license? So you should build the refinery first, before you apply for the license?

MD, LLOYDS ENERGY LIMITED: There are three licenses, one is authority to construct.

HON. LAWAN: Do you have the authority to construct?

MD, LLOYDS ENERGY LIMITED: Not yet you need to ensure that all your financing is in place before you can even start the refinery proper.

HON. LAWAN: Is all your financing in place?

MD, LLOYDS ENERGY LIMITED: One of the major requirements is for you to get the financing, but before you can get it you must show market reach, that is one. You must also show evidence access to fixed stock.

HON. LAWAN: Do you have access to fixed stock?

MD, LLOYDS ENERGY LIMITED: We have applied to the Ministry of Petroleum.

HON. LAWAN: So, you do not have it yet?

MD, LLOYDS ENERGY LIMITED: We have spent a lot of money on the intellectual work and designs.

HON. LAWAN: Okay, you have spent a lot of money on intellectual work?

MD, LLOYDS ENERGY LIMITED: Yes, in paying the consultants.

HON. LAWAN: You sound like one of these International NGO's because they have also spent a lot of money on consultants.

MD, LLOYDS ENERGY LIMITED: No sir.

HON. LAWAN: It is all right. I will let it go. The only investment you have made is on intellectual work, you have paid hugely on intellectual work, that is your investment downstream?

MD, LLOYDS ENERGY LIMITED: Yes sir.

HON. LAWAN: No retail outlet, no storage facilities?

MD, LLOYDS ENERGY LIMITED: We do not intend to retail; it is not in our business plan.

HON. LAWAN: Your intention is to build a refinery?

MD, LLOYDS ENERGY LIMITED: Yes sir.

HON. LAWAN: What will be the capacity of that refinery when it is completed and how soon do you expect to finish it?

MD, LLOYDS ENERGY LIMITED: The module we have is 50,000 barrels per day.

HON. LAWAN: How many of them?

MD, LLOYDS ENERGY LIMITED: They are five.

HON. LAWAN: And each one will be 50,000 barrels per day? But you have land only in Calabar?

MD, LLOYDS ENERGY LIMITED: Rivers State government has taken us to a site, so also is the Abia State government. We have communications to that effect.

HON. LAWAN: Does taking you to a site means you have been allocated to a land to do that or just to say okay you apply for this and we will allocate it to you?

MD, LLOYDS ENERGY LIMITED: Sir, you will appreciate the process of land allocation by government; it is a bit rigorous. They showed us and asked us to do preliminary assessment whether it would meet what we require and we have done that.

HON. LAWAN: You have put in applications in these places?

MD, LLOYDS ENERGY LIMITED: Yes sir, and corresponded to this effect with the governments of those states.

HON. LAWAN: At the end of day you will be refining 250,000 barrels per day in those five locations. In terms of the products, how much PMS can you produce?

MD, LLOYDS ENERGY LIMITED: It is a natural component of a refinery.

HON. LAWAN: But rather than begin refineries in five locations, why do you not concentrate your resources at least in two and maybe develop storage facilities since you said it is the natural thing. That way you can now have refinery and storage facilities and begin to expand gradually rather than build the whole refineries and then you have no storage.

MD, LLOYDS ENERGY LIMITED: I said it is important to inform the House about this. On a very serious note and a national concern, upon our study on refinery development, we got to know the reason private people have not taken off and that should be of interest to all of us.

HON. LAWAN: Would you refine Nigerian crude oil or you will be importing?

MD, LLOYDS ENERGY LIMITED: Nigerian crude oil sir.

HON. LAWAN: We have heard that over 20 companies were given licenses and here you are, you have not even applied for it and you are building a refinery and you are yet to apply for its license. Did it not occur to you to study the market and know why those who were given licenses for more than 6 years and they have not been able to build any refinery

MD, LLOYDS ENERGY LIMITED: We did.

HON. LAWAN: So what are your concerns and findings?

MD, LLOYDS ENERGY LIMITED: I explained that to be able to draw necessary fund to build the refinery, you need to demonstrate capacity from the beginning to the end in order to attract foreign investment. And that is what took us to PSF so that we can demonstrate market reach.

HON. LAWAN: So you are in PSF not necessarily to make money or profit; you are there to demonstrate your capacity so that with your international market reach your partners can give you money to build the refinery?

MD, LLOYDS ENERGY LIMITED: Yes sir.

HON. JAMES FALEKE: When you look at your data page, total quantity discharged, Q2 2010, 27,450 metric tons and Q4 23,000 metric tons. You just told us you never brought in your products by mother vessels, do these daughter vessels have capacity to take these products?

MD LLOYDS OIL NIG LTD: No, we used smaller vessels. The spread is contained in the other sheet. You will see there the quantity we brought each time, if you add it for that period, it will sum to that.

HON. LAWAN: Thank you very much for your presentation, it will certainly assist us in our work. We have to stop here. Please send all the information we require without delay. The next witness is the Managing Director of the Shield Petroleum. He is invited to take the witness box.

HON. LAWAN: Please go straight to your presentation.

MD, SHIELD PETROLEUM: Thank you Mr. Chairman and hon. members of this Committee. Shield Petroleum Ltd. was incorporated in 1997 and over the last few years, we have been involved in the import of various petroleum products, namely gasoline, gas oil, fuel oil, base oil and lubricant. Shield Petroleum Ltd. has representative offices in Ghana and Cote d'Ivoire, and we also represent a number of international companies. We started participation in the scheme in 2008 and received subsidy of N1.8billion, In 2009, it was N540 million, and 2010 it was N1.9billion.

HON. LAWAN: In 2008 you received how much?

MD – SHIELD PETROLEUM: In 2008 we received N1.8billion, in 2009 it was N540million and in 2010, N1.9billion; in 2011, N1.5billion.

HON. LAWAN: Do you have outstanding payment?

MD, SHIELD PETROLEUM: Yes sir.

HON. LAWAN: In terms of metric tons what did you bring in 2008?

MD, SHIELD PETROLEUM: In 2008 about 20,000 metric tons, in 2009, 5,000 metric tons, 2010, 30,000 metric tons and 2011, about 27,000 tons.

HON. LAWAN: Do you have outstanding payment?

MD, SHIELD PETROLEUM: About N1.2billion and N1.3billion. We just discharged a cargo in December, 2011.

HON. LAWAN: Shall we assume that in 2011, your total payment would be N2.8billion. When do you say your company was incorporated?

MD, SHIELD PETROLEUM: 1997.

HON. LAWAN: What were you doing from 1997 until the time you started your participating in PSF?

MD, SHIELD PETROLEUM: We were importing other petroleum products.

HON. LAWAN: Like what?

MD, SHIELD PETROLEUM: Bitumen, we are very active in bitumen import.

HON. LAWAN: When you bring in this product, how do you distribute it?

MD, SHIELD PETROLEUM: We have a list of storage facilities in Apapa where we stored bitumen. As regards PPPRA products we supply to the majors like, Oando, Total, Conoil, and so on.

HON. LAWAN: You have documented evidence of those majors that received from you?

MD, SHIELD PETROLEUM: Yes sir.

HON. LAWAN: You do not have storage facilities?

MD, SHIELD PETROLEUM: Yes sir.

HON. LAWAN: And you have no retail outlets?

MD, SHIELD PETROLEUM: Yes sir.

HON. LAWAN: Thank you very much. Mr. Babatunde Ogun, Venro Energy Ltd, should please come forward for his presentation.

Thereupon Mr. BabatundeOgun, Venro Energy Ltd. affirmed.

HON. LAWAN: Please go straight to your presentation.

MR. BABATUNDE OGUN, MD, VENRO ENERGY LIMITED: Venro Energy was incorporated in January, 2005, to pursue basically the business of downstream trading. We do not truck, we do not own stations; we just trade. We do a lot of buying and selling, we buy bulk products from tank farm owners, and we have people that work for us and market for us and sell for us. We operate from our offices in Ikoyi. We also do a lot of industry supplies, gas oil, AGO, and we supply to number of people. We approached PPPRA about March, 2010 for permit to participate in the scheme, and we were lucky to get our first allocation in Q3 2010. We were awarded 30,000 metric tons of PMS. We did not have enough facilities to get it done so we partnered with Lloyds Energy Ltd. They provided bank guarantee line for us and we used our lines in UBA under their name. We brought in 11,115.82 metric tons, and we tried to complete the rest of discharge, but the authority then refused to grant us an extension on our deliveries. So we lost the remaining 19, 000 tons. We did not bring it in. By Quarter 4, 2010, we got 15,000 tons; our location was actually reduced by half, but our own lines in Sterling Bank were up and ready and, we actually imported in excess of our allocation by 174.07. In other words we brought in 15,174.07 and we discharged into Nigeria.

HON. LAWAN: Did you sub-allocate from your allocation to Lloyds Energy.

MD, VENRO ENERGY LIMITED: No, we did not sub-allocate.

HON. LAWAN: So there was no assignment?

MD, VENRO ENERGY LIMITED: There was no assignment sir. It was Venro who delivered it. Venro got the SDN and money went into the Venro SDN Account.

HON. LAWAN: So why did Venro not import; why did it get Lloyds to do the import. You applied to import, you were given contract to import and if you did not have capacity to import why you did you collect the contract; why did you not allow Lloyds to import directly or allow PPPRA to give it to someone else? I mean I would not apply because I have no capacity to import, maybe, that is why I did not do it, so why did you, to collect subsidy?

MD, VENRO ENERGY LIMITED: No sir, what we did was that the allocation was

ours, but we only worked with them because our credit lines were not up. After that particular allocation, our credit lines have been obvious and we have always brought in our full cargoes. We did not need Lloyds again to do the import. I do not want it to be seen as if it was sub-allocated or anything, we did not sub-allocate our allocations; we brought in our cargoes full.

HON. LAWAN: I know, but Lloyds Energy Ltd. told us that you used them and you are saying that you did not need to use them. Why did you do it if you did not need to do it?

MD, VENRO ENERGY LIMITED: Like I said sir, UBA insisted. I did say that it became a signatory to our account, that it is how it was. It was Venro that owns the product because the commitment was on Venro SVB, it was done by Bill of Collection and, it is in Venro's name. The invoice was to Venro and if you look at what I labelled as Quarter 3 of 2010 that was that transaction.

HON. LAWAN: So if you are looking at the volume, the quantity that came in the bill of lading is it that of Venro or Lloyds Energy?

MD, VENRO ENERGY LIMITED: I am sure sir it would reflect Venro, it would not be Lloyds.

HON. LAWAN: No, no, would it be so in the bill of lading?

MD, VENRO ENERGY LIMITED: Yes sir.

HON. LAWAN: Yes but if we look at the details from Lloyds it looks like we have bill of lading in their name.

MD, VENRO ENERGY LIMITED: It is impossible sir.

HON. LAWAN: Do not worry, we have seen a lot of things, nothing is impossible. I do not think I have the impression that there are impossibilities in this sector. Almost everything is possible, so do not worry, maybe in future, some of these things might not be possible again, which is the amendment that we are trying to make.

HON. EUCHARIA AZODO: Thank you Mr. Chairman, Venro, I have heard your submission, please what structure do you have on ground that qualifies you as a marketer? Do you have tank farm or retail outlets?

MD, VENRO ENERGY LIMITED: No, we have our business model, which is that we should be bulk buyers and sell off. We do not intend at any time to have retail stations, that is not my business. As per not having a tank farm yet, I do not have a tank farm, but we just got out financial and technical due diligence with an international consulting company

and our financials are actually right, looking at the credit for us to buy. We do not even need building because we are supposed to buy outright. I may not be able to name the facility I want to buy and name my finances publicly, but if you really insist that you want to see the documents, I can submit the documents, because we are in non-circumvention and non-discretion agreement. I can submit documents because we have worked this for almost three years. We have done feasibility studies, visited the places and they have come here and gone back. We have just completed the full due-diligence and I can submit the papers to the committee, but I cannot disclose the names of both the financial and the facility in public.

HON. EUCHARIA AZODO: So you are one of these portfolio marketers for now?

HON. LAWAN: I am not allowing that, I am disallowing that. Please you do not have to respond. That is not a question it is a comment. What we are trying to do is to establish facts here, our conclusions would not be discussed publicly but we are trying to elicit as much information as we can please.

MD, VENRO ENERGY LIMITED: Thank you hon. Chairman.

HON. JAMES A. FALEKE: Taking a look at your Q3, 2010, you have Form 'M' opened in favour of Venro Energy Ltd. The first bill of lading which is in favour of Noble Clay Fuel Oil Ltd. and then the second bill of lading was issued by the Captain of the ship which is in favour of Duport International Ltd. yet the Form 'M' is in favour of Venro Energy Ltd. can you explain to us what this means?

MD, VENRO ENERGY LIMITED: Hon. member sir, I think we should look at the Form 'M' again, it is supposed to be item no. 7. The applicant name is Venro Energy Ltd. the beneficiary name is Duport International Ltd. but you said the beneficiary was Venro sir?

HON. JAMES A. FALEKE: So does the bill of lading come in favour of the beneficiary of fund or comes in favour of the beneficiary of the cargo.

MD, VENRO ENERGY LIMITED: There are two bills of lading here; one is for the mother vessel which is MGCBO China in favour of Noble Clay Fuel, that is not my bill of lading (International), I am not Noble Clay Fuel.

HON. JAMES A. FALEKE: Then how come you have that?

MD, VERO ENERGY LIMITED: If you look at our chart sir, there are three vessels there.

HON. JAMES A. FALEKE: Let us just address a particular one.

MD, VENRO ENERGY LIMITED: I am saying the same thing sir. The first vessel is MGCBO China which is the original vessel –

HON. JAMES A. FALEKE: Look, you have just told us that Venro imported all these cargoes, the agreement you had was in your banking agreement and you did not sublet. So the question I am asking you is that when you open your Form 'M', it is opened to bring the cargo with the particulars of the importers and the particulars of exporting suppliers, is it not? Now this form 'M' has Venro as the importer and the beneficiary is Duport International Ltd. (even though it was all muddled up cancelled and re-cancelled; a form 'M' of a bank cancelled and re-cancelled!). I am asking you how come you have the first bill of lading in Noble Clay Fuel Ltd.? Assuming the mother vessel came in by Noble Fuel Ltd then the bill of lading of the shuttle vessels should be in your name. Why is it not in your name, why is it in the name of the supplier?

MD, VENRO ENERGY LIMITED: The way UBA structured the trade is a problem here, but I would explain what the problem is. This trade was not done by LC, it was done by a bill of collection if you look at the paper I provided.

HON. JAMES A. FALEKE: Mr. Chairman, I would please request that we invite the Branch Manager of UBA that opened this Form 'M' to bring the original Form 'M'. I can see clearly here Mr. Chairman, this Form 'M' has been doctored, it was in the name of Lloyds but as you can see the handwriting is different from Duport International and there is no way a supplier can issue a way bill which is the bill of lading in the name of himself as a supplier; it is not possible. I am a procurement expert and I know what I am talking about.

HON. LAWAN: The Secretariat would ensure that the UBA Branch Manager comes with the original Form 'M'. Hon. Colleagues, any further question? You do not have any investment in the downstream?

MD, VENRO ENERGY LIMITED: I told you we have just completed a technical and financial due diligence.

HON. LAWAN: In future, potentially maybe, you could have some investment but right now you do not have?

MD, VENRO ENERGY LIMITED: I do not wish to have investment in filling station.

HON. LAWAN: I know that is why I am asking whether part of your business plan is to, positively in future, do that or so far your interest is to remain the way you are?

MD, VENRO ENERGY LIMITED: We wish to own a bulk storage facility that is all we are into and maybe vessels but we do not want to retail.

HON. LAWAN: No problem, thank so much. Have a nice day and thank you for the patient way you waited for us.

MD, VENRO ENERGY LIMITED: By the way can I ask one question myself?

HON. LAWAN: Yes.

MD, VENRO ENERGY LIMITED: The UBA is not a branch, it is a head office and I will get them in UBA to write.

HON. LAWAN: We would invite them. If it means bringing the Managing Director of UBA or the Chairman or whoever it is we would ask them to come so do not worry. Thank you so much.

MD, VENRO ENERGY LIMITED: Thank you so much.

HON. LAWAN: I do not know actually whether we are still live on the electronic media? Oh, we are. We would expect the Head Office of UBA to ensure that they send somebody to this public hearing on Monday by 10 o'clock so that this issue relating to Form 'M' is resolved and we would like whoever is coming to come with the originals of the Form 'M' with number MF475241 and the Bank number 03320104910009. I hope somebody in UBA is listening to this request? Thank you very much you are free to go.

MD, VERO ENERGY LIMITED: Thank you so much.

HON. LAWAN: Let me at this juncture once again remind all importers that we have made a request for the relevant documents supporting their imports, certificate of discharge, bill of lading and letters of credit, the ones we have seen so far and the ones we have not seen. We require these documents. If at the end of this exercise any importer fails to supply these documents our report would indicate that those imports were not made and we would demand that whatever subsidy that was made on those import by government be refunded to the Nigerian people. So, it is in the interest of all importers to supply us with these documents, because we intend to give everybody a fair hearing so that whatever comes out of this exercise would reflect the correct fact on ground. Can I invite the First Deepwater Discovery Ltd, can you please come forward?

Thereupon Mr. Olufemi Adekoya, Chief Finance Officer, First Deepwater Discovery Ltd. affirmed.

HON. LAWAN: First of all let me thank you for being so patient and let me apologise for keeping you so long. You can see, it is because we wanted to take everybody on that was why we had to keep you this long.

MR. OLUFEMI ADEKOYA, CHIEF FINANCE OFFICER: The Hon. Chairman and other members of the Committee. We were not able to know the necessary documents to bring along. We made phone calls and sent e-mail, but we did not get any response. I apologise for the absence of our MD, sir. First Deepwater is not a portfolio marketer, because we have enduring structures that cut across the value chain of the downstream sector of oil and gas industry; please can you give the hon. members copies of our photo album? The structures we have include a loading depot otherwise call tank farm, we have a vessel.

HON. LAWAN: Sorry do you own the tank farm?

CHIEF FINANCE OFFICER: We own the tank farm.

HON. LAWAN: So it is owned not leased?

CHIEF FINANCE OFFICER: We did not lease, we have a vessel also owned by us retail stations.

HON. LAWAN: When did you acquire the vessel?

CHIEF FINANCE OFFICER: In 2008.

HON. LAWAN: What is the capacity?

CHIEF FINANCE OFFICER: 500 metric tons.

HON. LAWAN: When was this company incorporated?

CHIEF FINANCE OFFICER: 2004.

HON. LAWAN: When did you start participating in the PSF?

CHIEF FINANCE OFFICER: Last quarter of 2010.

HON. LAWAN: Did you say you were incorporated in 2004?

CHIEF FINANCE OFFICER: Yes.

HON. LAWAN: So what were you doing between 2004 and 2010?

CHIEF FINANCE OFFICER: We were involved in AGO plants to the oil majors.

HON. LAWAN: What were you supplying?

CHIEF FINANCE OFFICER: AGO. Largely, it is what we were doing. It was when we were about completing our depot that we applied to participate. The depot came into operation early last year. As I was saying we also have trucks for our haulage.

HON. LAWAN: How many?

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CHIEF FINANCE OFFICER: Presently we have eight trucks.

HON. LAWAN: Eighty or eight?

CHIEF FINANCE OFFICER: Eight.

HON. LAWAN: Eight - 1,2,3,4,5,6,7,8?

CHIEF FINANCE OFFICER: Eight. First Deepwater Ghana Ltd equally have presence in Ghana.

HON. LAWAN: You have in Ghana?

CHIEF FINANCE OFFICER: Yes.

HON. LAWAN: Do you have any retail outlet in Nigeria?

CHIEF FINANCE OFFICER: We have.

HON. LAWAN: How many?

CHIEF FINANCE OFFICER: We presently have seven retail outlets.

HON. LAWAN: Seven?

CHIEF FINANCE OFFICER: Yes, seven retail outlets.

HON. LAWAN: Are they fully owned or affiliated?

CHIEF FINANCE OFFICER: Fully owned.

HON. LAWAN: Fully owned by you?

CHIEF FINANCE OFFICER: Yes.

HON. LAWAN: So they are branded?

CHIEF FINANCE OFFICER: Star Petroleum is our retail brand. Recently we put advert in the paper enjoining Independent Treaty Outlet Owners to bring their stations under our brand so that we can expand our network.

HON. LAWAN: You said you have no portfolio and somebody goes ahead.

CHIEF FINANCE OFFICER: First Deepwater Ghana Ltd., I will say with all sense of modesty sir, is the only company in Ghana that has all the operating licenses that cut across the value chain.

HON. LAWAN: You mean only Nigerian company in Ghana or only company in Ghana.

CHIEF FINANCE OFFICER: Only Company in Ghana.

HON. LAWAN: Including Ghanaians companies and other foreign companies, your company is the only one that owns the license? There is no other company that operates in Ghana?

CHIEF FINANCE OFFICER: Nobody sir.

HON. LAWAN: Anyway I do not think that is very serious here.

CHIEF FINANCE OFFICER: Because we did not have invitation, we did not really know the exact documents that were required from us. We only concentrated our efforts on the SDN written against our name in the publication which was N257m that was collected based on our first allocation in 2010. The detail was that we paid N26.86m as per admin charges before we got the SDN and it was based on 4,898.9 metric tons and subsidy was based on 4,886.45, meaning that that there was negligible variance of 12.4 between the figure and amount actually credited to us. In a nutshell we only limited our report based on that, but having heard that they expect us to bring all the transactions document details that we have carried out, we will go back and do the needful sir.

HON. LAWAN: Please we would appreciate it if you comply with that request. We want the details of all the transactions you have conducted since you started participating in the PSF. Let me also ask this question; do you import through the mother vessels or do you import from off-shore Cotonou and off-shore Lome?

CHIEF FINANCE OFFICER: The nature of our transaction is that we import in multiple of 5,000 metric tons and we take products from the mother vessels.

HON. LAWAN: Alright, you take product from mother vessels, you do not bring in mother vessels to either Cotonou or to Lome, you just buy from there and so your bill of lading will indicate that you are importing from off-shore Cotonou or off-shore Lome?

CHIEF FINANCE OFFICER: Yes sir.

HON. LAWAN: How do you get your products into the market since you have limited numbers of retail outlets and storage facility? Is it enough to take care of your imports or do you have to lease other storage facilities?

CHIEF FINANCE OFFICER: Sir, we do not lease storage facility from anybody. Our present capacity is about 50m litres.

HON. LAWAN: What is the highest import you have made, at what strength and what is the total of the highest volume under the PSF?

CHIEF FINANCE OFFICER: Because of the draft of our depot, we import in multiple of 5,000 metric tons.

HON. LAWAN: All right, your depot is capable of accommodating the quantity of whatever you are importing?

CHIEF FINANCE OFFICER: Yes.

HON. LAWAN: Are you into the kerosene?

CHIEF FINANCE OFFICER: Yes.

HON. LAWAN: Do you get allocation for kerosene?

CHIEF FINANCE OFFICER: We only get allocation from PPMC.

HON. LAWAN: I know you do not import, because since 2009, the import rests with NNPC. So you get allocation from PPMC? At what price per litre?

CHIEF FINANCE OFFICER: N40.96 per litre.

HON. LAWAN: At what price do you sell?

CHIEF FINANCE OFFICER: Averagely, it is around N50 to N55.

HON. LAWAN: Around N50 to N55 is your premium?

CHIEF FINANCE OFFICER: Yes.

HON. LAWAN: Why should it be N50 to N55? Some people came here and told us they sell theirs at N49, why is your own around N50 to N55? And if you are selling like that naturally whoever is buying would also have to add his premium to it?

CHIEF FINANCE OFFICER: It is around N50 to N55, not N59.

HON. LAWAN: Around N50 to N55, I see, all right.

HON. JAMES A. FALEKE: You have told us you bring in multiple of 5,000 metric tons, I assume that you buy from a mother vessel and so you should have a copy of the bill of lading of the mother vessel in addition to your own sister vessel. We want to have that. Looking at your share capital now, how much was your share capital at inception?

CHIEF FINANCE OFFICER: N1m.

HON. LAWAN: When did you increase it?

CHIEF FINANCE OFFICER: It was increased to N50m by last year.

HON. LAWAN: When did you start business with PPPRA?

CHIEF FINANCE OFFICER: October 2010.

HON. LAWAN: You started October 2010, what was the value of your consignment compared with your share capital of N1m?

CHIEF FINANCE OFFICER: As at 2010 we had increased the share capital to N10m.

HON. LAWAN: We want to see a copy.

CHIEF FINANCE OFFICER: I would make the copy available.

HON. LAWAN: I am sure you must have heard about our requirements; the bill of lading for all your imports, the letters of credit, the certificates of discharge. We need them because we would use those documents to verify those imports that you have mentioned.

CHIEF FINANCE OFFICER: Our referrer letter was written to the marketers but we have not got any letter.

HON. LAWAN: You will get your letter now and we will give you a copy of the template.

CHIEF FINANCE OFFICER: All right, and the document you are requesting for are three documents.

HON. LAWAN: Thank you so much, you will be given a copy of the letter and you will get a copy of the template as well. Hon. colleagues, let me express our very sincere grati-

tude to First Deepwater Discovery Ltd., and also let me express our gratitude to all those that appeared today, those that responded to our invitation. It has been quite a very useful day, although a little bit stressful, but I believe the information you have provided would go a long way in assisting this committee to finally come up with a position on the subsidy regime. Like I said, we would expect the documents we have requested from you, and let me once again use this opportunity to urge all those that we have requested to supply documents to us to please do so. If we do not have those documents then we would simply assume that these imports did not take place, and we would recommend that the subsidy collected should be refunded to government. We would once again continue with this hearing tomorrow. We have invited about 25 other importers, and I hope that those that have been invited would equally be here tomorrow so that we can start at 10 o'clock. Once again, I want to thank all of you and I also want to thank, particularly, my friends in the media who have been with us all day helping us to communicate with Nigerians on this matter. In particular I want to thank Channels Television for covering us live and we expect our colleagues and friends in the media to equally know that we would be here tomorrow. Hon. Colleagues, with this I wish to thank you very much and expect that you would be here at 10:00 a.m. tomorrow. This hearing is hereby adjourned till 10:00.a.m. tomorrow morning.

The Committee accordingly adjourned at 7:17 p.m. till February 2, 2012 at 10

Day Nine: 2nd February, 2012

HON FAROUK LAWAN, COMMITTEE CHAIRMAN: Hon. Colleagues, on your behalf let me formally welcome the various groups and individuals that were invited to appear before us today. I can see that so many organizations that were invited are here even though we are commencing this exercise a little bit behind schedule and I want to apologize for that. I hope that the exercise itself would be exhaustive and thorough and we would try to finish as quickly as possible. Let me as I always do, remind those that are here the essence of why they were invited to appear before us. As you are aware, on the first of last month the government withdrew the subsidy on PMS. Arising from the event, the House of Representatives met in a special session and set up two committees. Among the two committees that were set up, this particular one is given the mandate to verify and determine the actual subsidy requirement and to monitor the subsidy regime. For the last three weeks, this committee has been conducting Public Hearing and we have invited so many stakeholders, those in government, those in business and even individuals who have ideas to contribute on this matter. Today is the continuation of that Hearing for the companies that do business or participate in the PSF (Petroleum Support Fund). We have made a decision that we would give each company the opportunity to come and sit with us so that at the end of the day everybody they will have opportunity of a fair hearing. I want

to assure you that my colleagues and I have gone into this exercise with a very open mind. Our desire is not to run down anyone or to witch-hunt anybody but to make sure that we bring out the facts as they are. We are also not going to shy away from whatever we find in the course of this exercise. While we have no desire to run down anybody, we also have no desire to unduly cover any malfeasance that we may come across in the course of this exercise. We have observed that Nigerians deserve answers on these issues and as a committee, we will do whatever we can to provide those answers. The purpose first is to obtain as much information as possible and then to report back to the House of Representatives so that the House can take a decision on this matter. I would therefore appeal to you to be as open and sincere as possible so that we get the relevant information that we need for the improvement of the oil and gas sector of our economy. Once again, I want to welcome all of you and to assure you that whatever you are going to say, will go a long way in bringing improvement to the sector and adding value to the way business is done, especially with regard to the issue of fuel subsidy and also in addressing those salient concerns that have been worrying Nigerians on this matter. Once again, I want to welcome all of you and I hope that you will be very frank and open in your various presentations. I welcome all of you and I thank you for responding to our invitation. I call on the MD, Dee Jones Petroleum Ltd. to make his presentation

MR. SAMUEL CHUKWUDI EZE (MD, DEE JONES PETROLEUM): The Chairman and members of the Ad Hoc Committee on Petroleum subsidy, we thank you very much for this opportunity to make this presentation. Dee Jones Petroleum and Gas Ltd is a Nigerian company incorporated in January, 2002, RC No. 439725, with a share capital of N10 million. We are based at Beach Line Industrial Estate, Phase 2, Apapa, Lagos. Dee Jones Petroleum and Gas Ltd employed a total of 205 Nigerians. It has government approval to operate petroleum depot, import and trade in petroleum products in Nigeria. Dee Jones owns a tank farm of 16 million litres with capacity for different petroleum products allocated as follows:

PMS – 42, million litres

AGO – 10.5 million litres, and

DPK - 8 million litres.

Dee Jones owns a private jetty through which it receives these products. Dee Jones also owns a lighter crude of other vessel. Dee Jones has invested in trucks with which it services its retail outlets. Dee Jones owns several retail outlets distributed in both Southern and Northern Nigeria and still investing. Although Dee Jones registered with PPPRA in 2006, it started participation in the PSF from the fourth quarter of 2008. In late 2008 we imported 10,000 metric tons of DPK while subsidy was received very late in 2009. Additionally in

2009, we imported 45,000 metric tons of PMS and we received a total subsidy of N2.67 billion. In the year 2010 we imported 73,804.97 metric tons of PMS and the subsidy received was N4.383 billion. In 2011 we imported a total of 71,864.660 metric tons of PMS and we received a subsidy of N7.656 billion. So far, while we have an outstanding subsidy claim to cover our latest imports of 27,730.95 metric tons of PMS, we attached our schedule for more explanation. The schedule is behind our presentation. We do have some typographical errors to correct if you would give us the opportunity, Sir. On No. 5 - Vessel arrival date of 7/1/2010 and 19/1/2010. Number 6, on arrival date instead of 3/4/2010 we have 8/4/2010. On Number - departure is also 30/7/2010 instead of 29. On number 11 - the departure is 15th not 11. Number 16, the departure was 16/7/2011 and not 2010. It was a mistake. On Number 17, the departure is 8th as against 15th. That is all the correction, Sir.

HON. LAWAN: When was the company incorporated?

MD DEE JONES PETROLEUM: It was incorporated in 2002.

HON. LAWAN: What business was it into when you started importing kerosene?

MD DEE JONES PETROLEUM: We started importing AGO and DPK and a lot of other products.

HON. LAWAN: What were you doing between 2002 to the time you started imports of these products?

MD DEE JONES PETROLEUM: We were importing AGO and DPK.

HON. LAWAN: AGO and DPK? On whose behalf and how were you disposing of them?

MD DEE JONES PETROLEUM: We were giving them out, selling them to customers.

HON. LAWAN: Prior to that period you did not have a tank farm?

MD DEE JONES PETROLEUM: We had a tank farm.

HON. LAWAN: Since when?

MD DEE JONES PETROLEUM: Since 2002.

HON. LAWAN: All right, you started with your tank farm?

MD DEE JONES PETROLEUM: Yes Sir.

HON. LAWAN: Virtually, your major investment downstream is the tank farm.

MD DEE JONES PETROLEUM: No, Sir.

HON. LAWAN: What else do you have?

MD DEE JONES PETROLEUM: We have invested in the tank farm, jetty, trucks.

HON. LAWAN: How many trucks?

MD DEE JONES PETROLEUM: We have 35 trucks and then we have retail outlets.

HON. LAWAN: Retail outlets fully owned or affiliated?

MD DEE JONES PETROLEUM: Some are fully owned.

HON. LAWAN: How many do you own?

MD DEE JONES PETROLEUM: We have 13 fully owned and grounded and then we have owned and undergoing branding with DPR permit. We also have construction and reconstruction going on.

HON. LAWAN: Where?

MD DEE JONES PETROLEUM: At Mowe, Badagri, Ibadan, Asaba and Owerri. We also have 4 synergies.

HON. LAWAN: In 2010 you brought in 73.8 metric tons and collected N4.3 billion. Is that right?

MD DEE JONES PETROLEUM: Yes Sir.

HON. LAWAN: In 2011 you brought in 71.8 and you collected N7.6 billion and you still have outstanding. How much is your outstanding for 2011?

MD DEE JONES PETROLEUM: We do not know because it is PPPRA that computes the subsidy.

HON. LAWAN: But you must have an idea, do you not have claim? Does he just work out everything and give you?

MD DEE JONES PETROLEUM: That is the way it is, they determine what they give us.

HON. LAWAN: Are you telling me that you import and you distribute the materials and then PPPRA just decides to give you money and whatever they give you, that is what you will collect?

MD DEE JONES PETROLEUM: We have in the past queried what they give us but at the end of the day it is what they give you that you must take.

HON. LAWAN: So they just give you whatever they like?

MD DEE JONES PETROLEUM: No they do their computation and most times we query them and it is always based on the template they have. We have our own computation but that is not the final.

HON. LAWAN: Since we started this exercise there is no company that has not given us an idea of their outstanding claims. I would have thought that you must have an idea of what is your outstanding claim. We do not do business by just waiting for someone else to decide what he will give to you and whatever he gives.

MD DEE JONES PETROLEUM: What we are expecting is in the neighbourhood of over N2 billion.

HON. LAWAN: Can you get to a precise figure? Let me ask, how do you do this? I cannot understand this. In fact, I am finding it difficult to understand. You import and you do not make claims? You must have a claim and it is out of your claim that you have been paid something. How many metric tons did you bring in the fourth quarter? This 71.8 metric tons, is that the total import for 2011?

MD DEE JONES PETROLEUM: In 2011 the total would be 98,000 metric tons.

HON. LAWAN: How much have you collected as subsidy on that?

MD DEE JONES PETROLEUM: For 2011, we have collected N9.2 billion.

HON. LAWAN: And how much is the outstanding?

MD DEE JONES PETROLEUM: It is about N2.8 billion.

HON. LAWAN: So we are talking of N12 billion as subsidy in 2011 for 98,000 metric tons. Am I right?

MD DEE JONES PETROLEUM: Yes, Sir.

HON. LAWAN: How can you explain this gap? In 2010 you imported 73.8 metric tons and collected a subsidy of N4.3 billion. In 2011 98,000 metric tons and you are collecting a subsidy of N12 billion?

MD DEE JONES PETROLEUM: It is as a result of the cost of the product.

HON. LAWAN: Almost three fold.

MD DEE JONES PETROLEUM: Yes Sir. As at 2010 the cost of a plant was N510 or N520 but at this time we are talking of 1,200 Dollars per ton of PMS.

HON. LAWAN: Even in 2010, I remember the price of crude per barrel was between 70 -

80 Dollars per barrel. In the budget of 2010 the bench mark was 75 Dollars per barrel and I remember that the price hovered around 80 Dollars per barrel and the price of crude oil in 2011 was in the average of 100 Dollars per barrel. The difference certainly was not three fold.

MD DEE JONES PETROLEUM: The finished products operate on plats.

HON. JOHN OWON ENOH: Let me just pick you up on the issue of plats that you mentioned. We have a document before this committee that gives us the average price between 2010 and 2011 comparatively. Looking at that document, the highest it ever got in 2011 was about 115 Dollars per barrel and in 2010 the highest was about 86/87 Dollars per barrel. So if you look at those two, the difference in terms of subsidy cannot be explained by that fact. We can even allow you going away from the daily bench mark price which you are saying that if you import oil it would not be based on that. But even in terms of the price that you are quoting, the highest it ever got in 2011 compared to the highest it ever got in 2010 was about 30 or 35. So it cannot explain the reason for the gap in subsidy payment.

MD DEE JONES PETROLEUM: The price of the products includes the premium of the people you are buying from. It also includes freights.

HON. LAWAN: Naturally it is based on a template; there is a template that the PPPRA gives.

MD DEE JONES PETROLEUM: What we are saying is verifiable. The price in 2011 goes as high as 1,200 Dollars per barrel. In 2010 it moved from 510 Dollars and then kept on increasing until it got to about \$900 before it moved into 2011. It is verifiable.

HON. LAWAN: Even if it is \$900 or \$1,200, you are talking of a difference of \$300. \$300 is $\frac{1}{4}$ of \$1,200 so if you are trying to explain on that basis then the increase in your subsidy payment should be like 25 per cent. But 98,000 metric tons that is what you supplied and you collected N12 billion, whereas in 2010 you brought in roughly 74 metric tons and you collected N4.3 billion. We are saying how do you explain this difference? The price is not acceptable to explain such a huge difference.

MD DEE JONES PETROLEUM: Sir you also know that the exchange rate within this period changed.

HON. LAWAN: What was the difference? In 2010 it was about N140 per Dollar. How much in 2011?

MD DEE JONES PETROLEUM: In 2011 it was about N159 per Dollar.

HON. LAWAN: Was that the official CBN rate?

MD DEE JONES PETROLEUM: It was official rate, depending on the bank because there is also inter bank borrowing and all that.

HON. LAWAN: No, I know but what exchange rate did you use?

MD DEE JONES PETROLEUM: Well it is supposed to be the official CBN rate.

HON. LAWAN: And the difference was not that much?

MD DEE JONES PETROLEUM: Yes Sir, and a lot of changes in place, the PPPRA template was also changed at that period. There were changes in PEF, the PEF's calculations and there was also changes in finance cost and the waiter premium adjustment, all that changed.

HON. JOHN OWON ENOH: Anyway just for your information, the same thing we said yesterday, the official exchange rate for 2010 and 2011 remains the same, N150 to a Dollar. It is only in 2012 that there is a shift. If we approve the budget based on what has come from the Executive then we would be approving it based on about N155 to a Dollar with a margin of about plus/minus 3%. That is all right. Let me now put this question before you. Can you defend a situation in which in 2010 the totality of subsidy that was ever paid by the federal government was about N600 billion. And then in 2011, we are still collecting and putting together the figure. We are talking about the figure that is more than N2 trillion. Can you defend that? Because you attempt to defend the gap between what was paid between 2010 and 2011. The fact that we have outside the subsidy matter that has become something that every Nigerian now talks about and this is why this Ad hoc committee is meeting. The possibility that in 2012 it should have gone up to N4 trillion would have been there, so can you defend it?

MD DEE JONES PETROLEUM: In 2010 we moved in 73 metric tons and in 2011 we moved in higher figure of 98,000 metric tons.

HON. JOHN OWON ENOH: Are you trying to defend it?

MD DEE JONES PETROLEUM: Well, I am just trying to say that for us we improved on what we did in 2010, we improved on the allocation we were given. We tried to exhaust them in 2011 and that accounted for the increase in the volumes that we brought in.

HON. JOHN OWON ENOH: So, what you are saying is that there is a justification for that. If that money were your money you will pay that as easily as that in spite of how much sense it did not make comparatively. Will you pay that?

MD DEE JONES PETROLEUM: Sir, we cannot speak for PPPRA. I think that question is for PPPRA.

HON. JOHN OWON ENOH: You cannot even speak for yourself. We are asking you question about what your entitlement are for the first time. We hear someone saying that you do not even know how much is going to be paid to you. You imported some products, you are a business man but you just wait on whatever PPPRA pays you take or disagree. You do not even have your own credible view. You collect whatever they give you? Why are you in business? I thought you are in business to make profit? And you are doing business and even getting out of the figure you are still owed for 2011. You are not even forthcoming with that figure.

MD DEE JONES PETROLEUM: I got it from people from finance. Therefore, N2.8 billion is the figure that we are owed and we stand by that.

HON. LAWAN: Looking at the KPMG report, I realized that your company is seriously indicted. This is what the report says: there are significant inefficiencies and linkages in the subsidy process. Payment of subsidy based on apparently fake or altered documentations. From the samples reviewed Dee Jones Petroleum appeared to have been paid subsidy using Bills of Lading with altered dates. That is No. 1.

There is also another one: marketers that might have claimed subsidy based on Bills of Lading with apparently altered dates, and Dee Jones is there. Marketers granted allocation despite not registering with the scheme, and Dee Jones is also there. You are all over the place.

MD DEE JONES PETROLEUM: Sorry, the last one Sir.

HON. LAWAN: The last one I said was' Marketers granted allocation despite not registering with the scheme, and Dee Jones is also there. Do you have any response to these issues?

MD DEE JONES PETROLEUM: This cannot be because before me here, I have a registration, an agreement I did with PPPRA.

HON. LAWAN: When was that?

MD DEE JONES PETROLEUM: It was in 2006. Like I mentioned earlier on, I said that we registered in 2006 but we started participating in the scheme in the fourth quarter of 2008. On the alterations, that cannot be, it is not possible.

HON. LAWAN: We want the originals of all of them, we want the certificate of discharge, letters of credit for the imports that you have done. Now, let us talk of kerosene. Do you receive kerosene from PPMC?

MD DEE JONES PETROLEUM: Yes, Sir.

HON. LAWAN: At what rate?

MD DEE JONES PETROLEUM: N41 per litre.

HON. LAWAN: How much do you sell it?

MD DEE JONES PETROLEUM: N50 per litre

HON. LAWAN: Who are you major clients that you sell to?

MD DEE JONES PETROLEUM: We have 28 members.

HON. LAWAN: You will give us the comprehensive list. We will sample and invite some of them. We want a comprehensive list and the invoices as well as the payments.

MD DEE JONES PETROLEUM: All right, Sir.

HON. JAMES ABIODUN FALEKE: In your introductory page, you said Dee Jones has a large vessel in which it lighters from the mother vessel. What is the registration name of this daughter vessel?

MD DEE JONES PETROLEUM: The registration name is Lady Pola.

HON. JAMES ABIODUN FALEKE: Go to the spread sheet. From the vessel names you have the Lady Pola with which you lighter your cargo and it does not appear on all these spread sheet.

MD DEE JONES PETROLEUM: Lady Pola is 5,000 toners. Using 5,000 toners are not economical in moving PMS. So we hardly use them for PMS, we use them on AGO and DPK.

HON. JAMES ABIODUN FALEKE: Where are your suppliers coming from?

MD DEE JONES PETROLEUM: They come from Europe and then **the ship berths at Cotonou then we pick them from Cotonou.**

HON. JAMES ABIODUN FALEKE: So you have the Bill of Lading for the mother vessels and you also have for the shuttle vessel?

MD DEE JONES PETROLEUM: Yes, Sir.

HON. JAMES FALEKE: You stated that you have some typographical errors in No. 5 and No. 6. You amended your arrival date to be 7/1/2010 and 19/1/2010. You confirmed that in these two dates, it was one vessel that brought them; you just have one vessel for

two dates. We should also go to Item 1, which is volume, the volume came in 3/5/2010 and also 8/5/2010 within how many weeks, yet they are coming from Europe. Taking a look at Item 16, Union Breath, Union Breath departed on 16/7/2011, it departed according to your amended arrival date of 4/10/2011, yet it is coming from Europe.

MD DEE JONES PETROLEUM: Sir, we picked this cargo from Cotonou. Like I said earlier on, the mother vessel, one from Europe and again from Cotonou where we pick our cargoes. For Mariae, the one you mentioned, yes the vessel shuttled twice at this point in time. We are unable to get the right capacity of vessel to move the cargo, so we have to do the journey twice. The same volume also came from Cotonou; that is where we pick them. The mother vessel anchors at Cotonou and then we move them from there.

HON. LAWAN: Well, thank you very much for the appearance. We have given you a list of items that we require from you and we will be waiting for you to provide those documents.

MD DEE JONES PETROLEUM: All right, Sir.

HON. LAWAN: Let me once again use this opportunity to ask all those that have appeared so far that we have requested documents in respect of this investigation to please make the documents available to us. If any importer fails to submit their documents, we would assume that those imports were not made and our report will indicate so. And of course, the importer would be made to pay back whatever subsidy he has collected to government. So if any importer fails to submit the various documents that we have requested for; the Bill of Lading, Certificate of Discharge and Letter of Credit, then we have no option than to assume that those imports were not made..Thank you very much.Can I invite the Managing Director of Valcore Energy?

HON. LAWAN: Yes, can you go straight to the subsidy page?

RONKE ADEOSUN (MD, VALCORE ENERGY): Good afternoon Mr. Chairman and honourable Committee Members of this Ad-Hoc Committee.We started importing PMS in 2010 to be precise in quarter 3 and then the total quantity imported in 2010 was 84,036,419 litres.

HON. LAWAN: 2000 and what?

RONKE ADEOSUN (MD, VALCORE ENERGY): 2010.

HON. LAWAN: And you imported?

RONKE ADEOSUN (MD, VALCORE ENERGY): 84,036,419 litres. And in 2011 we imported 119,585 litres. In all we have a total of 303.62 million litres; and the total subsidy collected in 2010 was N4.69 billion. In 2011, we collected N10.62 billion and also in 2012 we collected N1.49 billion.

HON. LAWAN: How much in 2012?

RONKE ADEOSUN (MD, VALCORE ENERGY): In 2012 we collected N1.49 billion. Actually, the transaction was meant for 2011.

HON. LAWAN: Can we have how much was meant for 2011? What was the total amount of money that was collectable in 2011?

RONKE ADEOSUN (MD, VALCORE ENERGY): All right, here it is.

HON. LAWAN: That is the total amount of money. You collected N10.6 billion and it was for 2011 or part of it?

RONKE ADEOSUN (MD, VALCORE ENERGY): It was part of it, Sir.

HON. LAWAN: So how much were your imports, this 84.03 that you brought in 2010?

RONKE ADEOSUN (MD, VALCORE ENERGY): Yes.

HON. LAWAN: How much will that amount to in terms of subsidy. And for 2011, the 109 you brought in, how much will that amount to?

RONKE ADEOSUN (MD, VALCORE ENERGY): : Let me say, I do not have the total figures. In 2011; we have a total of N10.6 billion; out of this we have N2.58 billion for 2010.

HON. LAWAN: No.

RONKE ADEOSUN (MD, VALCORE ENERGY): I gave the figure of N10.623 billion.

HON. LAWAN: Yes.

RONKE ADEOSUN (MD, VALCORE ENERGY): For 2011.

HON. LAWAN: That is right. So how much is for 2010 out of this N10.623 billion?

RONKE ADEOSUN (MD, VALCORE ENERGY): It is N2.582,212,331.03.

HON. LAWAN: So what is the total amount for 2010 and what is the total for 2011 including your understanding?

RONKE ADEOSUN (MD, VALCORE ENERGY): We N4.272,528,321 for 2010.

HON. LAWAN: N4.27 billion, right?

RONKE ADEOSUN (MD, VALCORE ENERGY): Yes.

HON. LAWAN: All right.

RONKE ADEOSUN (MD, VALCORE ENERGY): That was for 2010.

HON. LAWAN: Now, which for 2011?

RONKE ADEOSUN (MD, VALCORE ENERGY): For 2011, we have N8.04 billion.

HON. LAWAN: N8.04 billion. Even though you had a marginal increase in terms of volumes imported, the amount of money collected was almost twice what you collected in 2010. Because in 2010 it was 4.2 in 2011 it was 8.404, right?

RONKE ADEOSUN (MD, VALCORE ENERGY): Yes.

HON. LAWAN: But then you imported 84 million in 2010.

RONKE ADEOSUN (MD, VALCORE ENERGY): Yes.

HON. LAWAN: And 119 in 2011.

RONKE ADEOSUN (MD, VALCORE ENERGY): In 2011.

HON. LAWAN: Yes, so the increase in terms of import is a bit marginal but the amount of money collected is about twice. What is your status in this company?

RONKE ADEOSUN (MD, VALCORE ENERGY): The Head of Finance and Operation.

HON. LAWAN: Where is the Managing Director?

RONKE ADEOSUN (MD, VALCORE ENERGY): He is indisposed.

HON. LAWAN: What happened, how indisposed?

RONKE ADEOSUN (MD, VALCORE ENERGY): He is hospitalized.

HON. LAWAN: I see. Wish him quick recovery.

RONKE ADEOSUN (MD, VALCORE ENERGY): Thank you.

HON. ALI AHMED: You have collected for.

HON. LAWAN: Sorry, before you go into all those details, I think I need to make this issue very clear that we expect the Managing Director of these oil companies to be here. Any company that cannot send a Managing Director must have a very cogent reason for doing

so. Like I said we wish him quick recovery but any company appearing before us should please be led by the Managing Director. These issues are very important and we want the Chief Executive of the various companies to reconcile that. Thank you. Honourable Ali Ahmed, please go ahead.

HON. ALI AHMED: Thank you Mr. Chairman. I just wanted to make sure that in 2012 whether you made any importation because you have collected N1.49 billion or is that arrears of 2011? So that we can add that N1.49 billion to the N8.04 billion.

RONKE ADEOSUN (MD, VALCORE ENERGY): Actually, the one I quoted for 2012 was made for 2011, making a sum of N9.53 billion.

HON. ALI AHMED: N 9.5 billion?

RONKE ADEOSUN (MD, VALCORE ENERGY): Yes, N9.53 billion.

HON. LAWAN: So it is not N8.04 billion.

RONKE ADEOSUN (MD, VALCORE ENERGY): No, it is N 9.53 billion.

HON. LAWAN: So it is actually more than double. It is like more than 60% you have collected?

HON. ENOH JOHN ENOH: I think not from Valcore Energy Nigeria Petroleum Company, we will be going towards this in which we find for the same amount and quantity of import. We will find an increase in terms of subsidy payments that are times more than double and I think this Committee is getting tired of such arguments like exchange rate, the cost of what is imported and all that. We will take subsidy from N200 billion to N400 billion, N600 billion, I am sure that you are a beneficiary and we take it that this is not a dash money. Anyway, you did some works but we are all Nigerians and I am sure it must concern you, even you who are part of this subsidy regime to have solemnly come face to face without how much money government has paid - N2 trillion and perhaps a little bit more. So we need to look for reasons together, reasons that are beyond these two that are constantly being mentioned. As you can see, if this is not addressed, we will be talking of subsidy at the end of 2012 more than N4 trillion. In our national budget, the proposal for this year is N4.7 trillion, so you can imagine. We look forward to it as we are all stakeholders here and therefore let's say a little bit more than we have said about this sudden jump in what money government has paid for subsidy especially in 2011. I am sure Madam should have a comment to make.

HON. LAWAN: Thank you very much. So what investment do you have downstream? Are you just a trading company?

RONKE ADEOSUN (MD, VALCORE ENERGY): Yes, presently we do not have a tank farm but we are negotiating with the owner of the tanker. We have the evidence of the offer letter there.

HON. LAWAN: And you are negotiating with whom?

RONKE ADEOSUN (MD, VALCORE ENERGY): We are negotiating with Doxe.

HON. LAWAN: What is the company name?

RONKE ADEOSUN (MD, VALCORE ENERGY): It is Doxe Oil and Gas.

HON. LAWAN: I see, because what we found out is that in some instances companies will come, tell us that they do not have tank farms and that they are leasing tank farms. And we also discovered that owners of the tank farms also import and they are using the same tank farm. So I think at times you wonder whether what you have is just documented evidence that you are using their tank farms but the actual fact is the owners themselves are the ones utilizing those tank farms. Anyway, we will take that letter, the copy of that letter that you have. You are negotiating, when are you going to start using the facilities?

RONKE ADEOSUN (MD, VALCORE ENERGY): Actually our engineer has gone to do the deck and all that, so we are waiting for a report from him.

HON. LAWAN: All right, you have no date as to when you will commence the utilization of the facilities?

RONKE ADEOSUN (MD, VALCORE ENERGY): Very shortly we are going to do it.

HON. LAWAN: What else do you have or what other investment do you have, retail outlet?

RONKE ADEOSUN (MD, VALCORE ENERGY): As regards to the filling station, we have actually done our feasibility study.

HON. LAWAN: So you do not have your feasibility study?

RONKE ADEOSUN (MD, VALCORE ENERGY): We do not have.

HON. LAWAN: All right you do not have any one?

RONKE ADEOSUN (MD, VALCORE ENERGY): No.

HON. LAWAN: Yea, how far have you gone with your feasibility study?

RONKE ADEOSUN (MD, VALCORE ENERGY): We are in the process of, if you are doing feasibility you have all right, should we do outright purchase or we should construct

ourselves and all that. So we try to look at cost benefit.

HON. LAWAN: What did you are saying you are doing?

RONKE ADEOSUN (MD, VALCORE ENERGY): Rent.

HON. LAWAN: What is going?

RONKE ADEOSUN (MD, VALCORE ENERGY): And to ensure that, the location is actually good for the business.

HON. LAWAN: All right, so you have not even identified your location, you are just about to, so to say.

RONKE ADEOSUN (MD, VALCORE ENERGY): Not yet.

HON. LAWAN : I see.Now, how do you get your import, do you go to Europe or reach out to maybe where these products are refined and then you buy directly and they come in a mother vessel or do you go offshore to Cotonou or offshore to Lome and you make your purchase there?

RONKE ADEOSUN (MD, VALCORE ENERGY): We actually get our products from the trading companies.

HON. LAWAN: From the trading company?

RONKE ADEOSUN (MD, VALCORE ENERGY): Yea.

HON. LAWAN: Can you name your trading companies?

RONKE ADEOSUN (MD, VALCORE ENERGY): Petrol China.

HON. LAWAN: Petrol China?

RONKE ADEOSUN (MD, VALCORE ENERGY): Yes.

HON. LAWAN: And of course, Petroba, right.

RONKE ADEOSUN (MD, VALCORE ENERGY): Yes Sir.

HON. LAWAN: How do you get your products from other vessels?

RONKE ADEOSUN (MD, VALCORE ENERGY): Yes, they will bring it from the state of origin.So we will pick up our own quantity either offshore Cotonou or Lome.

HON. LAWAN: So when you bring it here, how do you distribute it here, you do not have storage facilities here, you have no retail outlets.

RONKE ADEOSUN (MD, VALCORE ENERGY): We don't have tank farms, but we do have tribute agreements with the owners' tank farms and if you look at the report you are holding, you can see.

HON. LAWAN: Through what arrangement for tank farms, the same one you are talking about?

RONKE ADEOSUN (MD, VALCORE ENERGY): It is Ibafo, SAE in Calabar.

HON. LAWAN: You have a letter indicating that you have that as an arrangement?

RONKE ADEOSUN (MD, VALCORE ENERGY): Yes.

HON. LAWAN: We want all those documents.

RONKE ADEOSUN (MD, VALCORE ENERGY): What did you say?

HON. LAWAN: We want all those documents.

RONKE ADEOSUN (MD, VALCORE ENERGY): All right Sir.

HON. LAWAN: And do not forget, we want your letter of credit for the import that you have made, certificate of discharge as well as the Bill of Landing?

RONKE ADEOSUN (MD, VALCORE ENERGY): All right Sir.

HON. LAWAN: All that you have brought into this country. Thank you very much.

RONKE ADEOSUN (MD, VALCORE ENERGY): Thank you.

HON. LAWAN: Can I invite the MD of Integrated Oil and Gas? Vital is here, let us have the MD of Vital Oil and Gas.

(Thereupon, Mr. Tony Ihenacho, the MD of Integrated Oil and Gas affirmed)

HON. LAWAN: Can you please proceed with your presentation?

TONY IHENACHO (MD, INTEGRATED OIL AND GAS): Thank you Mr. Chairman.

HON. LAWAN: And if you do not mind, all these issues about depot safety and so on, you can skip all that. Just go straight and give us a very brief background of your operations and then speak on your participation in the PSF.

TONY IHENACHO (MD, INTEGRATED OIL AND GAS): Thank you very much Mr. Chairman. Integrated Oil and Gas Limited is a private indigenous concern. It was incor-

porated in August, 1998 and commenced operation in June, 2005. We are operators of the state-of-the-art petroleum products storage facilities as well as owned depot. Operator of gas and petrol stations, operator of a fleet of petroleum tankers, operator of ocean going vessels, owners and operator of our own jetty. We have 7 storage tanks burden in trade tank farms with a total capacity of 82 million litres. 52 million litres for PMS, 10 million litres of DPK and 20 million litres for AGO. We have two loading gantry with 11 arms. Apart from selling to several independent and major filling station owners, we have operated our own stations; 5 in the South and 2 under construction. Here in the North we have 3. Road tankers, we own and operate 35 tankers; we own a truck parking lot that can accommodate over 200 trucks. Our internal truck park in our depot in Ibafo-Apapa can accommodate 40 trucks on queue for loading operation. We own 5 tanker vessels with the combined jet weight of 88,600 for use as our shuttle vessels and the largest of all 40,000 net weights MD Providence as a floating storage. Our depot is serviced by a fully owned jet and can accommodate vessels of length of overall 135 metres and draft about 7 metres. Vessels carrying up to 9,000 metric tons of wet cargo could be received or badges with 20,000 metric tons can also be received in our jetty. We have another depot under construction in Calabar. The company has a staff strength of 500 and they are all Nigerians. We are strong and safe players in this sector, we have been operating within the ambit of regulatory law and industry best practices. Our company applied to participate in the PSF scheme on the 24th of April, 2008; we received our first cargo of PMS under the scheme in May, 2008. In 2008 as mentioned earlier, we imported 138,285.361 metric tons of PMS. This is about 185,804,056 litres. In 2009 we imported, we received subsidy for this 2008 to the tune of N6,968,390,564.78. In 2009 we imported approximately 30,000 metric tons, we received the subsidy of N1,386,402,350.06. In 2010 quantity imported was 95,699.88 metric tons, it is about 126,802,341 litres, and the subsidy received was N6,265,882,615.65. In 2011, that is for the 4th quarter, we imported 264,389.61 metric tons, it is about 326,466,233.25 litres, subsidy received was N23,307 billion.

HON. LAWAN : How much?

MD, INTEGRATED OIL AND GAS: Sorry, N23,307 billion subsidies received for 2011.

HON. LAWAN : And what are the metric tons?

MD, INTEGRATED OIL AND GAS: It was 264,389.61 metric tons. The Subsidy received for that is N23,307,989,739.04. The amount advanced but not yet received for quarter 3 was N1.4 billion. It is split over from quarter 3, outstanding subsidy for quarter 4 with the last quarter is 45,000 metric tons, it is approximately N3.5 billion approximately. Thank you Mr. Chairman, I am done.

HON. LAWAN : Thank you very much. Apparently you have storage facilities like you mentioned and you also have trucks. Do you also have retail outlets? How many?

MD, INTEGRATED OIL AND GAS: We have 5 in the South, and 3 in the North.

HON. LAWAN : You have a total of 8.

MD, INTEGRATED OIL AND GAS: And then 2 more are under construction in the South and one more here in the North.

HON. LAWAN : Are they fully owned or affiliate?

MD, INTEGRATED OIL AND GAS: They are all wholly owned except 2 that are on lease.

HON. LAWAN : How many do you own, 6?

MD, INTEGRATED OIL AND GAS: We own about 6.

HON. LAWAN : You own 6.

MD, INTEGRATED OIL AND GAS: Yes.

HON. LAWAN : All right. How do you distribute your products? Do you go on your major clients, those who buy from you?

MD, INTEGRATED OIL AND GAS: Nearly all the majors buy from us; Mobil, Total and then Independent Marketers buy from us.

HON. LAWAN : Do they not collect subsidy on what they buy from you?

MD, INTEGRATED OIL AND GAS: No, they would not collect subsidy.

HON. LAWAN : So you are the only one to collect subsidy.

MD, INTEGRATED OIL AND GAS: Yes, of course. I call it refund or reimbursement.

HON. LAWAN : Whatever you call it.

MD, INTEGRATED OIL AND GAS: Thank you.

HON. LAWAN : What is important is that money exchange hands. Of course we are not saying you are getting money free, you provide service, that is while you are getting your subsidy fund or whatever.

MD, INTEGRATED OIL AND GAS: All right.

HON. LAWAN : Now, you still have outstanding N3.5 billion?.

MD, INTEGRATED OIL AND GAS: Approximately.

HON. LAWAN : The 364 metric tons that you brought in 2011?

MD, INTEGRATED OIL AND GAS: Yes.

HON. LAWAN : And you said you have collected N23 billion, right?

MD, INTEGRATED OIL AND GAS: Yes.

HON. LAWAN : So N3.5b that is outstanding is the part of the payment of 364 metric tons?

MD, INTEGRATED OIL AND GAS: No, it is for the last quarter, the 45,000 litres.

HON. LAWAN : What is your total import in 2011? Is it 64 or 309?

MD, INTEGRATED OIL AND GAS: It was 246 metric tons.

HON. LAWAN : 246?

MD, INTEGRATED OIL AND GAS: 246,389 metric tons.

HON. LAWAN : All right, you say 264 metric tons. Was the 246 metric tons included in the last quarter, the 4th quarter that is yet to be paid for?

MD, INTEGRATED OIL AND GAS: No.

HON. LAWAN : Why did you not include this? We know that you have 2 imports.

HON. JAMES FALEKE: I just want an explanation on page 20, if you own a vessel of 40,000 metric tons. I have not seen on this table where you used it to bring in a cargo from your offshore Cotonou or what have you.

AGM – INTEGRATED OIL AND GAS: If you look at chat 35 and 37,

HON. JAMES FALEKE: You brought in 35.3 metric tons and you used three vessels, a vessel will import 40,000 metric tons capacity. You also used LC listers of 9,000 metric tons, yet the total volume is not up to 41.3 meters?

MD INTERGRATED OIL AND GAS: It will not be able to come to jetty without the volume. We need to use smaller vessels so that the cargo will be able to come into the jetty. That is why.

HON. ABBAS TAJUDEEN: MD, I want to know if you have so many vessels. If you

have, do you sublet to ordinary importers? I also want to know your storage facilities.

MD, INTERGRATED OIL AND GAS: Thank you very much sir. Of course, we take in third parties to generate revenue. Our PSS capacity is 52million litres. Definitely we alone cannot make use of this project. From time to time if we have a wave, we take it to third party and we supply it.

HON. ABBAS TAJUDEEN: Can you supply all the names of the parties that have used your storage facilities from 2008 to date?

MD INTERGRATED OIL AND GAS: Yes we can, honourable.

JAMES FALEKE: I just want to tell you that I am not satisfied with your answer as regards to your battle, you have named your importers, you have brought in 33.3metric tons and I am asking you, if you brought in 31.3 metric tons and you are using a capacity of 40,000 metric tons, and 9,000 metric tons. That is my problem and I want you to clarify that.

MD INTERGRATED OIL AND GAS: If you look at Tommas, it is about 35,000 metric tons, my own volume is 31,312. What I do, as I said earlier is move my volume from the mother vessels and then use the smaller vessels within my own vessel. Doing that is between 5,000 to 6,000 metric tons.

HON. JAMES FALEKE: What did they use as your confidence?

MD INTERGRATED OIL AND GAS: 40,000 metric tons

HON. IRONA GERALD: Have you collected payment for 2012?

MD INTERGRATED OIL AND GAS: Yes, in 2012 we received N1.4billion, added to that was the subsidy put at N73.3 billion

HON IRONA GERALD: Have you ever had any overpayment?

MD INTERGRATED OIL AND GAS: Some years back we had over payment of N121,000 only, sometime in 2009. We were doing our second phase of our depot, we slowed down our activity regarding our PS because we were doing house work, that was in 2009; and decided to pay in the money after we completed the construction.

HON. LAWAN: Thank you very much; we will try to make use of the document you supplied. We will like you to provide the Bill of Lading, your certificate of discharge, all the receipts of your import you have done, we also need to see the letter given to you by the PPPRA.I will now call on the MD, VITOL to make his presentation. We requested the Bill of Lading, we know you are an offshore organization; we want to have an idea, especially with regard to the import of subsidy. You do not participate in subsidy but you do business

with those who participate. We know from those importers that they use your services. We want to verify how those imports were actually done. So you will give us your own documentation, or those who have transacted business with you. We want to verify from you indicating that some of the documentation by some of these import companies claiming subsidy, whether what you are claiming is genuine, that is why we want to hear from you as a company operating from 2006 to date, how much you imported, how much you delivered, your bill of lading, whether you scale through and your storage facility. We do know that you do not participate in subsidy but with those that buy from you who participated, you have the information we need.

HON. JAMES FALEKE: In addition, I want to add that you bring the report at the point of loading and STS, shipping agreement.

HON. LAWAN: Do you also do business with NNPC?

MD – VITOL: Vitol had transaction with NNPC 20 years ago.

HON. LAWAN: The import of PMS and kerosene with regards to NNPC from 2006 to date

HON. JAMES FALEKE: In the letter of credit, research has been in favour of Vitol, and Form M also proves Vitol as beneficiary and in Form M is clearly stated, is it right for your cargo to take off shore Cotonou or off shore Lome? I am asking if your cargo is Apapa in Nigeria, and vessels that are supposed to land in Apapa are taken to Cotonou. In line with the documentation that you have received, does it authorize you to stock in Nigeria?

MD – VITOL: I say yes

HON. LAWAN: We also want you to tell us if contrary to import, how do you feel, and you are expected to deliver to your ship, to offshore Cotonou or off shore Lome and you make sure that the import actually reach Nigeria.

MD – VITOL: The transaction from offshore Cotonou we actually sell to the marketers.

HON. LAWAN: Are you saying that these documents are not available?

MD – VITOL: No Sir, they are valid.

HON. LAWAN: Thank you very much. Please make those documents available to us. I will now call on the CEO of Britania-U Nig. Ltd to make a presentation.

MRS UJU IFEJIKI (Chairman/CEO Britania-U Nig. Ltd.): Mr. Chairman and members of the Ad hoc Committee of the monitoring of the subsidy regime, I thank you for the opportunity given to us to appear before you. I think we are one of the few Nigerian owned

companies that have a dynamic position. We have the upstream, and the downstream, the shipping and we have the soft surface engineering company under the Britania-U Group. We are concentrating now on the downstream. The downstream has the importation of the petroleum product into Nigeria and we are having some collaboration with some other countries in West Africa. Our first cargo came in, in 2008 and that was the only cargo that we have claimed to date on fuel subsidy. If you look at our presentation we talked about that; we imported under PPPRA. We had PPPRA permit in 2008 to import 30,000 metric tons and we imported 32,000 metric tons. We opened an LC, the LC number is attached. We have already sent in that to Union Bank and the LC was valued N47m and that was our first cargo as a matter of fact. The product came in from Bulgaria and a bill of lading is stated there and attached. Right time we have the storage agreement with Folawiyo but the cargo was not brought in and put in any facility. We brought the cargo in on the request of the major marketers. The cargo that was brought in was shared between Mobile, Oando and Conoil though we were doing our own trading based on it. After the cargo was brought in the mother vessel that came in and the daughter vessel, the demurrage on those two vessels took us about 45 days and at a cost of \$1.67m. When we made the presentation at that time some cargoes were 90 days, some 60 days and it would continue to happen even till today because of some obvious infrastructural issues. We brought in that cargo and by the time we put in our bill, PPPRA did not take cognizance of those demurrages because they have a template and the template at that time was 8 days for the mother vessel and two days for the daughter vessel and that was what they paid us. If you look at our presentation it shows that we made a loss of N346m and that made us to slow down and PPPRA payment was N2.2m and the marketers paid us N2.4bn and the total cost with all the expenses of the cargo was N5.014bn. So when you look at it as a business person it does not make business sense and it does not make economic sense. So we had to slow down. We were just bringing in cargoes and then people would take from off shore but recently because we have gone into an upstream we are producing and we said okay with government's constant request and you know they are not having products; people importing and we had some of the IOCs that believed in our capability. They gave us some LPOs and we brought in two cargoes and those two cargoes we brought were for last quarter of 2011. 15,000 metric tons and those ones have not been paid for till date; the only one we have collected was 2.2. There is a meeting that we had at that time by all the marketers and importers initiated by PPPRA. It was November 18th of 2008 and everybody at that time complained about two things. The exchange rate was differential because at the time we brought in the cargo was 117 and at the time when subsidy was paid was 130 and then demurrage instead of having longer time they have particular time but obviously they have their reason because they are looking at their own bottom line too. That is what Britania-U has done in terms of import.

HON. LAWAN: Just a very quick question. Of course it is very clear that you virtually did only one import and you lost money and that was why you were not too keen to participate in the scheme again but even on that note, that last one you said the approval given to you was for 30,000 metric tons and you brought in 32,000?

MRS UJU IFEJIKI: Yes, normally, they give you 30,000 plus/ minus 10%. So plus/minus 10% would be 33,000; so it is between 30 and 33.

HON. LAWAN: But I thought if you are given 30 you get paid for 30?

MRS UJU IFEJIKI: No, but you see even the quantity at times when the cargo is loaded, the cargo would load maybe 50,000 metric tons and because of the ferocity of the product you get down here it would be like 45. At times they load more than and you cannot quantify but when they come in they will give you what you discharged.

HON. LAWAN: But the bill you get is for the quantity that you (interruptions)

MRS UJU IFEJIKI: PPPRA authority which you have would be 30,000 plus 10%.

HON. LAWAN: This last one, you said of recent what you imported was 30,000 again?

MRS UJU IFEJIKI: It was 15,000, 15,000

HON. LAWAN: Yes, that is 30,000.

MRS UJU IFEJIKI: It was 14.9 and 13.5.

HON. LAWAN: But that was not through a PPPRA arrangement?

MRS UJU IFEJIKI: It is not PPPRA arrangement.

HON. LAWAN: What quarter should that be, in 2011?

MRS UJU IFEJIKI: Yes, 2011.

HON. LAWAN: Would that be?

MRS UJU IFEJIKI: We had 2nd Quarter and 3rd Quarter.

HON. LAWAN: And you still have not been paid?

Mrs. Uju Ifejika (Chairman/CEO Britania-U Nig. Ltd.): We have not been paid because what happened was that by the time we have gotten the product and clearing it there were a lot of bottlenecks in terms of berthing the vessel. They had to extend it to the 2nd Quarter and it went into the 3rd Quarter and we had to deliver to Mobil, TOTAL and Oando.

HON. LAWAN: So do you have triple arrangements?

MRS UJU IFEJIKI: No, no not a triple arrangement. What we have is that they know that we import, but most times we like to import from Lome. (Interruptions).

HON. LAWAN: Sorry, do you import from Europe or you import from Lome?

MRS UJU IFEJIKI: No, no we import from Europe.

HON. LAWAN: You import from Europe and not from China?

MRS UJU IFEJIKI: No, no not from China, Amsterdam.

HON. LAWAN: So you import from Europe and when you bring it, is to Lome or Cotonou which of them? You have not done much really so it is easy for you to say Lome or Cotonou?

MRS UJU IFEJIKI: Lome.

HON. LAWAN: And so it is the responsibility of those who are buying from you to now take it from Lome or is it your responsibility to bring it?

MRS UJU IFEJIKI: No, no for the major marketers we deliver to them because the LPOs they will give you is delivering in tank.

HON. LAWAN: That is right, so it is not your responsibility so the document you are providing for us would indicate the mother vessel and also the shuttle vessels that you used in bringing it to Cotonou. So who among the major marketers really patronise you, you mention Mobil I think?

MRS UJU IFEJIKI: Mobil, TOTAL and Oando and Conoil and then we imported for NIPCO.

HON. LAWAN: I see, and it was your responsibility to deliver it to their storage facility.

MRS UJU IFEJIKI: That was the LPO that was given.

HON. LAWAN: And so there was no room for them to also use the same document materials to collect subsidy as well even though they sublet to the contract?

MRS UJU IFEJIKI: No because you see it would be possible for them to do that if I am importing under their PPPRA document but we insist on importing on our own.

HON. LAWAN: Does that happen from your experience in the sector? You are well experienced, I am just flying a kite.

MRS UJU IFEJIKA: I can only speak for myself that we (interruptions)

HON. LAWAN: You have been in the industry for long enough to know a lot of things.

MRS UJU IFEJIKA: Yes, but you see I can only talk from a point of fact, not assumption. I do not see how anybody can claim others subsidy because you need the original documents of the mother vessel and the original of the bill of laden and that is what you submit to PPPRA. You need the certificate of quantity and quality originals and you cannot have two originals, you can have only one.

HON. LAWAN: Given your experience, you seem not to have very good experience with regard to this import. The first one of course you lost money and this second one you are yet to be paid even though you brought it in 2nd Quarter, is it 2nd or 3rd Quarter?

Mrs. Uju Ifejika (Chairman/CEO Britania-U Nig. Ltd.): 2nd and 4th Quarter.

HON. LAWAN: Yes 2nd Quarter means April to June I suppose not 2nd Quarter of last year?

MRS UJU IFEJIKA: No 2nd Quarter and 4th Quarter but we had issues with (interruptions)

HON. LAWAN: Are you expecting to make profit this time around?

MRS UJU IFEJIKA: I do not know because it is difficult for you to (interruptions)

HON. LAWAN: No, you must have an idea.

MRS UJU IFEJIKA: No, because it is difficult for you to really determine what comes to you from PPPRA. What we are looking at is based on the template, maybe marginally but now that we have not been paid the bank interest (interruption)

HON. LAWAN: Do you have any interest maybe of investing in the downstream sector either through storage facility or retail outlet or jetties, do you have any plan in future doing so?

MRS UJU IFEJIKA: Sure.

HON. LAWAN: Or you plan and strategy is to remain as a marketing company?

MRS UJU IFEJIKA: No, we would eventually look into going to probably refinery but for you to go into refinery, basic things must be in place, the infrastructures must be there, light and then you must have the wherewithal to be able to go into that. You cannot go and expect anybody to put a refinery without those things in place. When the government is ready to give the operators of the refinery food that you do not have to beg to get, then we

would invest but in the meantime we have invested more on our upstream and we are going across the sub-region, Ghana and Namibia.

Hon. James A. Faleke: Madam, just a quick one, you said you are a lawyer by training and you have worked in the oil industry for a long period. Look at your Form 'M' the 24th February, the port of discharge says Apapa Port; this is the only government authority to bring in cargo. If you look at the proforma invoice which you also gave us the discharging point Apapa Seaport Lagos and then the next page the bill of lading, place and date of issue off-shore Lagos, this bill of lading, is it in agreement with this document because here we do not have the mother vessel bill of lading?

MRS UJU IFEJIKI: What you have is the daughter vessel, what you see here is the certificate of quantity transferred and that is from the daughter vessel. The mother vessel is MT Kudu and because of the size as a mother vessel it cannot come in to Apapa because of the draft which as a matter of fact is a constant issue that needs to be addressed. If you are looking at Form 'M' it says Apapa and we got to bring the product into Apapa. The mother vessel came in later after the daughter vessel came.

Hon. James A. Faleke: You told us that you submit the original document to PPPRA for mother vessel and all the rest and you also said you only have one original bill of lading from the mother vessel. You told the Chairman when he asked the question that all originals go to PPPRA, the question I want to ask is how many originals come with a vessel or with a cargo?

MRS UJU IFEJIKI: Only One original.

Hon. James A. Faleke: You mean one original bill of lading that is what comes with (interruptions)

MRS UJU IFEJIKI: They would send you copies as the cargo is coming in and when the cargo lands here the document that will come with it is the original of the bill of lading, the original of the certificate of quality and quantity, those ones are the ones that would come to you.

Hon. James A. Faleke: I am aware that the original that comes with any cargo are three set original bill of ladings not one. Can you please confirm this?

HON. LAWAN: No, three. Set one goes to the bank and not to us. For us we have just one copy which comes to me. I cannot be talking of what goes to the other people, what comes to us is one original of all the documents and that is the original document that we give to you.

HON. LAWAN: Can we just tarry a while? Was there any time you stored your product in Capital Oil? Did you ever use the storage facility of Capital Oil?

MRS UJU IFEJIKA: we did not use the storage capacity but we brought in cargo that he took.

HON. LAWAN: Alright, you brought in cargo that Capital Oil took?

MRS UJU IFEJIKA: Yes.

HON. LAWAN: Who claimed the subsidy on that?

MRS UJU IFEJIKA: We did not claim the subsidy.

HON. LAWAN: So he did?

MRS UJU IFEJIKA: I do not know but that is left for them.

HON. LAWAN: Is it the usual practice that you bring in product and someone else collects subsidy on it or no subsidy was collected at all?

MRS UJU IFEJIKA: I do not know that. That would be PPPRA who would answer that.

HON. LAWAN: I see.

MRS UJU IFEJIKA: That particular cargo we did not have PPPRA permit because after our first experience we decided to bring three other cargoes off-shore Cotonou, people would go there and pick it. So if anybody picks from there and collects subsidy I cannot speak on that.

HON. LAWAN: Yes because you did not collect subsidy on it.

MRS UJU IFEJIKA: No.

HON. LAWAN: Other than Capital Oil, was there any other business arrangement similar to that particular arrangement?

MRS UJU IFEJIKA: No.

HON. LAWAN: It was only the one you did?

MRS UJU IFEJIKA: Yes, because the one that we had that they took, we still did not collect money on that.

HON. LAWAN: You have still not collected money from Capital Oil?

MRS UJU IFEJIKA: We have not been paid. It is subject of current litigation.

HON. LAWAN: So Capital Oil has not even paid you, how many metric tonnes?

MRS UJU IFEJIKI: It was 30,171 metric tonnes and then Diesel 18,000 metric tonnes.

HON. LAWAN: Oh, your experiences in this sector have not been very rosy. First you did business with PPPRA, you lost money; you brought in product you gave it to Capital Oil they refused to pay and the last one you brought in you are yet to be paid?

Mrs. Uju Ifejika (Chairman/CEO Britania-U Nig. Ltd.): Yes, but you see that shows that we are very patriotic and believe in Nigeria nation in terms of investing.

HON. LAWAN: You made so much money elsewhere and you are now helping distributing it all over the place.

MRS UJU IFEJIKI: No, no I did not make money all this while. The only thing is that I believe in Nigeria, our nation in terms of business opportunities and I have invested hugely but you know these are part of risks that one gets in business.

HON. LAWAN: But in your own case it is not sometime; it's actually all the time. Your experience is all the time.

MRS UJU IFEJIKI: (Laughter) I guess I am unlucky.

HON. LAWAN: No, not necessarily but thank you very much we want the details on that arrangement, what happened between you and Capital Oil, we want everything, the quantity you brought in the arrangement that were signed, understanding between you and Capital Oil, what happened. We want all the details because whatever affects this sector interest us now and so what has happened between you we want to know and would determine other subsidies you have collected on what you brought in and the documents as well and like you must have heard us say, we also want your bill of lading, we want the certificate of discharge for everything you have done and your letter of credit as well. Thank you very much.

MRS UJU IFEJIKI: The other thing is because the cargo that we brought in, Capital Oil gave us the bank guarantee from Skye Bank and bank guarantee around the world is an irrevocable instrument of trade.

HON. LAWAN: Ideally, yes.

MRS UJU IFEJIKI: For you to give a bank guarantee the bank is saying to whoever it may concern, that I know this my customer he has the money, if he is not, he has the asset to back this so go ahead and deal with him and that was what we did and when it was time to pay Skye Bank did not pay; so that is why (interruptions)

HON. LAWAN: That is why we want details, trying to establish if there is any fraud or any manipulation or sharp practices in some sections we want to determine that. So let us have all the details please? Thank you so much.

MRS UJU IFEJIKA: Thank you. I want to thank all of you at least I know that (interruptions)

HON. LAWAN: Do not worry.

MRS UJU IFEJIKA: I know it is not an easy thing but I believe Allah and God will help you to get something out of this.

HON. LAWAN: Thank you and we also need your support so if you have an idea to help what we are doing, you are welcome.

MRS UJU IFEJIKA: But I think the Federal Government should give the Port Authority enough money to dredge the Apapa Port and then to build more ports because we are losing money. You can imagine me paying \$1.7m to a foreign shipping company and then you have people berthing at Lome and that is capital flight. I think we need to build more ports.

HON. LAWAN: We would do what we can, thank you so much. Please can I invite Tonique Oil & Services Ltd?

Anthony Olusola Adejumo (Chairman/CEO): Distinguished Chairman and Hon. Members of the Committee, Tonique Services Ltd. started as an indigenous oil trading and marketing company after being incorporated on the 30th of July, 1997. The Corporate Headquarters is located at No. 31 Gafaru Marshal Street, Victoria Island Lagos. The company has remained a prominent player in importation of refined petroleum product like HGO, DPK, PMS, Jet fuel, MKful and Base Oils for bulk supply to major marketers, upstream operators, organised independent petroleum marketers etc. To date, the company has handled about 660m litres of various grades of petroleum products. Tonique Oil joined the PSF scheme in 2008 and has succeeded in importing a total of 17,200 metric tonnes of DPK and 140,200 metric tonnes of PMS. To date, the company has been paid subsidy under-recovery of total amount of N11,965,827,118.98 and has equally paid back to the scheme over-recovery the total amount of N59,659,634.1. 14 vessels have come in before PPPRA for subsidy payment. In line with the dynamics of the company business all products imported under the PPPRA present scheme were supplied in bulk to major marketers and all organised petroleum marketers. We source our products from the international traders for supply off-shore Cotonou or Lome through ship to ship transfer into our nominated vessels which after delivery to our uptakers depot and oil into higher storage under

an arrangement from where bulk buyers pick the product for onward distribution to their outlets with PEF pumping under MPF officials. While we attached here with details of our importation under the scheme including the uptakers and respective depots, the depot management has the details of distribution. It has been the strategic vision of Tonique Oil Management to own a storage oil facility in order to increase our capacity to trade hence our acquisition of 20,013.18 sq metre of land at Reclamation Road Makoba Jetty Port-Harcourt in late 2008. We have completed the detailed engineering designs small investigation and also obtained DPR provisional approval of EI report. We are already discussing with our banker and financier of actual construction which is expected to commence very soon this year. We also recently acquired newly constructed retail outlet at PFS1 at Apo Mechanic Village, Apo Abuja. The filling station has relevant statutory permit to operate but just being branded in our trade name. It should be operational before end of February, 2012. Tonique Oil maintains that 32 permanent staff members on its payroll and has operational presence in Lagos, Warri, Abuja and Port-Harcourt. Tonique Oil is a responsible corporate citizen. The company joined the scheme on merit having applied and satisfied the requirement for participation and we have not disappointed PPPRA considering our historical background and performance. It should be noted that the company was one of the few early entrants of the scheme after the majors and suffer alike for delayed subsidy payment before the introduction of SDN. It should be noted however that the downstream consist of definite business specialization into which a company can engage while it is possible to have companies with capacity to handle more than one specialization in the downstream trade those who engage in one should be so recognised and respected provided they play according to established guidelines. We agreed that some efforts are required to sanitise the scheme and therefore suggest that historical performance should play a major role in the sanitisation process. We have included the certificate of incorporation, the Bill of Lading and the certificate of field payment. We also deem it fit to include the summary sheet of importation under the subsidy scheme as well as total of volumes of tanks from the time we commenced the scheme. Importation under the PFS scheme; we have included the following document: daughter vessel, Bill of Lading, certificate of discharge, letter of credit, PPPRA allocation, certificate of origin of mother vessels, certificate of quantity, certificate of quality, daughter vessel, Nigerian Custom Services bunk, DGR daughter vessel.

HON. LAWAN: You said the company was incorporated what year?

MD TONIQUE OIL & SERVICES: 30th July, 1997.

HON. LAWAN: When did you start participating in the scheme?

MD, TONIQUE OIL & SERVICES: We started in 2008.

HON. LAWAN: What were you doing before then?

MD, TONIQUE OIL & SERVICES: We provide logistic operations for upstream companies. We equally bring in products like the AGO and other products.

HON. LAWAN: How much did you collect as subsidy in these years, 2008 – 2011?

MD, TONIQUE OIL & SERVICES: In 2008 we brought in 50,680.537 metric tons of DPK and what we collected was N5,423,310,000.00

HON. LAWAN: 2009?

MD, TONIQUE OIL & SERVICES: We brought in DPK of 20,513.043 and PMS 21,234 metric tons and we collected only N3 million on PMS.

HON. LAWAN: Why?

MD, TONIQUE OIL & SERVICES: Because we paid back N59,000,069.00 and for DPK we collected N751,263,000.00

HON. LAWAN: What of 2010?

MD, TONIQUE OIL & SERVICES: In 2010 we brought in only 13,916.64 metric tons of PMS.

HON. LAWAN: How much did you collect?

MD, TONIQUE OIL & SERVICES: We collected N753,876,000.00 and in 2011 we brought in so far 79,020.76 metric tons.

HON. LAWAN: How much have you collected so far?

MD, TONIQUE OIL & SERVICES: In 2011 we have collected N4,470,538,998.00

HON. LAWAN: How much is your outstanding?

MD, TONIQUE OIL & SERVICES: The approximate figure of outstanding that we have is about N3.8 billion. We have received statement from them for N1.5 billion.

HON. LAWAN: It is still outstanding because you have not been paid, so how much is that?

MD, TONIQUE OIL & SERVICES: We are expecting about N3.8 billion.

HON. LAWAN: What are your investments downstream?

MD, TONIQUE OIL & SERVICES: We have acquired a land in Port Harcourt and have

done the design and we have gotten approval from DPR.

HON. LAWAN: What do you want to do with that land? Building a refinery?

MD, TONIQUE OIL & SERVICES: No, it is for tank farm.

HON. LAWAN: What is the capacity?

MD, TONIQUE OIL & SERVICES: For PMS it is about 30,000 that can take a cargo and AGO it can take about 25,000 cargo.

HON. LAWAN: If you have done engineering you should know precisely whether it is meant for 30,000 PMS and then 20,000 DPK.

MD, TONIQUE OIL & SERVICES: Yes, we have all in diagraph and you know when you are constructing anything can happen.

HON. LAWAN: What other investment do you have?

MD, TONIQUE OIL & SERVICES: I have just mentioned the outlet; we have one at Apo village mechanic yard.

HON. LAWAN: You said you have how many?

MD, TONIQUE OIL & SERVICES: At Apo here in Abuja

HON. LAWAN: So if I get there now I will see it?

MD, TONIQUE OIL & SERVICES: Yes it is there.

HON. LAWAN: It has not started operation?

MD, TONIQUE OIL & SERVICES: It is being branded and by God's grace before the end of February it will be in operation.

HON. LAWAN: So if I get there I will see an uncompleted filling station

MD, TONIQUE OIL & SERVICES: It is almost completed.

HON. LAWAN: Is there anyone else or that is just the one you have started?

MD, TONIQUE OIL & SERVICES: We have discussed with other people in Lagos.

HON. LAWAN: Do you still get supplies of kerosene PPMC?

MD, TONIQUE OIL & SERVICES: We never got.

HON. LAWAN: You were importing DPK up to 2008 and 2009 right?

MD, TONIQUE OIL & SERVICES: Yes, under PPMC.

HON. LAWAN: So you are no longer importing kerosene?

MD, TONIQUE OIL & SERVICES: No Sir.

HON. LAWAN: You are no longer getting kerosene from PPMC and you are no longer in the kerosene business right now?

MD, TONIQUE OIL & SERVICES: No Sir.

HON. LAWAN: Are you in the diesel business?

MD, TONIQUE OIL & SERVICES: Yes Sir.

HON. LAWAN: How do you get your diesel?

MD, TONIQUE OIL & SERVICES: We brought them in.

HON. LAWAN: When you bring in this product the PMS, how do you dispose of them since you have no storage facilities, you do not have retail outlets. So do they get to the market?

MD, TONIQUE OIL & SERVICES: Like we said in the report, we bring in the products, we supply some to major marketers and some we give to the independent marketers.

HON. LAWAN: Can we have the list of the ones you supply these products for your imports for 2010 and 2011? We want the list of all those who collected your products and their invoices. Can we also have your letters of credit, your certificate of discharge, have you all that?

MD, TONIQUE OIL & SERVICES: They are here, everything is here.

HON. LAWAN: Thank you very much. I will now invite the MD of Dozi Oil to make a presentation. What is your status in the company?

MR. IKECHUKWU WILLIAMS (MD, DOZI OIL): I am the General Manager.

HON. LAWAN: Where is your Managing Director?

MD, DOZI OIL: He is indisposed, Sir.

HON. LAWAN: Why are your Managing Directors indisposed?

MD, DOZI OIL: We got the invitation this week. We'll start with the company background. Dozi Oil and Gas Ltd is an indigenous limited liability company that was incorporated in 1994. The company commenced business in 1995 with the construction of a

modern lube oil blending plant in Onitsha for the manufacture of oil lubricants such as acquiring the engine oil, gear oil, break fluids which covers the automotive industries and marine applications. It is our desire to contribute to the government's effort in ensuring adequate supply and distribution of petroleum products. The company in 2006 began the construction of a storage depot in Calabar. The installed capacity of the depot is 32.2 million litres. The facility has fully been in operation upholding licenses by the DPR. Also a new depot with storage capacity of 100 million litres of petroleum products has just been completed by the company in Port Harcourt. In response to the challenge of demurrage thrust in the industry the company has just completed the construction of a modern jetty at Calabar. Despite our level of investment in storage and other facilities our company got its first allocation to import PMS in the second quarter of 2011. The allocation of 30,000 metric tons that was granted the company in the second quarter of 2011 was promptly imported and discharged at our Calabar depot. Importation was done on board CPO Germany, off shore Lome. Of the mother vessel products was transloaded into two daughter vessels MT Vegas and MT Vela due to draft sponsoring in Calabar. MT Vegas was loaded with 14,363.89 metric tons which she discharged at Calabar on the third of August, 2011. MT Vela was loaded with 15,476.23 metric tons which she also discharged on first of July, 2011. All documents relating to these transactions including the loading out records have already been submitted to this committee. We obtained our second allocation in third quarter of 2011 of a quantity of 15,000 metric tons. We imported on board MT Brazilia and we discharged on third October, 2011 the quantity of 14,175.866 metric tons which in litres is approximately 20 million litres. This was similarly distributed through our retail outlets and that of our partner independent marketers. Again another document relating to this transaction has been submitted to the committee. Kindly note that the two importations were finance by letters of credit copies of which we have also made available. Both letters of credit were made in favour of the same beneficiary and supply Satania Energy Nig. Ltd who is supplier for both imports. The sum of N4,962,537,496.40 has been refunded to the company being under recovery under the PFS scheme for the two allocations. We wish to suggest that the issue of water channels and jetty draft constraints be properly addressed. If this is done we believe that the high level of demurrage being currently faced by importers will be reduced. This will have the effect on the landing cost and save foreign exchange for the nation. It will also drastically increase vessel traffic into the country. Finally, kindly permit us to thank this ad hoc committee for the opportunity given us to make this presentation. It is our prayer that this exercise will yield the desired result for the good of our country.

HON. LAWAN: Did you say that you usually bring your product through shuttle vessels?

MD, DOZI OIL: Yes Sir.

HON. LAWAN: Where do you discharge, is it Port Harcourt, Lagos, Calabar?

MD, DOZI OIL: We discharge at Calabar Sir.

HON. LAWAN: What types of vessels do you have? What is the capacity of those vessels?

MD, DOZI OIL: It is 15,000 metric tons.

HON. LAWAN: But for Calabar I think only vessels of about 5,000 metric tons are allowed, there are restrictions. How did you find a way of getting it across?

MD, DOZI OIL: We are consistently bringing a vessel of 15,000 metric tons, with a draft of 6.2 depending on the port.

HON. LAWAN: Yes but there are draft restrictions for Calabar port.

MD, DOZI OIL: That is operationally visible.

HON. LAWAN: How did you get out with the 15,000 tonnage

MD, DOZI OIL: The 15,000 vessel with a flag rate will comfortably come in and this very vessel came despite the traffic nature because of the bottom nature of the vessel.

HON. LAWAN: You are unique because the tonnage is usually 5,000 and you said it is 158000?

MD, DOZI OIL: I say once more Sir that 20 million litres can comfortably come into the DCM terminal currently being operated.

HON. LAWAN: That is the information available to us, we will verify that.

MD, DOZI OIL: Very correct Sir.

HON. LAWAN: What investment do you have downstream?

MD, DOZI OIL: Just like I said in my presentation we have oil blending plants, we manufacture a wide range of lubricants.

HON. LAWAN: What do you blend, kerosene and diesel?

MD, DOZI OIL: No, we blend lubricants engine oil of all industries and marine applications. In 2006 we developed palm oil tank farm in Calabar.

HON. LAWAN: You plan to develop one or you already have a tank farm?

MD, DOZI OIL: Fully developed, licensed and operational since 2008.

HON. LAWAN: All right, what is the capacity?

MD, DOZI OIL: It is 32.2 milion litres.

HON. LAWAN: So, when you bring your products you usually store them there?

MD, DOZI OIL: Yes Sir.

HON. LAWAN: How do you get them out of the storage, how do they get to the market? Do you have affiliate arrangement or do you have retail outlets, how do you get your products out?

MD, DOZI OIL: We have two retail outlets of our own.

HON. LAWAN: Where and when?

MD, DOZI OIL: They are at Apabi road Onitsha and Owerri road also in Onitsha. We also have two new sites under construction.

HON. LAWAN: I am saying that those two are not sufficient to really handle the products you are bringing in so how do you do? Do you sell to major marketers or independent marketers, how do you do?

MD, DOZI OIL: Independent marketers have also lifted out of our depot.

HON. LAWAN: All right, can we have the details of those products they have lifted, invoices and everything.

MD, DOZI OIL: We have already submitted them except the invoices which we will bring Sir.

HON. LAWAN: Where do you buy your products from, off shore Cotonou or off shore Lome?

MD, DOZI OIL: The daughter vessels load out of the mother vessel off shore Cotonou or Lome but we open from anchored in favour of supplier.

HON. LAWAN: I know in favour of suppliers off shore Lome, Cotonou or where?

MD, DOZI OIL: The country of origin is Europe .

HON. LAWAN: Which company have you imported from?

MD, DOZI OIL: Satana Energy did supply the two allocations that we got.

HON. LAWAN: But Satana also does import as well? Who collects subsidy on the importations that you make, is it you or Satana Energy?

MD, DOZI OIL: For the allocations that we brought in and then we open LC form for Satana Energy.

HON. LAWAN: You got the allocation but you could not do the import so Satana Energy did that for you?

MD, DOZI OIL: No Sir, we have been able to do the importation. Satana Energy is a trader like any other international trader.

HON. LAWAN: I know, so you traded with them?

MD, DOZI OIL: No, Satana Energy is like any other trader, it is the beneficiary of our letter of credit so we come with the letter of credit and open it in their favour. Once they have supplied us they will take their own money and then, we process our under recovery ourselves.

HON. JAMES ABIODUN FALEKE: the Chairman did ask who are your suppliers, you said Satana Energy. When he asked what is the origin of this consignment, you said Europe, where in Europe?

MD, DOZI OIL: Netherlands and Belgium for the two allocations.

HON. JAMES ABIODUN FALEKE: And you are aware that the mother vessels came in from Netherlands and Belgium?

MD, DOZI OIL: The mother vessels for the two transactions came from Netherlands and the other from Belgium Sir.

HON. JAMES ABIODUN FALEKE: We will want to have the Bill of Lading for the mother vessel.

MD, DOZI OIL: We have Bills of Lading for the two mother vessels.

HON. JAMES ABIODUN FALEKE: Please tell us what is the name of the beneficiary on that Bill of Lading.

MD, DOZI OIL: Mecuria Energy Trading.

HON. JAMES ABIODUN FALEKE: Is that the same name with Satana Energy?

MD, DOZI OIL: Is not the same name as Satana Energy.

HON. AZODO EUCHARIA: You said it is not the same name with Satana Energy, who is that person? Are you the owner of the company or another person?

MD, DOZI OIL: Satana Energy is the beneficiary of our form M and LC. We took prod-

ucts off the mother vessel and brought it to off shore Cotonou by Satana Energy and I have the Bill of Lading with Dozi Oil and Gas Ltd as beneficiary for the quantity I took out of the mother vessel and discharged at Calabar.

HON. AZODO EUCHARIA: So, the Satana Energy imported the product to off shore Cotonou?

MD, DOZI OIL: That is correct Ma.

HON. JAMES ABIODUN FALEKE: How long have you been importing? I want to know when the original Bill of Lading was opened from the manufacturer of the product to the refinery. Is it signed by the master on the ship, is that the normal thing?

MD, DOZI OIL: I am sorry, I did not get that question Sir?

HON. JAMES ABIODUN FALEKE: I said the original Bill of Lading you referred us to we have seen is signed by the ship master, is that the normal procedure?

MD, DOZI OIL: To the best of my knowledge yes Sir.

HON. LAWAN: Thank you very much. I will now invite the MD, Eurafric Oil and Coastal Services to make a presentation

MD – EURAFRIC OIL AND COASTAL SERVICES: Mr. Chairman and members of the Ad hoc Committee, this company was incorporated in July 1995. The company is a member of Eurafric which has interest across properties, constructive development, energy trading, commodities, aviation and Shipping. The company is actively participating in Nigerian petroleum industry, upstream. We have operators of top high land managerial field located in OML 54; we are also part owners of IPL 24. On the downstream, we are operators of 30,000 metric tons facilities in Apapa, Lagos and we recently secured a parcel of land in Koko, Delta State. We have new ultra modern facility for petroleum producers. We also operate a filling station in Lagos State and have plans of expanding our line of stations to Abuja, Port Harcourt, and Kaduna. Primarily, the company is into bulk importation, warehouse and retail of refined petroleum products. Our activities under the PSF scheme dated back to 4th quarter of 2010 with an allocation of 15,000 metric tons of which a total of 14.4million litres discharged into any local facility. In the first quarter of 2011. We had an allocation of 15,000 metric tons of which 12.2million litres was discharged into a joint facility. In the second quarter of 2011, we had allocations for 60,000 metric tons of which 30,000 metric tons had been imported in three trances of 14,000 metric tons, 10,000 metric tons and 5,000 metric tons. Eurafric Oil and Coastal Services is also committed to

development of Nigerian Petroleum Industry. We have invested in excess of N5 billion in the Nigerian Petroleum Industry and currently have many employees.

HON. LAWAN: Let me get this information in a more and easier way for my colleagues to follow. You started the PMS import under the PS arrangement in quarter 4, 2010; you were allocated 15,000 metric tons, and did you bring the 15,000?

MD – EURAFRIC OIL AND COASTAL SERVICES: We brought in 10,000 metric tons.

HON. LAWAN: 10,000 metric tons why, what happens to the difference?

MD – EURAFRIC OIL AND COASTAL SERVICES: We wanted to start in a small way.

HON. LAWAN: You applied for 15,000 metric tons, and you were given the 15,000 tons.

MD – EURAFRIC OIL AND COASTAL SERVICES: I have to confirm exactly what we applied for.

HON. LAWAN: Yes, because you are under oath. It is important for you to know what you applied for, you might apply for higher quantity of 30,000 and you got 15,000, still you could not supply the 15,000 tons. So prior to that period you never imported products.

MD – EURAFRIC OIL AND COASTAL SERVICES: That is for Premium Motor Spirit (PMS)

HON. LAWAN: What else did you import prior to that period?

MD – EURAFRIC OIL AND COASTAL SERVICES: We are primarily into importation of AGO.

HON. LAWAN: And when you bring in the AGO, was it on behalf of NNPC, PPMC? You imported the AGO and you disposed it yourself?

MD – EURAFRIC OIL AND COASTAL SERVICES: We imported it ourselves, and disposed it ourselves

HON. LAWAN: Do you still import AGO?

MD – EURAFRIC OIL AND COASTAL SERVICES: Yes.

HON. LAWAN: This is your first allocation, in 2010 and how much have you paid? You brought in 10,000 metric tons.

MD – EURAFRIC OIL AND COASTAL SERVICES: Yes sir, as a return we got

N638million.

HON. LAWAN: In 2011 you did import for quarter 1 and 2, for quarter 1, for the entire 2011, what was the total import?

MD – EURAFRIC OIL AND COASTAL SERVICES: Total import for 2011, is 52,000 metric tons.

HON. LAWAN: What was the amount paid to you?

MD – EURAFRIC OIL AND COASTAL SERVICES: The total amount of subsidy paid for 2011 was N955million. I will explain we have SDS for two other transactions with currently N1.5billion and N576million.

HON. LAWAN: How much is the outstanding?

MD – EURAFRIC OIL AND COASTAL SERVICES: How much is outstanding presently by way of SDS?

HON. LAWAN: You brought in three imports for 2011, quarter 1, 2, 3; you said so far that it is a total of 52 metric tons, representing only your import for 2011. How much have you been paid and how much is outstanding?

MD – EURAFRIC OIL AND COASTAL SERVICES: The amount that is due to us was N3.2billion of which N955million has been paid. SDS has been issued for N2.1billion

HON. LAWAN: And you have not been paid?

MD – EURAFRIC OIL AND COASTAL SERVICES: We have not been paid.

HON. LAWAN: How much have you been paid?

MD – EURAFRIC OIL AND COASTAL SERVICES: We have been paid N955million.

HON. LAWAN: How much have you not been paid?

MD – EURAFRIC OIL AND COASTAL SERVICES: We have not been paid N2.2 billion

HON. LAWAN: Do you have any investment down stream?

MD – EURAFRIC OIL AND COASTAL SERVICES: We do sir. We have petroleum warehouse facility located at Apapa.

HON. LAWAN: This warehouse, is it by arrangement?

MD – EURAFRIC OIL AND COASTAL SERVICES: It is purely hundred percent owned by the company.

HON. LAWAN: Do you have any arrangement of those storage facilities with any other company?

MD – EURAFRIC OIL AND COASTAL SERVICES: We do it on the spot basis, when we have PMS coming in.

HON. LAWAN: I am not talking about you looking for facility, do you have other people using your facility?

MD – EURAFRIC OIL AND COASTAL SERVICES: No, we do not have.

HON. LAWAN: Your facility is permanently for your own use, what is the capacity of that facility?

MD – EURAFRIC OIL AND COASTAL SERVICES: We do have Tripple arrangement with Conoil, and we import 30,000 metric tons.

HON. LAWAN: Sometimes you bring in more products than your facility can take?

MD – EURAFRIC OIL AND COASTAL SERVICES: Presently our facility is licensed to store AGO and DPK, we have applied for upgrade to PMS.

HON. LAWAN: So where do you keep your PMS?

MD – EURAFRIC OIL AND COASTAL SERVICES: We store in third party facility.

HON. LAWAN: So your facility is not for PMS storage?

MD – EURAFRIC OIL AND COASTAL SERVICES: We do not store PMS at present.

HON. LAWAN: Which of the third party facility do you store your PMS?

MD – EURAFRIC OIL AND COASTAL SERVICES: We use Mini Parcel, NICO, we use the Jones and Master Energy in Port Harcourt.

HON. LAWAN: So how do you get your product out there, how many trucks do have? And retail outlets, how many, Where, is it under construction?

MD – EURAFRIC OIL AND COASTAL SERVICES: We do not have trucks presently; one retail outlet is fully operational. There is no feasibility study, it became operational in the 1st quarter of 2010, and it is located at Amedia Bus stop, along Lagos-Abeokuta expressway.

HON. ALI AHMED: I want to take you on this terminology, you claimed under the PPPRA, the term refund; is that consistent with the PPPRA template?

MD – EURAFRIC OIL AND COASTAL SERVICES: For understanding I termed it as refund , under PPPRA template. It extends under recovery, that is the difference between the value of the product at the time you bought and what the government said you should pay back to him.

HON. ALI AHMED: It might appear inconsequential, but it is very important to us, if you call it refund, it means you spent N100 you collect N100, you are in business, you have the margin, is not refund. We heard some of you say I did enjoy this. The truth is that this is not refund; it is perhaps claims that might inform some of the recommendations. You are not doing any service, you are in business and government is paying you. It is not refund; it is a claim, unless you want to disagree with that.

HON. LAWAN: Thank you very much, there are certain documents that we require and we want you to bring those documents. They are very important to us. We will now take on the Sea Petroleum and Gas. The MD can come forward to make a presentation.

MR. IFEANYI OKOH, MD SEA PETROLEUM OIL AND GAS: Good afternoon, hon. Chairman, members of the Committee. The Sea Petroleum and Gas company limited is a wholly indigenous Nigeria Company, established under the Companies and Allied Matters Act in 1993. The company has offices in Lagos, Abuja, Warri, Port Harcourt, Onne and Calabar. We are strategically located in all the Oil nerve- center of the country. Sea Petroleum is a pioneer indigenous company participating in shipping in Nigeria when it procured the first two vessels into the Nigerian Coastal Waters between 1997 and 1998. The company has gone to increase its vessel fleet to Seven Ocean tankers and numerous badges. The SPG business had service station managers for Mobil in Warri, that was in 1992; so we have not forgotten our routes to this end. SPG has been investing in over the years and we will continue to do so in the area of filling stations/mobile stations spread across different part of the country. The filling stations that we have serve as retail outlets for our products. SPG currently have more than 36, fillings stations and mobile stations in Nigeria, 12 are fully owned SPG station, 19 are under franchise arrangement with other companies. To facilitate the distribution of our products SPG has on its own dedicated fleet of over 200 haulage trucks of various capacities, and we still investing more in this area to enhance our products distribution that is adding value to the supply chain. As an integral part of SPG capacity building problem, the company has invested in construction of storage depot, to hold bulk volume of petroleum products to aid inland distribution. We currently own a storage depot in Lagos, one in Onne and it will soon be commissioned, 30,000 metric tons capacity storage tank farm in Calabar. We also have LPG refilling plant in Abuja and Lagos.

SPG is also in process of commencing our 60,000 metric tons storage depot construction in Port Harcourt, we have acquired land for that, SPG currently employed about 500 Nigerians from a variety of backgrounds giving them the opportunity to reach their full potential in a dynamic industry and also to enable them earn the means of livelihood for themselves and their extended families. With an annual turnover of N18,5billion, while the total asset base is over N16billion, SPG is driven by ethics of hard work, transparency and respect for the law of the land. We were accredited by PPPRA to commence import of PMS under the PSF Scheme in 2009, but the first import we did was quarter 4 of 2010 and we have also done import for quarter 2 and quarter 3 of 2011. From the above we only received import claim to the tune of N2,044,966,628.78 which has been paid for quarter 4 of 2010. The payment for quarter 2 and 3, 2010 are yet to be made. So in effect we have only received subsidy once for Quarter 4, 2010 import to the tune of approximately, N2,044,966,628.78. The next page is the summary of the volumes imported between 2010 and 2011. We have a total of 98,597,400 litres for 2010 and a total volume of 40, 121,574 litres was imported in 2010. In 2011, a total of 43,655.602 metric tons was imported. Our expected projected claims for this is about N4.5billion. Permit me Sir, the last page 8, has a lot of errors. I will like to replace that with the one here.

HON. LAWAN: You want to substitute with that one?

MD SEA PETROLEUM OIL AND GAS: Yes, page 8 Sir. That is the summary page.

HON. LAWAN: Thank you very much, let me go over your presentation, let us start from page 2, you said you were incorporated in 1993, as Sea Petroleum and Gas company, what is your share capital?

MD SEA PETROLEUM OIL AND GAS: Our share capital is N2 billion.

HON. LAWAN: Do you have retail outlet, filling stations?

MD SEA PETROLEUM OIL AND GAS: currently some of those are under franchise arrangement.

HON. LAWAN: How many of them?

MD SEA PETROLEUM OIL AND GAS: 12 are fully owned by us, then 7 mobile stations and that makes it a total of 19 for now.

HON. LAWAN: But here you said 36

MD SEA PETROLKEUM OIL AND GAS: Yes, the other 16 are franchise; I added that to it, but not fully by us.

HON. LAWAN: But your SPG has 36 filling stations

MD SEA PETROLKEUM OIL AND GAS: That is why I am offering that explanation. We like to believe because they are going to carry our brand name.

HON. LAWAN: Then you have a fleet of 200 haulage shops which are wholly owned.

MD SEA PETROLEUM OIL AND GAS: Yes, they are wholly owned.

HON. LAWAN: I see, you said you are constructing storage depot, and that you owned storage in Lagos, what is the capacity?

MD SEA PETROLEUM OIL AND GAS: It has 12,000 tons capacity and the one at Onne has 5,000 tons storage capacity.

HON. LAWAN: You said you also have one in Calabar.

MD SEA PETROLEUM OIL AND GAS: That is 95% completed.

HON. LAWAN: Is it possible to give the draft restriction in Calabar to have a 30,000 metric tons capacity of storage tanks? You know there are draft restrictions, is it possible to have?

MD SEA PETROLKEUM OIL AND GAS: You can have the storage capacity you want, it holds on you to do the logistic and planning of how you feed the tank, take into consideration the draft restriction of the port within which you operate.

HON. LAWAN: And you said you are also in the process of constructing a depot 60,000 metric tons, what state are you in?

MD SEA PETROLEUM OIL AND GAS: We just acquired the land and we are doing engineering design for that, we expect that by 2nd quarter of this year, we should have commenced that project.

HON. LAWAN: So in 2010, when did you apply to participate in this scheme?

MD SEA PETROLEUM OIL AND GAS: It was in 2009

HON. LAWAN: What metric tons did you bring in 2010 and how much did you collect as subsidy?

MD SEA PETROLEUM OIL AND GAS: In 2010 we brought in 28,266.641 metric tons ; and we collected N2,044,996, total import in 2011 was 43,656 metric tons.

HON. LAWAN: How much have you been paid so far?

MD SEA PETROLEUM OIL AND GAS: None for those

HON. LAWAN: Do you import 1st quarter, 2nd and 3rd quarters?

MD SEA PETROLEUM OIL AND GAS: Second and third quarters

HON. LAWAN: How come you did import in 2nd quarter and you are yet to be paid.

MD SEA PETROLKEUM OIL AND GAS: It was peculiar because the 2nd quarter import actually dovetailed into 2012 because the vessels actually just discharged in the night of January and that is because we did not import at the time we were given allocation. We had to seek for an extension and for logistic reasons and funding challenges we had to push it back until we had the funding and the necessary logistic and place to do it. So the quarter 2 and quarter 3 were almost done in pari-pa=su. So it is not the fault of PPPRA that we have not got payment for that for the 2nd quarter.

HON. LAWAN: How much is your total claim?

MD SEA PETROLEUM OIL AND GAS: About N4.5billion and this is for the 43,000 metric tons.

HON. LAWAN: And you are yet to be paid?

HON. ALI AHMED: Your last page we might need to call for it, you will wait.

HON. LAWAN: What you will do is to find another seat. We may call upon you later.

I now call on the Managing Director of Ascon Oil Company Ltd. Sorry what is your position in the company?

Ikechukwu Enenmoh (Executive Director Training): I am the Executive Director Training.

HON. LAWAN: Where is the Managing Director?

Ikechukwu Enenmoh (Executive Director Training): She is indisposed; she is my mum actually.

HON. LAWAN: Who is the Chairman of the company?

Ikechukwu Enenmoh (Executive Director Training): The Chairman is Alhaji Gwadabe.

HON. LAWAN: Because there was an interview in some papers.

Ikechukwu Enenmoh (Executive Director Training): The interview recently granted by the Chairman Alh. Gwadabe Aliko in respect of our company I think was carried in the

Sunday Sun edition of last week.

HON. LAWAN: I think there were certain comments which we want him to come and clarify.

Ikechukwu Enenmoh (Executive Director Training): He will be willing do so.

HON. LAWAN: Can you come back on Monday?

Ikechukwu Enenmoh (Executive Director Training): Alright.

HON. LAWAN: Please come back with your Chairman on Monday. I want him to come and clarify some of the comments he made in that newspaper interview.

Ikechukwu Enenmoh (Executive Director Training): Alright, thank you very much.

HON. LAWAN: We would expect you and the Chairman to be here on Monday. We would attend to you but there are certain issues he raised there and we want him to come and clarify.

Ikechukwu Enenmoh (Executive Director Training): Thank you so much.

HON. LAWAN: We feel sorry for keeping you waiting for so long and give our regard

Ikechukwu Enenmoh (Executive Director Training): Thanks.

HON. LAWAN: I want to invite the MD of Swift Oil Ltd to make his presentation.

Alh. Tunji Durosinmi Eti (MD/CEO): Good afternoon Hon. Chairman and Members, our company is into marketing and distribution of petroleum products. We own a storage terminal at Kirikiri, and a trailer park of over 100 trucks. Swift Oil has staff strength of 80 and we joined the PSF in the last Quarter of 2010. Our first allocation was on October 8 and the product came in January 2011. Let me give you the details of the PMS allocation: the 1st Quarter 2012 we got allocation for 15,000 metric tonnes and we brought in 15,977.535 metric tonnes. In litres this translated to what was discharged as 19,948,601 litres and the trucked out quantity is 19,911,500 litres. The subsidy amount for the last quarter of 2010 was N1,183,151,523.31. In 2011, for the first quarter we got allocation to bring in 15,000 metric tonnes and we imported 9,838.205 metric tonnes translating to 13,218,257m and the trucked out quantity was 13,194,300m. The subsidy amount paid was N1,049,397,343.84. For the 2nd Quarter of 2011 we got permit to bring in 15,000 metric tonnes and we brought in 10,443.439 metric tonnes. In litres you have 14,078,231m discharged into the storage and the trucked out quantity was 14,056,310m; the subsidy paid for the 2nd Quarter 2011 was N1,181,726,701.14m. For the 3rd Quarter of 2011 we got allocation to bring in 15,000 and we brought in 15,654,210 metric tonnes translating to 19,557,707 litres and the trucked

out quantity was 19,518,000. The subsidy payment for 3rd Quarter was N1,648,127,968.89. Thank you, Sir.

Hon. James A. Faleke: You normally get paid on the basis of discharge or trucked out?

Alh. Tunji Durosinmi Eti (MD/CEO): We were paid on the basis of discharge into the storage when you have PPPRA, DPR to verify the quantity to the storage.

Hon. James A. Faleke: So what happens to the difference between the trucked out and discharge?

Alh. Tunji Durosinmi Eti (MD/CEO): In this industry it is not possible for you to get the exact amount perhaps, some wastages and the industry allows 0.3.

Hon. James A. Faleke: You pay for that 0.3?

Alh. Tunji Durosinmi Eti (MD/CEO): It is accommodated.

Hon. James A. Faleke: No.

Alh. Tunji Durosinmi Eti (MD/CEO): It is accommodated in the PPPRA template.

Hon. James A. Faleke: Alright, look at the transaction sheet; you said you paid taxes, what is the makeup of this tax?

Alh. Tunji Durosinmi Eti (MD/CEO): The taxes are what you pay as the year ends as a company.

Hon. James A. Faleke: As a company, not based on this.

Alh. Tunji Durosinmi Eti (MD/CEO): You do not pay on transaction basis, it is a year-end transaction made up by bringing together your loss and your profit.

Hon. James A. Faleke: Do you have any investment really in the downstream?

Alh. Tunji Durosinmi Eti (MD/CEO): Yes sir we have a storage terminal in Lagos, I think 30m litres with about 7m draft high that can take over 100.

Hon. James A. Faleke: No retail outlets?

Alh. Tunji Durosinmi Eti (MD/CEO): Honestly no station.

Hon. James A. Faleke: So who buys from you?

Alh. Tunji Durosinmi Eti (MD/CEO): We have a lot of stations that do not have the capacity to take all, so we market them ahead of the product into bringing the product to their stations. As a matter of fact, we sell to the major marketers sometimes because what

happens is that they cannot get enough allocation in DPR to meet their own demands, they still need a storage facility that can hold and release to them on a need basis.

Hon. James A. Faleke: Are you a member of DAPMAN or IPMAN, where should we classify you?

Alh. Tunji Durosinmi Eti (MD/CEO): DAPMAN.

Hon. I. A. Gerald: You joined PSF last quarter of 2010, to be precise October and in the same quarter you were given allocation; so what is the total allocation till date and the amount you have paid?

Alh. Tunji Durosinmi Eti (MD/CEO): The total we have paid on the subsidy programme is 60,000 and the total import to date on the subsidy programme is 49,913.39 metric tonnes and that is what has qualified us for the subsidy.

Hon. James A. Faleke: Just for the purpose of clarification, what is the average turn-around if you load a truck from your tank, a truck going to Ibadan for example?

Alh. Tunji Durosinmi Eti (MD/CEO): Ordinarily, it should be 24 hours or because of the bad road and other challenges in the industry you find out that a truck may be going to Ibadan and maybe stuck at Shagamu and he will call you that he is there and he has a problem which can take two days if care is not taken.

Hon. Ali Ahmed: Well presented. I could see that your presentation has been very elaborate with all important details. We would be able to make all our conclusions from there; one, your shareholding page, for anything we do not need it but the details that you have voluntarily given us, you gave us the ownership structure of the company but it does not matter; it is good because if you have a clean company prima facie like yours. It goes to tell a lot of stories, we have seen companies here even current Governors and Ministers and they were not ashamed and put it. We would study the details and I think we can get the conclusion on that, thank you very much.

Hon. James A. Faleke: You can go.

Hon. James A. Faleke: Please just go ahead and leave the introduction and go straight to the subsidy issue.

Chief Operating Officer (Top Oil): We go to item No. 2 being importation, distribution and consumption. Top Oil has been issued with the following import permits starting from the 4th Quarter of 2010 by the PPPRA as follows: 13,000 metric tonnes of 4th Quarter of 2010 on December dated 8th October, 2010; 30,000 metric tonnes of PMS of 1st Quarter of 2011 between January to March dated 30th December 2010; 15,000 metric tonnes of PMS

of 1st Quarter of 2011, April to June dated 4th April 2011; 30,000 metric tonnes of PMS for 3rd Quarter of 2011, July to September dated 2nd August 2011; and 30,000 metric tonnes of PMS of 4th Quarter of 2011 October to December dated 30th November, 2011, these are all enclosed. Top Oil imports is PMS from international traders' products in mother vessel carrying 30,000 metric tonnes or more from origin to anchor international waters Cotonou or Lome. Top Oil uses Lightering or shuttling vessels of 5,000 to 15,000 with its quantity (interruptions)

Hon. James A. Faleke: Sorry, just let us know what your investments in this sector are. Do you have your storage?

Chief Operating Officer (Top Oil): Yes. We have an inland depot here in Abuja situated along Norton Bye Pass.

Hon. James A. Faleke: Inland Depot in Abuja?

Chief Operating Officer (Top Oil): Yes.

Hon. James A. Faleke: What is the capacity?

Chief Operating Officer (Top Oil): We have 2,500m litres of HGO, 1,500m litres of the DPK.

Hon. James A. Faleke: No PMS?

Chief Operating Officer (Top Oil): No, we share capacity.

Hon. James A. Faleke: Do you have retail outlets?

Chief Operating Officer (Top Oil): No but we operate on floating mega stations in Ibako, Akwa-Ibom State.

Hon. James A. Faleke: That is for vessels or for what, what is floating, floating on air or land?

Chief Operating Officer (Top Oil): On water.

Hon. James A. Faleke: So you sell to users through the floating route station?

Chief Operating Officer (Top Oil): No, through the hinterland then (interruptions)

Hon. James A. Faleke: Or you ferry it across?

Chief Operating Officer (Top Oil): No we do not ferry it across it is owned by NNPC Retail.

Hon. James A. Faleke: So these volumes that you bring in, how do you distribute?

Chief Operating Officer (Top Oil): Independent Marketers.

Hon. James A. Faleke: Who are your customers?

Chief Operating Officer (Top Oil): We give to Metric Energy and Masters Energy.

Hon. James A. Faleke: Do you have documents to that effect?

Chief Operating Officer (Top Oil): Yes they are all enclosed.

Hon. James A. Faleke: Can you refer us to the page?

Chief Operating Officer (Top Oil): Sorry they are not being paged but the first one is Obat Oil Petroleum.

Hon. James A. Faleke: No, I am asking who your customers are; you use Obat Depot, how do you sell?

Chief Operating Officer (Top Oil): We truck it out to Independent Marketers.

Hon. James A. Faleke: I mean customers; that is what I am asking you.

Chief Operating Officer (Top Oil): The customers are Metric Energy; they buy bulk from us.

Hon. James A. Faleke: You are sure that Metric bought from you?

Chief Operating Officer (Top Oil): Yes and others.

Hon. James A. Faleke: Can we have copies?

Chief Operating Officer (Top Oil): Yes we have everything here if you do not have I can tender that.

Hon. James A. Faleke: Alright, do you bring in from off-shore Cotonou?

Chief Operating Officer (Top Oil): Yes.

Hon. James A. Faleke: Via LC who is your supplier?

Chief Operating Officer (Top Oil): Our suppliers are LC, RETRAX and NIMEX.

Hon. James A. Faleke: And they are based in Cotonou?

Chief Operating Officer (Top Oil): Yes, they have a representation here in Nigeria, they have offices here in Nigeria.

Hon. James A. Faleke: We want to have documents of how you sell to your DAPMAN members and we want to be sure that they actually buy from you on Monday.

Chief Operating Officer (Top Oil): I will tender that.

Hon. I. A. Gerald: You joined PSF Scheme last quarter 2010?

Chief Operating Officer (Top Oil): We actually applied 1st Quarter of 2010 and considered for participation in the 4th Quarter.

Hon. I. A. Gerald: You supplied product 1st Quarter 2011, you supplied the 2nd Quarter 2011, you supplied 3rd Quarter?

Chief Operating Officer (Top Oil): I supplied 4th Quarter.

Hon. I. A. Gerald: Sorry?

Chief Operating Officer (Top Oil): The 4th Quarter is on-going.

Hon. James A. Faleke: You joined the Programme PSF last quarter of 2010 and since then you have been given allocation in all the quarters. What is your position in the company?

Chief Operating Officer (Top Oil): I am a Chief Operating Officer Sir.

Hon. James A. Faleke: Who is your MD?

Chief Operating Officer (Top Oil): My MD is ill at the moment.

Hon. James A. Faleke: What is his/her name?

Chief Operating Officer (Top Oil): His name is Mr. Sunny Effiong.

Hon. James A. Faleke: Can you tell me, is it based on your performance that you have consistently gotten allocation every quarter, is it based on performance?

Chief Operating Officer (Top Oil): Yes, I believe so.

Hon. James A. Faleke: Look at the first allocation, what was the volume?

Chief Operating Officer (Top Oil): It was 30,000, Sir.

Hon. James A. Faleke: What did you supply?

Chief Operating Officer (Top Oil): I supplied 19,631,184.

Hon. James A. Faleke: Out of what volume?

Chief Operating Officer (Top Oil): Out of 31,000.

Hon. James A. Faleke: Is that performance?

Chief Operating Officer (Top Oil): Above average.

Hon. James A. Faleke: Is above average (Laughter) and the next quarter you got the same volume?

Chief Operating Officer (Top Oil): Yes, Sir.

Hon. James A. Faleke: How do you compare your above average to another company that got 15,000 and supplied 14,900 for a man that just left here? Compare the performance, is it above average? (interruption)

Chief Operating Officer (Top Oil): As I tell you (interruption)

Hon. James A. Faleke: Please just answer the question.

Chief Operating Officer (Top Oil): No.

Hon. James A. Faleke: How do you compare the performance of an above average person with somebody who did almost 100% of allocation?

Chief Operating Officer (Top Oil): Sir the challenges are different. I can tell you what happened in that quarter.

Hon. James A. Faleke: Anyway, it is cleared that the first quarter that you joined you got 30,000 and you supplied 19,000 and in the next quarter you got 30,000 and the 3rd Quarter you also got 15,000, apparently every quarter. You can go.

Chief Operating Officer (Top Oil): Thank you, Sir.

Hon. James A. Faleke: I will invite the MD of Sirius Energy Ltd to make his presentation.

MR. TONNY RABU (MANAGING DIRECTOR SIRUS ENERGY LTD): Thank you very much for giving us the opportunity to be here. Basically, subsidy resource is a business for all. We have been struggling with subsidy resources since February, 2010. Also basically, we are a trading company, we have been trading in volumes of white oil products like diesel, PMS and the rest of it. We started in 2010 actually as oil traders. We used to buy like up to 1 million or 3 million metric tons from tank and then we sell. In 2010, we decided to apply for PFS scheme. We were hopeful and finally in fourth quarter we got 42,000 metric tons. We brought in 32, metric tons, that was fully executed in January with a total subsidy of N2,111,822,000.00. In 2011 we got our first allocation in first quarter of which we delivered 22,000 metric tons.

HON. LAWAN: Can you take that again?

MD, SIRUS ENERGY LTD: Which of the two, Sir?

HON. LAWAN: What you have just said.

MD, SIRUS ENERGY LTD: In quarter 1 of 2011 we got allocation of 30 metric tons and we supplied 22,000 metric tons.

HON. LAWAN: When did you start the PFS scheme?

MD, SIRUS ENERGY LTD: We started in 2010 and got first quarter allocation in 2010.

HON. LAWAN: When was your company incorporated?

MD, SIRUS ENERGY LTD: It was incorporated in February, 2010

HON. LAWAN: Your Company was incorporated in 2010? With what share capital?

MD, SIRUS ENERGY LTD: Our share capital was N2 million.

HON. LAWAN: Is it billion or trillion?

MD, SIRUS ENERGY LTD: N2 million Sir.

HON. LAWAN: Only N2 million?

MD, SIRUS ENERGY LTD: Yes, N 2 million, Sir.

HON. LAWAN: When was it incorporated?

MD, SIRUS ENERGY LTD: It was incorporated in February, 2010.

HON. LAWAN: And you applied for allocation in 2010?

MD, SIRUS ENERGY LTD: Yes, Sir.

HON. LAWAN: And you got allocation the same 2010?

MD, SIRUS ENERGY LTD: Yes, Sir. The first allocation was quarter 3, we did not get it but we got for quarter 4.

HON. LAWAN: Did you apply for quarter 3?

MD, SIRUS ENERGY LTD: Yes, Sir.

HON. LAWAN: But you did not get for quarter 3 but you got for quarter 4?

MD, SIRUS ENERGY LTD: Yes, Sir.

HON. LAWAN: All right, what quantity?

MD, SIRUS ENERGY LTD: We got 60,000 metric tons.

HON. LAWAN: Sixty?

MD, SIRUS ENERGY LTD: Yes, Sir.

HON. LAWAN: And that was your first allocation?

MD, SIRUS ENERGY LTD: Yes Sir, that is possibly because that was personal because of the trading business I was into with them and also I have worked in oil trading business before.

HON. LAWAN: Which of the companies?

MD, SIRUS ENERGY LTD: Most of the companies at that time were exposed to risks and our ability to deliver. We were exposed to risk so they were a bit cautious.

HON. LAWAN: So, you got 60,000 metric tons but why did you not bring the 60,000 metric tons?

MD, SIRUS ENERGY LTD: Well, we decided to do only 32,000 metric tons because the PPPRA scheme was such that you have 15 days before you apply for your payment, it was based on 15 days so, we were always very careful, most times we ended up at a loss.

HON. LAWAN: So, you did not want to expose yourself to risk?

MD, SIRUS ENERGY LTD: The exposure was too much, we had decided that we were not going to continue with the scheme, if that was going to be the situation because we actually lost but luckily, we suffered a loss in December, we were just selling white diesel which was more costly.

CHAIRMAN: Apart from 2010, in 2011 how many allocations did you get?

MD, SIRUS ENERGY LTD: In quarter 1, we got 30,000 metric tons.

HON. LAWAN: What of quarter 2?

MD, SIRUS ENERGY LTD: Quarter 2 we got 15,000 metric tons.

HON. LAWAN: What of quarter 3?

MD, SIRUS ENERGY LTD: Quarter 3 we got 15,000 metric tons.

HON. LAWAN: That is 60,000 and you did not get in quarter 4?

MD, SIRUS ENERGY LTD: Yes we did not get in quarter 4.

HON. LAWAN: So, 60,000 in the whole of 2010 and 60,000 in 2011? What subsidy did you collect in 2010?

MD, SIRUS ENERGY LTD: Subsidy in 2010 was N2,462,120,000.00

HON. LAWAN: And in 2011?

MD, SIRUS ENERGY LTD: In 2011 it was N3,893,642,000.00

HON. LAWAN: Is there anything outstanding?

MD, SIRUS ENERGY LTD: Yes, Sir.

HON. LAWAN: How much?

MD, SIRUS ENERGY LTD: The sum of N3,051,000,000.00 is outstanding.

HON. LAWAN: So, the allocation you got in 2011, did you perform 100 per cent?

MD, SIRUS ENERGY LTD: Yes, we did.

HON. LAWAN: 30,000, 15,000 and 15,000?

MD, SIRUS ENERGY LTD: For 30,000 we brought in 21,289

HON. LAWAN: That is not 100 per cent?

MD, SIRUS ENERGY LTD: That is not 100 per cent but we tried.

HON. LAWAN: All right, you got 60,000 in 2011, What was your performance?

MD, SIRUS ENERGY LTD: In 2011 we did 22,000

HON. LAWAN: 22,000 was for 2010, 2011 you got a combined total of 60,000.

MD, SIRUS ENERGY LTD: It was more than 60,000

HON. LAWAN: How much was it?

MD, SIRUS ENERGY LTD: Quarter 1, it was 30,000

HON. LAWAN: Quarter 2, it was 15,000?

MD, SIRUS ENERGY LTD: Yes Sir.

HON. LAWAN: Quarter 3, it was 15,000?

MD, SIRUS ENERGY LTD: Yes, Sir.

HON. LAWAN: So, that is almost 60,000

MD, SIRUS ENERGY LTD: No Sir, we got additional allocation which is called mid-quarter allocation.

HON. LAWAN: What allocation?

MD, SIRUS ENERGY LTD: When they give allocation and some people do not perform, those who performed are given opportunity to bring in some extra allocation.

HON. LAWAN: So, how many did you do?

MD, SIRUS ENERGY LTD: We were given 75,000, and we brought in total of 64,351 metric tons.

HON. LAWAN: You brought in 64.351?

MD, SIRUS ENERGY LTD: Yes.Sir.

HON. LAWAN: And you were so happy to have performed exceedingly well?

MD, SIRUS ENERGY LTD: We will not say exceedingly well but almost 100 per cent. So, we can say we did well Sir.

HON. LAWAN: So far, you have collected N3.89 billion and your outstanding is N3.05 billion.

MD, SIRUS ENERGY LTD: Yes, our outstanding is N3.05 billion.

HON. LAWAN: Of course, you are fairly new in the business; you are just 3 years or so. You started in 2010.

MD, SIRUS ENERGY LTD: Yes Sir.

HON. LAWAN: You are actually 1 year, 4 months. Do you have a list of those months?

MD, SIRUS ENERGY LTD: Yes, we do.

HON. LAWAN: Which one? Do you have plans or you have investment?

MD, SIRUS ENERGY LTD: We have picked up investment, we have purchased a land already and it should be on the way by first quarter of 2012.

HON. LAWAN: No, I am not talking of another company. I am talking of your company. I said do you have investments downstream or do you plan to have investments downstream? Let me know your focus.

MD, SIRUS ENERGY LTD: All right Sir, we have presently leased a total of 5 fuel stations, we leased some in Port Harcourt and there is one just opposite Bras University, we

have leased one gas station on Lincaghe pass way. We have bought two fuel stations in Ota.

HON. LAWAN: You lease some or you are buying?

MD, SIRUS ENERGY LTD: We lease some and we are buying some.

HON. LAWAN: Do you have some that you own? Do you have some that you have already acquired or you are planning to?

MD, SIRUS ENERGY LTD: We own one or two. I can give you that document because you know the way it is with this business.

HON. LAWAN: But if you are buying, there is some hope for you.

MD, SIRUS ENERGY LTD: You see, it is a very complicated society. I am telling you, one of the lands we bought in Port Harcourt which was owned by one member of the family. Other members of the of the family came and said they saw him as a greedy person.

HON. LAWAN: So, you were going round?

MD, SIRUS ENERGY LTD: No, they were all sitting together, they even have a head of the family but everybody had to agree with the price before the deal could be done. But, when it came to money, issues came up. So actually we need to do further documentation.

HON. LAWAN: I suppose you have trucks, you have more storage facilities owned by your refinery?

MD, SIRUS ENERGY LTD: Refinery? Not yet, Sir.

HON. LAWAN: Not yet? Do you have tank farm?

MD, SIRUS ENERGY LTD: We are fully into it but because of the capital nature of the tank farm what we did was that we actually partnered with a family in Port Harcourt to hopefully help us because the family owns a large farm land by People's Crescent.

HON. LAWAN: What date did you incorporate your company in 2010?

MD, SIRUS ENERGY LTD: February, 2010.

HON. LAWAN: That will be very interesting maybe for some of us who are on this side. You were incorporated as a company in February 2010 with a share capital of N2 million and before the end of the year runs out, you have a business of N2.1 billion. That is quite amazing. How did you bring in product?

MD, SIRUS ENERGY LTD: The first quarter was the 32,000 which we truly brought in from the U.K. We bought that straight from the U.K.

HON. LAWAN: So, you get a vessel?

MD, SIRUS ENERGY LTD: We struggled to use some swap arrangement.

HON. LAWAN: And you brought the products from off shore Lome or off shore Cotonou or did you come straight to Nigerian water?

MD, SIRUS ENERGY LTD: We came up to Nigerian water.

HON. LAWAN: Did you come up to Port Harcourt, Lagos, Warri or Calabar?

MD, SIRUS ENERGY LTD: Lagos, we made the discharge of 64,000 to UAG and the rest to Port Harcourt. We operate the two at UAG, we were therefore 145 days and demurrage was not just anywhere. We equally paid interest on vessel and we also paid interest on the badge and we had to lighten the vessel or put them into another vessel and take the cargo to Makuba before we discharged them; it took another 4 days.

HON. LAWAN: So, you have a storage arrangement or through tripod arrangement with any storage owner?

MD, SIRUS ENERGY LTD: Yes we do so because the tank farm we have was spoilt, we had to do it through tripod arrangement.

HON. LAWAN: So what do you do?

MD, SIRUS ENERGY LTD: What we do is we bring in the products based on who needs it. If it is major marketer who needs it, that means that we need a tank farm. But if it is the cargo that we are bringing on its own then, we operate it from the tank. We find out what tanks are available and then marry that with the vessel that is available. We will go and sort out first and see what will go to such facility and that will determine what facility is available for us and then we will go to it. Most times the availability of the tank or tank farm and the vessel to go to determines which product you put in which you intend to distribute to give us the bill to pay.

HON. LAWAN: So, you do not have a continued arrangement with a tank farm owner for a period. For instance, you do not have a new storage facility. I do not know whether you are into a tripod arrangement with those who do have such storage facilities for perhaps 2012, so that when you bring your products you know exactly where it is going to so that you do not waste time?

MD, SIRUS ENERGY LTD: No, we do not have that arrangement, we never had the opportunity.

HON. LAWAN: So, you do not have that arrangement?

MD, SIRUS ENERGY LTD: No, we do not have that arrangement; we are basically doing what we are doing best.

HON. LAWAN: When you ordered, you have to stay on the vessel until they come?

MD, SIRUS ENERGY LTD: Before we even open the order in the first place, we have our strategy. We need to identify where we are going to, we have to inform the cargo before we even load it in the first place to avoid demurrage.

HON. IRONA GENERALD: You must be a very lucky investor. In 2nd quarter of 2011 you got two allocations?

MD, SIRUS ENERGY LTD: Yes Sir.

HON. IRONA GERALD: You are under oath, you will recall, you said your share capital is how much?

MD, SIRUS ENERGY LTD: N2 million Sir. As at the time of registration it was N1 million but now it is N 2 million.

HON. IRONA GERALD: You submitted this document before us. Form CA2, what is your share capital there on the paper?

MD, SIRUS ENERGY LTD: This is the old one. It is still the same, we submitted to you, we started with N1 million before we got allocation because it was part of the reasons why we did not get allocation in the first place. So, in the interim, we got a very low share capital and it has gone up to N2 million.

HON. JAMES ABIODUN FALEKE: Can you show me, you said you brought in a cargo for the first allocation. Can you show me the Bill of Lading on this document?

MD, SIRUS ENERGY LTD: If you look at the document we have submitted, the name of the vessel is also there.

HON. LAWAN: While he is looking for those documents, you have one station. When you bring in these materials, who buy them from you? Your major client, who do you supply to?

MD, SIRUS ENERGY LTD: We do bulk supply to major marketers, we have done supplies to Mobil, Conoil and we also retail in tanks. When you have products in tanks you will always have people who will come from all parts of the country who will buy 2 or 5 trucks or even 1 million litres and so on. We have had people who have come to buy up to 1 million litres.

HON. LAWAN: Is that so?

MD, SIRUS ENERGY LTD: Yes, Sir.

HON. JAMES ABIODUN FALEKE: You said you were registered in 2010? Now see what you are saying that prior to 2010, your participation is not included; that this company was not involved in petroleum marketing whatsoever. So, your main reason why you registered in 2010 was purely to participate in the PFS fund.

MD, SIRUS ENERGY LTD: No, the little that I said earlier on was that I stayed quite long in the oil and gas business; so looking at where we have been working. It was the only business I can do. It is the only business that I have done in the past 10 years. So, I set up and source for the resources which I am doing now which is working for me.

HON. LAWAN: Thank you so much. I do not know whether you have submitted all the documents that we requested. If you have, please get them across to us.

MD, SIRUS ENERGY LTD: I will get them across to you Sir.

HON. LAWAN: Sirius, I have issues with the copy of of Bill of Lading. I look at the Bill of Lading it does not concern Sirius. So, we will want to see the original of this Bill of Lading. I am interested in the original Bill of Lading. Thank you.

MD, SIRUS ENERGY LTD: All right, we will submit them.

HON. LAWAN: The share capital is N2 million?

MD, SIRUS ENERGY LTD: Yes, Sir.

HON. LAWAN: What bank gave you the facility for the import you did in 2010?

MD, SIRUS ENERGY LTD: It was GT Bank.

HON. LAWAN: What did you provide as collateral for that?

MD, SIRUS ENERGY LTD: Since 2010 we have introduced the SGM. We also have about 60 per cent covered by the bank while 40 per cent was covered by the bank guarantee from Conoil.

HON. LAWAN: Thank you very much. I will now invite the MD of MAJOPED to make a presentation.

OPEYEMI AJUYA(MD, MAJOPE): My short presentation will run into 4 parts: introduction, who we are, our input under the PFS scheme from 2006 – 2011 and suggestions to strengthen the scheme.

HON. LAWAN: Go straight to the major issues.

MD, MAJOPE: Our purpose for which this Hon. House is currently investigating the activities and operations under the scheme claiming subsidy under the downstream sector of the industry. Globally as well as in Nigeria the downstream sector has various players especially traders, marketing storage depot owners, refiners, transportation plus logistics providers and retailers. Each of these players assists in making the product availability at competitive prices as well as to ensure price stability. The categorization as to enable operators focus on the area of competence whether actually you start as a trader or whatever; if you look at your vision and you can become an integrated oil and gas company, you go ahead. Majope Investment Ltd was incorporated as a trading and marketing company. We met the minimum requirement which is the statutory provision of valid tripod arrangement DPS certificate and was registered under the PFS scheme in 2003.

HON. LAWAN: What page are you reading?

MD, MAJOPE: Page 2, Sir.

HON. LAWAN: Page 2?

MD, MAJOPE: Yes, Sir.

HON. LAWAN: All right, I have seen it.

MD, MAJOPE: With a vision to grow and migrate into the oil and gas company, we acquired 2 hectares of land for the construction of ultra-modern filling station at the Lagos expressway of which we have recently completed the clearance and design (document attached). We also sign partnership agreement late last year with a foreign investment V-ship Ltd firm who is willing to provide 100 per cent finance. The actual concession is expected to commence at the third quarter this year. Our import under the PSF scheme 2006 – 2011; so far we have done two; we did 5,000 metric tons in December, 2008, our own quantity was actually 15,000 metric tons.

HON. LAWAN: Sorry, you did 5,000?

MD (MAJOPE INVESTMENT): 5,000 metric tons.

HON. LAWAN : 5,000 rights?

MD, MAJOPE: Yes.

HON. LAWAN: That was in the year 2008?

MD, MAJOPE: Yes, plus some minus, it came to 5499.

HON. LAWAN: How much did you collect for subsidy for that year or did you get refund?

MD, MAJOPE: I was not paid.

HON. LAWAN: Yes, you did not apply for it or what?

MD, MAJOPE: I did.

HON. LAWAN: So what went wrong?

MD, MAJOPE: This is the ideal opportunity to hear my view. In the first transaction I suffered huge losses.

HON. LAWAN: Why?

MD, MAJOPE: It was through Times International.

HON. LAWAN: Sorry, you got your allocation.

MD, MAJOPE: For 15,000, yes.

HON. LAWAN: You could not do 15?

MD, MAJOPE: I did 5,000. I financed 5,000; it was my first entrance.

HON. LAWAN: All right, so you did 5,000?

HON. LAWAN: What led to the loss?

MD, MAJOPE: What actually happened there was that there was a vessel restriction at Folawiyo Jetty; the vessel arrived January 2nd and we were unable to discharge.

HON. LAWAN: January, 2nd 2009?

MD, MAJOPE: 2009. We were unable to discharge until February 6, 2009. 32 days, and paying about \$12,000 per day on demurrage on 5 KT vessels amounted to about \$384,000. So we submitted all these and, but what actually happened was, maybe it was a wrong time just to enter the PPPRA. When the Federal Government dropped the price between the times we were on the cargo, we heard it was N70.00 that was when they dropped from N70.00 to N65.00.

HON. LAWAN: You just could not go and you could not even break even.

MD, MAJOPE: Break even? It was a huge loss.

HON. LAWAN: Wait for the system, do not worry, it will be back in a few minutes. So you suffered huge losses?

MD, MAJOPE: Sir, it was huge.

HON. LAWAN: You still do not run. That was your first time.

MD, MAJOPE: That was my first time.

HON. LAWAN: You had huge losses.

MD, MAJOPE: Yes.

HON. LAWAN: One would have thought that you would just pack your tank and run from the scheme.

MD, MAJOPE: The vision is clear, Sir.

HON. LAWAN: The scheme, all right.

MD, MAJOPE: our vision is to come and invest in oil and gas community.

HON. LAWAN: So in 2009, you did not participate?

MD, MAJOPE: I had to slow down.

HON. LAWAN: All right, you slowed down in 2009 and then you bounced back in 2010.

MD, MAJOPE: In 2011.

HON. LAWAN: No, in 2011.

MD, MAJOPE: It was because by 2011 the payment system had changed to the sovereign debt. It was better.

HON. LAWAN: A lot better. That was the reason why you decided to go back into it.

MD, MAJOPE: Yes, of course.

HON. LAWAN: It was because, I mean you can be honest to me; after all you are under oath. You got back because the payment system had improved, even if it is not done through the sovereign debt instrument.

MD, MAJOPE: I did before then.

HON. LAWAN: So you applied in 2009 and you did not get any allocation?

MD, MAJOPE: 2009, I am not very sure Sir.

HON. LAWAN: So when? You applied in 2010?

MD, MAJOPE: Yes, there was a time I applied in 2010.

HON. LAWAN: And you did not get any allocation?

MD, MAJOPE: Even January the first quarter 2011, I could not get any allocation. In the second quarter and I got the third quarter.

HON.LAWAN: What is your position in the company?

MD, MAJOPE: I am the MD, Sir.

HON. LAWAN: You are the MD. Is it a family business?

MD, MAJOPE: It is a private business and not family business.

HON. LAWAN: Is it just a wholly owned business by you and other partners?

MD, MAJOPE: There are other Directors Sir

HON. LAWAN: Other partners?

MD, MAJOPE: Yes Sir. Non-Executive.

HON. LAWAN: And when was the company incorporated?

MD, MAJOPE: It was incorporated in 2001, Sir.

HON. LAWAN: 2001 as what? Oil or is it another business? What were you doing before you entered into oil business?

MD, MAJOPE: Peddling, I started peddling.

HON. LAWAN: Oh! Peddling, all right what were you peddling on?

MD, MAJOPE: On Oil.

HON. LAWAN: I see, how? I did not understand what a peddler was doing in the oil sector.

MD, MAJOPE: Well, I believe in growing gradually, and we actually started by getting products into the tank and peddling on it.

HON. LAWAN : How do you get products into the tank? Do you have tanks?

MD, MAJOPE: We have 15,000 tankers.

HON. LAWAN: I do not suppose you have trucks. Do you have a tank farm?

MD, MAJOPE: But I will soon get it, I just told you.

HON. LAWAN: No, whatever you will get in future but what you do have now, this is

what I am asking.

MD, MAJOPE: I am going to get the storage this year.

HON. LAWAN: Sorry?

MD, MAJOPE: I am going to get the storage this year.

HON. LAWAN: How?

MD, MAJOPE: We are starting on how to get it.

HON. LAWAN: You have started or what are you starting?

MD, MAJOPE: Yea, we are starting.

HON. LAWAN: Where?

MD, MAJOPE: At Calabar.

HON. LAWAN: All right, of what capacity?

MD, MAJOPE: We are looking at 45,000 metric tons.

HON. LAWAN: 45, all right, you have not started yet. You have gotten a land?

MD, MAJOPE: We have an offer for a land already.

HON. LAWAN: All right, you do not have land.

MD, MAJOPE: We are in touch with our foreign investors.

HON. LAWAN: All right. What else do you have, do you have a jetty?

MD, MAJOPE: No.

HON. LAWAN: Do you have a refinery?

MD, MAJOPE: No.

HON. LAWAN: And you have not started one, a retail outlet?

MD, MAJOPE: We also have a land for that.

HON. LAWAN: Where, is it in Calabar?

MD, MAJOPE: It is in Badagry.

HON. LAWAN: Oh, Badagry, so you have not started your retail outlet. All right, in 2008 you did 5,000 metric tons, what was your total import in 2011?

MD, MAJOPE: 15,000 metric tons.

HON. LAWAN: Total.

MD, MAJOPE: Yes.

HON. LAWAN: 15,000 metric tons. Have you being paid?

MD, MAJOPE: Yes Sir.

HON. LAWAN: How much?

MD, MAJOPE: I was paid N1,110,019,000.

HON. LAWAN: N1.1 billion.

MD, MAJOPE: Yes, N1,110,019,000.

HON. LAWAN: All right, do you still have any outstanding payment?

MD, MAJOPE: No.

HON. LAWAN: You do not have any outstanding payment. You are fully paid?

MD, MAJOPE: Yes.

HON. LAWAN: I see. Have you applied for 2012?

MD, MAJOPE: No.

HON. LAWAN: Why not?

MD, MAJOPE: I actually applied for 2011; when the bid was opened.

HON. LAWAN: No, you did not get the fourth quarter 2011?

MD, MAJOPE: No, the third quarter.

HON. LAWAN: The third quarter?

MD, MAJOPE: The third quarter, I did not get it.

HON. LAWAN: All right.

MD, MAJOPE: I would not say there was no performance with Q3, there was performance because I opened for DST; I asked for the revalidation of the permit. But I have not got approval for the revalidation.

HON. LAWAN: All right, you have couple of suggestions here, based on it, can you just

summarize and come and tell us without having to read?

MD, MAJOPE: The intent and purpose of this scheme is no doubt a good one; the revelation of this honourable House will no doubt strengthen the scheme. Other nations of the world like Pakistan, India and others started subsidy in petroleum and other products and they came out better for it. I will suggest the following in addition to the current reform in the scheme introduced by the PPPRA and petroleum industry: Firstly, an international shipping agency to collaborate with NIMASA to provide additional quantity of the product brought into tanks. There should be a method from the weight at the point of arrival to know the quantity of product on board of the vessel. This is also compared to the height of the vessel at the point of departure after discharge, to ascertain that the product is discharged into tank. NIMASA's representative can also physically verify and endorse the necessary document before discharge of vessel. Navy and NIMASA approval should be required in addition to the existing authorization before vessel leaves the jetty after discharge of product. There should be an introduction of compulsory non-adjustable metric system at every depot such that PPPRA has the responsibility of ensuring that the meter works. What I am trying to say is that in the course of doing peddling, peddlers come with meters and while sending the staff out to go and do delivery when you show that the metric system is working it is easier for you to realize the total quantity you send, they call it the goner at the depot and what is going out. So, that will give you a clearer picture. And if you look at the one of the NIMASA and get things, the law, the registrar or other registry, when you supply to some industries for example, if it is industrial supply, the weight of the vessel, of the truck, with the check and the point of going in and when they are going out and the average. I think this will also ensure that the product brought into the tank is fully discharged into tank.

HON. LAWAN: Can you share what you read that is quite alarming?

MD, MAJOPE: I read something when they were saying that it was just like something at the back, that they should have and this product should be freely discharged or they are not discharged.

HON. LAWAN: I think it is obvious that there are so many ways through which the system was being manipulated over the last couple of years including non-deliveries that are actually where we believed those allocations were given and the products were not delivered. So your suggestion is good, thank you very much for making that suggestion.

MD, MAJOPE: Thank you.

HON. LAWAN: And I hope your experience of 2011 does not end the same way as that of 2008.

MD, MAJOPE: No, what I am even hoping is that since this Committee is doing a lot of investigations, it would help us. I am sure some payment should accrue from 2009, so that I can recover the losses. I know that you are going to be looking at overpayment and underpayment. I know mine is underpayment and I should be paid.

HON. LAWAN: We can have special focus on your company and do an extremely thorough job.

MD, MAJOPE: Just make sure I am paid my 2009 outstanding.

HON. LAWAN: No, they have to come with that.

MD, MAJOPE: I am all right; so far my integrity is impeccable.

HON. LAWAN: Let us hope so.

MD, MAJOPE: Thank you very much.

HON. LAWAN: Thank you for having waited for this long and thank you for using your experience as a peddler to make a few suggestions here.

HON. LAWAN: Can we take Duport Marine? Can the MD proceed and make a presentation and thank you for having waited for so long.

TOSIN ODUSANYA (DIRECTOR, FINANCE (DUPORT MARINE): Thank you very much honourable Chairman and honourable member of this Special Committee. We are here to represent Duport Marine Limited and our company was incorporated in August, 2006. Since then we have been involved in oil trading and supply of various petroleum products. We have been mainly in the frontline of petroleum product trading and supply with the growing portfolio of customers over the years. Our head office is in Lagos, we also have an office in Abuja. Currently we have about 20 people on our payroll in various skill functions. The company is a 100% Nigerian Trading Company but we have partnering relationship with a foreign company called Muco SA. Muco is a trading company based in Geneva; we have a unique relationship with them in the sense that unlike competitors who have subsidiaries in Nigeria that look after their business and grow their business, what Muco chose to do was to partner with local companies to grow their market in Nigeria that is all we do for them. The vehicle for that partnership is a company called Duport International. It is registered in British Dutch Island and it is 100% owned by Muco.

HON. LAWAN: 100% owned by?

DUPORT MARINE: 100% owned by Muco.

HON. LAWAN: All right, not owned by you?

DUPORT MARINE: No, not at all.

HON. LAWAN: Good.

DUPORT MARINE: Our own is on merit.

HON. LAWAN: Yes.

DUPORT MARINE: However, I need to add here that the relationship is an exclusive one which Muco has all other direct relationship with some other companies here in Nigeria. To date, we have traded with various cargoes of petroleum products, automotive gas which is diesel, field oil, gasoline, PMS and diesel; I have the quantity and preservation sold, to give you people.

HON. LAWAN: When did you start participating in the scheme?

DUPORT MARINE: In the scheme, 2010.

HON. LAWAN: You were incorporated in 2006.

DUPORT MARINE: Yes.

HON. LAWAN: And you were doing business more in crude oil?

DUPORT MARINE: No, we were changing products

HON. LAWAN: You were trading refined product, not crude oil?

DUPORT MARINE: No.

HON. LAWAN: All right, go ahead. In 2006 and 2007 did you participate in the scheme?

DUPORT MARINE: No, our participation was in 2010.

HON. LAWAN: That is right. What of Quarters 1, 2, 3 and 4? In Quarter 4, what allocation were you given?

DUPORT MARINE: We were given 15,000 metric tons.

HON. LAWAN: Did you deliver the 15,000?

DUPORT MARINE: Correct, Sir.

HON. LAWAN: You delivered the 15,000?

DUPORT MARINE: Almost, we delivered about 14,000.

HON. LAWAN: How much subsidy did you get?

DUPORT MARINE: We got subsidy of N1.2 billion.

HON. LAWAN: N1.2 billion, that is 2011?

DUPORT MARINE: In 2011 we participated in 3rd quarter.

HON. LAWAN: What was the total subsidy?

DUPORT MARINE: Total subsidy for these quarters?

HON. LAWAN: No, total allocation first?

DUPORT MARINE: We had 10,000 in quarter 1, 15,000 in quarter 2 and 3.

HON. LAWAN: 15,000?

DUPORT MARINE: 15,000 in Quarters 2 and 3.

HON. LAWAN : That is 40,000.

DUPORT MARINE: Correct, Sir.

HON. LAWAN: What happened in quarter 1?

DUPORT MARINE: 15,000, 40,000.

HON. LAWAN: And did you perform 100%, did you deliver the entire 40,000?

DUPORT MARINE: Except for when we delivered 10,000 out of 15,000.

HON. LAWAN : You delivered 35,000?

DUPORT MARINE: Yes.

HON. LAWAN : You said it was in 2011?

DUPORT MARINE: 2011, you are correct Sir.

HON. LAWAN : 15,000, 15,000, right.

DUPORT MARINE: We delivered 35,000.

HON. LAWAN : 10, 15 and 15 that is 40. I do not know maybe my arithmetic is not correct.

DUPORT MARINE: In quarter 1 we were given allocation for 15,000 metric tons.

HON. LAWAN : And you delivered 10,000 metric tons?

DUPORT MARINE: No, we delivered 14,000.

HON. LAWAN : That was in quarter 1.

DUPORT MARINE: Sorry that is Quarter 4. Quarter 4 was 15,000 and we delivered.

HON. LAWAN : No, Q4 2010 or 2011?

DUPORT MARINE: 2010.

HON. LAWAN : We have passed 2010.

DUPORT MARINE: All right, sorry we were given another 15,000 allocation, what we supplied was now 10,000 metric tons, just about 10,000.

HON. LAWAN : No, 2011?

DUPORT MARINE: Yea.

HON. LAWAN : Q1, your allocation was 10,000.

DUPORT MARINE: Q1, 2011 we got another allocation for 15,000.

HON. LAWAN : 15,000 and you delivered 10,000.

DUPORT MARINE: And we delivered 10,000. Q2, we have a drop down to 10,000 tons Sir.

HON. LAWAN : So that was 20,000?

DUPORT MARINE: We supplied 10,000.

HON. LAWAN : So that was 20,000. In Q3, you had 15,000, and you delivered 15,000?

DUPORT MARINE: Yes, we delivered 14,500 metric tons.

HON. LAWAN : That is roughly 15,000 so you got 35,000.

DUPORT MARINE: The total allocation we had was 15,000 three times and that was 45,000.

HON. LAWAN : I know that is roughly 35,000. But you said, you did 15,000 in 2010 and 35,000 in 2011.

DUPORT MARINE: Correct, Sir. It was for the total allocation of 55,000 metric tons.

HON. LAWAN : No, not allocation, I am talking of the performance

DUPORT MARINE: Performance is 50,000.

HON. LAWAN : So for 2011, you delivered 35,000?

DUPORT MARINE: Correct, Sir.

HON. LAWAN : How much did you collect as subsidy?

DUPORT MARINE: Total for PMS for 2011 was N4.1 billion.

HON. LAWAN : You have collected N4.1 billion?

DUPORT MARINE: Correct, Sir.

HON. LAWAN : Do you have any outstanding payment?

DUPORT MARINE: No.

HON. LAWAN : You are fully paid.

DUPORT MARINE: We are fully paid.

HON. LAWAN : So how do you get your shipment here?

DUPORT MARINE: We bring it from Europe.

HON. LAWAN : Mother vessel?

DUPORT MARINE: If the mother vessel comes from Europe it will light off shore Cotonou.

HON. LAWAN : All right, you order your import directly from...

DUPORT MARINE: Yes, from Europe.

HON. LAWAN : Yea, not from the mother vessel, not from off shore Cotonou?

DUPORT MARINE: We ordered from Europe. But then they bring the mother vessel and light at Cotonou.

HON. LAWAN : So you now use feeder vessels to bring it in.

DUPORT MARINE: Correct, Sir.

HON. LAWAN : And since you have no storage facility, what storage facility do you use?

DUPORT MARINE: We are port traders.

HON. LAWAN : I know, you must have when you bring in products, there must be a place you keep the product.

DUPORT MARINE: I am going to that, we are all traders, and we do not retail, so we supply all our cargoes to major markets.

HON. LAWAN : So you do not retail at all?

DUPORT MARINE: Not at all.

HON. LAWAN : I see, you are not into retailer?

DUPORT MARINE: Not at all.

HON. LAWAN : Who are your major marketing clients since you deal with marketers?

DUPORT MARINE: We deal with a few; Total, Oando but there were four cargoes that we have done under PSF Scheme. Few of them went to Oando and the last one which is the Q3 went to ASCON.

HON. LAWAN : ASCON?

DUPORT MARINE: Correct, Sir.

HON. LAWAN : Do you have any future plan for, maybe storage or terminal or refinery? What is your future investment in this sector? Is it to start trading in crude oil or is it to build refineries, or storage facilities or to retail or you just want to remain as a trader?

DUPORT MARINE: We hope to continue to trade but we are going to go deep down market, so we started by acquiring a 5 hectares land at Imo River, Akwa Ibom State.

HON. LAWAN : Akwa Ibom, right?

DUPORT MARINE: We have completed the survey now.

HON. LAWAN : What do you plan to do there?

DUPORT MARINE: To build 20,000 tons capacity storage.

HON. LAWAN : Storage?

DUPORT MARINE: Tank and farm.

HON. LAWAN : Is that accessible, can vessels have access to that storage facility?

DUPORT MARINE: Yes, they can.

HON. LAWAN: Otherwise if there is no storage facility and there is no way to get vessels there, there could be problem.

DUPORT MARINE: At the moment, there is a storage facility.

HON. LAWAN: So no draft challenges?

DUPORT MARINE: There are draft challenges though we have spoken with the authority and a contract to deep water port.

HON. LAWAN: Yea.

DUPORT MARINE: Yes, in that area.

HON. LAWAN: Because you do not just go and build?

DUPORT MARINE: No, we have, we are being guided by that.

HON. LAWAN: You are cautious of that?

DUPORT MARINE: Yes.

HON. LAWAN: But you have not started doing anything yet?

DUPORT MARINE: No, we have a vessel point.

HON. LAWAN: Why are you going to dredge?

DUPORT MARINE: It will be dredged. Like I said, the contract is the issue for dredging of that channel to the NPA, Akwa Ibom State government; we had verified the place before we took a position in that location.

HON. LAWAN: Is it the Akwa Ibom State Government that is doing that?

DUPORT MARINE: Yes, in conjunction with the NPA.

HON. LAWAN: Have you submitted all the relevant documents?

DUPORT MARINE: Yes, Sir.

HON. LAWAN: All right, including signed agreement with Oando and?

DUPORT MARINE: We have that we signed with Oando and we are going to act on them.

HON. LAWAN: Can we have the document?

DUPORT MARINE: Everything is with you.

HON. LAWAN: Thank you. Honourable Colleagues, do you want to raise any question?

HON. JAMES FALEKE: I just want to clarify something. What is the difference between Duport International and your company?

TOSIN ODUSANYA (DIRECTOR, FINANCE (DUPORT MARINE): Like I said earlier

on, Duport International is wholly owned by Muco company and Duport Marine is owned by a Nigerian. The relationship is purely commercial, they just trade together, and there is no relation in terms of ownership.

HON. LAWAN : The similarity in name is not relevant?

TOSIN ODUSANYA: I do not know what you mean by it is not relevant. We have more relationships, that is what I said. There is no ownership relationship, it is pure commercial. If you want to know why we have similar name, I can explain that shortly after we registrar our company, we met with the MD of Muco who tried some businesses with Nigeria, in terms of growing for market for them here locally and he suggested to give some to us, pushing market goods for them and they registered the company with the same name so that people can link us to them. That is all.

HON. LAWAN: So your company is not like a proxy company for a company abroad?

TOSIN ODUDANYA (DIRECTOR, FINANCE (DUPORT MARINE): Not at all.

HON. LAWAN: Which one was registered?

DUPORT MARINE: Duport Marine.

HON. LAWAN: Is it the one that came first?

DUPORT MARINE: It is correct.

HON. LAWAN: And you have no ownership relationship.

DUPORT MARINE: No.

HON. LAWAN: But you have very close business?

DUPORT MARINE: Working relationship.

HON. LAWAN: Here?

DUPORT MARINE: Correct Sir.

HON. LAWAN: Thank you very much, if there is any need to get across to you again, we will. If you have any information that can be useful to this exercise, we will be glad if you will forward them to us. Thank you so much.

DUPORT MARINE: Thank you Sir.

HON. LAWAN: I apologize for keeping you waiting because this exercise is important and that is why we needed to at least give you this fair hearing. Thank you so much.

DUPORT MARINE: Thank you very much.

HON. LAWAN: Can we have Lumen Skies Limited.

PRESENTATION BY THE MD, LUMEN SKIES LIMITED

HON. LAWAN: What is your position in the company?

MD (CEO) - LUMEN SKIES LIMITED: I am the Managing Director/Chief Executive Officer.

HON. LAWAN: What is the ownership of the company like? Is it your own or do you have controlling shares?

MD (CEO) - LUMEN SKIES LIMITED: I have controlling shares

HON. LAWAN: When was it incorporated?

MD (CEO) - LUMEN SKIES LIMITED: It was incorporated in 2006. I worked for Oando for 5 years, I marketed their petroleum products, such as PMS, AGO, DPK, Lubricant, insecticide, after that I partnered with another indigenous company, we also supplied petroleum products to industries in Nigeria and then formed Lumen Skies limited in 2006. Our main focus is to supply petroleum products in bulk to all majors and some independent marketers. Our mode of operation has been buying in bulk from importers and selling to major and independent marketers. With much success in this sector, we applied for a license from PPPRA to import PMS for supplies to our customers. In quarter 4 of 2010 we were given a permit to supply 15,000 metric tons of PMS

HON. LAWAN: Did you apply for 15,000 metric tons?

MD (CEO) - LUMEN SKIES LIMITED: We applied for 60,000 metric tons

HON. LAWAN: Prior to this application, you have been in business since 2006, what were you doing?

MD (CEO) - LUMEN SKIES LIMITED: I was supplying petroleum products both in truck and in bulk. I was buying from importers and supplying to majors and independent marketers.

HON. LAWAN: I do not get that, you buy from importers and supply to major marketers? You mean the majors cannot buy directly from the importers, they needed you to be the middle woman to do that?

MD (CEO) - LUMEN SKIES LIMITED: Sometimes, it happens like that.

HON. LAWAN: You were in that business for two years before you eventually joined in this scheme?

MD (CEO) - LUMEN SKIES LIMITED: Lumen skies was incorporated in 2006, since we have been in the business till 2010 when we got our first PPPRA allocation.

HON. LAWAN: You applied for 60,000 and collected 15,000; did you deliver the 15,000?

MD (CEO) - LUMEN SKIES LIMITED: Yes, I delivered 9.5 metric tons

HON. LAWAN: You could not meet 15,000, where did you buy it from? Offshore Lome or Offshore Cotonou

MD (CEO) - LUMEN SKIES LIMITED: We import internationally, and they bring the mother vessels to Cotonou.

HON. LAWAN: You bought it from where?

MD (CEO) - LUMEN SKIES LIMITED: Lupot International and they bring their mother vessels to Cotonou where we lighter it

HON. LAWAN: So you take your products from offshore Cotonou, and do you dispose of it?

MD (CEO) - LUMEN SKIES LIMITED: I sold to independent marketers in bulk.

HON. LAWAN: Who is your biggest client among the independent marketers?

MD (CEO) - LUMEN SKIES LIMITED: My biggest independent marketer right now is ASCON

HON. LAWAN: So that was 2010, how much did you collect as subsidy in 2010?

MD (CEO) - LUMEN SKIES LIMITED: That subsidy was N774 million. In 2011 I got another allocation in quarter 2 for 10,000 metric tons .

HON. LAWAN: Did you perform 10,000?

MD (CEO) - LUMEN SKIES LIMITED: Yes, I performed to the tune of 8.9 thousand metric tons

HON. LAWAN: What about quarter 3 and quarter 4?

MD (CEO) - LUMEN SKIES LIMITED: No, that was all the import I made.

HON. LAWAN: How much did you collect subsidy for the last 8.9 thousand metric tons?

MD (CEO) - LUMEN SKIES LIMITED: The subsidy we got was N9.61million.

HON. LAWAN: Do you have any outstanding payment?

MD (CEO) - LUMEN SKIES LIMITED: No outstanding payment, we have been fully paid.

HON. LAWAN: You do not have storage for kerosene, no retail outlets, no jetties, no refineries?

MD (CEO) - LUMEN SKIES LIMITED: Like other of my colleagues we are in process of acquiring a land for tank farm, it has been concluded in Delta State, we will also be going to marine for vessels.

HON. LAWAN: Thank you very much. We will call on you when we need you. I will now invite the MD of Eterna Plc to make a presentation.

MD ETERNA PLC: Mr. Chairman, we have submitted our documents as requested by the Committee and I will basically go through them quickly. Eterna was incorporated in 1987 as a private limited liability company and it is associated to Nigerian Stock Exchange in 1998, as the first indigenous company, so quoted in energy centre. The company went into a partnership with Castrol, a lubricant company in UK. We built a first class lubricant company in Sagamu in Ogun State. Today the company is the sole license for Castrol product in Nigeria. We operate in both marine sector, aviation sector and in specialities sectors. We have first class quality management system, and we acquired 30million litres storage facilities in 2008 in Lagos and we also acquired 2.8millionlitres aviation depot in Abuja.

HON. LAWAN: What is the capacity of the depot?

MD ETERNA PLC: The storage depot in Lagos is 30million litres and the aviation depot is 2.8million litres. We import and distribute petroleum products, such as PMS, AGO, diesel, etc.

HON. LAWAN: You do not import kerosene?

MD ETERNA PLC: No, we do not import kerosene. We distribute lubricants, we blend and distribute internal lubricants and of course we have retail outlets nationwide.

HON. LAWAN: When you say retail outlet, how many are fully owned?

MD ETERNA PLC: We have 15 petrol stations, 5 are fully owned, and 10 are on long term lease. We put in substantial investment.

HON. LAWAN: Do you brand them?

MD ETERNA PLC: Absolutely, they spread around. We have in Lagos, in Abuja, we have in Enugu, in Port Harcourt, in Kaduna, Yola, Ibadan.

HON. LAWAN: Can you take us through imports you have made, and your participation in the PSF. When did you start and what was the volume?

MD ETERNA PLC: We were allocated 30,000 metric tons.

HON. LAWAN: Do you apply for 30,000 metric tons?

MD ETERNA PLC: Yes and we got the 30,000- metric tons.

HON. LAWAN: Did you deliver the 30,000?

MD ETERNA PLC: We delivered 23,000 metric tons

HON. LAWAN: There was a short fall of about 7,000 tons?

MD ETERNA PLC: About the 84 per cent of the volume.

HON. LAWAN: How much did you collect as payment for that period?

MD ETERNA PLC: The subsidy for that particular import was N765million.

HON. LAWAN: In 2010, we brought in two different cargoes, this is the first one, let me have the second one for 2010.

MD ETERNA PLC: The second one for 2010, I will give you the combined volume in terms of numbers, the subsidy was N765million and N578million.

HON. LAWAN: That was a total of N1.34million, now in 2011 did you participate in all the quarter of 2011?

MD ETERNA PLC: In 2011, we participated in all the quarters.

HON. LAWAN: What was the total import in tonnage in 2011?

MD ETERNA PLC: It was about 160million litres.

HON. LAWAN: What was the total subsidy?

MD ETERNA PLC: Subsidy paid in 2011 was N3.3billion and we have outstanding of N1.2billion not paid. The balance of which is 32million litres which is through delivery, the process is on.

HON. LAWAN: I am more interested in what you believe is your total outstanding because we want to have an idea of how much you have not been paid , whether it has not be

computed.

MD ETERNA PLC: It was N3.7 billion.

HON. LAWAN: You were paid N3.3billion and you still have an outstanding of 3.7billion for 2011 for one hundred and sixth billion litres?

MD ETERNA PLC: That is correct.

HON. LAWAN: How do you bring in shipment, do you have some kind of relationships with some companies or do you buy directly from offshore Cotonou, or offshore Lome, what arrangement do you have to bring in this product?

MD ETERNA PLC: We buy from offshore Cotonou.

HON. LAWAN: You do not buy directly from Europe, do you have vessels?

MD ETERNA PLC: No we just chartered vessels from the market.

HON. LAWAN: Your storage facilities can take 22million litres a day. How do you get to market because your retail outlet is a bit filled? Do you send in independent or the major marketers? How do you get to people like us who drive into the filling stations and buy fuel?

MD ETERNA PLC: We have a very robust distribution network. Branded trucks take products to our stations.

HON. LAWAN: Do you have trucks?

MD ETERNA PLC: No, we use trucks provided by service providers, we only have 15 stations and our stations are strategically located, our stations sells very high volumes.

HON. LAWAN: I do not think there is any station that can sell more than 5million litres.

MD ETERNA PLC: In a month, the maximum our station can sell is about 2million or 3million litres.

HON. LAWAN: Some Stations sell more than 5million a day, hardly; very few stations can dispose of 500,000, not many especially that in Yola.

MD ETERNA PLC: We distribute our petroleum products throughout our stations. We have association like HIPMUS, then independent marketers as well.

HON. LAWAN: So you are not part of IPMAN?

MD ETERNA PLC: No, we are not.

HON. LAWAN, Do you have allocation for kerosene? Do you have a storage facility where we expect that maybe you can store kerosene? I know you do not retail, but you deal with retailers.

MD ETERNA PLC: We were allocated kerosene by PPMC.

HON. LAWAN: How much a litre?

MD ETERNA PLC: It was allocated to us at N41 and we sell it at N50

HON. LAWAN: If you buy it at N41 and dispose of it at N50, how come it gets to retail outlet at N100?

MD ETERNA PLC: We do not sell kerosene at retail outlets at N100.

HON. LAWAN: But you sell at your stations?

MD ETERNA PLC: Yes we do.

HON. ALI AHMED: I can see that you were incorporated in 2008 and in 2011 you changed Directors and you have one Farouk Lawal

MD ETERNA PLC: The company was incorporated in 1998 and not in 2008, and the name is Mrs. Folake Lawal.

HON. ALI AHMED: But my record is 2008 not 1998 that is certificate of incorporation. In items 6 and 7 you imported 15.9 million litres and 17.3million litres, totaling 33.2 million litres and if you look at the last column, your claim was 3.3million. If you find the average per litre of your subsidy claim is N99.6 per litre, I guess average per litre is 77 what is due to you. Instead of N77 per litre, your own is N99.9 litre.

MD ETERNA PLC: To answer you first question, the company was not incorporated in 1998, there was a change of name, it has a change of name in 2008. In terms of subsidy computation, that is always a combination of volume price, specifically why there is a difference, I corrected immediately, but the subsidy was computed using normal light template.

HON ALI AHMED: Please we would like you to come back to us immediately otherwise we will take this as an over payment; then you have to refund, just let us have the reason why it is so.

HON. ABBAS TAJUDEEN: Based on your report, first quarter 2011 and third quarter 2011, your claims are still outstanding, what could have been the reason?

MD ETERNA PLC: The first quarter 2011 was a referred transaction which was delivered in 3rd quarter 2011, and several SDS that have not been paid back to PPPRA, this is

not common to our company, it is across the board.

HON. ABBAS TAJUDEEN: You collected the claims for the 2nd quarter whereas the 1st quarter has not been paid

MD ETERNA PLC: Yes sir, as I clarified, the first quarter 2011 was referred and delivered in the 3rd quarter of 2011 that is why it has not been paid.

HON ABBAS TAJUDEEN: That means in terms of interest, if I assume that you collected an overdraft to finance this, you will now have to wait for 360 days to claim your subsidy for the first quarter of last year.

MD ETERNA PLC: No sir, the financing only occurs when you open the oxgey to deliver the cargo; so the cargo was delivered in Q3 because of financing in Q3, we did not have interesting exposure running from Q1, Q2 and Q3, so the interest exposure starts from Q3 to date.

HON. LAWAN: Thank you very much, if there is any further information that will help us in the work of this committee, you are always free to submit to us.

MD ETERNA PLC: Thank you hon. Chairman.

HON. LAWAN: I invite the MD/CEO of ABSAF Petroleum & Co. Ltd to make a presentation.

(Thereupon, the MD/CEO, ABSAF Petroleum & Co. Ltd. Affirmed)

HON. LAWAN: Can you please go on with your presentation.

Alh. M.B. Abdullahi (MD/CEO ABSAF Petroleum & Co. Ltd): Distinguished Chairman, Hon. Members of the Ad-hoc Committee on Petroleum Subsidy, it is my pleasure to be here this evening. Our company was incorporated in July 1993. We have operational offices in Port-Harcourt and Lagos and the Head Office is in Port-Harcourt. We have share capital of N5m as at 1995.

HON. LAWAN: N5m you said in 1995?

Alh. M.B. Abdullahi (MD/CEO ABSAF Petroleum & Co. Ltd): Yes.

HON. LAWAN: What is your present share capital?

Alh. M.B. Abdullahi (MD/CEO ABSAF Petroleum & Co. Ltd): It still stands as it is.

HON. LAWAN: You said share capital of N5m?

Alh. M.B. Abdullahi (MD/CEO ABSAF Petroleum & Co. Ltd): Yes.

HON. LAWAN: Is it N5m or N500,000?

Alh. M.B. Abdullahi (MD/CEO ABSAF Petroleum & Co. Ltd): No, N5m.

HON. LAWAN: Can you proceed?

Alh. M.B. Abdullahi (MD/CEO ABSAF Petroleum & Co. Ltd): Thank you. Our company has been an active player in the maritime sector and we acquire business in shipping oil and gas industry.

HON. LAWAN: When did you start activity in the oil sector?

Alh. M.B. Abdullahi (MD/CEO ABSAF Petroleum & Co. Ltd): 1995.

HON. LAWAN: That was when you were incorporated right?

Alh. M.B. Abdullahi (MD/CEO ABSAF Petroleum & Co. Ltd): We were incorporated in 1993.

HON. LAWAN: 1993! For two years you had no business with the oil sector?

Alh. M.B. Abdullahi (MD/CEO ABSAF Petroleum & Co. Ltd): Yes.

HON. LAWAN: So what business were you doing before 1995, when did you begun to participate in the PSF Scheme?

Alh. M.B. Abdullahi (MD/CEO ABSAF Petroleum & Co. Ltd): In 2008.

HON. LAWAN: 2008! Between 1995 and 2008 what business were you doing in the oil sector?

Alh. M.B. Abdullahi (MD/CEO ABSAF Petroleum & Co. Ltd): We were mainly into oil supply and lifting from the refineries.

HON. LAWAN: Oil supplies, what does that means?

Alh. M.B. Abdullahi (MD/CEO ABSAF Petroleum & Co. Ltd): That is PFO and HGO precisely. We were supplying fuel companies, lifting from refineries and people buying in bulk and we were also tanker handlers i.e. The Maritime Company that lift refined products, that was exactly what we were doing; then we were doing much of Customs enquiries and Forwarding Services and we were also doing much of Customs clearing and forwarding service for Oil and Gas Industry.

HON. LAWAN: You were virtually doing almost everything.

Alh. M.B. Abdullahi (MD/CEO ABSAF Petroleum & Co. Ltd): Well, because that is

where our activities lie. We found our activities quite interesting.

HON. LAWAN: You started participating in PSF 2010 right?

Alh. M.B. Abdullahi (MD/CEO ABSAF Petroleum & Co. Ltd): In what, in PSF? No, we started in 2008; and we were registered on the 25th October 2008 but formally signed an agreement on November 2008 and we got the first allocation after submitting all the necessary documents that were required including the DPR permit. The first allocation we got was 30,000 metric tonnes of HHK and that is for the 4th Quarter.

HON. LAWAN: That is right, of kerosene in 2008?

Alh. M.B. Abdullahi (MD/CEO ABSAF Petroleum & Co. Ltd): Yes and we got also another allocation 2nd Quarter 10,000 metric tonnes of PMS that is April 2009. We got another allocation for 30,000 metric tonnes 3rd Quarter for PMS of June 2009.

HON. LAWAN: Alright what about 2010?

Alh. M.B. Abdullahi (MD/CEO ABSAF Petroleum & Co. Ltd): We applied but we were not given.

HON. LAWAN: For that year?

Alh. M.B. Abdullahi (MD/CEO ABSAF Petroleum & Co. Ltd): Yes.

HON. LAWAN: What about 2011?

Alh. M.B. Abdullahi (MD/CEO ABSAF Petroleum & Co. Ltd): None at all.

HON. LAWAN: What happened; there must be a reason if you participated in 2008, 2009 and suddenly they decided to shut the door on you, what happened?

Alh. M.B. Abdullahi (MD/CEO ABSAF Petroleum & Co. Ltd): The reason was (interruption)

HON. LAWAN: There must be the reason if you are to be given 2008 and 2009 and then suddenly they decided to shut the door on you, what happened?

Alh. M.B. Abdullahi (MD/CEO ABSAF Petroleum & Co. Ltd): Yes, really the first allocation given to us was HHK. We were frustrated by the bank's procedures because that time we approached Union Bank to give us facility and they wasted our time (interruptions)

HON. LAWAN: So you could not perform?

Alh. M.B. Abdullahi (MD/CEO ABSAF Petroleum & Co. Ltd): Yes, we could not because that was then, so as at January we had to approach another bank and as at that time

the subsidy on kerosene had been withdrawn so we could not make it.

HON. LAWAN: So the 30,000 allocation you got in 2008 you did not perform at all. In 2010 the 10,000 you got on PMS did you perform on that?

Alh. M.B. Abdullahi (MD/CEO ABSAF Petroleum & Co. Ltd): Not at all. Well, we could not both in the 10,000 and 30,000. Again we went back to another bank, the same process we have perfected all arrangements we got our uptakes because our business was to do bulk delivery.

HON. LAWAN: No, simply 2008 you got 30,000 allocation of kerosene and you did not perform; 2009 Quarter 2 you got 10,000 tonnes of PMS you did not perform?

Alh. M.B. Abdullahi (MD/CEO ABSAF Petroleum & Co. Ltd): Exactly.

HON. LAWAN: 2009 Quarter three you got 30,000 of PMS did you perform on that one?

Alh. M.B. Abdullahi (MD/CEO ABSAF Petroleum & Co. Ltd): No, we could not perform. The reason why was that, the same bank (interruption)

HON. LAWAN: Which means you were never paid anything at all?

Alh. M.B. Abdullahi (MD/CEO ABSAF Petroleum & Co. Ltd): No, not at all. I just went I saw but I could not conquer. (Laughter)

HON. LAWAN: Was it that you went and saw you could not conquer or you went and saw and you were conquered?

Alh. M.B. Abdullahi (MD/CEO ABSAF Petroleum & Co. Ltd): Well maybe either of the two but I could not conquer.

HON. LAWAN: So, are you interested in applying again?

Alh. M.B. Abdullahi (MD/CEO ABSAF Petroleum & Co. Ltd): Well, I am interested. When we applied 2010 and were not given; well we felt that maybe they did not want us to (interruptions) if we were given opportunity we are so prepared.

HON. LAWAN: No, the thing is you did not get the opportunity but you got opportunities, three opportunities.

Alh. M.B. Abdullahi (MD/CEO ABSAF Petroleum & Co. Ltd): In 2009 I want to tell you something, at the time we wanted to deal actually with banks to open their LC. The bank reforms when Sanusi came on board; several banks that he felt actually did a lot of fraudulent things about the oil, so everybody became apprehensive and nobody wanted to touch anything oil until they saw how the reform went before they could resume, so therefore

we were frustrated with that development, that was it. Well we just said let us lie low and watch and see how it will go.

HON. LAWAN: Are you still lying low?

Alh. M.B. Abdullahi (MD/CEO ABSAF Petroleum & Co. Ltd): Well I am still up, if I am given the opportunity I do not mind.

HON. LAWAN: Do you have any other investment outside the trading that you wanted to do with regards to oil sector, do you have other investments, are you into retailing, are you in storage or it's just the importation that you were interested in and you got opportunities but unfortunately things happened and then you could not conquer? Alright, thank you very much I do not think any of my colleagues have any questions for you, thank you so much.

Alh. M.B. Abdullahi (MD/CEO ABSAF Petroleum & Co. Ltd): Thank you very much Mr. Chairman.

HON. LAWAN: I invite the MD of Downstream Energy Source Ltd to make a presentation. Let me welcome you to this hearing and also apologize for keeping you waiting since morning. God willing the information you would provide would hopefully add value to the way you do business to the downstream sector oil industry. Please proceed and make your presentation.

Abdul Musa Gombe (Managing Director): Thank you very much sir. We want to first of all thank this committee for giving us the chance to make this presentation. Downstream Energy Source Ltd. was incorporated in the Year 2008. We are primarily a trading company involved in the importation and distribution of PMS. Our staff strength as at today is 11. Prior to our engagement we engaged in bulk products trading of PMS and HGO. We joined the PSF in the last quarter of Year 2010 and we got an allocation 15,000 metric tonnes. Subsequently in 2011 we delivered three cargoes, the total amount we received as subsidy is N789,648,359 and that is for the 2010 4th Quarter Allocation.

HON. LAWAN: So you have already received that?

Abdul Musa Gombe (Managing Director): Yes sir.

HON. LAWAN: For the Quarter Four 2010?

Abdul Musa Gombe (Managing Director): Yes.

HON. LAWAN: N789,648,359?

Abdul Musa Gombe (Managing Director): Yes sir.

HON. LAWAN: And you said you have made deliveries in 2011 totaling the delivery of 61m litres?

Abdul Musa Gombe (Managing Director): Yes sir.

HON. LAWAN: And that is for how many quarters, Quarter 1, 2, 3 4?

Abdul Musa Gombe (Managing Director): No it is for 2nd and 4th Quarters.

HON. LAWAN: For two quarters and you are yet to be paid?

Abdul Musa Gombe (Managing Director): Yes sir.

HON. LAWAN: What date was your final discharge?

Abdul Musa Gombe (Managing Director): 31st December.

HON. LAWAN: That was for the 3rd Quarter, for the 2nd Quarter when was the discharge?

Abdul Musa Gombe (Managing Director): 2nd Quarter was September sir.

HON. LAWAN: September, because the understanding we were given here was that within 45days deliveries were paid. We were told here that it usually should not take more than 45 days for payment to be made.

Abdul Musa Gombe (Managing Director): The delays probably would come from early submissions of (interruption)

HON. LAWAN: So the problem is probably from you, you did not submit your papers early for you to claim subsidy?

Abdul Musa Gombe (Managing Director): Yes sir.

HON. LAWAN: How much are we talking about, what do you expect of the amount that is outstanding for this Quarter one 404,860 litres?

Abdul Musa Gombe (Managing Director): About N3.9bn.

HON. LAWAN: Alright, so that is what is outstanding. First of all, how do you bring in these products, do you import directly from (interruptions)

Abdul Musa Gombe (Managing Director): Off-shore Cotonou sir.

HON. LAWAN: You buy from off-shore Cotonou and then you use short vessels to deliver, whom do you deliver them to, and do you have storage facilities?

Abdul Musa Gombe (Managing Director): No, to depot owners' sir.

HON. LAWAN: Like repute arrangement, can we have documents?

Abdul Musa Gombe (Managing Director): Yes we are going to submit them to you, we have the entire details sir.

HON. LAWAN: Alright, so you do not have storage of your own but you have repute arrangement. Do you have retail outlets or you do not?

Abdul Musa Gombe (Managing Director): No sir.

HON. LAWAN: So you do not, you are essentially a trading company you are not into retail, you are not into storage, you are not into refining, and you are not into crude oil or you would like to be? I am sure you would not mind dipping your hands into the crude oil as well? May be you did not have any plan for investment in the future?

Abdul Musa Gombe (Managing Director): Essentially now we want to remain as a trader but we do have plans but for now that is where we are.

HON. LAWAN: Do you have experts, what is the strength of your company?

Abdul Musa Gombe (Managing Director): About 11 sir.

HON. LAWAN: Thank you so much, I am sorry for keeping you waiting there are documents we have requested for; letters of credit, certificate of discharge, the arrangement you entered into, storage facility owners. So please let us have the details, thank you very much.

Abdul Musa Gombe (Managing Director): Thank you very much.

HON. LAWAN: Yes, you can proceed with your presentation.

A.B. Timitimi (MD/CEO): Thank you very much, the Chairman and other members of this hon. Committee, Channels Oil and Petroleum Ltd. was incorporated in June 1995 with Corporate Affairs Commission but started active business in 2002. We have our operation office in Lagos. We are very active in downstream (interruptions)

HON. LAWAN: MD since you already have your presentation perhaps you do not need to actually read it but if you have some comments you want to make very quickly we can ask some questions and then we can allow you to go.

A.B. Timitimi (MD/CEO): I started operating in the PSF Scheme in 2011.

HON. LAWAN: Yes, I can see the company was incorporated in 1995.

A.B. Timitimi (MD/CEO): I got 15,000 metric allocations in the 1st Quarter of 2011; I got 15,000 metric tonnes in 2nd Quarter 2011.

HON. LAWAN: What of the quantity in 2011, your first allocation was in 2011?

A.B. Timitimi (MD/CEO): 15,000 metric tonnes.

HON. LAWAN: Did you deliver the 15,000?

A.B. Timitimi (MD/CEO): I delivered the total of 12,707.

HON. LAWAN: Did you collect subsidy on 15,000 or 12, 707?

A.B. Timitimi (MD/CEO): We collected subsidy on 12,707.

HON. LAWAN: The subsidy on the quantity delivered how much would that be?

A.B. Timitimi (MD/CEO): We collected the subsidy in two slots. The first import was 7,500 and I got the subsidy payment of N622,518,000 and the second one I got a subsidy payment of N685,527,000.

HON. LAWAN: So a total of 1.37 right? So that is 2011.

A.B. Timitimi (MD/CEO): 2011 first quarter

HON. LAWAN: And second quarter?

A.B. Timitimi (MD/CEO): For the 2nd Quarter I got a total allocation of 15,000 metric tonnes.

HON. LAWAN: 15,000! Did you perform 15,000?

A.B. Timitimi (MD/CEO): Yes I did but I have not received payment but I have an advance.

HON. LAWAN: Third quarter?

A.B. Timitimi (MD/CEO): Third quarter I got an allocation of 15,000 metric tonnes

HON. LAWAN: 15,000 and you have?

A.B. Timitimi (MD/CEO): I delivered 14,443 metric tonnes.

HON. LAWAN: And you have not received payment.

A.B. Timitimi (MD/CEO): I have not received payment.

HON. LAWAN: Quarter four?

A.B. Timitimi (MD/CEO): No, I was not given.

HON. LAWAN: For these two quarters, Q2 and Q3 because you did not do in Q1, the first

quarter of 2011.

A.B. Timitimi (MD/CEO): I got a 15,000 allocation.

HON. LAWAN: Yes, 2nd Quarter?

A.B. Timitimi (MD/CEO): 2nd Quarter 15,000.

HON. LAWAN: And 3rd Quarter?

A.B. Timitimi (MD/CEO): 15,000.

HON. LAWAN: Alright, the 1st quarter was the one you were paid 1.37 but for these two quarters you are yet to be paid.

A.B. Timitimi (MD/CEO): I have not been paid.

HON. LAWAN: How much are you expecting?

A.B. Timitimi (MD/CEO): For Q2 I have an advice SDS of 1,533,440.

HON. LAWAN: Alright, 1.533, then for the last delivery?

A.B. Timitimi (MD/CEO): Estimated to be about the same figure.

HON. LAWAN: Alright about the same 1.533 so what is outstanding is about 3.1 actually 3.06 or 3.07. Do you have any downstream investments?

A.B. Timitimi (MD/CEO): For now no but I have already begun plans to build a filling station. I have designs already for the storage facility; this would be located in Port-Harcourt. It is a 60,000 metric tonnes by storage facility. I also have an offer from a UK Bank to purchase a vessel and I also have proposal interim indicative terms from a UK Bank to build this, roll out 20 Filling Stations (interruptions)

HON. LAWAN: 20?

A.B. Timitimi (MD/CEO): 20 Filling Stations and also buy a fleet of 50 trucks in addition to the ten I presently owned.

HON. LAWAN: So when you do this import since you do not have storage facility how do you distribute it, how does it get out to the retail outlets since you have no storage facility of your own. Imports you have made, were you using tripple arrangement?

A.B. Timitimi (MD/CEO): Yes sir, each import I entered into a tripple arrangement with a particular depot owner and I have independent marketers who pay well in advance for all the products so (interruption)

HON. LAWAN: Independent Marketers or Major Marketers?

A.B. Timitimi (MD/CEO): Independent Marketers.

HON. LAWAN: So you have dealt with Independent Marketers?

A.B. Timitimi (MD/CEO): For PMS, when I was importing HGO I have dealings with (interruption)

HON. LAWAN: No, no we are talking of PMS. When you are importing diesel I suppose there was no subsidy payment on diesel so we are talking of the one that you have received subsidy payments on. Who are your major independent marketing clients?

A.B. Timitimi(MD/CEO): I have so many customers from the East who paid in bulk and trucked out to their various filling stations, they own filling stations.

HON. LAWAN: Thank you so much I do not think any of my colleagues have anything to add. I know you must be aware of the documents we have been asking for, let us have those documents; certificate of discharge, bill of lading, letters of credit, the agreement you entered into and facility owners, please let us have all those details?

A.B. Timitimi(MD/CEO): I will, in fact I have submitted most of the documents I will forward the ones I have not submitted.

HON. LAWAN: Forward the ones you have not submitted, thank you so much.

A.B. Timitimi (MD/CEO): Thank you sir.

HON. LAWAN: Can I please invite the MD, Na'dabo Energy to make a presentation.

HON. LAWAN: When did you first apply to participate in the PFS scheme?

MD Nadabo: We first applied in 2010

HON. LAWAN: You said 2010?

MD Nadabo: Yes, Sir.

HON. LAWAN: When precisely in 2010?

MD Nadabo: In the beginning of the first quarter.

HON. LAWAN: And you got allocation when?

MD Nadabo: Third quarter Sir.

HON. LAWAN: What was the quantity?

MD Nadabo: 15,000 metric tons.

HON. LAWAN: And did you deliver the 15,000 metric tons?

MD Nadabo: No, we delivered 9,176 metric tons.

HON. LAWAN: 9,176 metric tons?

MD Nadabo: Yes, Sir.

HON. LAWAN: Did you collect subsidy on this? If you did how much was it?

MD Nadabo: I collected a subsidy of N488,458,000.00

HON. LAWAN: Then what happened in 2011?

MD Nadabo: In 2011 we were given allocation of 15,000 metric tons.

HON. LAWAN: That 15,000 metric tons was it in first, second or third quarter?

MD Nadabo: It was in first quarter.

HON. LAWAN: And how much did you deliver?

MD Nadabo: We delivered 12,515.67 metric tons.

HON. LAWAN: What of second, third and fourth quarter?

MD Nadabo: None Sir.

HON. LAWAN: So, that was all you did?

MD Nadabo: Yes, Sir.

HON. LAWAN: How much did you collect subsidy for your delivery in 2011?

MD Nadabo: We collected subsidy of N1,445,628,000.00 .That is for the 12.5 thousand that you delivered?

MD Nadabo: Yes, Sir.

HON. LAWAN: And since then, you have not been allocated?

MD Nadabo: We were allocated but we have a challenge with our bankers. Our bank was part of the banks that were affected in the merger as a result of recapitalization by the CBN.

HON. LAWAN: What bank was that?

MD Nadabo: Spring bank

HON. LAWAN: So, you got allocation but you could not perform?

MD Nadabo: Yes, Sir.

HON. LAWAN: You were allocated how many tons?

MD Nadabo: 15,000 tons Sir.

HON. LAWAN: Since that last allocation of quarter 1, you have not been able to perform?

MD Nadabo: No, what happened was that the banks got a new management.

HON. LAWAN: So, they were a bit cautious?

MD Nadabo: Yes, Sir.

HON. LAWAN: They did not want too much exposure?

MD Nadabo: No, they wanted to find out something.

HON. LAWAN: So, what happened, has your relationship improved and will you apply again for allocation?

MD Nadabo: We are still watching on it.

HON. LAWAN: You are still watching on it?

MD Nadabo: Yes, Sir.

HON. LAWAN: What other investments do you equally have downstream? You started business in what year?

MD Nadabo: We started business in 2002

HON. LAWAN: In 2002? So, it took you almost 8 years before you joined the scheme. So, what were you doing for 8 years?

MD Nadabo: We import AGO and we sold them to marketers.

HON. LAWAN: How do you distribute this importation of PMS?

MD Nadabo: We sold them to independent marketers.

HON. LAWAN: Do you have a storage facility?

MD Nadabo: No, we have a tripod arrangement.

HON. LAWAN: With who?

MD Nadabo: Majoje investment.

HON. LAWAN: So, you now sell to independent marketers?

MD Nadabo: Yes, Sir.

HON. LAWAN: I believe you are aware of the documents we requested?

MD Nadabo: Yes, Sir.

HON. LAWAN: Please, make sure that you avail us with them plus your tripod arrangement.

MD Nadabo: All right, Sir.

HON. LAWAN: I now invite the MD of Anosyke Group to make a presentation. Can you please proceed with your presentation?

(Thereupon, Mr. Oji Valetine, MD Anosyke Group affirmed)

MD, ANOSYKE GROUP: First of all, I want to apologize for not making it yesterday. It was beyond our control. Our date was yesterday but we could not make it because of some issues.

HON. LAWAN: Where is your Managing Director?

MD, ANOSYKE GROUP: The MD has some health issues. He wanted to be here and that is why we delayed yesterday and we have some documents that we want to give this committee so I had to come. We are fully into gas business.

HON. LAWAN: You were incorporated in 1995?

MD, ANOSYKE GROUP: Yes, Sir.

HON. LAWAN: 1995?

MD, ANOSYKE GROUP: That is correct Sir.

HON. LAWAN: So, your area of specialization is doing business in the downstream sector?

MD, ANOSYKE GROUP: That is correct Sir.

HON. LAWAN: What is your share capital?

MD, ANOSYKE GROUP: Our share capital is N100 million

HON. LAWAN: What is your staff strength?

MD, ANOSYKE GROUP: Our staff strength is 15

HON. LAWAN: Go ahead with your presentation.

MD, ANOSYKE GROUP: We are major players and the off shore supply is our major concern. Our clients include Shell, Total, Mobil etc. Our first allocation came in 2011.

HON. LAWAN: Which quarter?

MD, ANOSYKE GROUP: First quarter.

HON. LAWAN: And you got how much?

MD, ANOSYKE GROUP: 15,000 metric tons.

HON. LAWAN: How many did you bring?

MD, ANOSYKE GROUP: We brought 13,700 metric tons.

HON. LAWAN: Where did you buy it from?

MD, ANOSYKE GROUP: We bought it off shore Cotonou. First quarter was from Eukeria.

HON. LAWAN: Who did you deliver to?

MD, ANOSYKE GROUP: We delivered to the storage which we have tripod arrangement with.

HON. LAWAN: Where?

MD, ANOSYKE GROUP: AA Rano, Warri, Kaguwa.

HON. LAWAN: You have a tripod arrangement?

MD, ANOSYKE GROUP: That is correct.

HON. LAWAN: So, how do you distribute it?

MD, ANOSYKE GROUP: We have our major distributors which include Rahamaniya Oil control.

HON. LAWAN: Do you have the documents supporting everything you have said including your arrangement with your clients, those who actually distribute them? Now, you did quarter 1, were there allocations after that one?

MD, ANOSYKE GROUP: Yes, we had allocation for quarter 3.

HON. LAWAN: And you did not get in quarter 2?

MD, ANOSYKE GROUP: No, not in quarter 2.

HON. LAWAN: But you got in quarter 3?

MD, ANOSYKE GROUP: Yes, we got 15,000 in quarter 3.

HON. LAWAN: Did you deliver 100 per cent?

MD, ANOSYKE GROUP: We delivered 14,777 metric tons.

HON. LAWAN: How much were you paid subsidy quarters 1?

MD, ANOSYKE GROUP: Subsidy payment for quarters 1 was N1.5 billion.

HON. LAWAN: And for quarter 3 how much subsidy did you collect?

HON. LAWAN: For quarter 3, it is still hanging. We applied for some figure of N1.5 billion.

HON. LAWAN: But the quantity was different? This one was 13,000 while the other one was 14.7.

MD, ANOSYKE GROUP: We are still waiting for the advice that will determine it but what we are hoping for is between N1.5 billion to N1.8 billion.

HON. LAWAN: So, maybe 1.5 is your expectation?

MD, ANOSYKE GROUP: That is correct.

HON. LAWAN: Do you have any investment other than trading?

MD, ANOSYKE GROUP: We just started building our first filling station at Warri.

HON. LAWAN: That is all right.

MD, ANOSYKE GROUP : And we just bought a land for tank farm.

HON. LAWAN: You have already got the land?

MD, ANOSYKE GROUP: We have got the land, we have done clearance and have already gotten the approval.

HON. LAWAN: So, your shipment comes from off shore Cotonou and not Lome?

MD, ANOSYKE GROUP: That is correct.

HON. LAWAN: Thank you so much.

HON. LAWAN: Hon. Colleagues, apparently we have had another very useful day, we have listened to various submissions particularly from importers. We still have a long phase that we will go through as we promise we do not plan to draw the curtain until we give fair hearing to everybody. We are trying to extract as much information as possible so that the report that we will deliver to the House of Representatives will be comprehensive, would be thorough, fair and objective to everyone. Our desire is to ensure that whatever we do adds value to the way business is done especially with regard to the subsidy regime. We will continue to listen to those who have input, those who have information and those who have relevant submission that they desire to make to us. We will continue on Monday, there is a long list of people we have invited on Monday and we will be here so that we will attend to them. On Tuesday we will invite some of the regulatory agencies, NNPC, PPPRA, DPR, PPPMC, the Accountant-General of the Federation, Nigeria Custom Service, the Budget office as well as the CBN. So many issues have risen out of this submission and we need to clarify some of the areas that we need to sort out, we need to cross the t's and dot the i's before we conclude this exercise. There are also those we are going to invite on Wednesday with the intension that by Wednesday this hearing itself which is the first face of this investigation would end and then, we would proceed to do some site inspections before we retire and write our report. Once again, we express our gratitude to all those who have participated in this exercise, the companies that we have invited. I want to urge all those importers that we have requested to forward certificate of discharge, Bill of Lading as well as letters of credit to please do so. If at the end of this exercise we do not have those documents we would assume that the imports they have purported to have done were not done and our report would suggest that they need to refund the money they collected to the Nigerian government. So it is important and it is in their interest to make sure that this is done. Once again, I want to thank all those who have participated, I want to express the gratitude of this ad hoc committee, to our friends in the media who have so diligently followed these proceedings. Hon. Colleagues, I want to also express my gratitude to all of you for the cooperation, the support and for the patience, in the manner in which we are handling this exercise. Thank you very much and this meeting is hereby adjourned till Monday next week.

The Ad Hoc Committee adjourned at 6.35 p.m.

CHAPTER 9

Day Ten: February 7, 2012

Day Ten: 7th February, 2012

HON FAROUK LAWAN, COMMITTEE CHAIRMAN: Honourable Colleagues, let me on your behalf express our gratitude and a very warm welcome to the Deputy Governor of the Central Bank of Nigeria who is here in place of the Governor himself to respond to our invitation once again. About two weeks ago, the CBN was invited to come and provide some information to this Ad-Hoc Committee with the hope that the information could assist the work that we have been doing. Having taken a few other Agencies of government as well as getting information from quite a number of importers, we also felt that there was additional information that we needed from the CBN. This is why the CBN was once again invited. So let me welcome you to this meeting. Let me also welcome the other people who have equally responded to our invitation and who are here as well. We intend deliberately to make today a little bit light and that is why we did not invite too many people. Note will be taken on the rest of the importers that are yet to appear before us. Like we said, we will not end this exercise without hearing from all those who had the opportunity to participate in the petroleum support programme. The idea is to ensure that everybody is given opportunity to air his views. People have opportunities for fair hearing so that whatever the outcome of this exercise, we have taken into consideration the input of all those involved in this sector. Tomorrow is going to be a very busy day for us because more than 30 oil companies will appear throughout tomorrow. On Thursday, we will equally expect the key

people in various regulatory Agencies; NNPC will be here, PPMC will also will be here, PPPRA and the Office of the Accountant General of the Federation will be expected to be here on Thursday but we will give that opportunity to hopefully cross the “t”s and dot the “i”s in the course of this work. Tremendous amount of information is currently before us and we intend to round up this Public Hearing by Thursday this week so that we can now retire to consider the information available to us. But while doing that, we believe that at the end of this exercise we still need to invite some of the agencies so that where there are gaps with regards to information available, we will try to address those gaps and this is why we expect these agencies to be here on Thursday at 10 o’clock. They include the NNPC, PPPRA, PPMC. We will invite the DPR again, the Office of the Accountant General of the Federation, Petroleum Equalization Fund because we want to ensure that all issues relating to the management of our subsidy is satisfactorily addressed. So honourable Colleagues, once again, I want to welcome the Governor of the Central Bank of Nigeria, I have seen that the Nigerian Customs Service is also here so on your behalf, once again, I welcome all those who respond to our invitation. Let me once again say for the benefit of some of the people who are here and even those that are watching us that this whole exercise is designed by the House of Representatives to ensure that some of the key questions that have risen regarding the management of the fuel subsidy regime are properly addressed. When government was campaigning for the withdrawal of subsidy, a lot of issues came to the fore. That of apprehension, a lot of concerns, that of criticism, a lot of inputs regarding the management of fuel subsidy in this country. We believe as a House that it is important to look into these issues so that we can lay before the Nigerian public the facts as they are, and find out ways of ensuring that they are done in a more efficient, more effective, more prudent, and more transparent manner. This is why we set out in earnest to conduct Public Hearings with the hope that it will afford various stakeholders opportunities to share their views on the best ways that we could expeditiously get to that root, especially with regards to the subsidy issue. Over the last three weeks, of course a lot of information came to the attention of this Ad-Hoc Committee and a lot of matters of concern that we need to find way of addressing. I have said this and I will continue to say it that when we started this exercise, we have no intension to run down any one or witch-hunt anybody. We also have no intension to sweep under the carpet whatever information that may be available to us. We will try to bring out the fact as they are; and for the remaining days we hope that those that will be invited will appear before us and cooperate with this exercise because ultimately in our report, we would try to be just, fair, objective and as factual as possible. Once again on behalf of my Colleagues and by extension the House of Representatives, I wish to welcome all of you that responded to this invitation. I now invite the Governor of the Central Bank of Nigeria (CBN) to please take us through the issues that he has come up with.

MR TUNDE LEMO (REPRESENTATIVE OF THE GOVERNOR, CBN): Honourable Chairman, honourable Members of the Ad-Hoc Committee, first and foremost let me express the apology of the Governor of Central Bank of Nigeria to this honourable House for not showing up in person. As we speak, he is hosting the President at the Annual Micro-Finance Committee at the Sheraton Hotel, and he has asked me to come and represent him. I will also like to express our appreciation to you for the commitment you have shown to this country, quite judiciously, perhaps because of the ongoing probe, we have seen a moderation in demand for foreign exchange perhaps especially from the petroleum sector; and since January there has been very significant moderation which clearly shows that indeed, even by sitting alone a lot of order is being brought into our management of the petroleum products. At the last time that my colleague appeared, he explained in detail our role in this whole subject matter particularly as the banker to the government. I do not intend to go into that. Let me just say that you did make request for a lot of information which we have brought in details including the copies of the LC opened by the commercial banks. I have two big bags of Ghana must go which have been carefully packaged, and we will hand them over to the Clerk on your behalf. The other information which you have also asked of, I have them here; I do not know if at this point I can step out and formally present them to you, Sir. What is left for me is to happily sit down and find out if there are other questions or issues so that I can answer it. Thank you.

HON. LAWAN: Well, thank you very much the Governor of the Central Bank of Nigeria (CBN) for not only responding to our invitation but also providing the documented information that we requested. Let me just comment on one or two issues. It is another request that we are going to forward to you later. We have requested all those who participated in the PSF to provide their own details, their Letter of Credit, the Certificate of Discharged as well as the Bill of Landing. We have collected these information; we will send it over to the Central Bank of Nigeria (CBN) and through you we want you to get them to their various bankers. We will want their bankers to provide us with the relevant information with regards to the way they have transacted the bank statements especially in relation to this particular transaction. So we are collecting all the information. Like I said, we will send it over to you. Through you, their commercial banks should be able to provide us with their statements so that we can determine whether they actually utilized them when transaction took place with regards to the importation of the various products they claimed that they imported. We are doing this because like you know the volume of import on which subsidy was paid was clearly higher than the average level of consumption per day in this country. And so clearly we know there are gaps in between and so we want to be sure that these imports were actually made and if they were not, we will try to establish why and who is responsible. So we are going to send those documents to you for necessary action.

We should be able to give you that information. And we would appreciate if within the short possible time we could get the statement, you know they are bank statements of all the companies that participated in this exercise. Let me request my Colleagues to raise a few issues.

HON. JAMES FALEKE: Deputy Governor, I just want you to have a look at this document and confirm to us whether the way the document has been filled or cancelled is normal in banking rules and practice. It is a Form M, I want you to confirm to us.

TUNDE LEMO (REPRESENTATIVE OF THE GOVERNOR, CBN): Well I know the banking practice clearly shows that when you make an alteration you do not obliterate, in other words, you just simply do a line across and then you write on top where you write across and then, signed it. I think this is acceptable. I can see clearly what was ruled across, I see what was written on top and then the person who made the alteration had also endorsed. However, that is not to say that there could be no need for some other investigations to actually ensure that the alteration was made in good faith. But this is not unusual in banking provided of course you endorse when you make alteration and you do not obliterate as to the extent that what you alter, the background would be invisible.

HON. JAMES FALEKE: Can you look at the bank where this Form M was opened and kindly use your office to ask the bank to bring the original Form M to us.

TUNDE LEMO (REPRESENTATIVE OF THE GOVERNOR, CBN): I will do so.

HON. ALI AHMED: Given the fact that subsidy is a physical and non-monetary issue, you have a limited role to play. Given the limitation that the Central Bank of Nigeria (CBN) as an institution that came out very forcefully during the withdrawal or non-withdrawal debate, do you not think with the involvement of the NNPC direct deductions with more than normal growth rate from your record to \$2 billion in 2006 to \$6 billion in 2010 that it is the normal growth? With all these, do you not think you gave a lot of preference to NNPC in their direct deduction? Secondly, having the information you have now because you did a lot of comparison with West Africa. You know that even this week Ghana is reducing its pump price by 20%. With all these information that you as the Central Bank of Nigeria (CBN) have now, will it be sufficient to push for subsidy removal knowing that a lot of Nigerians earn less than \$2 per day?

TUNDE LEMO (REPRESENTATIVE OF THE GOVERNOR, CBN): This is a very interesting question. Without sounding immodest, I am yet to see any government institution that has talked more about the probability of irregularity in this whole matter more than the Governor of the Central Bank of Nigeria (CBN) himself. I recall that twice or so we even took the whole members of the Committee and the Governors to the NNPC for a

discussion on why the upsurge and the need again to check those numbers again and again. Do not forget Sir, we have a role defined in our heart and our duties are clearly defined. To the extent that we were not an extension of Federal Audit and so on and so forth. We can only act within the limit of our authority. Twice last year, we issued guidelines and reversed guidelines to the Association of Foreign Exchange. We also did commission special forensic audit on the banks and the foreign exchange demand. Having done all these to ensure that we nip this in the bud, apart from the advocacies of the Governor of the Central Bank of Nigeria (CBN) with different speeches at different fora. So I believe we have called sufficient attention. Do not forget Sir, that the administration of subsidy is really not under our ambit. We called attention to it, we did all we could within the organs of the Central Bank of Nigeria (CBN) to punish, degrade, and to ensure that we reverse guidelines such that every loophole is blocked. I think with all sense of modesty I believe we have done all that we could do. Thank God, like I said perhaps, some of the things we said even led to some of all these other activities that we are beginning to see. What we did in the light of all the facts that you have before us, I would rather say that we have been vindicated in the sense that when we began to talk about Daring Baton people thought we were just making a noise in a tea cup. People thought we are Ramble Ramson, people thought we were not concerned with our activity and that we were going outside our call of duty. For me, it is more indication than a regret kind of thinking, I believe we all have a duty, the need for me to find that you also said you wanted to know it with all these facts and the fact that Nigerians the bulk of them live on less than \$2 per day whether or not the subsidy is removed. I will still maintain our stand Sir. And that is clearly communicated in our communiqué last week when we concluded monetary policy. We did congratulate government for the partial removal because we believe that removal of subsidy will take away all these. The honourable Member talked about the possibility of the irregularity, yes, and some of it, maybe you will also discover that some of these products also came in but disappeared through our borders. For as long as there is significant price advantage, people will take advantage of their communities, it is all over Nigeria, I know communities all over Nigeria. Very close to border you find filling stations here and there, you inspect vehicles and a car is reconfigured to carry as many litres of petrol as possible all to escape through the border. So all of these we have put together. I rest my case here, Sir.

HON. LAWAN: The last time CBN was here we were meant to understand that the amount paid as subsidy from the record of the Central Bank of Nigeria (CBN) at that time was about N1.73 trillion. From our interaction with various importers, we were aware that several of them still have outstanding payments. From that information that came in to date, it increased or still N1.73 trillion, have we any increase in terms of the withdrawal of the subsidy payment?

TUNDE LEMO (REPRESENTATIVE OF THE GOVERNOR, CBN): Thank you Mr. Chairman. Just last week we discussed among ourselves for an update. I do not yet have the number but I can assure you that there would be increase because of the way sovereign debt note is paid. It is always paid when it is due. Sovereign debt note is issued, it is an acknowledgment of government debt and it is future dated, so to the extent that not all of them have travelled back to us. There would still be many more that would come.

HON. LAWAN: But I thought there was something that I heard here indicating from the 3rd of...

TUNDE LEMO (REPRESENTATIVE OF THE GOVERNOR, CBN): Yes, 3rd of February. But today is 7th of February. Even as we speak, that figure may have changed.

HON. LAWAN: All right, what figure is the latest that is available to you?

TUNDE LEMO (REPRESENTATIVE OF THE GOVERNOR, CBN): The latest available figure is additional N22.8 billion being sovereign debt note from about 18 marketers. With maturity date of 5th December, 2011 to 17th of January, 2012. Can I step out, my Lord?

HON. LAWAN: Not yet, you will do that later. So right now, even from the record of the Central Bank of Nigeria (CBN) the figure has increased a little bit and there is possibility that it will continue to go up because as we speak, several of our these importers still have outstanding payment. We are not even sure if NNPC itself has deducted for itself the entire amount of money for 2011 as we believe that even NNPC perhaps is yet to completely deduct. Now, the last time the Central Bank of Nigeria (CBN) was here we asked this question about the relationship between subsidy payment and the issue of foreign exchange manipulation. You know there are manipulations in the foreign exchange and we also know that there are manipulations with regards to the subsidy payment. Now, a couple of months back, sometimes last year, some banks had crisis. What role did some of these marketers in the petroleum sector play in the crisis that bedevilled those banks?

TUNDE LEMO (REPRESENTATIVE OF THE GOVERNOR, CBN): Some of them actually speculated the product in the sense that they were in the habit of importing large quantities with the hope that oil price will continue to go up. Between the time they conducted the importation and the time they sold, they probably will make the stock holding gain. Unfortunately, it happened that oil price plummeted from the maximum of \$147 per barrel to less than \$40; so what they thought they would earn shrank by more than 60%, 70%. And that led to uncovered exposure that many of them simply walked away because the product proceeds could not pay for half of what was brought. That actually contributed to the problem that some of those banks had.

HON. LAWAN: Can you actually confirm that the exposure of these banks to the importers play a role in the crisis?

TUNDE LEMO (REPRESENTATIVE OF THE GOVERNOR, CBN): The exposure of the banks?

HON. LAWAN: Yes, that it contributed to the crisis.

TUNDE LEMO (REPRESENTATIVE OF THE GOVERNOR, CBN): I can confirm that they contributed to the crisis but there are other major contributors. Stock Market actually was the biggest, Stock Market was the biggest but second to Stock Market also is this other one in my view but I am yet to check the number. I believe it is also a major aspect after Stock Market.

HON. JAMES FALEKE: My question is on the issue of Customs. I am aware that the petroleum products are duty free. But can you confirm to me why the Central Bank of Nigeria (CBN) will give guidelines for some duty free products for Customs to inspect. But for petroleum, Customs is not inspecting in terms of quantity.

DEPUTY GOVERNOR (CBN): We do not direct customs. Whenever we issue guidelines, it is to ensure as part of our rules as managers of foreign exchange. Whatever guidelines we have we issue, either to police foreign exchange and to ensure that is not abused or to ensure accountability. Whether or not customs inspect, will certainly not be a directive of Central Bank of Nigeria in my view. The Director of Trade and Exchange is here, he will give better explanation on that.

HON. JAMES FALEKE: I have a circular of the CBN that talks on the documentation requirement for the importation of petroleum products. It states: on submission of final document within 30 days of arrival of cargo. If Customs do not have a single regulation of fault at the point of arrival, I do not know how you can express it in terms of quality.

DIRECTOR OF TRADE AND EXCHANGE (CBN): First is the question as to why CBN issued a circular, allowing customs to take duty on other items but not for petroleum products. Duty issues are fiscal, government could decide that on these items you do not pay duty and therefore our circular as my governor has said is taken into account the issue of foreign exchange and utilization. The circular you referred to, a circular fell out of its routine which culminated in the same reason approving the circular to be issued which I have to come in here; including Mr. President's approval. So certain things must be in liaison with government agency and customs is part of the system. Government has decided that these are the requirements as approved by the same Mr. President. We have no option than to implement Presidential directives which have to commence here.

HON. JAMES FALEKE: I am sorry maybe you did not get my question. My question is this; some products other than petroleum products have two waivers like more or less free duty, but customs is not allowed in terms of quantity to comply with the importation requirement. When it comes to petroleum products, because Customs told us here that they have no dealings at all that they have no inspection and so they have no documents, that is what I am trying to say.

DEPUTY GOVERNOR (CBN): We would not have the CBN telling them not to inspect because we do not have the authority to tell customs not to inspect a particular product.

HON. ABBAS TAJUDEEN: Sir, I just wanted to find out if it is part of CBN responsibility to ensure the safety of customers' deposit. Is it part of your overall duties? If it so, please can you tell me whether you do not find this unusual for some of these importers bubbling account incorporating companies with one million, two million share capitals and still accessing millions of naira from our banks. Do you find this usual or unusual?

DEPUTY GOVERNOR (CBN): Well, I will say this sir; let me separate our roles as regulator from our role looking after foreign exchange. As a regulator you are actually addressing whether or not banks have adequate risk management processes that ensure that if any customer walks in with a very small capital that customers must take as much credit as will mean multiple of the capital. We have means within our regulatory capacity to actually check their credit award and credit processes and so on and so forth, but let me also say this, it all depends on how he credit his instruction, If I were to come in and approach a bank for a credit facility to bring x-product credit to Nigeria, so long as I bring equity into that transaction, and such equity that will ensure that will insulate a bank from and ensure that the interest of the bank is paid and all the charges of so on and so forth, cultrate the finance transaction, the capital of the bank is not very important in that process. What is important is the counter party, whether or not importation, whether or not the proceed will be sued, of course whether the LC and whole transaction is done in a water take manner that all the risk inherent in that transaction have taken care of. And then the customers provide equity, in other words his own contribution into that prey, it is structure credit, so it is the flow of that transaction that the banks looks at and not the capital, it is when banks are looking at term loans or over draft and other things that will begin to look at capital and importance of other ingredient in the credit award.

HON. LAWAN: Are there ways CBN can ensure that those who get approval for letters of credit and refuse to utilize them for the import are sanctioned?

DEPUTY GOVERNOR (CBN): I know that once an AC is open, of course the payment is concluded. We tell the banks that utilization is within the reasonable period, failing of

course, they must sell back to the Central Bank the utilized amount. If they do not and we get to know, we force them to do so and penalized them.

HON. JAMES FALEKE: I just want clarification, if Form M is open in favour of a supplier. If the port of discharge is stated as Lagos Nigeria and eventually the cargo finds its way to offshore Cotonou, is it in line with this Form M that is open?

DEPUTY GOVERNOR (CBN): Usually its not on Form "M" you will see all those things. It is in the letter of credit. In the letter of credit, conditions are stated whether it permits trans-shipment or whether it permits so many other things but again they have an expert here who can explain better, but all I know is that the LC will have spell out the conditions whether the discharge will be at a particular port or it could be any other port.

DIRECTOR OF TRADE AND EXCHANGE (CBN): I still want to emphasize what my governor had already said. LC instrument tells you the detail of who is the beneficiary, where is it going to be offloaded, how to recover the transshipment. Of course, by the virtue of the fact that the customs should be able to determine to know whether they are discharging at Nigeria Port or is just a transshipment to another Port. You are looking at whether LC open are actually discharging of what had been paid for, we have to look at the LC instrument not details and where that issue of trans-shipment then we have to find out where was it taken to.

HON. JAMES FALEKE: Form "M" is opened before the LC, there is Form "M" opened for LC to be established. LC derives details from the Form "M" and I am asking on the Form "M" the point of discharge is Lagos, but at the point of final discharge of the products, it is offshore Cotonou, is it in line with Form "M"?

DIRECTOR OF TRADE AND EXCHANGE (CBN): Sorry Sir, it is not, because Form "M" tells the details precisely where the product is coming from and where it is going to be discharged ,and if it says Apapa, a tanker should be there.

HON. LAWAN: From information available to us here, suggestion have been made that some of these importers prefer to go to offshore Cotonou, or offshore Lome, even though some of these mother vessels can actually come into the country, but they will rather do that because if they buy from a mother vessel that is already anchored in Nigeria waters, you use that as a transaction that requires open up centre of credit and actually requires payment in foreign exchange, by receiving guidelines, once you buy within Nigeria, every likelihood that you are going to be paid in Naira and that is why they will rather get this mother vessels to go to offshore Cotonou or offshore Lome so that it will be like an International transaction that requires foreign exchange. Did you in the course of this exercise, I know CBN has tried to be very thorough, intelligent in monitoring the way things happen,

that is if this another way of manipulate foreign system particularly the way this transactions are made.

DIRECTOR OF TRADE AND EXCHANGE (CBN): Actually in 2004 we observed what was happening. Having appreciated the fact that people buy from the high sea, a circular was issued which says that if you are buying from the high sea there must be mother vessels who is moving through without a Bill of Lading. Secondly, if you are buying from that, there must be also a bill of lading for the daughter vessels to do the shipping together; talking about any other place from the high sea, the mother vessels was already in the Nigerian waters and therefore you have mother vessels bill of lading from daughter vessel which now qualifies you for payment.

HON. LAWAN: Do you keep those records before payment is made, who has the responsibility of maintaining those records, which agency? For instance, most importers, when we request for bill of lading, the one they give are the one that relates to patches from the mother vessels and we need to establish that these mother vessels were actually there and these people actually imported from the mother vessels. I like the position of the CBN, but CBN is in custody of this bill of lading for both the mother vessels and daughter vessels before payment is made.

DIRECTOR OF TRADE AND EXCHANGE (CBN): It is the commercial banks that has those responsibilities. In fact, in our guideline, it is not only for petroleum products, but importation of other items too. We produced the manual to guide banks. When we go out for examination, we now take on any bank that has defaulted in not getting that information that they supposed to have in records of their customers they are dealing with, so it is the commercial banks.

HON. LAWAN: We will like I mentioned earlier send you a list of all those import, the petroleum products between 2009 to the end of 2011, we will ask you to request the commercial bank to give us copies available to them of the bill of lading both for mother vessels and daughter vessels because those statement was inquired before payment were made, we will also request you to provide statement of account of these importers so that we can verify and be sure that this import were actually carried out. Customs, I recall that you made a presentation the other day, you said there was circular not letting you inspect the import, did that circular come from CBN or from Ministry of Finance?

NWAGWU JULIUS (DCG – CUSTOMS): We did say that we were not examining the imported petroleum products on account of two circulars, one from CBN and the second one from the Federal Ministry of Finance. All import into this country is guided by the destination inspection regime. Like I did say earlier as we speak, there is no legislation in

support of that area and that is why we still rely on the provision of pre-shipment regime and under that pre-shipment in which we are relying on, CBN is the secretariat of the CISS (comprehension import supervision scheme). The circular we refer to originated like I said from both the CBN and the Federal Ministry of finance. We have contested it and it is documented that what was issued in that circular was not directly from what Mr. President approved, that is the position sir.

DEPUTY GOVERNOR - CBN: I was glad when he made clarification the other time that we have inter-agency committee which he alluded to and that inter-agency committee is headed by CBN, and what we import is guided generally by presidential directive, it would also be relative of fiscal policy and so on which will contain operational responsibility guideline. When we talk about CBN directive, it is as result of that committee which also has different government agencies functionaries. Of course it has just issued a new guideline. As the CBN is supposed to be an institution saying that this is what it wants done, this is not what I want done.

DIRECTOR OF TRADE AND EXCHANGE (CBN): Even in the inter-ministerial committee, the Nigerian Custom presented CISS. The CBN's circular is the one I have, and it is the one you are referring to, dated 7th May 2004. That is where all the details are and it makes it clear that Form M must be there, on final discharge, ADG is custom document, so that pre-supposes custom should have been there to see the discharge and issue their ADG.

NWAGWU JULIUS (DCG – CUSTOMS): The whole issue is straight forward to us in the sense that Custom is a member of CISS. I was attending those meetings, CBN will agree that on several occasions we raised objection to the issue of documentation. If you look at the CBN circular it talks of documentation, documentation in terms of imported petroleum products. Under the CISS we have the list of items that are exempted from DI, that means that you may not necessarily open Form 'M' as required and petroleum product is not listed that was the basis of our contention, that petroleum products is not listed under the items that are exempted from the destination inspection. We are operating DRA regime and not BSI regime and that was the basis of our contention, the documentation that we are talking of is the documentation as it relates to imported products, that is what we are saying and there are records to indicate that will raise this objection which we communicated to CBN themselves.

HON. LAWAN: CBN Governor, first of all I thank you very much for coming here to respond to our questions and providing us with relevant documents and providing us additional documents that we required. Before the withdrawal of fuel subsidy in January this year, I recall that there was a stakeholders forum in Lagos and the CBN governor was one of those who participated in that meeting. At that meeting they actually cited a case where

he said, that he compiling receipt that some of these import actually came in ;period of two days that it was not possibly, he alluded to document not yet seen, I think you are trying to justify the fact that there was manipulation in the sector and he made an eloquent, one of the issues he was certain that he was receipt indicating that some of these shipment actually lap the origin and arrive Nigeria within a period of two days that was incredible, I wish he was here I could put this question to him whether he has made those document to us because they will help us establish those we engage in shipping and those engage in manipulation, through you I will please ask you to tell him that we need those documents, the statement he made was public and in this public hearing, we need those documents that will help us to establish those involved in this manipulations so that we can save this country in this kind of wastages

DEPUTY GOVERNOR (CBN): I will mention it to him, I am sure he has his facts, and we will get you all the facts.

HON. LAWAN: Once again, I want to express the gratitude of this committee and by extention the House of Representative to CBN, you have been very supportive, helpful and from the information you had provided us, it is clear that you are deeply concerned with issues that we are addressing. I can assure you that we will do the best we can on this matter. Thank you very much.

DIRECTOR TRADING OPERATIONS – LINGO OIL AND GAS COMPANY:

Good afternoon Hon. Chairman and distinguished Members of the Committee. Thank you for having us today. Lingo Oil was incorporated on the 29th April, 1999, it has a gas plant at Edo, Abuja and a filling station at Awka. We had our allocation first granted on Q4, 2010, we were able to execute our Q1 2011 allocation, The Allocation was for 30,000 metric tons, we actually brought in 26,397 metric tons, on board two vessels which was the Jandadi and Calos. The mother vessels was match in REVINA and the product was from Span, the mother vessels departed old port on 1st of April, and arrived on 13th of April, subsequent trans-shipment occurred on April 15th and we were able to discharge into AIRCON storage at Lagos on the 26th of May for the first parcel, and on the 9th of June, discharged the 2nd parcel. We were paid the subsidy to the value of N3,143,671,202.84. The value of the cargo was \$29,970, which is approximately N4.5billion. Basically all our documentation had been completed and we had submitted following the due process to the PPPRA and the relevant agencies during the period.

HON. LAWAN: You started participating in the PFS scheme in which year?

MD, LINGO OIL: In the year 2010.

HON. LAWAN: What exactly were you doing between 1999 and 2010?

MD, LINGO OIL: The company has been involved in LPG and gas distribution

HON. LAWAN: You applied in and got your first allocation 2010?

MD, LINGO OIL: Yes, Sir.

HON. LAWAN: What was the quantity?

MD, LINGO OIL: The first allocation was for 30,000 metric tons

HON. LAWAN: And you brought in how many?

MD, LINGO OIL: The first allocation there was none performance because before the DPR permit was given, it has lapsed. The performance was actually on the quarter 1 2011.

HON. LAWAN: So, the first allocation was quarter 4, 2010 which was 30,000 metric tons? But you could not perform?

MD, LINGO OIL: Exactly.

HON. LAWAN: In 2011 quarter 1 you got allocation of how much?

MD, LINGO OIL: The allocation was for 30,000 metric tons.

HON. LAWAN: How much did you bring in?

MD, LINGO OIL: We brought in about 27,000 metric tons.

HON. LAWAN: And you collected how much subsidy?

MD, LINGO OIL: We collected about N4.13 billion

HON. LAWAN: After the quarter 1 allocation in 2011 were there further allocations given to you?

MD, LINGO OIL: There was a further allocation of 15,000 metric tons in quarter 3, 2011.

HON. LAWAN: Did you perform?

MD, LINGO OIL: No, there was none performance there.

HON. LAWAN: Are you on the way to performing or what?

MD, LINGO OIL: As at the time management had not given approval.

HON. LAWAN: Why did you not perform having established some level of experience one would thought that further allocations would be performed? What was the reason for the none performance?

MD, LINGO OIL: I think it is just a combination of some bureaucratic processes within the company and also getting the DPR approval on time.

HON. LAWAN: It had nothing to do for instance with the fact there was anticipated withdrawal of subsidy in January, 2012 because by the third quarter of 2011 it was almost a public knowledge that government was contemplating withdrawal of fuel subsidy. Does that play a role in your non performance on this? You are on oath.

MD, LINGO OIL: It really did not play a role; there was just an internal decision within the management on holding back on this.

HON. LAWAN: That means you are no longer interested, if today PPPRA decides to give to you, you have already taken a decision that you are no longer interested.

MD, LINGO OIL: We are interested and we are performing on the traffic.

HON. LAWAN: Can I ask you this question, assuming government decides to withdraw the payment of subsidy, would you still be interested in continuing importation of PMS?

MD, LINGO OIL: Sure, we will still be interested in importing.

HON. LAWAN: Because when you bring in, it means you will be responsible and there will be no subsidy to collect at all from any quarter. Would your management remain in their import business or you would move on to perhaps agriculture because there will continue to be subsidy in agriculture?

MD, LINGO OIL: I think this deregulation itself will give a level playing field and it will depend on each company to look at your P and L, you look at your transaction if the business will be profitable you go ahead. Once you do your cost analysis and its not profitable at the end you back off the transaction. But I think basically it is a platform for trading and once you see your supply slot, how much you are getting before, how much you are able to realize in serving the public. If it is a doubtful transaction you back out of it there is nothing that moves us from going ahead.

HON. LAWAN: How would you describe yourself are you like a trader or you just have investment downstream?

MD, LINGO OIL: Like I said we have investment here, we have a gas plant here in Abuja. We have properties on ground.

HON. LAWAN: Are the properties related to the oil business or like you have an estate, you have personal houses, you have cars.

MD, LINGO OIL: I am talking about an industrial estate on ground.

HON. LAWAN: All right, you have an industrial estate in Abuja? What does the estate do?

MD, LINGO OIL: The estate is into various companies there, some are into paint production, they are into various other businesses but they are turn around property and then the gas plant.

HON. LAWAN: You have gas plant, where is it?

MD, LINGO OIL: Yes we have a gas plant Ado Estate industrial layout.

HON. LAWAN: Is it fully functional? What does it do?

MD, LINGO OIL: We provide cooking gas for the masses and then apart from that we also have properties in terms of having a hotel on ground in Abuja here.

HON. LAWAN: So, you run hotels as well?

MD, LINGO OIL: Yes, to meet the tourism need of people coming in.

HON. LAWAN: Which means you are everything, you're providing your own cooking gas, you provide PMS, you are into running a hotel. That is interesting.

HON. LAWAN: So you have no storage facility?

MD, LINGO OIL: No, we do not have a tank farm.

HON. LAWAN: And you do not have outlets?

MD, LINGO OIL: There is a filling station at Awka in Anambra State.

HON. LAWAN: Is it affiliated or is it fully owned?

MD, LINGO OIL: **It is fully owned by Lingo Oil.**

HON. LAWAN: So, when I get there it is branded Lingo Oil?

MD, LINGO OIL: Exactly.

HON. LAWAN: It has been there for how many years now?

MD, LINGO OIL: It has been there for a number of years now.

HON. LAWAN: Like one month, three years or how long?

MD, LINGO OIL: It has been there for five years now.

HON. JAMES ABIODUN FALEKE: When PPPRA gives you an order and you are

submitting your documents for payment, can you tell us precisely what are the documents required by PPPRA for your payment to be processed?

MD, LINGO OIL: In order for payment to be made, there is PPPRA check list which consist of about 37 items. You have to provide all those items and you have to be checked and found to be present before you can even claim or before your documentation can be made. I can go through them although it is lengthy, they are as follows:

1. The original PPPRA import permit.
2. Evidence from the bank showing the amount paid on transaction and quantity verifiable with CBN
3. Letter of credit or Bills of collection
4. Final invoice
5. Letter of Affirmation that is from the tank farm or storage owner facility where import was made.

HON. JAMES ABIODUN FALEKE: Go to page 8 of your document, the date of your submission to PPPRA requesting for payment, is that correct?

MD, LINGO OIL: I think you are referring to the request for payment on the final account on the delivery. The notice of readiness here is the notification of the vessel that are coming in and bringing in the product. So, it is like a pre advise to the PPPRA that this is our intention we have a mother vessel arriving and what the daughter vessels will be. It is ahead of the arrival.

HON. JAMES ABIDUN FALEKE: Which page is your demand notice?

MD, LINGO OIL: The fourth page.

HON. LAWAN: What is the staff strength of Lingo Oil?

MD, LINGO OIL: Can you take that again?

MD, LINGO OIL: How many members of staff to you have?

MD, LINGO OIL: I have approximately 20 to 30 staff because they are involved in different arms of the agency.

HON. LAWAN: That includes all those who run the hotel business?

MD, LINGO OIL: Yes, the gas plant and the company hotel.

HON. JAMES ABIODUN FALEKE: I have looked at what you refer to as the fourth page, I cannot find any attached document as per the PPPRA guide line. Why have you not attached those documents for us to see, those documents that you were supposed to comply with in requesting for payment?

MD, LINGO OIL: The documents are attached, they are the check list which is the third page, the page prior to that demand notice, you have the check list there and then all the items are marked and they follow sequentially. So, if you look at the third page you could see maybe item number 10 because the first item could have maybe an a,b,c or multiple functions that need to be attached or you will see them on the top circled as either number 8 or number 20 and then the relevant documents are listed under it followed in sequence. So, if you take up a particular item we can find it here.

HON. JAMES ABIODUN FALEKE: Look at item 22, show us where that document is.

MD, LINGO OIL: If you look at the top you would see some numbers which are circled and for item number 22 there can be a 22 above it. So if you have been seeing some other numbers on other pages they are sequentially ordered.

HON. LAWAN: Thank you very much, there are documents we have requested for and if there is any further information you would like to give us we will appreciate that. If there is anything we require from you we will get across to you.

MD, LINGO OIL: Thank you Sir, it is an honour being here.

(Thereupon, the MD of Ocean Energy Trading Company affirmed)

PRESENTATION BY OCEAN ENERGY TRADING COMPANY

MR. F.A GUBE (MD, OCEAN ENERGY TRADING CO.): Mr. Chairman and Distinguished hon. Members of this committee, we want to thank you for the opportunity to given to us to talk on the DPR subsidy saga. Ocean Energy was incorporated in April 7, 2006. It commenced operations in September, 2009 with staff strength of 12 people. We presently operate in Victoria Island and Apapa. We buy and sell refined products, automobile gas flair and PMS in bulk and retail at depot until 2010 when we applied to PPPRA for license to import PMS.

HON. LAWAN: The document you are reading, did you pass copies of it?

MD, OCEAN ENERGY TRADING CO: No Sir, it is just a brief power point.

HON. LAWAN: All right, go ahead.

MD, OCEAN ENERGY TRADING CO: So, as a result of our ability to trade heavily

ex depot, we decided to apply to the agency on the PFS scheme to bring in PMS so that we can begin to service our numerous customers all over the country. In October we were given the first allocation to import PMS.

HON. LAWAN: October of what year?

MD, OCEAN ENERGY TRADING CO: October, 2010. We were given allocation of 15,000 metric tons to bring in PMS, the LC was established to our supplier Petrocem of South Africa because we agreed with an agency to confirm credit on us but apparently he declined the transaction because he was advised by his bankers that Nigeria is a high risk and he will not be able to accept confirmed LC from Nigeria banks in that transaction. We then reapplied to the agency for extension of our revalidation and that was given to us on 15th April, 2011. By 30th of April, 2011 we were able to bring in 14,144 metric tons which is about 18.9 million litres for that revalidated allocation. We collected under recovery of N1.7 billion for that transaction.

Thank you very much Sir.

HON. LAWAN: You participated only once. You said your company was incorporated in what year?

MD, OCEAN ENERGY TRADING CO: In 2006.

HON. LAWAN: What were you doing between 2006 to 2010.

MD, OCEAN ENERGY TRADING CO: We are traders, we buy and sale ex depot, we buy from major importers and we sell ex depot.

HON. LAWAN: In Lagos, Warri, Kaduna or where?

MD, OCEAN ENERGY TRADING CO: In Lagos.

HON. LAWAN: And so for 4 years that was what you were doing, it was in 2010 that you now decided to go into the import business.

MD, OCEAN ENERGY TRADING CO: I was a banker for about 11 years; it was after I left banking that I commenced full operation.

HON. LAWAN: Your Company?

MD, OCEAN ENERGY TRADING CO: Yes, my company.

HON. LAWAN: What bank did you work in?

MD, OCEAN ENERGY TRADING CO: My last bank was Oceanic bank where I was

a branch manager.

HON. LAWAN: So you left before the bubble burst?

MD, OCEAN ENERGY TRADING CO: Yes Sir.

HON. LAWAN: What was your position in Oceanic bank?

MD, OCEAN ENERGY TRADING CO: I was a Manager

HON. LAWAN: So you left in 2006?

MD, OCEAN ENERGY TRADING CO: Early 2009.

HON. LAWAN: But you said your company was incorporated in 2006?

MD, OCEAN ENERGY TRADING CO: In 2010 Sir.

HON. LAWAN: You left banking in 2009 but the company was incorporated in 2006.

MD, OCEAN ENERGY TRADING CO: Yes Sir.

HON. LAWAN: You were combining two things together.

MD, OCEAN ENERGY TRADING CO: It was just incorporated, it is a different thing, you can just incorporate and leave it dormant.

HON. LAWAN: So its just like a dormant company.

MD, OCEAN ENERGY TRADING CO: Exactly, because I was a banker, I cannot combine the two together.

HON. LAWAN: Yes because as a banker you would not have time given my experience of bankers you can hardly have time to really do business while you are working. They were squeezing you dry to make sure that they get something from you.

MD, OCEAN ENERGY TRADING CO: Absolutely.

HON. LAWAN: So between 2006 and 2009 it was just like patient company.

MD, OCEAN ENERGY TRADING CO: Absolutely.

HON. LAWAN: It was incorporated but it did nothing.

MD, OCEAN ENERGY TRADING CO: Absolutely.

HON. LAWAN: It was when you resigned three years ago, in 2009 that your major first business was to apply for the PFS which you got 15,000 metric tons which you could not

perform apparently. You now had to revalidate that in 2011. What is the share capital of your company?

MD, OCEAN ENERGY TRADING CO: N1 million.

HON. LAWAN: N1 million? What collateral did you use for the bank to give you a loan to engage in this huge import?

MD, OCEAN ENERGY TRADING CO: Please can you take that again Sir?

HON. LAWAN: What collateral did you use because I do not think having worked in the bank and having left as a Manager even though given the period of Oceanic bank so many people started a lot, so I would not believe you had enough money for you to engage in this business without taking a bank facility.

MD, OCEAN ENERGY TRADING CO: All right, you mean the time I started my business?

HON. LAWAN: Yes, when you were given this approval you must have used bank facility to import this product. What collateral did you use?

MD, OCEAN ENERGY TRADING CO: Let me say this again, when we started in 2009, we started ex depot trading, this implies you buy from major importers, you sell and make your profit. We got our first loan from GT bank of N15 million using my property as collateral to secure that. When we did the first one, as we were growing, we applied for loan at Unity bank for N240 million to increase our capacity because of our knowledge in this industry was getting higher. After that, Unity bank gave us another letter of credit for 6 million Dollars to do the first transaction, to open an LC which failed. I spoke to a couple of friends they now introduced me to a major trader, God's Transport. That was what we used to consummate the transaction.

HON. LAWAN: I was wondering that a company with a share capital of N1 million certainly would have difficulties in getting access to facilities for the transaction.

MD, OCEAN ENERGY TRADING CO: It is a transaction driven facility.

HON. LAWAN: We are talking of a transaction all over N1 billion. So, the first and only one import that you made was the one given to you in April, 2011? Did you not apply for the second, third and fourth quarter of 2011?

MD, OCEAN ENERGY TRADING CO: We did apply for the second quarter but we were not given.

HON. LAWAN: from what we have heard, I do not expect you to have any investment

downstream. I do not think you have filling station or storage facilities. Do you have any?

MD, OCEAN ENERGY TRADING CO: No, we do not have any storage facility.

HON. LAWAN: Are you planning to acquire one

MD, OCEAN ENERGY TRADING CO: We just acquired the facility now so, we hope to expand next year.

HON. LAWAN: What do you have plans for, is it the storage facility or the outlets?

MD, OCEAN ENERGY TRADING CO: We believe in the outlets because when deregulation set in properly the strength of the energy will be the outlets. So we believe in acquiring more outlets.

HON. LAWAN: How did you bring in this import, did you buy from Rotterdam, China or from off Lome or off shore Cotonou?

MD, OCEAN ENERGY TRADING CO: We brought in the product off shore Cotonou.

HON. LAWAN: What storage facility did you use? Do you have a tripod arrangement?

MD, OCEAN ENERGY TRADING CO: Yes, Sir.

HON. LAWAN: With whom?

MD, OCEAN ENERGY TRADING CO: Masters Energy.

HON. LAWAN: How did you dispose of the product?

MD, OCEAN ENERGY TRADING CO: It was retail ex depot.

HON. LAWAN: Who are your retail partners?

MD, OCEAN ENERGY TRADING CO: fundamentally, A.A Rano

HON. LAWAN: A.A Abdullahi or AA Rano?

MD, OCEAN ENERGY TRADING CO: A.A Rano

HON. LAWAN: You have others but the biggest is A.A Rano?

MD, OCEAN ENERGY TRADING CO: Yes, Sir.

Hon. James A. Faleke: You registered in 2006, you commenced business in 2009 and you got a loan of N15m what was turnover in 2009 when the bank considered to give you loan of N15m?

F.A. Gube (MD Ocean Energy): Our first payment in the first three months was something about N60m with personal saving of about N25m. After that we approached our bankers, they looked at our short history and I gave my personal house as collateral.

Hon. James A. Faleke: You said you buy off-shore Cotonou; can you describe to us how off-shore Cotonou looks like?

F.A. Gube (MD Ocean Energy): I cannot give you physical illustration.

Hon. James A. Faleke: You are a buyer and you went to buy from a supplier located in off-shore Cotonou, it means you must have gone there to make an order, right! But if it is not correct you can tell me you did not go there, so can you tell us how this off-shore Cotonou is, how is the port like?

F.A. Gube (MD Ocean Energy): Sir let me give you a banking perspective answer for clarity as an ex-banker. I worked with bank for 11 years and I was a trader before I came into banking industry. I have a deep knowledge of what I want to tell you. Trading zone is international waters sir, it is a converging spot for various traders who have super tankers or call them mother vessels. You do not need to know them because they have track record, they have base in Geneva, Malaysia, Singapore and in England.

Hon. James A. Faleke: Kindly answer my question, the question is, describe to me what off-shore Cotonou looks like. I am not talking about Geneva or anything you buy from off-shore Cotonou; what does that place looks like?

F.A. Gube (MD Ocean Energy): In one word, it is a trading zone, it is a converging zone because of its depth to hold on to other vessels that our draft in Nigeria cannot hold because of the vessel size.

HON. LAWAN: Yes, can we take it that actually you do not go to off-shore Cotonou, maybe you use the other means to do trading, you do not go there, right?

F.A. Gube (MD Ocean Energy): No trader goes there.

HON. LAWAN: That is what we are saying it is a very simply straightforward answer. I am trying to help you.

F.A. Gube (MD Ocean Energy): Thank you sir.

Hon. Lawan: So you did not go there, you do not know how it looks like so Hon. I think he has not been there.

Hon. James A. Faleke: As an importer of a product when you buy a product in a particular country you pay the supplier, in this case we do not know who your supplier is you pay

the supplier the cost of the product at the off-shore Cotonou where it landed because you now exporting from off-shore Cotonou to Nigeria, did you at any time pay any port dues in Cotonou?

F.A. Gube (MD Ocean Energy): No sir.

HON. LAWAN: Certainly I do not expect you to pay any port dues in Nigeria, did you pay in Nigeria?

F.A. Gube (MD Ocean Energy): So you do not pay port dues in Nigeria and you did not pay in Cotonou, because it is an off-shore thing.

HON. LAWAN: Did you pay Customs Duty in Cotonou or in Nigeria?

F.A. Gube (MD Ocean Energy): No Sir, we did not pay.

HON. LAWAN: Thank you very much. Please give us the relevant documents we required. Thank you so much.

F.A. Gube (MD Ocean Energy): Thank you, Sir.

Kunle Robert (MD/CEO, Fradro Petroleum International Ltd.): Hon. Chairman, distinguished Members of the Committee, Ladies and gentlemen, Fradro Petroleum International Ltd was incorporated with business entity in June 2005. We buy gas, oil and provide logistic services for industrial manufacturing companies. It is an indigenous company with main office in Lagos and branch in Ogara in Delta State. Fradro supplies HGO to industrial companies, Nigeria Guinness and Flourmill, Dunlop and Ashaka Cement, Strabarg, Dantata and Sawoe, Dangote Group, Stallion Group, Nigeria Nigerian Bottling Company, John Holt; just to mention a few. At a time we were loading off NNPC Depot at Mosimi. We also buy from Conoil and Zenoil depot in Lagos in various refinery locations in Warri etc. We started buying in bulk in depot and we started from majors selling outside stations from Zenith Oil, Oando and Sahara. We started importation of HGO storing at various tankers in Sahara, Obat, Dee Jones, Obeko and Sigma now Athiope. Our first import was in 2006. We imported HGO, this product were being retailed to domestic customers by trucks outside the depot. In 2006 we collaborated with M Plus to import 28,000 metric tonnes of PMS into Folawiyo Storage at Apapa Lagos. We made our first application to join the Petroleum Subsidy Fund in November 11th 2010. We got our first allocation to import 15,000 metric tonnes for Q1 2011 and we imported 14,024 metric tonnes and we received subsidy payment for 1,486,837,448.00. We got our second allocation for Q3 in April 2011 for 10,000 metric tonnes for which we imported 10,003.87 and we received subsidy payment for N1, 148,792,391 and we also applied for the 3rd Quarter and from 30,000 on August 2nd and we got 10,000 we applied for 30,000 and we got 10,000 and we imported 30,902.371 metric

tones and we collected subsidy payment of N1,026,013,127. The total subsidy payment as at today is N3,661,643,268.15. On our investments in downstream, we have acquired a land of 12.4 hectares measured for the construction of tank terminal farm in Ogara Delta State and we are at 35% completion stage. We also have two plots of land for the construction of filling stations one in Benin and the other one in Ugheli in Delta State. Thank you, Sir.

HON. LAWAN: Thank you so much for that presentation. Let me just take you through the presentation you have made. You said you were incorporated in what year?

Kunle Robert (MD/CEO, Fradro Petroleum International Ltd.): In the Year 2000.

HON. LAWAN: And what was your share capital?

Kunle Robert : Our company started with about N250,000.

HON. LAWAN: Before you joined the PSF what were you doing?

Kunle Robert : We were importing HGO at Apapa and selling at Apapa Depot and we were buying in bulk.

HON. LAWAN: Where were you importing from?

Kunle Robert : We import from several places, from Moocow, a firm that is based in England, we import from them and from Clenco Oil.

HON. LAWAN: What was the largest quantity?

Kunle Robert : 5,000 tons.

HON. LAWAN: When you import it who do you sell it to?

Kunle Robert : To various people at the depot sir.

HON. LAWAN: And you were doing this between 2000 and?

Kunle Robert : Between 2000 and 2006 sir we were doing industrial supply because at the time.

HON. LAWAN: What were you supplying?

Kunle Robert : HGO.

HON. LAWAN: Alright, in trucks?

Kunle Robert : Yes sir, we supplied industries like Dunlop, Michelin, Guinness and Flour-mill.

HON. LAWAN: That means you owned trucks?

Kunle Robert : I used to own trucks but I do not have now.

HON. LAWAN: How many trucks did you own at that time?

Kunle Robert : I got about 7 or 8 trucks.

HON. LAWAN: So what happened?

Kunle Robert : The reason is that you cannot really rely on drivers and it was not economically viable so it is better for you to hire the trucks than to maintain it.

HON. LAWAN: So you disposed your own trucks and you are relying on (interruption) so that was between 2000 and 2006 and between 2006 and 2010 that was when you started the import?

Kunle Robert : Yes.

HON. LAWAN: Then in 2010 you applied to participate in the PSF?

Kunle Robert : Yes sir.

HON. LAWAN: And you got your first allocation in Q4?

Kunle Robert : Q1 in 2011, I applied in November 2010.

HON. LAWAN: 2010 and you got in Q1 2011, how much were you allocated?

Kunle Robert : 15,000 tonnes.

HON. LAWAN: And you brought in?

Kunle Robert : 14,024 tonnes.

HON. LAWAN: And you collected a subsidy of N1.4 bn right?

Kunle Robert : Yes sir.

HON. LAWAN: What other allocation was given to you?

Kunle Robert : I applied for about 30,000 in Q2 and I got 10,000.

HON. LAWAN: In Q2 you got 10,000 metric tonnes, then you brought in how many?

Kunle Robert (MD/CEO, Fradro Petroleum International Ltd.): I brought in 10,003 tonnes.

HON. LAWAN: Then you got?

Kunle Robert : One billion, One hundred and forty-eight million.

HON. LAWAN: One billion, One hundred and forty-eight million? Then was there any other allocation given to you?

Kunle Robert : In Q3 we applied for 30,000 and they gave us 10,000 metric tonnes.

HON. LAWAN: And you collected how much subsidy?

Kunle Robert : We imported 9,902 tonnes and we got One billion and twenty-six million.

HON. LAWAN: So a total of Three Billion, six hundred and sixty million Naira (interruption) Where do you buy your products from?

Kunle Robert : The first one we bought was from Trafigora Deleni. We opened an LC to them and we delivered at Lome.

HON. LAWAN: And the subsequent ones?

Kunle Robert : The other one from Mekura and the third one from NIMES, Sir.

HON. LAWAN: Then the last one?

Kunle Robert : Just three.

HON. LAWAN: No, you did four (interruption) alright, did you take the shipment from off-shore Cotonou or Lome or how did you bring it?

Kunle Robert : Off-shore Lome sir.

HON. LAWAN: You did not bring it all the way from Europe, how did you dispose of it you do not have tank storage?

Kunle Robert : We call it open market, when we bring it we put it in tank and we retail it.

HON. LAWAN: Whose tanks?

Kunle Robert : We took it to Masters Energy in Port-Harcourt.

HON. LAWAN: You do not have your own tanks, you have no storage facility?

Kunle Robert : We bought a land in 2004 and we did not have the fund but we are now about 35% stage completion.

HON. LAWAN: Oh! You have land, where?

Kunle Robert : Ogara in Delta State.

HON. LAWAN: Delta State so what do you want to do with that land?

Kunle Robert : We are already building.

HON. LAWAN: Building what, refinery?

Kunle Robert : Tank Farm Sir. We started a while ago but.

HON. LAWAN: So you want to do a tank farm?

Kunle Robert : Yes, sir.

HON. LAWAN: How about retail outlets are you equally thinking of going into that?

Kunle Robert : We actually have two plots of lands one in Ughelli and one in Benin.

HON. LAWAN: Both of them are in Delta State.

Kunle Robert : No Benin City and Edo State.

HON. LAWAN: So these are your potential retail investments?

Kunle Robert : Yes sir.

Hon. Ali Ahmed: Your storage with Masters everybody stores with Masters how long did it take for you to truck them out?

Kunle Robert : The first one I think is about a month, the second one about two weeks, the third one I think about three weeks but not so much.

Hon. Ali Ahmed: Masters has capacity of 58,000 metric tonnes that is the maximum it can get and we are now computing everybody that says he has with Masters and the dates.

Hon. James A. Faleke: My own question is, you gave us product distribution manifest, that is your truck out and on each manifest let us take the first item; quantity 500,000 Request Oil Ltd, where are they located? And when you look at subsequent distribution 33,000 you just say Oyingbo, Uyo, Aba, Enugu no beneficiary in all these communities, these are big, big cities how do you expect us to make clarifications?

Kunle Robert : Sir these are what we have dealt with in Lagos before I came. From the onset when you sell petroleum product, this is what I have been doing for years. When you sell in tank farm we actually do not indicate the street or where it is going to because I went to DPR trying to get my real certification letter before I came here and they said to me that I had to go back and put the streets on it.

Hon. James A. Faleke: Sorry, it is really not the streets, I believe those who buy from

you are members of IPMAN is it not? and they own petrol stations? I would have thought that maybe if TOTAL or Ascon bought from you, you should have said TOTAL Oil or something like that rather than naming Enugu, Port-Harcourt, Onitsha are these cities also members of IPMAN?

Kunle Robert (MD/CEO, Fradro Petroleum International Ltd.): No sir, I think the problem is most of the people we sell to bring in their trucks and they load and take it to their various destinations but on our waybill you put whatever city the truck is going to sir. However, the DPR that asked us to go and compile this, we are working on that.

Hon. James A. Faleke: Can you go to the bill of laden page? Q3 Nimes Petroleum Limited, I think you opened Form 'M' in favour of Nimes, where is Nimes based, where is their origin?

Kunle Robert : They are based in Geneva sir.

Hon. James A. Faleke: If they are based in Geneva and they shipped to you and on this particular bill of laden, do you know the difference between consignor and consignee please?

Kunle Robert : I can see the consignor but I cannot see the consignee.

Hon. James A. Faleke: What is the difference between the two?

Kunle Robert : The consignee is the bank and I am the consignor.

Hon. James A. Faleke: Where is your name stated on the bill of laden?

Kunle Robert : I think it is not well printed sir, it is typographical error.

Hon. James A. Faleke: If you are the consignor your name is not on this bill of laden so you cannot claim this bill of laden as your document. If you open to the next page it is the same thing, open to the third page Nimes the third bill of laden it is the same thing so I put it to you that all these bill of laden that you have submitted to us were never meant for you.

Kunle Robert : That is not true sir, if you do down a bit and you see the name of the vessel, it says my vessel is MT More Prosperity so I do not know why it is not there.

Hon. James A. Faleke: Is it the vessel that bought the consignment or Fradro? The name of your company should be on the bill of laden what is our business with vessel name?

Kunle Robert : I just said I am sure it is a mistake that is why it is not there so I can get you the original document if you want sir.

Hon. James A. Faleke: You made copies from the original so are you saying that all these

bill of lading are mistakes without having your names, you made copies from the original?

Kunle Robert (MD/CEO, Fradro Petroleum International Ltd.): If you see where they put the shipper Nimes Petroleum and the put the consignee to the other of ING Belgium Geneva Branch, if you see the notifying address. I think it is a mistake from Nimes and I cannot correct that actually.

Hon. James A. Faleke: Well we are not fools here some of us are very, very conversant with importation proceeding. Consignee address, notifying address is the address of your location but this one says to the order of ING Belgium Geneva Branch it has nothing to do with you?

HON. LAWAN: Thank you very much just a very quick one before we allow you to leave. Before you join the PSF I would expect that you must have done some risk analysis of the various businesses options available to you in the downstream sector; storage, retail, importation, trucking, you were in trucking before so why did you abandon trucking to go into import is it more profitable or is it because of the PSF because apparently you abandoned trucking to go into importation, what accounted for that?

Kunle Robert : Sir as in every business you progress. Trucking is just a peddling and like I said earlier on we were delivering to industries and they normally say the law in the marginal returns in the economics as you grow in business you keep on increasing your capacity so till tomorrow we are still trucking but of course we went into the bulk market. Then we are buying from a third party and then we started importing so we can earn up the profit as to buying from a third party that is what we did sir.

HON. LAWAN: Well thank you very much and have a nice day and please make sure that all the details we have requested for are given to the Secretariat, thank you so much.

Kunle Robert : Thank you for having us sir.

HON. LAWAN: Is the Managing Director of Ryden here, is there any importer that has not been taken yet? Can I invite the Executive Secretary of the Petroleum Equalisation Fund to please come forward?

ADEFUNKE KASALI (EXECUTIVE SECRETARY, PEF): Honourable Chairman and Members of the Committee on Fuel Subsidy Probe of the House of Representatives, a good afternoon and thank you very much for giving us the opportunity to come and make this short presentation. As I have said my name is Adefunke Kasali, I am the Executive Secretary, Petroleum Equalization Fund Management Board. The management board was established in 1975 by Decree No. 32 and later confirmed and or cited as Chapter 11 of the law of the Federation of Nigeria, 2004. The board is vested with the responsibility of re-im-

bursment marketers of petroleum products, the transportation element to deliver product from point of receipt to the retail outlet in order to facilitate the sales of these products at Government's approved prices. The board basically implement three schemes with which to facilitate and distribute these products to marketers, the oil region, inter-district and the equalization schemes. The functions of the board are implemented through these schemes that I have spoken about and I will just go briefly to explain what the three schemes are. The bridging scheme is the movement of petroleum products from the point of receipt to retail outlets when it is in excess of 450 kilometres and to fund that, we received presently a bridging allowance of N5.85k per litre and that is embedded in the pricing template of PPPRA. The inter-district scheme is the movement of petroleum product covering in excess of 450 kilometres as well. But this time between a loading depot and another distances of less actually than 450 kilometres, this is not funded, we use the bridging allowance to fund the inter-district scheme. The Equalization Scheme is basically the movement of products from the receiving depot which is usually somewhere far away from the loading depot to the retail outlet and that is what we call the national transportation average or the NTS scheme and presently there is allowance of N2.99k that is given to marketers. Now, if a marketer delivered product from the receiver depot through his retail outlet and falls within 100 kilometres of that receiving depot, he is to contribute something back to PEF and that is what PEF uses to equalize the prices through the equalization scheme. If it is distributed to greater than 100 kilometres then it comes back to PEF to claim certain amount of money because there is the National Transportation Deferential average that are spoken about, it is actually divided into 50 concentrate banks, 50 kilometres of concentrate banks and it is in 9 zones. So if your distribution is into zones 1 or 2 you pay money back to the Petroleum Equalization Fund (PEF). If you are distributing between zones 3 and 9 you pay, we then pay money back to you and thus is the way equalization scheme is funded. Now, in addition to uniform pricing which I suppose without the board will be difficult to achieve, the board also facilitate and encourage this movement of petroleum products to areas marketers will otherwise consider as not very viable or maybe not profitable. Secondly the board has initiated schemes in the past to enhance the distribution of petroleum products to some areas that are very difficult to deliver to logistically; riverine areas, mountainous area is another one. The riverine scheme is now being operated and we are now working with the NNPC to ensure that fuel gets to those difficult terrains as the riverine areas. By the Act, PEF is supposed to have a board, although the board is not yet inaugurated but by Act the Chairman of the board should be somebody from the Ministry of Petroleum Resources and marketers are represented on the board; IPMAN, the Independent Marketers, the Major Marketers, PPMC have representative station on the PEF, Federal Ministry of Finance, Federal Ministry of Commerce and also we have DAPMAN and indeed PPPRA having observers status on the board of the PEF. In the absence of the board, the board of direc-

tors now, the management board report into the Ministry of Petroleum Resources. Over the years we have identified that the major challenge that we have as been heavy reliance on manual processes in determining who bridges what or who move what. And so the agency embarked upon an e-loading project that we tag, Project Akila and the goals of the project is for us to be able to enable intensification of bridging transaction and automate group of delivery basically what that means is that we want to be able to be sure that when a marketer brings a claim to us that truck indeed arrived at its destination. On March 1st we will be going with the project that we have done that we have been working on for a number of years. Another goal of Project Akila is that it would ensure effective and indeed efficient processing of marketers claims. Some marketers sometimes bring their claims on time, while some leave their claims for a few weeks or few months before bringing it in and that basically has made our business very challenging. But with Akila we will be able to know at what point the product is delivered and indeed be able to know what we hope at any point in time. It will also ensure seamless integration of our operations, the management of the processing into the enterprise management we are on SAP and so we will be able to pay, we are on e-payment, we actually started e-payment in public sector in 2007 and so we will be able to integrate that whole processing, so we have an end to end automated processing for the bridging claim. It will ensure integrity, credibility for what we pay. The phase 2 of Project Akila is that we want to be able to now track or confirm that the product or the truck not only got to the receiving depot but indeed arrived at the retail outlet before we then pay the NTA part of it that is phase 2 which we are presently embarking on now that we are going live with phase 1 of the Project Akila. I think that will be the biggest as I said, the biggest challenge that we have and we have taken more with the support of the Honourable Minister of Petroleum Resources to deliver that project and we are very happy with the way that it is going. Thank you very much.

HON. LAWAN: Honourable Colleagues, let me thank the Executive Secretary of the Petroleum Equalization Fund (PEF) for that presentation. On the template you mentioned, when we look at your presentation on page 4, the bridging scheme; there was a bridging allowance of N5.85k per litre. This is provided for in the template, which means that this money comes to you. First of all how much have you collected from 2006 to 2011, what was your collection in 2006, what was your collection in 2007, 2008, 2009, 2010 and 2011. And do you also collect the same; I suppose on kerosene or is it only on PMS?

ADEFUNKE KASALI (EXECUTIVE SECRETARY, PEF): It is on whole wide products.

HON. LAWAN: Whole wide products, so since you do so, can we determine how much you have actually collected year by year from different products? How much for instance did you collect on kerosene, how much do you collect on PMS in these years? We want to

have the information. When did you begin this N5.85k? When did this particular template come into effect? I am sure it is prior to this particular template perhaps the amount or the figure could be different, so when did this come into effect? Because from this we can actually determine even the movement, the trucking out because if this is pay per litre and thus it relate to whatever wide product is imported or it only relates to the movement? My Colleagues have a couple of questions so I will leave the floor to my them.

HON. MAKINDE OLAROTIMI: Thank you Mr. Chairman. What percentage of daily consumption attracts bridging?

HON. LAWAN: I think what you will , if you have this answer, maybe you will get the answer first and then we can start. Maybe you will respond to my own before we get to others.

ADEFUNKE KASALI (EXECUTIVE SECRETARY, PEF): I will get you the figures for 2006 to 2011 because I do not have that we would get back to you very quickly. The bridging allowance is supposed to be on products, while PEF spot is really PMS, Kerosene, AGO which has been deregulated. But for PMS and Kerosene we do collect a bridging allowance. The N5.85k was put into effect on 1st March, 2011. Prior to that time, it was N3.80k.

HON. LAWAN: So when you are bringing the detail for 2011 let it reflect the amount when this particular regime begins so that it will help us determine the volume that you will help to pay on.

HON. MAKINDE OLAROTIMI: My question, Madam, I want to believe your organization is privilege to know the volume of product that could be considered attracted bridging. I'm I right?

ADEFUNKE KASALI (EXECUTIVE SECRETARY, PEF): Yes Sir, we would have the volume reach because marketers who bridge products have to come by our office to make the act of all the depots to get all the necessary documentations done. So we do have the records of volume reach but we do not have the records of products that are consumed locally. At the locally for instance if a depot, at a depot they moved product to that local destination, in retail outlet we name that particular area and they also bridge to other areas, they do not come to us when they are moving the product to those local areas. We would not have that but we do page volumes.

HON. LAWAN: I am aware receiving depot has volumes of product bridged to them. I worked in Ibadan depot before?

ADEFUNKE KASALI (EXECUTIVE SECRETARY, PEF): Yes, we do have the volume of bridge product to receiving depot. But for instance if somebody in let's say a receiving

depot in Lagos moves product to Lagos, we will not be able to get back but we do have volumes to the bridge product, yes.

HON. LAWAN: So how do you arrive at the clarification of the product bridge from one location to the other?

ADEFUNKE KASALI (EXECUTIVE SECRETARY, PEF): Bridge volume for bridging we have all that information. If a person buy product for instance let say Ejigbo and he is moving it to Ibadan, although Ibadan is not up to 450 kilometres, maybe Suleja that marketer will come to our office in Ejigbo, they will get all the documentation done and then that marketer will also goes to our office in Suleja and we will confirm that the product is there and that is how we get all the bridges volumes

HON. LAWAN: So what would say is outstanding bridging claim now nationwide?

ADEFUNKE KASALI (EXECUTIVE SECRETARY, PEF): Honourable, it is quite difficult to estimate what is outstanding because the marketers will not come to claim on the board immediately they delivered the product. It could be three weeks later that is one of the thing we want to correct using our project. Because with our project it is confirm electronically and we get that information. In fact we are through from that amount of claim. So every day we are incurring claims because every day deliveries are made, even as we pay it is a moving target. It is very difficult for us that are one of the challenges we want to solve by Project Akila, which will help us to know which truck has come. Even if the marketers, in fact we do not need the marketers to come and make claims on the board. By the fact that we know that the product has arrive and we have confirm electronically automatically that it is there, we accrued and we know that this is how much money we have incurred to pay at a future date.

HON. LAWAN: Madam, I do not know if you will quiet agree with me that the idea of having depot across Nigeria is to ensure we pay less bridging claim. And over the year the bridging claims continue to increase as a result of pipeline vandalization. I am very sure that I am correct to say that and as long as our pipelines continue to be the target, people would always be interested in having claim to bridging. In your own opinion, how can we reduce bridging claim?

ADEFUNKE KASALI (EXECUTIVE SECRETARY, PEF): Well, I think once the pipelines are working we would not have the incident, and we would not have high increment or the reason to bridge. That is one of the things. Basically, it is getting pipelines to work.

HON. ALI AHMED: Secretary, I assume you have normal budget allocation and the Accountant General of the Federation represented to us that in 2008 he paid you N17.4

billion, in 2009 it was zero Naira, 2010 zero Naira, in 2011 he paid you N9 billion. What does this represent vis-à-vis your budget allocation?

ADEFUNKE KASALI (EXECUTIVE SECRETARY, PEF): The N17.4 billion was a special Federal Government allocation that was given to PEF to pay a bag log of marketers' claims that was due at that time. What had happened was the bridging allowance was so low compared to the level of bridging at that time that the board fell behind in meeting its obligations because as bridging increases, the rate did not increase in commensurate with the bridging level at the time. So a presentation was made to the Federal Government and the Federal Government approved a disbursement to the Petroleum Equalization Fund (PEF) of N17.4 billion after the claims were audited by an external auditor that was approved by government. The N9 billion that was given in 2011 was due to 45% increase in fleet rate that was granted to NARTO by government last year and we have to implement before the rate was adjusted, the rate was adjusted, actually the increment, the fleet rate was granted in March for the actual changing of the fleet rate of PPPRA template even come up to July. So between the March and the July using that fleet rate government approved that the N9 billion be given to PEF to fund the 45% increase in the fleet rate to transporters.

HON. LAWAN: Is it a government approved? Which arm of government, was it NNPC, PPPRA or the Accountant General's office?

ADEFUNKE KASALI (EXECUTIVE SECRETARY, PEF): I believed it was done by the Ministry of Finance as I am not sure.

HON. JAMES FALEKE: Madam, you told us now you are working on Project Akila which make capturing of your data online sort of. You have been used to manual collation of data, can you then tell us why you are deciding to go online now rather than continue with that manual? Is it as a result of malpractices you have witness to that.

ADEFUNKE KASALI (EXECUTIVE SECRETARY, PEF): Well, I think it is basically to making our process more efficient, the volume of work we have to go through are in order to be able to process this claim, the time that it took us, at a point we were bag log for months and we felt like for us to be able to ensure that marketers got their money so that they could go back and buy more products and keep the station wet. We needed to put in a process that we would be quick with the efficient body it will work will also be credible.

HON. LAWAN: All right, if an IPMAN's member has a filling station in Yola for instance, and it takes product from Lagos or Ibadan, this product was eventually sold between Ibadan and Yola. How do you determine that this product actually did not get to Yola or the product was actually coming from Ibadan? What are the strategy you put in place in ensuring

that the document being submitted to you for bridging payment are actually correct?

ADEFUNKE KASALI (EXECUTIVE SECRETARY, PEF): We all work with other Agencies at the depot; we do just not rely on our staff at the receiving depot. We have to ensure that the DPR, the PPMC, PPPRA and NNPC officials which are in the depot all attest to the fact that the products arrived at the depot and that is one of the minor processes that I spoke about earlier. But again going forward and to eliminate any doubt is why we put in Akila so that we can have confirmation electronic that that product has gotten there and we feel very good about, how far we have been able to go with the project.

HON. LAWAN: Sorry, Madam, I do not think you have answered my question. My question is Ibadan has a depot where you have all these your Agencies and the marketers is loaded with his trailer from Ibadan expected to deliver to a petrol station in Yola in between his journey he sold the product in Ilorin for example. Then he submit document to you to claim bridging between Ibadan and Yola. My question is this, how do you confirm that this product was not sold in between the distance that they supposed to have covered?

ADEFUNKE KASALI (EXECUTIVE SECRETARY, PEF): Again it is the manual confirmation from people that witness the delivery. But as I have said, we do not want to rely on those manual confirmations. We want be able to have electronic solution which we can be sure.

HON. LAWAN: Just a final one, you said some marketers. Sorry, before the final one just a follow up to this. That means that you have your representatives in all the depots? You have people in all the depots.

ADEFUNKE KASALI (EXECUTIVE SECRETARY, PEF): Yes, Sir.

HON. LAWAN: And they import other storage facilities.

ADEFUNKE KASALI (EXECUTIVE SECRETARY, PEF): Yes Sir.

HON. LAWAN: Import other storage facilities.

ADEFUNKE KASALI (EXECUTIVE SECRETARY, PEF): Almost all and if we do not have somebody presently we share information. I think for us to be able to process and pay particular claim to a marketer, that claim has to be stamped by one of our own staff, we would not just take anybody but in addition to a staff of PEF also attesting that the truck arrived and was sighted other Agencies.

HON. LAWAN: Where would your staff be, I do not think you have your staff in all the retail outlets and all the filling stations, you did not get that.

ADEFUNKE KASALI (EXECUTIVE SECRETARY, PEF): The bridging pact which is from receiving depot through a delivery depot or what they call a destination depot. They have to make that stuff first. Once it is received then it is dispatched again to go to the retail outlet. Our people are in all the receiving depots. Every receiving depot has a PEF staff.

HON. LAWAN: Have you experienced the manipulation of this process, malpractices and so on, have you had any experience in destination or your system is perfect? Or they sub-charge the PEF?

ADEFUNKE KASALI (EXECUTIVE SECRETARY, PEF): We have had instances in the past but not practiced any more.

HON. JAMES FALEKE: You told us you have some marketers paying back to PEF, is it a 100 kilometres or whatever you said, can we have details of the payment you made to each marketer and the payment made by each marketer, both ways?

ADEFUNKE KASALI (EXECUTIVE SECRETARY, PEF): When a marketer submits a claim and when they finally get the money, we have moved a lot to shorten the time in recent months and years. Our target was 48 days; that was the target that we had. Although I must confess that was challenging at times, our target with the project is two weeks because the processes was done electronically. In the past, our target was 48 days.

HON ABUBAKAR ZADIQ: You said it was 48 days or it used to be 48 days and you wanted to shorten it but still some of the marketers were complaining that it takes one, two or three months without being paid, even a before yesterday, somebody complained to me that it is the problem he has with the bridging.

ADEFUNKE KASALI (EXECUTIVE SECRETARY, PEF): The claims can be delayed for some other reasons, for instance incomplete documentation. As I said we have not met the 48 days we have set for ourselves, some of that is logistic reason, moving of files and so many things. However, we have gradually moved our processes; even the physical processing to electronic medium which will allow us to even pay in much shorted time than the target that we set for ourselves originally. We have worked very hard before holiday a lot of people took off and left for holiday; we were actually meeting 30 days for payment of the claims, All things being equal, if a marketer had a problem either we find some things wrong, of course we will process those things aside and turn them back to the marketer which will necessarily elongate the process. But I think majority of our marketers will attest to the fact that we do not delay payment.

HON. LAWAN: I think in the absence of any further intervention from my colleagues, we will allow you to go but we have requested for certain information and we will appreciate if

we get those details before the end of this week. Thank you very much for the appearance and for this presentation and responding to this issues that we raised in the course of this discussion. If there is any other further information that you believe that will support or assist the work of this Ad Hoc Committee, we will be glad if you forwarded it to us. Thank you so much. Honourable colleagues, if you would recall when we started this exercise that we planned to finish early today. That was why we limited the invitation to very few organization and importers. Tomorrow is going to be a long day, we have more than 30 importers that we will attend to. Thursday will also be a long day because there are relevant key stakeholders in the industry - PPPRA, NNPC, DPR, PPMC, Office of the Accountant General of the Federation, the Attorney General of the Federation will all be here.

THE AD HOC COMMITTEE ADJOURNED AT 2.40 P.M.

Day Eleven: 8th February, 2012

HON LAWAN: We would like to go into this exercise with a singular motive of improving the way things are done, and we as Members of Ad Hoc Committee have resolved to be fair and objective to everybody in the sector. We want to meet the various agencies and those of you who have done business or participated in the PSF. Our desire is to ensure that as much as possible we bring out the issues as they are, we lay a report that will be factual, a report that will guarantee data efficiency and effectiveness in the way the entire subsidy regime is managed from now on in this country. It is apparent that there is need for greater transparency and accountability in the way public resources are expended in regard to the issues of subsidy, and it behooves on us Members of this Committee to discharge our responsibilities as openly and sincerely and fairly as possible. So be assured that whatever information you are going to provide is meant to ensure improvement in the management of our subsidy regime. We will not necessarily or unduly, without any cause, report anything that will be far from the facts here, it is not our intention to run down anyone, and it is also not our intention to cover up anybody. If in the course of this exercise we discover any act of short change in the system, we will not shy away from reporting that act with the hope that in the future things should be done in a better way. Let me on behalf of my colleagues welcome you; let me equally request that please feel free to provide any information you feel will assist the work of this Committee. You are the people operating in that sector, the one participating and it should be in your own interest to see more transparency and efficiency in the sector. It is our hope that by the end of today, we would have covered most of those listed participants in the petroleum subsidy scheme; tomorrow we will meet again for the various regulatory agencies with the hope that after tomorrow that the first phase of this exercise, which is the public hearing, would come to an end. We can then start to compile and make ready our report for presentation to the House of Representatives.

Please, be assured that when we ask you questions, the idea is to elicit enough information that will help us understand, and appreciate your submissions, in order for us to bring out the facts as they are. Let me at this point apologize for starting behind schedule, and we apologize for making you wait, we would try to make up by speeding up so that we finish as quickly as possible. So, I call on Gwadaba Aliku - MD - ASOCON Oil to have the first slot this morning; you are welcome.

MR. GWADABA ALIKU, MD - ASOCON: The hon. Chairman, Members of the Committee, it is my pleasure this morning to appear before you. My executive came last Thursday to make representation. Attention was drawn to a publication and an interview which was granted by me wherein I raised some questions which your Committee wanted some clarifications. I said some things in the interview. I mentioned that we needed this kind of Committee to sort out the genuine marketers from the rest. Actually, I was referring to how our image has changed in public perception. I was just making the point that the public should allow the committee to finish its work so that we can find out the genuine marketers. As I said, we need this committee to actually clear our name; we need it more than anyone else. Definitely I did not mean to say that the committee has already judged us - that was not my intention. That was why at the end of the interview, I clearly said we should be here so that our name can be cleared, and those found wanting in the business should be equally dealt with. I really apologize for the misunderstanding. Thank you very much.

HON LAWAN: Well the apology is well noted. We felt concern that since we began this exercise, we have tried to dispel any insinuation out there. We know yours is a very small sector, and whenever anything is happening the tendency is for you to start verifying people, alluding to allegation of people who are working for some group and so on. Within your sector, you may have your own problems, you may have conflict or issues, competitive tendencies; but please do not draw us into it. We will try to be fair to everybody and anybody who is thinking that at end of this exercise maybe he is going to get a raw deal should wait and see our report first. We made a commitment to the House of Representatives, and we have been making commitments to the Nigerian people that we should try to be as fair as possible, and we are not working for any interest within the sector or outside the sector. Yes there has been a lot of pressure but we want to assure you that no amount of pressure will deter those of us on this side from doing what we believe is right and this is why when we read that comment we felt it was important for you to clarify that position. If you do not have anything to hide you should not worry, but if you have something to hide then you have every reason to panic; although that panic will not change our decision. Whatever the act might be when it comes to our attention we will bring it out and anybody who has not done anything wrong, who has done his business in the best way should be reassured that at the end of this exercise our report will not only help but will also

aid those sincere businessmen to continue doing their business. This country desires people with integrity, people with initiative, people with commitment to invest in any sector, but in doing so we must do it with some measure of accountability, with some measure of decency, and with some measure of honour. We cannot run a sector where everything must be possible, otherwise you lose the confidence and respect of Nigerian people and it is difficult to sift the chaff from the grain unless an exercise like takes place. So it is in the interest of those who do not have anything to hide that the House of Representative is doing this, and at the end of the day, the sector will come out even stronger. It is rather an unnecessary feeling that in the course of this exercise a certain group of marketers will lose out while certain groups will win. But, of course, in life there are always losers and winners but that does not mean that we will unduly influence or favour anyone in the course of this exercise. No group, and we have tried to make that very clear, no group can reach those of us here because our responsibilities is not to any of you. Among us there is nobody that is active participant in sector, and I have said it over and over. The closest I have gotten to this business is when I drive my car to filling station and fill my tank. That is the only business I have with the oil sector and it is not my intention to equally join you in the future. We will discharge our responsibility as Nigerians, as people elected to ensure that Nigerians get full value for their money, move on and allow you to carry on with your business. Once more, we have noted your apology and we hope others will try to be very mindful of the kind of things they say. You can proceed with your presentation.

IKEM OHIA (GGM – ASOCON): Hon. Chairman and the distinguished Members of this Ad Hoc Committee. ASOCON Oil was incorporated 4th of December, 1984 by late Engr. George Ikemefuna and the wife as the first shareholder. We commenced business in the down stream of the Nigeria Oil and Gas in 1985. At the time the company commenced business, the gentleman by my side Mr. Ikechukwu Enemo was only two years old. Today we are happy that even with the demise of his father, he has joined us so that there will be element of continuity in the business we do. As requested, we also attached our Certificate of Incorporation, our present shareholding, which is N1 billion, and is still a private owned Nigerian Company. The company commenced operation in 1985 and got bulk agreement signed as independent marketers in 1988, since then we have been supplying products in bulk especially in Kano. We have our first station in 1988 in the north, since then we have grown the company to the extent that in 1991 we had to relocate our head office to Lagos in order to cope with the exigency of the business. We also spread our outlets to southern part of Nigeria. In 1998 under the regime of the Gen. Abdulsalami Abubakar, there was a bit of partial regulations. We acquired land in 1999 and actually constructed a petroleum bulk storage depot located at Ibafo along Oshodi Apapa express way. We constructed that particular depot or tank farm as it is called, and receive our first bulk cargo in July 2000.

Presently we have storage capacity of 34.8 million litres and we dispense petrol (PMS) and kerosene from that particular facility. We do bulk supply to enable us wet the depot from local and international sources. Most of the products we bring in are sold in bulk to our customers and the balance is sent to our stations; we have 28 strategically and well allocated stations, one here in Abuja at Wuse and we have in Suleja, Kano, Kaduna and a number of other cities. In addition we have also assisted the business by building Truck Park at Ibafo along Ibadan Express Way.

HON LAWAN: What is the capacity of the truck park?

IKEM OHIA (GGM – ASOCON): You are talking of the depot; about 85,000 metric tonnes or 34.8 million litres precisely.

HON LAWAN: litres?

IKEM OHIA (GGM – ASOCON): Yes sir, in addition we also constructed the about to be commissioned lubricant blending plant to be able to now blend the various grades of automotive lubricants for marine and others in that line. Let me go straight to our participation in the Fuel Subsidy Scheme. As natural progression in the implementation of our own corporate business plan, we decided late in 2010 to participate in the supply of PMS under the PSF managed by the PPPRA. All along we have been sourcing our supply from other major importers that were importing this product and they would bring the product into our depot and dispense. Our entrance into that particular scheme was not for any reason other than for us to gather experience in managing larger quantities of cargo instead of buying from others. This we are doing pending deregulation of the downstream through the passage into law of the PIB. We will be in the position then to have the necessary experience and be able to source these cargos, bring them in to our depot and dispense them. We hope too that we will have adequate capacity to cope with such. In the fourth quarter, of 2010, we got a permit for 30,000 metric tonnes of PMS. This permit was dated 8th of October, 2010 and we actually utilized it.

HON LAWAN: Is it first or fourth quarter?

IKEM OHIA (GGM – ASOCON): Fourth quarter, 2010. We started very late and we brought in the first cargo of 14,939 metric tonnes

HON LAWAN: I thought you said you were given an allocation of 10,000?

IKEM OHIA (GGM – ASOCON): We were given allocation of 30,000 metric tonnes.

HON LAWAN: And you brought it in two batches of 14,000?

IKEM OHIA (GGM – ASOCON): We brought in the first 14,039.88 and then 10,512;

cumulatively we brought in 25,451.962 metric tonnes and we did submit the necessary claims. The first subsidy under the regime; we were paid N1,760,456,390.64., unfortunately for that particular refund we had to wait for months. We got another allocation of 30,000 metric tonnes for the first quarter of 2011, this was given to us on the 30-th of December 2010. We actually did not utilize it because our banks at that time could not provide the facility that we needed. In the second quarter of 2011, we got a permit for 30,000 metric tonnes on the 4th April, 2011. We did utilize the second quarter allocation; we brought in two cargos; 15,748.383 metric tonnes and 14,801.593 metric tonnes - a total of 30,549.976 metric tonnes. We did apply for claims under that particular quarter and we were paid a total of N3,511,468,213.34, and another payment which brought the total to: N5,271,924,603.98, for the cumulative total of 56,001,9938 metric tonnes, accumulative for those two quarters. Then we also got an allocation for the third quarter, 30,000 metric tonnes of PMS in August, 2011, we brought it in batches: the first 16,397.103 metric tonnes; second 16,482.820 metric tonnes totalling 32,88.723 metric tonnes. We have actually submitted claims but we have not been paid.

HON LAWAN How much do you expect to collect?

IKEM OHIA (GGM – ASOCON): Actually for the first batch we expect N1,811,942,462.71, and for the second batch, N1,626,000,000. - Total about N3,437.942. It is an estimate until it goes through due process.

HON LAWAN: When you bring in your products, where do buy from?

IKEM OHIA (GGM – ASOCON): We buy from key traders.

HON LAWAN: Where did you lift it from? Or do you buy it from London, or from offshore Cotonou or Lome?

IKEM OHIA (GGM – ASOCON): From various marketers.

DIR FINANCE – ASOCON: We do buy our products from suppliers who usually have mother vessels offshore Cotonou; these suppliers source their cargos from various sources, typically the supplier will have long term deal with a refinery. There is a reason why majority people are buying from both offshore Cotonou, for you to buy directly from the refinery, we need a long deal with a refiner, a typical supplier sign a long term deal for 12 months for 30,000 metric tonnes per month. A lot of the companies do not have the capacity to take that kind of volume. We are talking about \$30 million, if you multiply that by 12 months, we have \$360 million dollars not a lot of companies have capacities to sign a long term deal.

HON LAWAN: You have been there for a long time, so I thought that you are a big company?

DIR, FINANCE – ASOCON: Typically a lot of traders have customers not just in West Africa but all over the world so that they will be able to use that leverage and that is why a lot of people buy from offshore Cotonou from this traders

HON LAWAN: I am not really concerned about a lot people; I am concerned about you buying from offshore Cotonou. Maybe because you do not have the capacity for a long term agreement either with refinery abroad or locally, you buy offshore Cotonou?

IKEM OHIA (GGM – ASOCON): No, not all of them.

HON LAWAN: Which ones were from Cotonou?

IKEM OHIA (GGM – ASOCON): Two were from offshore Lome

HON LAWAN: Off shore Cotonou or offshore Lome?

IKEM OHIA (GGM – ASOCON): Off shore Lome. The peculiarity of international trading is that it is an area where a number of Nigerian companies are gradually getting into. The bulk of it has always been under the control of some foreign companies. I am sure if you invite some of them they will probably explain to you the intricate nature of the business. Like the Director of Finance said, you need to grow and get to this position to leverage the kind of funding we are talking about. The average Nigerian bank will not give you \$360 million, so it makes sense for all of us who are at this stage trying to grow.

HON LAWAN: What usually happens if a shipper brings a supply? Does he simply bring in a vessel, anchor it offshore Cotonou or Lome and maybe start ringing a bell for people to come and buy; what do they do?

IKEM OHIA (GGM – ASOCON): Mr. Chairman that is not it. As we already pointed out, it has an intricate business process but I can only speak for what I know. Normally, before you can actually bring in a vessel, your service stages must have gone through. For instance, if our company goes into arrangement with key traders, we work out a position whereby we can at any given time negotiate with them the prices, make sure that these prices are the fairest and the goods are available at the time. We also have the mechanism, for instance, one of our officers monitor international oil prices. This he can do on minute by minute basis. You should have access to the particular web site that at any given time for any cargo to enable you actually get the best price at any given time for any cargo you want to place order for. So, when you have that price and you know that it is the best possible price you can get, if you have an arrangement with a particular company, you can then fix the price. After that, you move in and then wait for the government to come in. It does not come in the following minute, it usually takes another week or two depending on the type of arrangement you take. At the appropriate time they can come and position your vessel

for you. You can then go with your daughter vessel and pick the cargo from there. So, it is an intricate process, it is not just done like somebody just work out and station a vessel. It cannot be so because you find out that most of these traders do not own the vessel. They also hire them on charter bases. Nobody wants to keep a cargo of about 100,000 metric tonnes, what he pays as demurrage his profit will not cover.

HON LAWAN: So, when you open the letter of credit, do you do it for the product to be delivered to off shore Cotonou, Lome or to Nigeria? Do you open the LC somewhere in the marketer's name somewhere in Europe or thereabout?

IKEM OHIA (GGM – ASOCON): Most times we load it off shore Cotonou.

HON LAWAN: No I am talking of your own.

IKEM OHIA (GGM – ASOCON): Yes I am talking of our own. There is a reason for it. Way back early 2000 most times, you could open an LC for delivery ex Lagos. But, somewhere along the line what we saw was that CBN said there must be a demarcation between when you say you are importing a cargo, you cannot be importing a cargo and you say it is ex-Lagos. They insisted that LCs henceforth must be seen to be imports. And that was what brought about their insistence by banks that LCs for imports of cargos of such nature must be outside the Nigerian waters. That was what led almost everybody now to enter the transaction where you have to take these cargoes ex-Cotonou or ex- Lome.

HON LAWAN: You have been in this business for fairly a long time.

IKEM OHIA (GGM – ASOCON): Yes, Mr. Chairman.

HON LAWAN: Is it really true that draft restrictions, that is, the depth of water, prevent these mother vessels coming into Nigerian shores?

IKEM OHIA (GGM – ASOCON): Very true Mr. Chairman. You imagine the size of 100,000 or more metric tonnes of a vessel; it is like a small floating city. Its size and displacement will not allow it to come anywhere close to our waters; it will roll on the ground with all the attendant consequences. You can imagine 100,000 metric tonnes of diesels being allowed to pollute Nigerian waters. We will be in a big trouble. So, most times, there is a limit to how near they can actually come in shore. That is why we use smaller vessels to evacuate from mother vessels.

HON LAWAN: How near do they get to offshore Cotonou?

IKEM OHIA (GGM – ASOCON): Pardon me Sir I did not get that question

HON FAROUK LAWAN: How near do they get to offshore Cotonou?

IKEM OHIA (GGM – ASOCON): They are offshore Cotonou they do not even go in.

HON LAWAN: No, instead of off shore Nigeria, they are off shore Cotonou. If, like you said, we want to keep them at arm's length because we do not want to expose the Nigerian waters to unnecessary risk, how far are these vessels from Cotonou? How is it that those risks are borne by those countries and it is only Nigeria that cannot bear them? The fact that you do not come to Nigeria means we are incurring a lot of losses. Do they not pay?

IKEM OHIA (GGM – ASOCON): I explained earlier on that it is because of the nature of the financial involvement.

HON LAWAN: Are port charges not being paid? Nigeria loses all the import charges, we lose out on duties, we lose out in so many ways; are we not losing?

IKEM OHIA (GGM – ASOCON): I did explain earlier on that it is not the making of the marketers; it is the insistence of the CBN that LCs of imports must be outside Nigerian waters.

HON. JAMES ABIODUN FALEKE: From your explanation basically you said that the reason why your company imports off shore Cotonou is purely on economic reason - that is your first explanation; it has nothing to do with draft. When you look at it, we export our crude oil and big vessels find it easy to come to Nigeria to load our crude oil; yet these same big vessels find it difficult to come to Nigeria to sell the PMS. What can account for that? Secondly, you are so conversant with Nigerian waters and Cotonou depth. Can you tell us, what is the depth of Cotonou waters as compared with Nigerian waters?

IKEM OHIA (GGM – ASOCON): Mr. Chairman, we are not saying that the vessels cannot come into Lagos waters; we are saying that the vessels cannot come into some ports in Lagos because of draft restrictions. For instance, the Ibafo port, a 30,000-metric-tonne vessel loaded with PMS cannot come into Ibafo; it can come into Lagos waters, but it cannot come into the jetty because of the draft restrictions at the jetty.

HON. JAMES ABIODUN FALEKE: What is our depth at Atlas Cope? Your partner spoke of a 100,000 metric tonnes capacity, but none of the importers have ever imported 100,000 metric tonnes. So, let us limit ourselves to the maximum of about 40,000 metric tonnes. The question I asked is Cotonou has a maximum or minimum depth as compared to our own Nigeria, what is the difference because we have a map that shows the depth and I know that there is no difference. Our own is even deeper than Cotonou or Lome depths. Why is it difficult? Why is it easy for vessels coming to buy crude oil from us to come into our waters to load the crude oil? That is what I want to know.

IKEM OHIA (GGM – ASOCON): I want to clarify what I said earlier on that there is

absolutely nothing stopping large vessels coming into Nigerian waters. I am only saying that because of their size, they cannot come ashore, and that is why we need, most times, daughter vessels to go and lighten such large cargos. I did mention that the key thing is that this policy is not the policy for LCs opened by Nigerian importers of the refined petroleum products. It is something that was laid down by the financial regulatory bodies, insisting that for such cargos to be treated as imports they must be seen to be coming from outside Nigerian waters. That is the reason I gave earlier on and I really stand by it because you can cross-check from the financial bodies why this is the case. Secondly, you mentioned large crude vessels yes, they come in but none of them ever come in right into the shores. Most of them because of their size anchor somewhere there and there are ways whereby through marine boys and what have you, such crudes are then pumped into such very large vessels. No very large vessel can come ashore easily.

HON. JAMES ABIODUN FALEKE: We are not talking about these large vessels coming into our jetties. We are saying that we have Nigerian waters. Why are you avoiding Nigerian waters? Why are these so-called big vessels running away from Nigerian waters? Is it to evade tax or easily get involved in smuggling activities? As far as I am concerned, this off shore Cotonou we have not seen of your companies pay port taxes, port dues to off shore Cotonou or to off shore Lome countries. And you are not also paying to Nigerian government. How do we then capture what you are bringing in? As far as international business is concerned, that is purely smuggling. You stay on the high sea and transfer, the government of Lome does not know what is happening on the high sea, neither does the Nigerian government yet, you have the Nigerian waters that can accommodate these vessels.

IKEM OHIA (GGM – ASOCON): On the shuttle vessels, that we use to take from the mother vessels, we pay port dues.

HON FAROUK LAWAN: Please respond to few other issues.

HON. IRONA GERALD: The essence of using daughter vessels to lighten mother vessels is because of capacity difference is it not? Look at your presentation to us at the summary page transaction involving Petroleum products subsidy 2006 – 2011. Look at your mother vessel column 3. The capacity of your mother vessel is 37,211 metric tonnes. The lighter vessel is 46,609 metric tonnes. It means that you use higher capacity vessel to lighten the mother vessel. The lighter vessel is bigger than the mother vessel. Secondly, are you aware that there are designated zones where you do SDS? Thirdly, could it be true that offshore Lome and offshore Cotonou are international trade centres? Could it be true?

IKEM OHIA (GGM – ASOCON): Like I said before, the mother vessels are not owned by us. They are owned by the suppliers of these cargos to us. Typically, the mother vessel

they give to several people apart from us. They might come in with 30,000 metric tonnes from which they might give to Asocon, Oando etc. and it is our duty to get the shuttle vessels to do transshipment from the mother vessel. That is also my answer to the second question. I do not know why the suppliers choose to anchor their mother vessels off shore Cotonou or Lome. I hope that is the question for the person going to pick the cargos from these suppliers. All we do is we open the LC to the supplier, they tell us where the cargo is situated, we hire a vessel and we go and load it from where the cargo is situated. You are saying, for example, that the lighter vessel was a bigger vessel than the mother vessel. But, it does not carry the same quantity of cargo that the mother vessel carries. That is why it was able to come to berth.

HON. IRONA GERALD: Before you import, PPPRA usually inspects your tank farm, the capacity of your tank farm. From PPPRA's report, it is 12,800 metric tonnes for PMS. You told us here that what you have is 34 million litres. 12,800 metric tonnes if you convert it will give you roughly 18,000 million litres. You have been able to import over 14,000 metric tonnes of PMS, where do you discharge it? From your record, you discharge it at Asocon tank farm. From the record of PPPRA, what you imported your own tank farm cannot contain in. So, could you elucidate further please?

IKEM OHIA (GGM – ASOCON): The PPPRA inspection record shows that our depot has a capacity for PMS for 12,800 metric tonnes, but since then, we have fitted greater valves to enable some other tanks take PM. The second thing is that, typically, when we are discharging PMS into our tank farm, PPPRA allows us to load into one tank and begin trucking out because for the period that the discharge is happening in about 3 days all our activities at the depot cannot stop and our depot has the capacity to load 3-4 million litres of PMS per day. So typically, a 14,000 metric tonnes vessel, we can take it comfortably, we already have cargos before but what we do is that we load one tank and PPPRA and all other agencies satisfy the quantity and we immediately start loading out because if we are to shut down for 3 days simply because we are going to receive a cargo it will affect our business negatively.

HON. IRONA GERALD: So, you discharge and truck out simultaneously? Is that what you are saying? That is what you are saying because your capacity cannot contain what you have imported. Obviously, you must discharged and taken record before you trucked out; otherwise, there will be some remnants. So, what happens to it?

IKEM OHIA (GGM – ASOCON): What I said is that since the PPPRA took the record we have fitted additional tanks with greater valves; we have additional tanks that can take PMS. In fact, we can actually discharge a 14,000-metric-tonne vessel without trucking out. In cases where we have storage constraint, with the cooperation of PPPRA and all the other

regulatory agencies, this is not a new thing, people do it, you discharge into one tank, get a certificate for that tank, from that particular tank you can start trucking out while you begin loading into other tanks.

HON. ALI AHMED: Is it possible for you to bring in cargo without NPA capturing it?

IKEM OHIA (GGM – ASOCON): No, I do not think so.

HON. ALI AHMED: Your last two supplies in the same summary page, fortunately, you have not been paid. It has not been captured in NPA's log. That means you have not supplied it. What explanation do you have?

IKEM OHIA (GGM – ASOCON): Those vessels actually delivered the products into our tanks and we discharged the products. I am surprised that they do not have them in their log. Usually, they give you the permit before you come in and then you will pay the appropriate port charges. We all pay other dues before such cargos come in. There is just no how we could bring any cargo because there are so many agencies that make sure that before you come in with any vessel, they ascertain the physical presence of that cargo before it berths.

HON. ALI AHMED: Mr. Chairman, perhaps you could ask the PPPRA not to pay until this is sorted out because we believe that the NPA should do everything possible to straighten this record. Still on NPA record, I believe you have to submit additional document because these ones have implications for your refunding to government. If you see your first supply, MT Panter you brought in 19,500 metric tonnes between 16 -10 December although you did not tell us the date of discharge. From NPA's log, the same MT Panter came and discharged on December 14, 9,757 metric tonnes, the same vessel and around the same time. If we believe NPA then something is happening here. That is also true of your second and third cargos. The only cargo that corresponds with NPA's record is for 4. You do have to bring additional document or a counter proof for 1, 2, and 3 because it runs counter to what NPA has. All those vessels they came in almost the same time, almost the same volume discharged. I want to believe NPA's record better than your own. As the Chairman said, we are ending this Public Hearing tomorrow. So, if you have additional documents, please bring them. If you do not, we will be allowed to rely on NPA's documents.

IKEM OHIA (GGM – ASOCON): We will provide all the necessary evidence that actually these cargos were brought in with the knowledge of NPA and with the payment of all the necessary NPA dues and what have you. So, we are surprised if they do not have those records. We will provide what we have in our own records to show evidence that these cargos actually came in. There are physical evidence of these vessels of actually berthing and discharging all these cargoes into our storage tank.

HON LAWAN: Thank you very much Asocon. We will expect the documents we requested and if you have additional records you can please provide us with them. The next presenter is Mr. Oruwaye Jibrin, MD Brilla Ltd. Please come to the witness box for your presentation.

MR. ORUWAYE JIBRIN (MD, BRILLA ENERGY LTD): Brilla Energy Ltd is an independent oil trading and wholly owned indigenous company with head office in Lagos Nigeria and operational offices in Ghana and Luxemburg, Germany. The company was incorporated in Nigerian on 8th December, 2005. The Brilla Energy takes advantage of the synergies offered by the West African trading hope. The city of Lagos attracts many professionals and companies that are active in services related to our activities, which are a fundamental asset to our company and partnership. Brilla handles every aspect involved in sourcing and distribution of crude oil and refined petroleum products in Nigeria and West Coast of Africa.

HON LAWAN: What you will do is to give us the paper and give us a brief of what you do with regards to your participation in the PSF. So, do not worry on your objectives which I know is to make profit which I know you are making. So, you do not have to remind us on that.

MD, BRILLA ENERGY LTD: On the PSF scheme Brilla Energy actually applied to participate in the scheme in September, 2010 and received the permit to import 15,000 metric tonnes of PMS. We imported 13,271.338 metric tonnes and we received under recovery payment the sum of N963,796,199.80 for the importation in quarter 4 of 2010.

HON LAWAN: When was the company incorporated?

MD, BRILLA ENERGY LTD: The Company was incorporated on December 8, 2005.

HON LAWAN: And you started participating in the PSF scheme in 2010?

MD, BRILLA ENERGY LTD: Yes sir.

HON LAWAN: So what were you doing between 2005 and 2010?

MD, BRILLA ENERGY LTD: Well, Brilla Energy was involved in every aspect of petroleum distribution both in Nigeria and West Coast of Africa. And we have three tanker vessels which are owned by us that we use for this activity.

HON LAWAN: When did you acquire the vessels?

MD, BRILLA ENERGY LTD: The first vessels were acquired between 2007 and 2011.

HON LAWAN: All right. And so you use these vessels to transport products to other West

Africa countries as well, because you said you have been involved in trading in other West Africa countries?

MD, BRILLA ENERGY LTD: Yes, Mr. Chairman, primarily we use our vessels for trading activities and we have been doing that since 2007. Even when the PPPRA scheme started we were not involved prior to 2010; but we have used our vessels primarily for trading activities and we have also leased it out to other major traders who have imported products into Nigeria.

HON LAWAN: Are you a member of indigenous ship-owners?

MD, BRILLA ENERGY LTD: Yes, Mr. Chairman.

HON LAWAN: But your association came here and said none of their ship is ever used and how can you now tell us that yours are involved. Your association came and from the information they gave none of their ship was ever involved in the shipping of this product.

MD, BRILLA ENERGY LTD: Well, Mr. Chairman, I do not know if this is a forum for this but if you allow me I could just make some comments

HON LAWAN: Go ahead.

MD, BRILLA ENERGY LTD: All right, the Indigenous Association of Ship Owner (ISAN) has issue of tonnage and we also have issue of vessel age. I must let you know here now, Mr. Chairman, there are even some of the vessels that we bought newly because NIMASA enters into some international convention and some of these vessels are not even registered, these are Nigerian owned vessels. If the vessels are not registered you cannot participate in cabotage. If it is not registered by NIMASA, NIMASA says they want a vessel that is less than some 10 or 15 years old; these are vessels of maybe 5,000 tonnages costing you some \$10 million and you do not have Nigeria banks to give you that type of money. For that reason members of ISAN may not really participate; but Brilla Energy as a company we have imported product even PMS and we used our vessels.

HON LAWAN: No, I am not talking about your import. I say your vessels; you are a member of ISAN, right.

MD, BRILLA ENERGY LTD: Yes.

HON LAWAN: ISAN came and said not a single ship own by any of their members was ever used in bringing in products. And you are confirming that your own vessels were used in bringing in products. So what I am saying is that it does not add up that there is something; is it that Brilla Energy is not telling us the complete truth or is it ISAN that is not saying the complete truth? You are a member of ISAN and you admitted you are a member

of ISAN. Are your vessels mother vessels or daughter vessels?

MD, BRILLA ENERGY LTD: They are daughter vessels, Mr. Chairman.

HON LAWAN: As I said, the information we have is that not a single daughter vessel owned by ISAN is ever used. But your own was used. Are you a suspended member of ISAN or you are expelled?

MD, BRILLA ENERGY LTD: We are bona fide member of ISAN, Mr. Chairman. But what I am saying is that it may not be totally correct to say that not a single vessel of ISAN member is used to import petroleum products under the PSF scheme. I am sure of quite a few members using their vessels to lift product.

HON LAWAN: Just a minute. So how do you dispose of your product when you bring it in; do you have a retail outlet? You have vessels; do you have storage facilities as well?

MD, BRILLA ENERGY LTD: We do not have storage facilities.

HON LAWAN: Do you have a retail outlet?

MD, BRILLA ENERGY LTD: We do not have because it is not our focus, Mr. Chairman.

HON LAWAN: All right, you do not have retail outlet, your focus is what?

MD, BRILLA ENERGY LTD: Bulk distribution.

HON LAWAN: You said you are traders, which other West Africa countries do you trade?

MD, BRILLA ENERGY LTD: We have traded with Ghana; we have traded in Benin Republic.

HON LAWAN: In PMS, Kerosene and AGO?

MD, BRILLA ENERGY LTD: We do Jet Fuel.

HON LAWAN: Sorry only Jet Fuel?

MD, BRILLA ENERGY LTD: No, and LPFO.

HON LAWAN: All right.

HON. EUCHARIA AZODO: Thank you Mr. Chairman. It is just on the question you asked on what the ISAN told us here. I do not know whether your vessels were registered in Nigeria carry Nigerian flag or were they registered abroad. They were telling us that no Nigeria vessel is used in this business.

MD, BRILLA ENERGY LIMITED: We have three vessels, one is registered in Nigeria,

and like I said earlier on, two other vessels were not allowed to be registered here because NIMASA says they will not do for some reasons which I have mentioned earlier. So these are the Nigerian owned vessels but they cannot register in Nigeria.

HON LAWAN: They do not bear Nigeria flag.

MD, BRILLA ENERGY LIMITED: They do not carry Nigeria flag, Sir.

HON LAWAN: What is the name of the vessels, all the three vessels, can we have the name of the three vessels?

MD, BRILLA ENERGY LIMITED: It is in the profile Sir, but the first one is 6,300 tonnages which is MT Excel, the second one is 7,200 tonnage, MT Brilla, the third, 6,200 tonnage which MT Idris.

HON LAWAN: Thank you very much. Please, submit the relevant documents to us including the volume, the various allocations you were given, the details of how they were brought in and the amount of money that you collected as subsidy. Thank you so much.

We invite DAPMAN President to make his presentation.

HON LAWAN: DAPMAN can you please proceed?

MR. FELIX OKOYE (PRESIDENT, DAPMAN): Hon. Chairman and hon. Members of the Committee, we are representatives of the Depot Petroleum Product Marketers Association. Some of our members had made presentations to this Committee and we felt that we should come and request for permission to make some comments on some of issues that have arisen during their presentations. We have a member of our technical committee and our Secretary and also a senior member of our association here, who will take question after the member of the technical committee, has read the paper that we have submitted. Mr. Chairman, I forgot my glasses in the car, and I will like the Secretary to read the paper, if Mr. Chairman will grant permission. Thank you Mr. Chairman.

MR. TOKUNBO AMOSUN, SECRETARY, DAPMAN: Mr. Chairman and Members of the hon. Committee, this is the presentation by the Depot Petroleum Product and Marketers Association (DAPMAN). If you will permit, Sir, a lot of issues have come out and we want to make some clarifications.

HON LAWAN: Go ahead.

SECRETARY, DAPMAN: Mr. Chairman and the hon. Members of the Committee, we hope that our contributions would throw more light to a lot of questions that have been asked and give a better understanding of how the industry operate. So we might be taking

a bit of your time but we want to believe that after this some of these questions will be better explained.

HON LAWAN: Go ahead and make your presentation, just try to be as brief as possible; make your presentation, make your comments and I am sure my Colleagues will raise some issues, so please proceed.

SECRETARY, DAPMAN: Thank you very much Mr. Chairman. DAPMAN is the umbrella organization of Depot and Petroleum Marketers as the name suggests. As of today we have 30 members, who have storage tanks spread across coastal belt of Nigeria and we have storage combined capacity of about 3 billion litres and have investment in the downstream sector of about \$3 billion. DAPMAN controls about 80% of the storage facilities in the country and employed about 15,000 Nigerians directly and 400,000 Nigerians indirectly. We also have investment in retail outlets, road truck tankers and seagoing vessels. We would want to point that out but since the commencement of the partial deregulation policy since 1998, DAPMAN, as a group, has been the largest investors in the downstream sector of the economy. Mr. Chairman and hon. Members, we have noted the controversy and debate that have followed the decision of the Federal Government to remove petroleum subsidy, starting from the insinuation of cabal in the downstream and also allegation of manipulation of the subsidy scheme. We would want to state at this time that as a body we do not condone any form of criminality; rather we encourage our members to be above board in their operation. Now, we would also want to state that we have also noted a situation where every marketer today, maybe not necessary by this Committee but in the court of the public opinion, every marketers is regarded as a cabal or a criminal. We want to say that this is unfair, what we have are insinuations and allegations of malpractices which have not been substantiated yet, and we are hoping that this Committee will give us a platform where people will be able to come and prove themselves as honest and genuine business people, rather than get a way under this gab of cabal or criminals. We want to note, especially the situation that happened when the EFCC invited all marketers not only DAPMAN members, and we all made statements under caution and given forms to declare our assets. From our own little knowledge of law when you make statement under caution, you are already a suspect. This was quite traumatic for a lot of our members especially when you look at our commitment over the years to this industry.

One other issue that we want to address Mr. Chairman and hon. Members is the term that we read so often in the papers, those that are benefiting from subsidy. We do not benefit from subsidy, what happens is that we do make claims for refund that are rightly due to us as per the template guaranteed by the PPPRA. What we get basically is the under-recovery and the guarantee margin under that template. As one of the earlier presenter mentioned

you go into the international market and you buy PMS at a landing cost of about N140.00 per litre and the government compels you to sell at N65.00 as pump price. What we get back is the difference between your landing cost and the price the government compels us to sell. We will also want to note that all these money we used to trade are actually borrowed from the banks and we owe it a duty to also pay back to the banks. In essence, it is in our own opinion that the people that benefit are the people of Nigeria. In the last couple of the years I have been buying product at N65.00 as against the international price which we buy and bring into the country. We also have noted several comments regarding the template; I would want to take some time to shed some light or make some clarifications here. First of all we would like to state that the template is not the sole input of marketers. There is a stakeholders committee that jointly come together to design the template in 2006 at the inception of the Petroleum Support Fund (PSF). These stakeholders consisted of the TUC, the NLC, PEGASSAN, NUPENG, NARTO and NACCIMA. Indeed, I will also want to point out that even up till today, members of some of the group are still members of the board of PPPRA and they regularly contribute to their deliberations. Now, there is no way any item or cost line in that template can be changed without the input of the stakeholders and we also want to point out that a lot of the line items in that template are not generated by a marketer or PPPRA. For example, port charges are issued by the NPA, the exchange rate and interest charges are as given by the CBN. So these cost input which forms about 95% or 90% of the total cost are actually independently thrust on the PPPRA and can be verified by anybody that has access to all these organizations. Also we want to point out here that even in the recent past the marketers as a body have made representation for the review of this template, basically because since 2006 a lot of other costs have come up which are not adequately reflected in the template and we are aware of the fact that a body was contracted to do a review which up till now has not being published. One other issue that have come out in the course of presentations to the honourable Committee has been the huge deferential between what was paid as subsidy in 2010 and what was paid in 2011 for apparently the same volume. And we had taken the liberty to prepare like template of first comparison 2010 and 2011 which was given to the honourable Committee this morning. If you look at this template sir, you would find out that the average price of petroleum product in 2010 was \$723 with the lowest figure being \$622 per metric tonnes and the highest figure being \$828. In 2011 the average price of petroleum product gasoline was \$996 with the lowest point being at \$884 per metric tonnes and \$1,116 per metric tonnes are the highest point. Also we will also want to point out that I think it was early second quarter or late second quarter of 2011 we also have significant increase in the bridging claims.

HON LAWAN: Can you try to summarize please, because most of the information you are providing has also been provided to this Committee and we have so many companies

waiting.

SECRETARY, DAPMAN: Thank you, I will just go ahead and talk about the issue about eligibility and also to state that from inception DAPMAN members have been part of the PPPRA, PSF scheme; in fact we are on the board from inception and we are eligible because of the strategic importance of our storage in distribution of petroleum product across the country. We also want to mention the issue of the PPPRA allocation because of a group that came and said that we are the sole recipient of DPK and we are selling to them at a premium.

HON LAWAN: Are you not selling at premium?

SECRETARY, DAPMAN: Well, thank you very much Sir. Now we want to state first of all that we are not the sole recipient of kerosene and indeed IPMAN in 2011 got over 800 million litres of Kerosene.

HON LAWAN: Sorry, they got?

SECRETARY, DAPMAN: Over 800 million litres of kerosene.

HON LAWAN: What is the percentage?

SECRETARY, DAPMAN: I would say that will constitute about 1/3 of our consumption in this country Sir.

HON LAWAN: All right, 1/3?

SECRETARY, DAPMAN: Yes Sir.

HON LAWAN : Though DAPMAN get 2/3 of the consumption?

SECRETARY, DAPMAN: No, Sir.

HON LAWAN: What percentage do you get?

SECRETARY, DAPMAN: Well, I may say maybe about ½ of the consumption.

HON LAWAN: A ½ of the consumption?

SECRETARY, DAPMAN: Yes Sir.

HON LAWAN : So you are partially 50% responsible for the higher cost of kerosene out there in the market?

SECRETARY, DAPMAN: I would also point out that -.

HON LAWAN: You have not answered my question.

SECRETARY, DAPMAN: We get into our tanks at a cost that is at least N12.00 higher than what IPMAN and the NOMAN get.

HON. LAWAN: Why did they give it to you at higher cost? Is your own going to cost more? Why not given it directly so that you can cut down cost?

SECRETARY, DAPMAN: We are the only one that has the capacity to store the volumes and distribute. We buy the product from PPMC at N40.90k and we are expected to load offshore Lagos, the same price that IPMAN goes to the inland depot or the refineries to pick up the product. We then have to incur the cost of vessels, NPA dues, we pay at least 30 days in advance before we can get the product and all these cost cumulate. I would say that with the cost structure Sir, it is practically impossible for any DAPMAN's member to sell at N50.00.

HON LAWAN: So you sell at what rate?

SECRETARY, DAPMAN: I would not be able to confirm exact figure because it depends on some other factors.

HON LAWAN: Why are you here?

SECRETARY, DAPMAN: Sir; today the prices are not static.

HON LAWAN: No, I am not talking of whether it is static or not static. I am saying you are selling a product; you must know the price you are dispensing it.

SECRETARY, DAPMAN: That is what I am saying. If I give you a price today, it might not be the same price that tomorrow.

HON LAWAN: Then give me the price today, I will wait for tomorrow to know the price for tomorrow. What is the price today?

SECRETARY, DAPMAN: Today, I would want to say we are looking at selling at - hold on please, let me just confirm. Mr. Chairman what we have today from what I understand is an average of about N70 to N75 per litre.

HON LAWAN : N70 to N75 per litre. But out there, there is nowhere you can buy kerosene at less than N100 per litre.

SECRETARY, DAPMAN: That is true Sir.

HON LAWAN: What is responsible?

SECRETARY, DAPMAN: Do not forget that what happens is even between us the DAPMAN's members and before it gets to the road side.

HON LAWAN: You say you buy it at N40.90k and you sell at N75,00?

SECRETARY, DAPMAN: We buy at N40.90k. But we have additional costs to bring in into tank.

HON LAWAN: Yes, but you sell it N70 today, you buy at N40.90K and as of today sell at N75.00, and this is what you just said.

SECRETARY, DAPMAN: Yes Sir, I confirm that. But also, I said that we have additional costs from the time we pick it up.

HON LAWAN: The difference is more than 80%.

SECRETARY, DAPMAN: No Sir, because you have not asked me about the additional costs to bring it to tank. I did say that we have at least N12.00 per litre additional cost, depending and this is the minimum. If you have demurrage that is another issue.

HON LAWAN : Do you not claim reimbursement from Petroleum Equalization Fund?

SECRETARY, DAPMAN: No Sir. We do not; it does not cover ocean freight Sir. What Petroleum Equalization covers is just the cost of trucking? So there is the NPA cost, the cost of a vessel and so on.

HON LAWAN : How much is NPA's average cost per litre? We have NPA officials here so they can also come out and clarify on this.

SECRETARY, DAPMAN: Average NPA's cost per litre would be about 85k to 90 kobo Sir.

HON LAWAN N40.90k plus 80 kobo that is N41.70k. So why are you selling it at N75.00?

SECRETARY, DAPMAN: You have not put in the cost of the vessel.

HON LAWAN : Cost of vessel, how much?

SECRETARY, DAPMAN: You have not put in the cost of the SGS equipment, the cost of financing.

HON LAWAN : What is the average per litre?

SECRETARY, DAPMAN: And demurrage. That is why I said everything total up, come to a minimum of N12.00.

HON. LAWAN: Minimum of N12.00, all right. If it is a minimum of N12.00; N40.90k plus N12.00 will be N52.90k. Why are you selling it at N75.00? You just confirmed that you sell it at N75.00. That is what he said.

SECRETARY, DAPMAN: That is what I said and I confirm that. But what is also happening here, you have taken the lower back of the cost, I did say that the minimum we have, the minimum cost is at a N12.00 depending on...

HON. LAWAN: What is the maximum?

SECRETARY, DAPMAN: It depends Sir.

HON. LAWAN: What is the maximum N100.00?

SECRETARY, DAPMAN: No, it is not, maximum can actually go as high as N20.00 depending on...

HON. LAWAN: Even N20.00, all right; we take the maximum that is N60.90.

SECRETARY, DAPMAN: That is about N61.00.

HON. LAWAN: So, why are you selling N75.00? Should your margin be N15.00 on a product that you buy N40.00 per litre? I think the whole idea of pegging the price at N40.00 is so that consumers out there will get it at a very low cost. Because it is virtually the poorest of the society that use kerosene on daily basis and the idea is for those people not to have gone through unnecessary pain by paying higher. The poor old woman in the village who is to use lantern is the one who is to use kerosene, and that is the essence. Not those who fly around with private jets, they do not use kerosene, and that is the whole idea. Thank you very much; I think you have made your presentation. Can I please invite the Managing Director of Sulphur Stream Ltd.? You are welcome, please take the witness box.

MR. MD, SULPHUR STREAM LTD.: Good morning Mr. Chairman and Hon. Members of this esteemed Committee, (Introduction of Members of Sulphur Streams Ltd.). Sulphur Streams was incorporated in 2003 with a vision to become a leading provider of global engines solutions in Nigeria and West Africa sub-region. Basically in Sulphur Streams we offer solutions to oil and gas industry to the energy chain and we specialise in identifying with and solving problems. We started in 2003 by bringing refined oil from Kaduna Refinery by trucks and by train to tank farm in Lagos, and exported it to our various customers. From there we went into importation of various products like bitumen, gas oil, lube oil and we also supply major marketers, products like AGO to their supply facilities off-shore. These are basically the kind of things we have been doing from then up till now. Going straight to PSF scheme, we started in 2010 in Q4 we had allocated 20,000 metric tonnes of PMS we brought in 13,502.642. The vessel we used was MT Danny 1 to discharge to FASBEM Depot at Kirikiri in Lagos and we were paid a subsidy of N1,081,911.646.22. In 2011 Q1 we were given 30,000 metric tonnes we brought the product in two batches of 13,300.86 upon MT Danny 1 into Masters Energy Tank Farm and we received subsidy of

N1,776,092/928.25. We also brought another batch of 14,254.54 upon MT Brave and we received subsidy of N1,900,688,477.53. So we did a total quantity of 41,057,980 and received N4,758,693,052. Thank you.

HON. LAWAN: Thank you very much, how do you get your import, do you buy directly or from off-shore Lome and Cotonou?

MD, SULPHUR STREAM LTD.: We import from traders and we receive it from off-shore Lome.

HON. LAWAN: So you are not traders yourselves?

MD, SULPHUR STREAM LTD.: As international traders, basically, that is what I mean.

HON. LAWAN: No, you buy from international traders?

MD, SULPHUR STREAM LTD.: Yes.

HON. LAWAN: And you pick it up from off-shore Lome or off-shore Cotonou?

MD, SULPHUR STREAM LTD.: Off-shore Cotonou.

HON. LAWAN: And when you bring it in, you have storage facility, right?

MD, SULPHUR STREAM LTD.: We have an arrangement with Masters Energy.

HON. LAWAN: How do you retail the products?

MD, SULPHUR STREAM LTD.: We truck out; we sell to various people who come to the depot and they pay us and we sell to them.

HON. LAWAN: Who is your major client?

MD, SULPHUR STREAM LTD.: No, we sell to the general public.

HON. LAWAN: How?

MD, SULPHUR STREAM LTD.: What happens is this: We have a Depot Representative and when people come they will pay their money because we are financed by banks and they will pay into the banks and we get the teller and once we confirm their payment we load their trucks.

HON. LAWAN: But when you say general public I thought you are talking of those who have retail outlets?

MD, SULPHUR STREAM LTD.: Of course definitely.

HON. LAWAN: So you do not have any single major client?

MD, SULPHUR STREAM LTD.: No, we have a long list and we can bring you the list.

HON. LAWAN: You have a long list but do you have a major client somebody who tends to patronize you in bigger volumes than this small, small individuals?

MD, SULPHUR STREAM LTD.: Well it depends on what you call big because we have people who may buy may be ten trucks, some people buy five trucks, some buy three trucks.

HON. LAWAN: So there was no regular big buyer.

MD, SULPHUR STREAM LTD.: A lot of them come back over and over again we have a list of almost 300 buyers.

HON. LAWAN: All right, let us have that list, we would be glad to have that list.

MD, SULPHUR STREAM LTD.: I'll get you the list.

HON. LAWAN: So you have no retail outlet at all?

MD, SULPHUR STREAM LTD.: No, we do not have any retail outlet.

HON. LAWAN: Any plan for future?

MD, SULPHUR STREAM LTD.: Certainly not.

HON. LAWAN: Have you purchased land for something you are thinking of doing maybe in future?

MD, SULPHUR STREAM LTD.: We have land in Calabar Free Zone, and we have land which we have invested in Lagos Free Zone.

HON. LAWAN: What do you want to do with that?

MD, SULPHUR STREAM LTD.: We want to do a tank farm.

HON. LAWAN: Is it for storage facility?

MD, SULPHUR STREAM LTD.: Yes, storage facility in Calabar.

HON. LAWAN: Storage facility in Calabar?

MD, SULPHUR STREAM LTD.: Yes, Calabar and Lagos the free zones.

HON. LAWAN: Thank you very much. We requested for certain documents, your bill of lading, and we also want a list of all your clients you said it is over three hundred?

MD, SULPHUR STREAM LTD.: Yes.

HON. LAWAN: Let us have that long list. When you do not make import that is based on allocations you received from PPPRA what else do you do?

MD, SULPHUR STREAM LTD.: We trade in all the products, bitumen, fuel oil, and so on.

HON. LAWAN: You trade locally in Nigeria or do you also like to take it out across the border, do you also do that?

MD, SULPHUR STREAM LTD.: We exported fuel oil, like I told you, when we started. We had allocations for export of LPFO from Kaduna which we brought by trucks to Lagos and exported those ones.

HON. LAWAN: You do not export PMS?

MD, SULPHUR STREAM LTD.: No, no, no we do not export PMS.

HON. LAWAN: Or Kerosene?

MD, SULPHUR STREAM LTD.: No we do not.

HON. LAWAN: Maybe through the borders?

MD, SULPHUR STREAM LTD.: No, no, we are based in Lagos.

HON. LAWAN: I see, thank you very much.

MD, SULPHUR STREAM LTD.: But I also took the liberty of something making small proposal on alternative fuel that would solve this subsidy problem.

HON. LAWAN: No, it is alright, do not worry we would look at it, thank you very much.

If Hyden Petroleum Nigeria Ltd is around, could you step forward, please, and make your presentation?

HON. LAWAN: Please can you proceed and make your presentation?

MR. DAPO ABIODUN, MD/CEO, HYDEN PETROLEUM NIGERIA LTD.: Good afternoon Mr. Chairman, the Members of this honourable and esteemed Committee, (Introduction of Members of the Team). Hyden Petroleum Ltd .was incorporated in October, 2001 to provide solutions in the downstream sector of the downstream industry. We are wholly owned Nigerian company and we have developed from delivering diesels to household in 2001 to owning our own facility in Ijora, Lagos. We import and distribute all the products: PMS, DPK and AGO. We also load from the refinery when refinery is work-

ing. We have storage capacity in Lagos and we also have our own dedicated jetty; our sales have been very efficient in the industry because we believe that this business can only thrive on efficiency. We have put together what you required of us as far as our participation in this subsidy scheme is concerned and we have submitted it to the committee. If you permit me I will just go through the numbers of what we have done in terms of participation to date. Our participation in subsidy scheme for the first time was in 2009. In Q2 of 2009 we were given an allocation of 15,000 metric tonnes which we also imported.

HON. LAWAN: Sorry, you were given?

MD/CEO, HYDEN PETROLEUM NIGERIA LTD.: 15,000 metric tonnes.

HON. LAWAN: You imported?

MD/CEO, HYDEN PETROLEUM NIGERIA LTD.: 15,000 metric tonnes.

HON. LAWAN: Exactly 15,000?

MD/CEO, HYDEN PETROLEUM NIGERIA LTD.: Well what we imported was 15,000 but what we are turned was lightly less than 15,000 tonnes.

HON. LAWAN: All right.

MD/CEO, HYDEN PETROLEUM NIGERIA LTD.: However, at the conclusion of that transaction we made a N60m loss, and because of that we realised that we could no longer participate in this scheme unless we had the ability to store PMS ourselves. As of that time, our storage was only capable of storing kerosene and diesel. So in 2010 we decided not to participate while upgrading our facilities, because we realised that our loss came from demurrage cost. The 15,000 tonnes we brought in 2009 was sold to Mobile and TOTAL and because of the demurrage that we incurred waiting to berth at their jetties that resulted in our losses we said that we were going to wait and when our facility was ready to accept PMS we would begin to dispense PMS. So in 2010 we completely did not participate. In 2011 we resumed participation in the 2nd Quarter. We were given 15,000 tonnes and we brought in, in three tranches totalling 14,860 metric tonnes into our storage. In the 3rd Quarter of 2011 we were given 30,000 tonnes and we did four tranches totalling 29,415 metric tonnes. In the 4th Quarter we were given only 15,000 tonnes of which we have already delivered 7,346.216 metric tonnes. We are about to do a balance of that 4th Quarter allocation this month. We have a schedule here that we have submitted to you which shows the total amount of money that we have been paid by PPPRA to date. To date we have received N2, 646,157,419 and we have outstanding N3.2 billion. Thank you sir.

HON. LAWAN: Thank you very much. So you have retail outlets, you said twenty?

MD/CEO, HYDEN PETROLEUM NIGERIA LTD.: We have one retail outlet sir.

HON. LAWAN: Oh! Just one, where?

MD/CEO, HYDEN PETROLEUM NIGERIA LTD.: In Shagamu.

HON. LAWAN: All right, but you have storage facility?

MD/CEO, HYDEN PETROLEUM NIGERIA LTD.: Yes sir.

HON. LAWAN: Prior to your participation in the PMS import were you more of specialist in storage than maybe in import or retail, you are not into retailing?

MD/CEO, HYDEN PETROLEUM NIGERIA LTD.: No sir. Before we began the PMS scheme we were mostly importing and distributing diesel.

HON. LAWAN: All right, importing/distribution but not retailing?

MD/CEO, HYDEN PETROLEUM NIGERIA LTD.: Not retailing.

HON. JAMES A. FALEKE: I just want to know what advantage you have buying from off-shore Cotonou. Assuming we have vessels coming to Nigeria waters, what advantage does off-shore Cotonou have over Nigeria waters?

MD/CEO, HYDEN PETROLEUM NIGERIA LTD.: Thank you very much sir, it is not so much an advantage other than to fulfill the requirement of an import, which is that the transaction must truly be an import. If a vessel comes off-shore Lagos then it is no longer an import so to fulfill the CBN regulations the mother vessel must stay outside the shore of Nigeria; otherwise you would not qualify for the foreign exchange rate.

HON. JAMES A. FALEKE: I really do not understand, what you are saying is that the CBN has a directive those products must come off-shore outside the Nigerian waters, is that what you are saying?

MD/CEO, HYDEN PETROLEUM NIGERIA LTD.: No sir, you can bring your product from anywhere but if you are going to open an LC and you are going to retire that LC with CBN funds it means that it is technically an import. For it to be an import it must come from outside Nigeria so if you bring that vessel off-shore Lagos then it is no longer an import; it is a local purchase meaning that you should just go and buy it there.

HON. JAMES A. FALEKE: If you open an LC or a Form 'M' and says port of discharge I mean the cargo is of course coming from let's say Rotterdam and is going to secure off-shore Nigerian waters it is already an import, you cannot get PMS from Nigerian waters so if you bring in from Rotterdam and is clearly stated on your documents just as you say

off-shore Cotonou, it is the same thing. Because it is Cotonou does not mean it is also an import because Cotonou does not produce PMS, they do not! So what you are importing actually originate from another country let us say Rotterdam it does not originate from Cotonou. So if you have your vessel arrived at Nigerian waters secured by Nigerian Government would the CBN has a rule that is against that?

MD/CEO, HYDEN PETROLEUM NIGERIA LTD.: I think we are mixing something up sir. There are two ways you can import, you can either bring in a mother vessel from Rotterdam in which case it would show port of loading, Rotterdam, port of discharge Lagos and you bring in the mother vessel straight to Lagos. The other way is to say what is the point in bringing in a 30,000 tonner when I cannot bring that vessel into my jetty in Ijora? That vessel would have to arrive and I have to lighter her and I begin to incur demurrage on the mother vessel and unnecessary cost. So what I do is I look for somebody else, it is a convenience shopping, who has said that he wants to take that as a business. He brings in the product on an MR (a medium range) vessel 35,000 tonner brings it to offshore Cotonou. I now open an LC to him it may be a VITOL or a Trafigora so at that point in time I am still obligated to show my original document, my load port documents, my date of loading showing that mother vessel. However, for my purposes that import to me is an import from Cotonou to Nigeria so my document would read import Cotonou to Nigeria. If that vessel however had come into Lagos say for example, after bringing that vessel you want to buy from me you could not open an LC to me, you would be fraudulent to do that because that transaction is taken place on the shores of Nigeria and you have to pay me in Naira or the bank guarantee so that is the difference.

HON. LAWAN: Just a follow-up on that. When these mother vessels come in into off-shore Cotonou and the daughter vessels go and buy from there, from what you are saying the major incentive is the foreign exchange. Apparently that is a major incentive on why these mother vessels do not come into Nigeria, what stops the mother vessels from coming into Nigeria shore and then our importers getting their payment in Naira so that they can buy from the mother vessel rather than having to go to Cotonou? So, the only incentive appears to be that you get paid in dollars rather than getting paid in Naira so if it is cheaper for the Nigeria people and would still remain profitable for the importer why not these mother vessels coming into the Nigeria shores so that we do not necessarily have to open LC indicating that we are importing when we clearly we know that we are not importing and the trader who is bringing the mother vessel if he so wishes to indicate is importing product from Rotterdam or from wherever into Nigeria?

MD/CEO, HYDEN PETROLEUM NIGERIA LTD.: Mr. Chairman Sir, there are actually one or two people who are doing that, there is a possibility to do that. However

modern business changes for the importer. The importer is now importing into Nigeria. That importer would have to actually open an LC from Nigeria and would have to retire that LC by accepting Naira from someone like me or yourself if you decided to leave the House and go into this business, he has to accept Naira from you and go to his bankers and now bid for foreign exchange to retire the cost of that particular tranche. At the present time, the VITOL and ADAX and the rest of them, the transaction for them is very tidy, very simple, they have very reduced risks because basically what they do is once the ship arrives off-shore Cotonou they begin to make enquiry from people like us who want to buy in these tranches and we open our letter of credit to them and that transaction is concluded, no risks. If he has to bring that mother vessel to off-shore Lagos he has to first contend with what they call the word risk premium it attracts coming to Lagos. At that point in time in Cotonou it is not a Nigeria company it is a Swiss based Company or an off-shore company he has to now be a Nigeria company he has to apply for the facility from its Nigerian bank, open an LC to maybe his Switzerland company and then accept payment from me in Naira but then I do know that there are couple of companies that are doing that. However I think it is a capacity issue because some of these companies have three, four vessels at the same time floating when you look at the fact that an average price of PMS is about \$8,000 per tonnes means that a medium range vessel is about \$35m so if you have three vessels floating that is about a \$100m so there is a capacity issue here. If our banks are flexible enough to support the indigenous companies I am sure that it would be better for the country as whole because employment would be created by such, and it would not be capital flight. As it is right now all the monies just go right out. It would be Nigerian company doing business in the Nigerian concern and like you rightly pointed out sir you may not have to open LCs it would probably be a function of me giving you a bank guarantee against my subsidy claim which is what we do. My subsidy claim is supposed to be payable in 45 days so I structure my payment such that I give an LC to my supplier and say this LC is confirmed and irrevocable but only negotiable in 45 or 60 days and I make that on basis of doing business. So it means that he has got a document from me that he can discount, that I cannot back off; however he has to wait until PPPRA pays me when that money clears in my account it means I am able to pay him off so it would be nice if we have more companies doing that in Nigeria and it would just be like using bank guarantee to trade and it would keep a lot of stress off. Mr. Chairman, I would like to say just one or two things if you permit me sir. I want to thank this Committee for what they are doing I want to assure you that, I do not know what kind of feedback you have been getting but this exercise is definitely not in futility. I am sure that because of what you are doing a lot of people are looking inwards the system itself is adjusting and I am sure it would not be business as usual. However, I want to point out that like my people in DAPMAN pointed out we are not all criminals and we should be given the benefit to prove ourselves.

HON. LAWAN: Does that mean that there are criminals among you?

MD/CEO, HYDEN PETROLEUM NIGERIA LTD.: No Sir. I take that back (Laughter). We should not be adjudged criminals until we are found guilty. I want to point out that a lot of us have made very serious investments and we have lost a lot of money. In 2008 when the foreign exchange was devalued you suddenly had all your Naira back and you cannot buy half of the foreign exchange exposure and it was running at 22% interest rate but we are still talking to our banks. More importantly sir, the PPPRA template, as it is sir, is not working at all and we have to be honest with ourselves. I appreciate that yes it is difficult for us to do this deregulation I mean the poverty in our country and all that, however, when a template is not working, when you go and import and spend \$15 to \$20m importing a product and you were not able to make 5% return you know it leaves room for a lot of things. For some of us that have our jetties and depots we can operate to the efficiency sir. This template, first of all, the exchange rate component in the template is completely unrealistic. We have issues of going to transship in Cotonou which cost us an extra N1 per litre. We have to pay World Risk Insurance; there is issue of NIMASA that has been introduced which is not even captured in the template.

HON. LAWAN: So do you pay custom duty, port charges?

MD/CEO, HYDEN PETROLEUM NIGERIA LTD.: No, we do not pay dues.

HON. LAWAN: When you come into Nigeria what do you pay?

MD/CEO, HYDEN PETROLEUM NIGERIA LTD.: For the NPA charges we pay NIMASA charges, we pay NPA, in Lome we pay a charge, I think is about \$5,000 or so, Lome Navy we pay charge to them also for security.

HON. ALI AHMED: I just want you to give me your opinion one minute because we do not have the time, before then to appreciate your kindness, I cannot hide it, to ask you whether this low risk insurance premium that you pay, yes as importer you have an incentive to do offshore Cotonou, when you look at the larger picture, what money will come in to the federal government, for employment opportunities, is not good for all this risk let us have some administered this mother vessel come into Nigeria whatever it takes pay in naira, get more employment, I am throwing this question to you because you have been helpful.

MD/CEO, HYDEN PETROLEUM NIGERIA LTD.: It is most desirable that will be the way to go, we should encourage Nigerian banks to support that kind business model where Nigerian actually bring such import or the mother vessels. The truth is that because I have heard over and over again that when you ask people questions, you are just an importer you do not have retail outlet, you own a tank farm you do not have retail outlet, there are different business models. I could decide what I want to do is bringing in mother

vessels and sell it to traders who will transship from me and that is where my business stops. For example I have only four trucks, I mean I have the capacity to have 100 trucks then I want to be in the business of transportation, and then I got probably the biggest batch in Nigeria call it 40,000 metric tonnes batch, because it works for me, I have been able to use my batches to transship and store and complement my own store storage, but trucking does not work for me. So you must appreciate the fact that I can decide to be retailer and do not want to own a depot, if I want to be depot owner, or I just to be in the business of warehousing for people and make my N2.00 per litre and that is it with no headaches and I can decide to be a trader.

HON. ALI AHMED: For the sake of time, what do you think and I expect a honest answer; what will be the basis of marketers claiming different rate off subsidy per litre? You have seen nobody has given a satisfactory answer to this, during the same period, a marketer says he imports 15,000 metric tonnes and he collected N1.3billion, another marketer at the same time gets different amount.

MD/CEO, HYDEN PETROLEUM NIGERIA LTD.: The easiest way to explain that is compare it like from foreign exchange, to be able to compare apples with apples. What I mean is that for you to compare my transaction to somebody else transaction you have to look at the date on my mother vessel and bill of lading which is the reference point for PPPRA, the mother vessels bill of lading bid. Now if you buy say February 1st, and I buy from February 2nd, the price difference can be as much as 30 to 40 dollars per tonnes. Now the other variables the other prices are published prices just like forex; we even have them on blackberries, everyday you can see price changes per second as good as trading.

So what PPPRA has done is just to say look, you take your mother bill of lading date as a reference date, produce that date, they now give you 3 to 5 days average, when you take the bill of lading of mother vessel date, two day before two days after, the average of those 5 days become the date that PPPRA use for you as a cost. So I buy a day after that average will be different from your date so the only way you can compare is to look at exact date that Mr. A and Mr. B bought. Now let us assume that Mr. B's purchase price is actually Mr. A purchase price, then you can now compare the apple and look at the premiums.

HON. ALI AHMED: Before you go ahead, we have done that; what we do is to get the cost of crude oil per barrel we have from 2006 to date and even if you do that, even if you add everything, and we looked at PPPRA template, PPPRA template allows for zero point, if you add everything it still does not add up. Density? Sorry it cannot be density, it cannot be price of crude, because we have done that and it is not.

MD/CEO, HYDEN PETROLEUM NIGERIA LTD.: I have to beg to defer that I buy

on the same day with you, I must be buying at the same price with you, because those prices are published, if I buy the same density with you unless somebody is running me off, negotiation skill now comes into play but within a week of reason, maybe \$10.

HON. LAWAN: Thank you very much; have a nice day. It is the turn of the Managing Director of Ryden Petroleum Ltd.

MD – RYDEN OIL LIMITED: It is indeed a honour to present this committee the report of Ryden Oil Ltd. as regards the importation of petroleum products under the PPPRA. Ryden is a private limited company duly incorporated and registered in the Corporate Affairs Commission (CAC) on the 28th June, 2006. Since then, we have been carrying on business to become one of the major marketers in the country. In 2008, Ryden was admitted into PPPRA and got its first allocation of DPK, 30,000 metric tonnes, and we imported 10,000 metric tonnes in two batches. We received subsidy N932,668,000,000.02. Ryden did not embark on importation again until the 2nd quarter of 2011. Ryden imported 10,000 metric tonnes of PMS; we applied and received a subsidy of N1,329, 274.977.00. In Q3 of 2011 Ryden imported 5,000 metric tonnes and subsidy paid was N499,000,000,474.00. The same quarter Ryden imported another 4,977.228 metric tonnes and subsidy is yet to be paid. And in the same quarter Ryden imported another 4,000 metric tonnes, bring the total import at Q3 to 15,000 metric tonnes and subsidy yet to be paid is N850million.

HON. LAWAN: What is the total subsidy collected?

MD – RYDEN OIL LIMITED: On the PMS, the total so far is about N1.8billion for 2011.

HON. LAWAN: This is for 2011?

MD – RYDEN OIL LIMITED: Yes sir; and the outstanding subsidy is N850million.

HON. LAWAN: Do you have any storage facilities?

MD – RYDEN OIL LIMITED: No sir, we have arrangement with ENSMORE for the DPK with FABEMS for PMS.

HON. LAWAN: Did you import the DPK?

MD – RYDEN OIL LIMITED: Yes we imported DPK in 2008, but we did not do it again because of the losses we suffered.

HON. LAWAN: Do you have retail outlet?

MD – RYDEN OIL LIMITED: We have one sir, in Victoria Island (VI) Lagos

HON. LAWAN: Is it in Ryden name?

MD – RYDEN OIL LIMITED: Yes sir.

HON. LAWAN: Who are your major clients?

MD – RYDEN OIL LIMITED: Some of our major clients for PMS are the depot itself and the PETROL CAP and we have a lot of other customers. When we started in 2006, we were marketing for the oil majors. We realized that the indigenous companies, the majors, were not dealing directly with bulk customers, so we acted as middleman then, people buying one truck, two trucks and so on. We still have many of them as customers.

HON. MAKINDE OLA ROTIMI: You claim to use storage tank, what is their capacity?

MD – RYDEN OIL LIMITED: We know we brought in 4,000, 4,000 and 5,000. Metric tonnes respectively but the total capacity of FABEMS PMS tanks...

HON. JAMES FALEKE: This piecemeal import is it on instruction of PPPRA or NNPC?

MD – RYDEN OIL LIMITED: Because of the draft restriction, we cannot bring in 15,000 metric tonnes in one load, so our LC was structured by the GTB in this strength.

HON. JAMES FALEKE: You brought in DPK in 2008 how much subsidy did you receive.

MD – RYDEN OIL LIMITED: We were paid subsidy of N932, 668,025.

HON. JAMES FALEKE: We just want to confirm that you actually brought in DPK in 2008 and was paid subsidy on DPK; it is very important to us.

HON. IRONA GERALD: Have you had any issue with PPPRA on over payment?

MD – RYDEN OIL LIMITED: No sir.

HON. IRONA GERALD: From my records, you are supposed to refund one N125,679,580 to PPPRA. Your record shows that you supplied 4,199 metric tonnes and 6,040; if you put the records together and look at your third allocation and at the amount paid to you will confirm that you received N125million and some fraction in excess. I think it will interest this committee for you to give us factual figures; it might not be the same amount that you are supposed to refund. But have you had an issue on refund?

MD – RYDEN OIL LIMITED: No we have not sir.

HON. LAWAN: Thank you very much. We expect all the relevant documents you submitted to us, letter of credit, certificate of discharge, bills of lading - we will like to have those documents. Can I invite the Managing of Director of Vitol, I suppose you are already on oath, you do not have to administer any oath again.

DM, Vitol MD, Vitol International Company, reminded of his oath

HON. LAWAN: First of all let me welcome you to this hearing you were here with us last week, we requested for some documents , I do not know whether they are available now?.

MD VITOL MD, INTERNATIONAL COMPANY: We made our submission today to the Secretary.

HON. LAWAN: In the course of this exercise, we have discovered that we questions to ask you. You are like trader to traders, you have your importers, I mean you bring mother vessels and some of those who get allocation from PPPRA buy from you, which means your main aim is to bring mother vessels offshore Lome or offshore Cotonou. You do not collect allocation from PPPRA and I will take it that you do not collect subsidy, but those who collect subsidy buys their products from you. Our interest is to establish those who claim that they purchase product from you, that they actually achieved those products from you. We have heard so many allegations of product diversion about people who did not bring this products but tender documents and collected subsidy. We need to establish that your vessels actually berthed offshore Cotonou or Lome and from there these clients of yours actually bought the products and came back here. Why would you bring in your products offshore Cotonou or offshore Lome; why not offshore Lagos?

MD VITOL MD, INTERNATIONAL COMPANY: We are international traders and all our businesses are in US dollars. As already explained the Managing Director of Ryden, the CBN regulations for raising Form M for purpose of LC require that product import be done outside our shores. And in a sense we want to keep our cost low for small margin, which offshore Lome ensures. Then as regards interest and foreign exchange rates they are higher here. These two elements are a big factor, sir.

HON. LAWAN: So, going offshore Lome or Cotonou has nothing to do with the issue of draft? We have heard such argument that this mother vessel could not berth offshore Lagos because the draft cannot accommodate those vessels. From your own experience it has nothing to do with draft?

MD VITOL MD, INTERNATIONAL COMPANY: I will say that it cannot come directly into the discharge areas, but it can transship anyway. As I said it is the CBN regulations, and that is why we apply them offshore Cotonou or offshore Lome.

HON. LAWAN: Do you pay any duty or port charges or other fees to Benin Republic or Togo.

MD VITOL MD, INTERNATIONAL COMPANY: What I am aware is that we have to pay for security and pay for inspections; we also pay for STS operations, I am not aware of

any other duty.

HON. LAWAN: These fees are paid to Togo or Benin Republic in the case of Cotonou?

MD VITOL MD, INTERNATIONAL COMPANYY: I am not aware of any of those you mentioned.

HON. LAWAN: Which means Nigerian government does not derive revenue from these mother vessels, if there is any revenue it must be from **daughter vessels?**

MD VITOL MD, INTERNATIONAL COMPANYY: I am not aware sir.

HON. LAWAN: Some have classified Nigerian waters as war risk; is that also a deterrent for you from bringing in your products to Nigeria or it is till because of the CBN regulations?

MD VITOL MD, INTERNATIONAL COMPANYY: Once again I say there is a war risk to bring premium to apply Nigeria, if we resell inside Nigeria waters. It will increase the cost which will be put on what we charge.

HON. LAWAN: Do you trade in crude oil as well?

MD VITOL MD, INTERNATIONAL COMPANYY: Vitol yes sir.

HON. LAWAN: Does your vessel come to Nigeria or do you use small vessel to transport the crude oil to mother vessel offshore Cotonou or Lome?

MD VITOL MD, INTERNATIONAL COMPANYY: We bring it to the NNPC facilities, and the LC is dollars denominated.

HON. LAWAN: So when it comes to Nigerian crude oil, there is no problem about war risk; when it relates to bringing in refined product that is when Nigerian waters become war risk.

MD VITOL MD, INTERNATIONAL COMPANYY: There is the issue of margin in and we necessarily want to make a small margin on our investments. As I already said I do know about war risk.

HON. JAMES ABIODUN FALEKE: You do not let them see the need that your country will not accept any activity within its jurisdiction without government's involvement? Will it be right to say that? If you are from Netherlands, for example, any Nigerian mother vessel that is trading there pays to the authority of the government there. As it is, you do not pay anything to Cotonou or Lome government. So, I really want to know if this is an acceptable international practice.

MD, VITOL INTERNATIONAL COMPANY: At the moment we are not trading inside Nigerian waters, we are trading in international waters, that is, off shore. I do not really have a Bill that will let us feel that if you were trading inside Nigerian waters the government of the nation involved should derive some benefit here.

HON. LAWAN: Have you imported PMS for PPMC or for NNPC as well?

MD, VITOL INTERNATIONAL COMPANY: We had in the past.

HON. LAWAN: How long because when you said in the past are we talking of yesterday, two year ago, ten years ago or how long ago?

MD, VITOL INTERNATIONAL COMPANY: We brought in PMS in first quarter of 2010.

HON. LAWAN: First quarter 2010, did you bring them into off shore Lagos, off shore Cotonou or off shore Lome?

MD, VITOL INTERNATIONAL COMPANY: We brought the products into Nigerian waters and they were lightened by daughter vessels and we were paid directly by PPMC and not NNPC payment mechanism.

HON. LAWAN: Why have you not participated in the Petroleum Support Fund programme since if you can bring in these products and you have indeed brought in for NNPC. Why did you not at any time had the interest to equally bring them directly so that you do not have to be a middleman in this case because you are serving like others now had to go and buy and supply Nigeria whereas, you have direct expertise in bringing this product from wherever from Europe?

MD, VITOL INTERNATIONAL COMPANY: Struggling to complete the supply chain from crude oil to refinery now leads to fluctuation operations. There are 20 indigenous Nigerian companies to do their business investments with these internal majors. There are a number of large Nigerian companies that are capable of doing that and we do not see our role or strength of competing with them in the socio-domestic sales and distribution market. We do not have the tank farm; we do not have the access so we do what we know we can do best.

HON. LAWAN: When you import for NNPC which you did in the first quarter of 2010, what happened? Why did you sever the relationship between you and NNPC? Was it that the business was not profitable or NNPC was not very happy with your shipment or what happened?

MD, VITOL INTERNATIONAL COMPANY: There has been considerable payment

licence in receiving funds within the period and credible hands have been very much tighter as a result of this. So, bank lending for this business has almost been reduced to zero bases.

HON. LAWAN: So, the decision not to continue is that of your own rather than NNPC's?

MD, VITOL INTERNATIONAL COMPANY: I believe so.

HON. IRONA GERALD: Last time when you appeared before this panel the hon. Chairman of the committee did ask you question based on Vessel MT Milog. This is not properly paged but if you look at your response to the investigation into discharge from the MT Milog, from your report is it true that you never issued any Bill of Lading to Mobil?

MD, VITOL INTERNATIONAL COMPANY: As you can see we really brought in MT Milog and sold products in three transactions to those three people as it is.

HON. IRONA GERALD: Is it true that Mobil was not among the companies listed?

MD, VITOL INTERNATIONAL COMPANY: With due respect Sir, we did not see anything after our discharge as we have no knowledge of any other company as we trade we are into a large agreement.

HON. LAWAN: How does the system work? You bring in a mother vessel off shore Lome or Cotonou and you take orders from Nigerian importers; they come with daughter vessels and pick delivery of the product or do you receive orders first? Is it when you have enough orders from the Nigerian importers that you load your product from Europe or wherever and then you bring it off shore Lome or Cotonou and they take delivery? What happens, how does it work? Is it like right now you have this very huge vessel floating around waiting for people to come and buy or you take orders first and then you just deliver them off shore Lome or off shore Cotonou?

MD, VITOL INTERNATIONAL COMPANY: It is a mixture of all aspects, we try and assess the demand in Nigeria as part of Gulf of Guinea demand and also and there are other issues like prices. It very much depends on what we perceive the demand is going to be and whether there is strength at the market. I would say that there is a stable demand in the whole Gulf of Guinea as regards volumes, and we will in general bring down three or four cargos a month into the region.

HON. LAWAN: Is there a lack in trading activities of PMS over the last couple of weeks since the decision by government to withdraw subsidy on January first? Have activities remained stable as it was in 2010 and 2011 or did you notice any change in terms of the trade? We have heard from so many informed persons that there could be scarcity of some of these products because many of the importers are not buying. You are the one providing

these products to most of the importers in Nigeria. Do you notice any lack in these activities that will give worries maybe to some of us here in Nigeria?

MD, VITOL INTERNATIONAL COMPANY: In honesty yes, I think there has been a little bit low demand. We have three cargos down to the period which will be roughly encompassing this period of deregulation. We have had fewer inquiries for the product.

HON. JAMES ABIODUN FALEKE: If you go to your deliveries to PPMC 2006 – 2011. Can you confirm to us how these deliveries were made to PPMC? Was it directly from the mother vessel because there are no indications of shuttle vessels?

MD, VITOL INTERNATIONAL COMPANY: These are the mother vessels that we pointed out. Some of the mother vessels could have the SBM discharge facilities. I do not have all the specifics for the vessels, Sir.

HON. JAMES ABIODUN FALEKE: Thank you. When I look at the date of delivery for a 31 metric tonnes, to me the same mother vessel delivered it in a day so. That shows that some of your mother vessels must have delivered straight to PPMC, if you look at the page where you have the period, the vessel name, the title and so, you will see what I mean. I believe these deliveries were sold directly to other buyers; can you give us the details of the buyers that bought from each of these vessels?

MD, VITOL INTERNATIONAL COMPANY: This is the information I will like to give so far. I will certainly and definitely bring that information for you.

HON. ALI AHMED: Does it trouble you that you assisted Vitol in circumventing CBN regulations which say you do not qualify for foreign exchange unless you are an importer. Now Nigerian marketers to be importers you now go off shore Cotonou and you know it but you do not ask yourself why are these importers coming off shore Cotonou? The same company when you deliver to PPMC, you bring it to Lagos, the same company when you are selling to private individuals you go to off shore Cotonou. Does it trouble you with your good name Vitol International Company that you are assisting some importer to circumvent domestic rules and regulations of a country, especially when you know that certain companies have been involved in day light robbery? Let me put it that way because you were asked to bring documents to show that a certain company claimed that it imported from you to the tune of N355 million you refused to give that information until today, I am talking about Mobil. You cannot claim ignorance of all these double dealings and just playing with pen and paper and even the Central Bank also could not say that it does not know because the CBN says you cannot get our forex unless you are an importer. So, smart Nigerians say I have to be importer and so they simply go to Cotonou. You know this, with your good name Vitol; does this not prick your conscience?

MD, VITOL INTERNATIONAL COMPANY It is an interesting question but unfortunately, I am sure you are getting the whole thing wrong. Vitol has not assisted any individual company to circumvent the CBN regulations. We have to look at these two things. Vitol here is the supplier and the importers here are the Nigerian indigenes, which is the first thing. We are not the importers, Vitol is a supplier. A question was raised which I know it was not properly addressed. Nigerian companies make order for these products and one of the first things a form M requires is that there must be a performance invoice and for you to hold a performance invoice it means you have made an order. So, an order is made to Vitol and many other customers make orders, not only Nigerians but also other African countries. Vitol as an investor what it does is this, it looks at all the orders made from customers and including the one that is the cheapest based on the market. It now brings the product to either off shore Lome or off shore Cotonou. It is not possible that Vitol brings it off shore Cotonou when you have forgotten that the form 'M' has a rule. In the form 'M' date must precede the Bill of Lading date which means the form 'M' has been very clear, form 'M' date must precede the Bill of Lading date. So, if form 'M' precedes the Bill of Lading date automatically it means that the order was made and obtained approval before the importation was made. The other thing is that before you can have Vitol to bring in the product into the country and keep and start selling it must be a Nigerian entity. Vitol does business as part of international trade, Vitol does business with Nigerians; it does not do business in Nigeria. Of course before Vitol can do business in Nigeria it has to follow all the regularities otherwise the whole business is illegal.

HON. LAWAN: Yes but you did business in Nigeria when you were importing for NNPC. That is business in Nigeria.

FINANCIAL MANAGER, VITOL: In that case NNPC knows, NNPC here have to make an order.

MD VITOL, INTERNATIONAL COMPANY: In order to keep our CIS basis this means title risk with regard to loading port. We are not the owners of the materials on board; we are merely the delivery entity.

HON. LAWAN: There is a long list here of product that you brought in; or of transactions that were made and you indicated they were reconciled with PPMC. Have you been paid for them?

MD VITOL, INTERNATIONAL COMPANY: Some, I guess were reconciled but we need to sit down and they had to attend to demurrage and interest claims on late discharge and other efforts.

HON. LAWAN: So, have they been paid for or not?

MD VITOL, INTERNATIONAL COMPANY: For a number of them yes, but not all of them.

HON. LAWAN: Why did you not indicate the ones that are not paid for? Those were the ones that have been reconciled; if you have paid for a product I do not think it will be right that it is not reconciled. Let us go back to this whole idea of bringing in a mother vessel and then Nigerian importers using daughter vessel to buy and then you supply them. Does that model exist anywhere in the world? Is there anywhere else where Vitol has a similar model? Is there anywhere where you take your mother vessel to another country and then the end users as you said now go and buy, does that model exist anywhere in the world or is it only peculiar to Nigeria?

MD VITOL, INTERNATIONAL COMPANY: I am not aware of any other country Sir but I think that it is largely due to the restriction on getting U.S Dollars to pay for international products.

HON. LAWAN: All right, you are not aware of any other country in the world so, it is very peculiar to Nigeria.

MD VITOL, INTERNATIONAL COMPANY: That does not mean it does not exist?

HON. LAWAN: But you are not aware of and you have been long in Vitol, Vitol has been long in business so, I thought that there are things Vitol should know?

HON. IRONA GERALD: In your shipping document, are you supposed to berth in none territorial water like Cotonou, Nigeria or Lome? Are you supposed to berth in no man's land, in a place that is not identifiable where you have assumed an international trade centre? From what you submitted you berth off Lome, off Cotonou. Is this proper?

MD VITOL, INTERNATIONAL COMPANY: Part of International Maritime law entitles us anywhere on the high sea. This happens to be a market place to service the Gulf of Guinea and Nigeria in particular. I cannot make further comment whether it is proper or not. It is just where people deliver their products to make it available to the Nigerians, the Togolese, and the Ghanaian marketers.

HON. LAWAN: When you supply products to the Nigerian importers, have you had instances where you buy back some of those products? Have you had instance where supplies are made and Nigerian round trips those products back and then you buy them back?

MD VITOL, INTERNATIONAL COMPANY: Never Sir!

HON. LAWAN: You supply, do you also buy refined products or you only buy crude oil?

Do you buy refined products? Are there instance where the people or even attempts were made by people for you to buy refined products somewhere?

MD VITOL, INTERNATIONAL COMPANY: Not from the importers Sir. There may be an instance where we might transact, we might have made a commitment to do some sales in Ghana, Nigeria and Togo and we may not have enough volume we may buy on the high seas from another international trader.

HON. LAWAN: So, you buy from another international trader, and not necessarily a Nigerian importer and selling it to Ghana or Togo or Cotonou?

MD VITOL, INTERNATIONAL COMPANY: I can say that such never happened, Sir.

HON. ABUBAKAR SADIK: You said you have been receiving products from other African countries, can you tell us some of the countries? If you go to those countries, do you behave like you do in Nigeria?

MD VITOL, INTERNATIONAL COMPANY: We have traded with a number of countries down the Gulf of Guinea. I can say Ghana, Togo, Cote d'Ivoire. I do not understand the second question because Vitol has a honest approach everywhere.

HON. ABUBAKAR SADIK: The second question is that like you mentioned these countries, if you receive their orders, do you go to other countries offshore to off load or you go to their waters?

MD VITOL, INTERNATIONAL COMPANY: It is about getting paid in U.S dollars. If Ghana, Togo, everywhere African players ask in U.S dollars we would deliver to them often in smaller ships to their receiving facility.

HON. AZADO EUCHARIA: When you are loading those products from the country of origin there supposed to be a place in your Bill of Lading where you are supposed to berth. Is it off shore Cotonou or Nigeria Lagos, which one?

MD VITOL, INTERNATIONAL COMPANY: When we sail there will be an indicating off shore Lome, when we buy products in the international arena it will have a Bill of Lading and certificate of origin, it could be Turkey, Amsterdam port or anywhere else.

HON. LAWAN: So, there will be no destination for the product, when you buy from Europe, the Bill of Lading will indicate the place of origin, does it indicate destination as well or simply origin and you are free to sell anywhere on the high seas?

MD VITOL, INTERNATIONAL COMPANY: We might sell petroleum products anywhere in the world.

HON. LAWAN: I know but when you buy, does it necessarily indicate where these particular products are going?

MD VITOL, INTERNATIONAL COMPANY: We are free to do whatever we want to do with your material, and frequently, will off load these cargos and we may have multiple destinations. Logistics would determine which cargo goes to which destination.

HON. ALI AHMED: Apparently you do business with U.S. A, and if you do, you are aware of the foreign corrupt practices. Can you avail the committee with your bank account so that we can follow up on it?

MD VITOL, INTERNATIONAL COMPANY: All right, Sir.

HON. IRONA GERALD: From the data you submitted to us, you carefully avoided the DPK arm of your dealing with the PPMC, why is that so?

MD VITOL, INTERNATIONAL COMPANY: I beg your pardon Sir, I only really concentrated on gas and information on PMS. The volume of DPK was not much smaller; I invested all my attention on PMS.

HON. LAWAN: Well, we would appreciate it if we can have details on DPK as well. Hon. Colleagues, I would like to thank Vitol because he has provided us with those details we requested last week. We will go over them and if there are gaps we will get back to you. We will also expect additional information that we have requested, for instance, we want this to be reviewed so that we can have the importers that actually bought from you. We want to use this information to establish whether those who claimed to have purchased products from you actually did so. We are not accusing anybody of any malpractice but we want to be sure that the process itself was actually done and that it meets the standards. We intend to round up this hearing tomorrow and we will have maybe a couple of days to sit down, write our report, so we will appreciate if we can have this additional information. Once again thank you very much for the appearance and the information you have volunteered. Can I invite Mr. Charles Olutoyin Thomas, MD, CEOTI Ltd to make his presentation please?

HON. LAWAN: Yes please, can you go ahead and make your presentation.

CHARLES OLUTOYIN THOMAS (MD, CEOTI LIMITED): Hon. Chairman, Sir, esteemed Members of the Ad-Hoc Committee on the Monitoring of subsidy Regime, I greet you and thank you for the kind invitation to make a modest and brief presentation on the activities of CEOTI Ltd., especially as it concerns Petroleum Support Fund (PSF). My name is Charles Olutoyin Thomas, and I am here in the capacity of the Managing Director of CEOTI Limited.

CEOTI was incorporated as a wholly indigenous, private limited company on the 24th of July, 1987 and began operation in 1988. Our corporate head office is in Lagos with a representative's office in Huston Texas. Our core activities include the provision of all services, global sourcing for chemical oil materials for exploration and production companies offshore and petroleum refineries downstream. We also engage in tank gauging system for tank farms, product supply and trading and export of petroleum product. CEOTI is registered and has executed successfully contract with Exxon Mobil, Agip Oil, Warri Refinery to name a few and as regards the PSF, Petroleum Product Pricing Regulatory Agency (PPRA).

HON. LAWAN: Sorry, your documents are not here, you did not attach anything here? You only have a presentation.

MD, CEOTI LTD.: Yes, they said 10 copies. The documents will be submitted to you Sir.

HON. LAWAN: When?

MD, CEOTI LTD.: Hopefully first thing tomorrow morning or later today.

HON. LAWAN: All right. So, how many times did you actually import product?

MD, CEOTI LTD.: On three occasions so far, from 2010? All exclusively operated in 2011.

HON. LAWAN: All of them?

MD, CEOTI LTD.: Yes, Q1, Q2, Q3?

HON. LAWAN: What was the total volume?

MD, CEOTI LTD.: 40,000 metric tonnes.

HON. LAWAN: And how much do you bring in?

MD, CEOTI LTD.: I think we brought in a total of 37,931.7 metric tonnes.

HON. LAWAN: And how much collected as subsidy?

MD, CEOTI LTD.: Well, N4,085,695,466.03.

HON. LAWAN: Your Company began operation in 1988. What was it doing before you started participating in the PSF?

MD, CEOTI LTD.: Primarily, CEOTI is Oil Service Company.

HON. LAWAN: Oil Service Company. What services do you provide?

MD, CEOTI LTD.: We have a builder digital tank gauging system, and we also formu-

late specialty chemical, like a pump price vessel, special chemical that treat a motion in the crude to separate the water and all the impurity.

HON. LAWAN: Who uses these services?

MD, CEOTI LTD.: Mobil and Agip Oil, we also source operational materials for companies, bringing pipe casing, pipes and so on.

HON. LAWAN: So prior to your participation in the PSF, you were not exactly traders; I would not call you a trader.

MD, CEOTI LTD.: Prior to that no.

HON. LAWAN: You were not trader?

MD, CEOTI LTD.: No, we were not traders.

HON. LAWAN: All right, you just decided to venture into trading?

MD, CEOTI LTD.: Well, yes.

HON. LAWAN: For 2011?

MD, CEOTI LTD.: We have not been qualified for long.

HON. LAWAN: No, I do not doubt your qualification. For instance I am qualified to be an importer. But I am not one; it does not mean that I am not qualified.

MD, CEOTI LTD.: I totally agree with you.

HON. LAWAN: But as a Nigerian, I can equally. But I am not one. So I am saying even though you are qualified all along, it was only in 2011 that you decided to venture into importation trade.

MD, CEOTI LTD.: Into trade, correct.

HON. LAWAN: That is, I am only establishing one or two facts. And you started with the importation of the PMS on behalf of the PPPRA?

MD, CEOTI LTD.: That is correct.

HON. LAWAN: Prior to that you did not do any import either of diesel and kerosene?

MD, CEOTI LTD.: No.

HON. LAWAN: Or PMS?

MD, CEOTI LTD.: No.

HON. LAWAN: Yea, you did not supply anybody?

MD, CEOTI LTD.: Strictly PMS.

HON. LAWAN: And I suppose you were not into storage?

MD, CEOTI LTD.: At this point in time, no; I focus exclusively on trading.

HON. LAWAN: Were you at any point in time in the past hoping to be or you hope to be in the future?

MD, CEOTI LTD.: Well, in the immediate short time, we are concentrating on trade.

HON. LAWAN: That is right. Are you also on to retail as well?

MD, CEOTI LTD.: We do ex-depot sales.

HON. LAWAN: I see. Who are your major international traders; were you taking stock from offshore?

MD, CEOTI LTD.: We are buying from Gulf Guinea trading.

HON. LAWAN: Were you taking your product from offshore Cotonou or offshore Lome? Or you got your import directly from where?

MD, CEOTI LTD.: The first two imports made were from off shore Cotonou.

HON. LAWAN: And third one.

MD, CEOTI LTD.: The third one off shore Lome.

HON. LAWAN: I see. Thank you.

HON. GERRALD IRONA: Chairman, I did not really want to ask any question because there is nothing to ask from.

HON. LAWAN: Yes, there is no material. Your documents are not here. We really want to go through your documents.

HON. GERRALD IRONA: There is no document, nothing.

HON. LAWAN: We really want to go through your documents.

HON. GERRALD IRONA: Let us stand down this; let him go and bring his documents.

HON. LAWAN: We need your documents tomorrow.

HON. GERRALD IRONA: Bring them tomorrow and then appear.

HON. LAWAN: Bring them here tomorrow and be here tomorrow. Thank you so much. We will take Aminu Mohammed, MD, Almuniur Resources; please come forward.

Thereupon Aminu Mohammed, MD, Almuniur Resources affirmed.

HON. LAWAN: Let me ask you this question, who among you is going to make the presentation.

AMINU MOHAMMED, MD, ALMUNIUR RESOURCES): I am the MD.

HON. LAWAN: You are the MD. But I understand that he is. Well, I can see that he does not look well. I hope we are not responsible. I mean I hope you did not panic because you are appearing before us, and that is why you are sick?

MD, ALMUNIUR RESOURCES: I did not panic.

HON. LAWAN: How long have you been sick?

MD, ALMUNIUR RESOURCES: For almost a year.

HON. LAWAN: For almost one year?

MD, ALMUNIUR RESOURCES: One year.

HON. LAWAN: Oh! Thank God it was before this hearing started. We are not responsible, thank God. And we wish you very fast recovery.

MD, ALMUNIUR RESOURCES: All right, thank you Sir.

HON. LAWAN So you participated how many times, once, twice, three times?

MD, ALMUNIUR RESOURCES: This is the first time that we participated.

HON. LAWAN You did it once.

MD, ALMUNIUR RESOURCES: Mr. Chairman, I actually managed to come here because of the respect I have for this House. So I decided to come so that I can ask for more time to prepare.

HON. LAWAN Are you coming from the hospital.

MD, ALMUNIUR RESOURCES: Yes.

HON. LAWAN Oh! You are on admission in the hospital?

MD, ALMUNIUR RESOURCES: Yes.

HON. LAWAN: In the hospital?

MD, ALMUNIUR RESOURCES: Yes.

HON. LAWAN: I see. We need all the documents we requested for in our letter; bring the documents first. If the documents are satisfactory, then there will be no need for us to bring you back from the hospital. But if there is need, we will send for you.

MD, ALMUNIUR RESOURCES: All right.

HON. LAWAN: Now, how much did you collect as subsidy?

MD, ALMUNIUR RESOURCES: I think it is about N2.3 billion.

HON. LAWAN: N2.3 billion! Any business that collects up to N2.3 billion is supposed to have more than one person. So if one person is sick, then there must be someone else who can come. How many people work in that company?

MD, ALMUNIUR RESOURCES: I think about six people.

HON. LAWAN: Six people?

MD, ALMUNIUR RESOURCES: Ten people, I think.

HON. LAWAN: You are not sure? (Laughter).

MD, ALMUNIUR RESOURCES: Six people, me I am just...

HON. LAWAN: Sorry, you are just what? (No response). You just said something now?

MD, ALMUNIUR RESOURCES: No, ask him.

HON. LAWAN: No, you said something; you said you are just a friend or something like that?

MD, ALMUNIUR RESOURCES: No.

HON. LAWAN: You work in the company?

MD, ALMUNIUR RESOURCES: Yes, I work in the Company.

HON. LAWAN: You work with him?

MD, ALMUNIUR RESOURCES: Yes, right now.

HON. LAWAN: So you did the importing?

MD, ALMUNIUR RESOURCES: Yes, right now, I am working with him. But that time that he collected the subsidy, I was not working with him. (Laughter).

HON. LAWAN: Well apparently the consensus here is that because the gentleman is clearly not well we would allow him to leave but we expect that the whole relevant documents in respect of this import are submitted to us. Like I said if there are issues, if there are questions that will arise from your transactions we would get back to you. So we wish you luck, I do not know how many of you six or ten or whichever, I wish you luck. (Laughter). I now call on Abdullahi Idris, MD, A.A. Rano Nig. Ltd. to please come forward for his presentation.

HON. LAWAN: A. A. Rano can you please proceed and make your presentation.

ALHAJI ABDULAH IDRIS (MD, A. A. RANO NIG. LTD): Thank you Mr. Chairman. Mr. Chairman, hon. Members of this Committee, distinguished ladies and gentlemen. With reference to your invitation, we are hereby presenting our documents to your honourable Committee. A.A. Rano Nigeria Ltd is a private oil company; it was incorporated on 15th January, 2011 with registration number RC 6399320.

HON. LAWAN: Do you have a copy of what you are reading from?

MD, A. A. RANO NIG. LIMITED: Yes Sir.

HON. LAWAN: All right, can we have copies?

MD, A. A. RANO NIG. LIMITED: These are the copies. Our registered head office is No. 3 Maiduguri Road, Opposite NNPC, PPMC Depot, Kano. Our major business includes; petroleum sales, marketing, distribution, import and export of oil and gas products. A. A. Rano Nigeria Ltd. is one of the largest independent marketers in Nigeria with an employment strength of 2,000 staff, 86 fully functional outlet stations in Nigeria, both ownership and affiliate. Four (400) units of Grade 'A' trucks for distribution services. We have a lease term contract agreement with depot owners for our storage facilities. We are currently building our tank farm in Lagos for the company's own storage facilities. The source of our product is mainly NNPC/PPMC D, major marketers, depot owners, marketers, DAPMAN etc. Our average consumption need mostly is 30,000 metric tonnes of PMS, 20,000 metric tonnes of AGO and 10,000 metric tonnes of DPK to service our outlets within Nigeria. We actually cannot meet our demand, due mostly to insufficient source and we are helpless in this regard. Regarding the importation of PMS, we wish to state here that our company received only one allocation from PPPRA to import PMS. This was in the second quarter of 2011 which was granted to our company. The importation was done between June, 2011 and July, 2011 and we received a difference of N1.1 billion subsidy. We imported 10,000 metric tonnes of PMS equivalent to N13,550,000. We opened a letter of credit from Oceanic Bank Plc, and we purchased our product from Exima Energy Geneva. Their Nigeria address is at No. 20, Elias Close, Victoria Island, Lagos. The LC was for \$10.6 million

and we got the product off shore Cotonou. Our mother vessel was MT Nina while the local vessel was MT Diplomat STS Cotonou. Bill of Landing was dated 29th June, 2011 and the product was discharged at the Just JT Apapa, July 1st to July 4th, 2011. The entire product was trucked out for distribution to our various service stations throughout the country within three weeks. We urge the Federal Government of Nigeria and this honourable Committee to give us a good hand to support our business to have more business opportunities. Thank you Sir.

HON. LAWAN: Well, thank you very much. How many retail station outlets do you actually own, because you said you have 86 units fully owned and some are affiliates?

MD, A. A. RANO NIG. LTD: 56 petrol stations.

HON. LAWAN: How many are affiliates?

MD, A. A. RANO NIG. LTD: 30 are affiliates and the rest are subsidiaries.

HON. LAWAN: All right 30 affiliates; is it bearing your brand name or they bear their own name?

MD, A. A. RANO NIG. LTD: No, it is in our company name. We have another subsidiary company name.

HON. LAWAN: What is the name?

MD, A. A. RANO NIG. LTD: Rano Oil and Gas Ltd.

HON. LAWAN: All right.

MD, A. A. RANO NIG. LTD: We have Central Oil and Gas, and we have Dankano Petrol Chemical.

HON. LAWAN: All right and all these ones do not engage in importation; it is only A. A. Rano that is into importation,?

MD, A. A. RANO NIG. LTD: Only A. A. Rano, yes Sir.

HON. LAWAN: And had done so only once?

MD, A. A. RANO NIG. LTD: Yes, only once.

HON. LAWAN: And the subsidy you collected was N1.1 billion?

MD, A. A. RANO NIG. LTD: Yes, N1.1 billion.

HON. LAWAN: It was only today since we started, that none of the importers has

claimed that you are its biggest marketing outlet, maybe they know that you are sitting down there and you may come here and deny. In the course of this exercise almost everybody who has imported, if you ask how they disposed of the product they would tell u; it is A. A. Rano. That is the impression. So we will want the list of the people you have bought from 1st of January, 2010 to 31st December, 2011. We will now have the list of all the importers from whom you bought PMS and the volume you purchased; that way we will actually establish whether the claim they are making that they have sold their product to you is actually true. And do not forget we have requested the CBN to give us the statements of accounts of all the marketers; that way too we will establish whether these transactions actually took place. If you bought from them you might have paid them and if you have paid them it must reflect in your in own statement and it will reflect in their own statements. So let us have the list from January 2010 to December, 2011. Looking into your presentation, item 2, the last paragraph you said: The source of our product, is mainly number 1, NNPC/PPMC Depot, number 2 major marketers; Conoil, Oando, Forte Oil etc. Now, we will want to know, are they major marketers or some of these are importers. You have depot owners; Rahiamiya Oil and Gas, Integrated Oil and Gas, Dejoness Petroleum, Obat Oil and so on. We need to have all these details because even those who imported once, if you ask them what happened to their products, almost all of them have said A. A. Rano. Yes, we know that you are big retailers and there is no doubt about that from the number of facilities that are available to you. But we want to establish the veracity of the claims they have been making. Now, for how long have you been in this business?

MD, A. A. RANO NIG. LIMITED: For 15 years Sir.

HON. LAWAN: For 15 years! We have heard this from several of the people who appeared here, so we can say that you are one of the biggest retailers.

MD, A. A. RANO NIG. LTD: Yes Sir.

HON. LAWAN: From your experience as a retailer what is your view on the thought that there are certain individuals who classified themselves purely as traders and who are given the responsibility to bring in this import whereas there are also those who retail this product? You do not have a storage facility you said that you are developing one right?

MD, A. A. RANO NIG. LTD: We do not have we are constructing one recently.

HON. LAWAN: So your own is purely retail?

MD, A. A. RANO NIG. LTD: Yes.

HON. LAWAN: What is your view as to the way the system works where some people who are traders are given the allocations to bring in the product and then you have those

who have storage facility and then you have people like you who retail this product? Is this a perfect arrangement or is there an arrangement that you think, given your experience in the sector, which perhaps would be more efficient and more effective.

MD, A. A. RANO NIG. LTD: Mr. Chairman , when a business was given out like this for a certain committee, which is PPPRA, they have their own format and guidelines on how and whom they want to give this allocation to. To my best understanding A.A. Rano are retailers and we have enough petrol stations to disburse this product because our consumption is very high and all our service stations are functional. The difference I see between the retailers and importers is that the PPPRA looks at the capacity and bigness of the company that is to say if you give a depot owners an allocation to bring product, the bank would easily support them to import the product; but if you give it to an independent marketer like IPMAN maybe who has two or five filling stations the bank may not support him to bring in the product that is what I see as the biggest problem during the allocation of the product. They look at the biggest marketer who has a good turnover regardless of what they do with their turnover, that is what I see sir.

HON. LAWAN: To some extent you are right but we have seen importers here who virtually do not have any turnover at all and they are awarded this allocation. Yesterday a young man came here who apparently just started business and he was given allocation. So, it does not look like they give it to those who have a big turnover maybe there are certain requirements we do not know or we do not see. On kerosene, the fact that you have so many retail outlets means you do not always sell PMS but you also sell kerosene, how do you get your kerosene?

MD, A. A. RANO NIG. LTD: Well, this is the biggest problem we are facing in this business because we do not always have kerosene even if we are going to have kerosene we must buy it from those major marketers and DAPMAN directly from them and the price is always higher.

HON. LAWAN: Like in the last one week or last one month how much did you buy a litre of kerosene from DAPMAN?

MD, A. A. RANO NIG. LTD: Mr. Chairman, for the past one month actually we have not gotten any kerosene.

HON. LAWAN: At all, and you have 86 retail stations so with these 86 retail stations not a single drop of kerosene in the last one month?

MD, A. A. RANO NIG. LTD: Yes.

HON. LAWAN: The last time you bought it what was the average per litre, how much

did you buy per litre?

MD, A. A. RANO NIG. LTD: The last one we bought we got it from VITOL directly in their joint venture with NNPC, we applied to them and they gave 5,000 metric tonnes and sold it for us at N46.90k.

HON. LAWAN: All right before then the last one you bought at what price did you buy, or at what rate did you buy?

MD, A. A. RANO NIG. LTD: NNPC has not been giving us, even when we paid our ticket to NNPC and we are going by our independent marketers' regulations to get from NNPC Depot. We do not always get because there is no availability. We only got the last two months from VITOL.

HON. LAWAN: You got it from VITOL but were you able to get at the depot because the IPMAN and DAPMAN both came and told us that the process is for the PPMC to allocate this kerosene to the depot owners and it is from the depot owners that the retailers like you buy.

MD, A. A. RANO NIG. LTD: Exactly.

HON. LAWAN: The last consignment you got from VITOL before then did you buy from any of the depot owners and at what rate, you do not have to mention the marketer.

MD, A. A. RANO NIG. LTD: Before we bought from VITOL we bought from another depot.

HON. LAWAN: At what rate per litre.

MD, A. A. RANO NIG. LTD: At N77 then for the first three months.

HON. LAWAN: And this is the product that is supposed to be sold N40.90k and you are supposed to buy it at N50 from them but you bought it N77 and you sold it at N100 or how much?

MD, A. A. RANO NIG. LTD: Well at the market then we sold it at N92.

HON. LAWAN: What then accounted for the huge gap between N77 and N92?

MD, A. A. RANO NIG. LTD: It is transport; transport from Lagos to Kano and Maiduguri to our outlets are very far in the North and we have to pay transport down to the stations.

HON. LAWAN: And you do not claim from the Petroleum Equalisation Fund?

MD, A. A. RANO NIG. LTD: For the transport?

HON. LAWAN: Yes.

MD, A. A. RANO NIG. LTD: No you cannot claim that kind of product from the major marketers because they will not give you any avenue to claim from it.

HON. LAWAN: So what you are saying is even though you have several outlets that PPMC does not allocate kerosene to you, when last were you allocated kerosene by the PPMC?

MD, A. A. RANO NIG. LTD: We have never received such bulk allocation.

HON. LAWAN: You have never received any allocation from PPMC?

MD, A. A. RANO NIG. LTD: Yes we have never received sir.

HON. LAWAN: You are like the biggest retailer in the North, am I right?

MD, A. A. RANO NIG. LTD: Confirmed sir.

HON. LAWAN: What percentage of the market do you control in the Northern part of the country?

MD, A. A. RANO NIG. LTD: Up to 30% sir.

HON. LAWAN: And with this your 30% you have not a single allocation from PPMC ever?

MD, A. A. RANO NIG. LTD: Not a single allocation sir.

HON. LAWAN: Not in the last one year or two years?

MD, A. A. RANO NIG. LTD: No we have never been given sir.

HON. LAWAN: So for you to retail kerosene, you needed to buy from other people?

MD, A. A. RANO NIG. LTD: Exactly.

HON. LAWAN: With this arrangement how can the end user truly find a reasonable pricing for kerosene? I think the system has deliberately created wrong slot that made it very expensive for the end users.

MD, A. A. RANO NIG. LTD: Exactly sir that is the issue.

HON. LAWAN: Thank you very much; do you have any outstanding claims?

MD, A. A. RANO NIG. LTD: No sir.

HON. LAWAN: Because you imported only once, you have been fully paid.

MD, A. A. RANO NIG. LTD: We have been paid.

HON. LAWAN: You have never been allocated DPK by PPMC did you ever apply?

MD, A. A. RANO NIG. LTD: In our bulk purchase agreement with PPMC they know the level of our petrol stations because all our stations are registered with PPMC so they know the number of outlets we have. So if priority should be given at least they know how they share their allocations monthly. We do not have to disturb them going to them putting up application because if you buy a ticket and sell it down to a bridging area where they normally get kerosene you may stay there for one year without loading that kerosene. You would not see it there available to load so virtually you are tying up your money without any benefit so we retire from it, we rather buy from DAPMAN where you pay and load immediately. So we never get any allocation from NNPC.

HON. LAWAN: You have so many trucks, you have like 200 trucks?

MD, A. A. RANO NIG. LTD: No, 400 trucks.

HON. LAWAN: 400 trucks! And you have 86 filling stations.

MD, A. A. RANO NIG. LTD: Yes, 86 petrol stations.

HON. LAWAN: I know 86 petrol stations so when these 400 trucks are going to supply to 86 petrol stations where do they supply because you have so many of them do they supply to other people? For instance if you have 86 petrol stations and you have 86 trucks then you can say all right each truck would be supplying to this one and I know in some petrol stations when you supply them with a truck it would take a month, those ones in the rural areas?

MD, A. A. RANO NIG. LTD: There is one secret with a petrol station. If you cannot service your petrol station daily then you have no reason being in business. People would have confidence to come to your station at any time when you service your station 24 hours and definitely from far people would have confidence of reaching your station to buy fuel. And definitely you may sell everyday and that improve your sales every minute because you are building the confidence and if you go round our stations even in Abuja - we have about five stations - and there is never a time you see our station empty. One petrol station has about five trucks because the distance of carriage is far.

We normally do our carriage from Lagos, Port-Harcourt, Warri, Calabar so definitely before a truck comes in it would delay. We have done in this case, like in the case of Asokoro station, we have decided to put our ten trucks to service that station alone, five are coming

and five are going, so that there would be no shortage. Definitely we are selling up to 99,000 metric tonnes daily.

HON. LAWAN: Daily?

MD, A. A. RANO NIG. LTD: Daily.

HON. LAWAN: Do you have other petrol station or you have them mainly in the northern part of the country; do you have maybe in Lagos, Warri or in Port-Harcourt?

MD, A. A. RANO NIG. LTD: We have in Warri, Benin and we have in Lagos.

HON. LAWAN: You do not have any outside Nigeria?

MD, A. A. RANO NIG. LTD: No we do, not our capacity has not reached there.

HON. LAWAN: Thank you very much, your capacity never reaches or your trucks cannot reach the borders?

MD, A. A. RANO NIG. LTD: We want to service Nigeria first sir.

HON. LAWAN: Thank you very much, let us have the details of all your imports and the details of what we requested because a lot of people have come here and claimed that their products were disposed by you so let us know from whom you purchased your product in the last two years.

MD, A. A. RANO NIG. LTD: It is alright sir we would do that.

HON. LAWAN: It is the turn of Mr. Ola Ogundipe, Managing Director of Geacan Energy Ltd. Please, come forward to make your presentation.

Thereupon Mr. Ola Ogundipe, MD, Geacan Energy Ltd. affirmed.

MR. OLA OGUNDIPE, MD, GEACAN ENERGY LTD.: Good afternoon Mr. Chairman and Hon. Members of this Committee, we thank this committee for the opportunity given to us to come and present our facts and figures in respect of our participation under the PSF Scheme. Our documents of transactions we have sent to this committee last week Friday. Geacan Energy Ltd. was registered in March 2009 primarily to engage in the purchase and distribution of various types of petroleum product. We trade in AGO, that is, diesel, kerosene, PMS that is petrol. We have applied under the PSF Scheme five times, we were successful three times, we did two and we did not do one. We have brought in a total of 27,872.907 metric tonnes. We have received subsidy of N2.9bn. We did Q1 and we did Q3. Quarter three 2010 we were successful because of the time between when we picked the allocation up and the time limit of the approval we could not do that, thank you

very much.

HON. FALEKE: When was your first allocation, your first participation in the PSF Scheme?

MD, GEACAN ENERGY LTD.: 3rd Quarter 2010.

HON. FALEKE: Do you have storage facility or storage outlets?

MD, GEACAN ENERGY LTD.: No sir, we do not have storage facility. However we have a petrol station under lease arrangement. The petrol station is situated in Lagos/Badagry Expressway which is called NIBU Petrol Station and we have acquired large acres of land approximately 3,000 sq metres for the construction of a mega filling station in Lagos, thank you.

HON. FALEKE: How do you then dispose your product, the 27,000 metric tonnes?

MD, GEACAN ENERGY LTD.: We sold ex-depot, we sold some in bulk and most of them we retailed them out of the depot where we stored the product.

HON. FALEKE: The depot you said in Badagry what is the volume or consumption like?

MD, GEACAN ENERGY LTD.: The consumption daily we can put about 33,000 to 44,000 litres daily, sorry I am using our own terminology in oil and gas sector.

HON. FALEKE: So who are your major buyers, give us the names of your major buyers?

MD, GEACAN ENERGY LTD.: One of our major buyers is Oando Plc under the Oando Marketing Ltd. We have several others who come in to buy through trucks; the detail is attached to our presentation to this committee more than 100 to 200 people.

HON. FALEKE: Where do you store your product?

MD, GEACAN ENERGY LTD.: We stored at Masters Energy Facility Port-Harcourt and Lister Storage in Apapa, Lagos.

HON. FALEKE: So how do you move your product; is it from sister vessel or whatever to Port-Harcourt, and what volume have been taken to Port-Harcourt at a time?

MD, GEACAN ENERGY LTD.: The second tranche of allocation we did where we load 4,955 metric tonnes, taken to Port-Harcourt through the shuttle vessel called MT Brave and we loaded MT Starling, Port cargo from Mercurial Trading and the Letter of Credit was opened by Guarantee Trust Bank, thank you.

HON. FALEKE: Do you buy through agents from offshore Cotonou or you actually buy

yourself?

MD, GEACAN ENERGY LTD.: I actually do the trading myself I do not need an agent. So what happens is that when we want to buy we go to the market to talk to the international traders to know who has product at what price and based on negotiation on what is best for us in terms of our profitability and loss account, we choose which international traders to buy from.

HON. FALEKE: So if you actually go to the market to buy yourself; it means you are familiar with the terrain. Can you then describe to us what this trading zone does look like?

MD, GEACAN ENERGY LTD.: Unfortunately sir, to do this business, or to buy from international traders, you do not need to go to the terrain. For the benefit of this committee this trade takes place about 15 to 22 nautical miles offshore Cotonou or Lome. We are talking about the high sea so it is really not necessary to be there. What happens is that you nominate your vessel to go and load from a mother vessel. You have a super cargo, the bank has a super cargo on the vessel, and you have your agent so you have more than enough representatives to represent you at your loading point sir.

HON. FALEKE: That is why I asked you a question, did you buy through agent and you said you go to the market yourself; now you are talking about you having your agent, you have this and you have that. I got what I wanted from you.

MD, GEACAN ENERGY LTD.: What I am saying is that you have your agent to represent you at the point of loading not to buy, thank you.

HON. FALEKE: Alright, thank you. Can we have ASB Investment Company? Please come forward to make your presentation. Please do so as far as PSF Scheme is concerned. Thank you.

MR. BIODUN BANKOLE, MD, ASB INVESTMENT CO. LTD: Good afternoon the Hon. Chairman and distinguished Members of the Committee. ASB Company Limited is an indigenous company wholly registered and incorporated in Nigeria in 1998. ASB Investment Company Ltd is an independent marketer with bulk purchase agreement with Pipelines and Product Marketing Company. We have petrol filling stations running and some nearing completion. We have large fleet of trucks and we are a large haulage company for TOTAL and Forte Oil. ASB Investment Company Limited is serviced by banks such as IBTC and GTB banks. Recently in 2011 we commenced participation in the PSF scheme by applying for and securing approval of the PPPRA to import PMS. We signed an agreement in 1st Quarter 2010 and we got an allocation to import 15,000 metric tonnes but for obvious reasons for starters we were not able to bring it in. In the 2nd Quarter of 2010

we decided to slow down a bit to consummate on our credit line with the banks so in 1st Quarter of 2011 we were allocated 15,000 metric tonnes and in the 2nd Quarter we were allocated another 15,000 metric tonnes making 30,000. We succeeded in bringing in 29,000 metric tonnes together in the two quarters. We have made our claims and have been paid and there is no outstanding.

HON. FALEKE: How many filling stations do you have?

MD, ASB INVESTMENT CO. LTD: We have six filling stations and one under construction, two in Suleja here, one in Abuja, two in Lokoja; then we have another one under construction at Suleja. The other one would be ready in about two weeks.

HON. FALEKE: These volumes you brought in how were they dispensed or sold?

MD, ASB INVESTMENT CO. LTD: We have a working relationship with a lot of petrol stations. We have a kind of focus to make products available in the North. We have several operators with partner companies and we give them to those who buy directly from us. We have Baka Oil, Sani Brothers, Domas, Kotorima, Gegu Oil, Zeti, Cashbound, Ibadat and a host of others.

HON. AHMED: Between 1998 and 2011 what was your line of business?

MD, ASB INVESTMENT CO. LTD: ASB Investment Company has been a very solid partaker in the petroleum product. We are a licensed Independent Marketer, we have bulk purchase agreement with the PPMC and we also buy from major marketers. We have been very active throughout the time sir. Like I mentioned earlier on we have a large fleet of trucks. We transport for TOTAL and Forte Oil.

HON. AHMED: Any outstanding claim?

MD, ASB INVESTMENT CO. LTD: No, not now.

HON. AHMED: If there is a stoppage of this PSF Scheme would you still continue?

MD, ASB INVESTMENT CO. LTD: Yes, we would continue. In fact we have a long term plan and for us to have invested that much in the haulage for petroleum products and for filling stations, while up till now we are still constructing; that means we have a long term plan to move on.

HON. FALEKE: Do we have MD of Agip here? If he is not here, we will take the MD of Lubcon Limited?

Thereupon Mr. T.O. Williams, MD Lubcon Ltd affirmed.

MR. T.O. WILLIAMS, MD, LUBCON LTD: Thank you very much Mr. Chairman Sir and Hon. Members of this Committee. I do not know how you want me to proceed maybe I would be able to tell a little bit about Lubcon Limited. Perhaps I should go directly to our participation?

HON. FALEKE: Please do that.

MD, LUBCON LTD: We joined the PSF scheme in the 4th Quarter of 2009 when we had allocation for 60,000 metric tonnes and we were only able to execute 15,000 metric tonnes. Let me just turn your attention to page 6 to see exactly the rundown of the allocation. At the 2009 Quarter 4 when we had the first allocation what we executed was in Q1 of 2011. Our details show that we sourced it from the trader named Petrocam Trading (PTY) based in South Africa and the US\$14,645,000. Letter of Credit in favour of Petrocam was through the Zenith Bank. The shipment was made from Buggars in Bulgaria, and you will see the details in the attached document with regard to the mother vessel named MT Chielo Dilapoli. Our consignment was taken from the mother vessel into MT Rechma the daughter vessel off-shore Cotonou and was discharged at Ibafof the ECN Terminal. It was from Ibafof Terminal that the product was sold to four oil marketers namely the Messipot Resources Ltd, Trust Oil Limited, Leo Petroleum and Reign Oil Limited the details are as attached - see page 62 of our presentation

HON. FALEKE: You were given allocation in 2009, 60,000 metric tonnes you did not do anything, 2010, 60,000, that is first quarter, no performance; 2nd Quarter 30,000 metric tonnes no performance; still the PPPRA continues to patronise you. By giving you further chance is it to fail or to perform? I do not understand because you have opportunities 60,000 metric tonnes 1st Quarter and another 60,000 another 30,000 there were no performances; yet they continued to patronise you, do you not think in the real sense your company should have been delisted?

MD, LUBCON LTD: Sir I think it is a question of the situation at that time. We kept applying as a businessman. As at that time we were originally into Lubricants and happened to be the first indigenous oil and gas company that are certified in this country. When you are doing bulk supplies in terms of lubricant sometimes people would ask you to give fuel and all that without immediate payment. It was also a requirement and we have to actually play in that arena as such. So what we are saying here is that well they gave us but we could not get some these items supplied because of finances. If we were not able to key into a cargo supply there are various factors that may be involved. Sometimes before we were able to supply the allocation would lapse.

HON. FALEKE: Just give us the percentage of performance ratio what is it, you have

been given 210,000 metric tonnes and what you were able to deliver is just 15,000, is that a failure or a pass?

MD, LUBCON LTD: I am not saying its good enough but we know that there are factors that also would be responsible, and that also should be taken into consideration. We know the situation in terms of finances because we also have other businesses we have to look at and sometimes we have to weigh these situations; maybe my funds were deployed into trying to make the manufacturing end works I have to decide at that point in time.

HON. FALEKE: I mean as a businessman I would like to relate this issuance of allocation to demand, volumes are requested based on demand that is what I expect PPPRA to do. So if in 2009 you were supposed to give them 60,000 metric tonnes and you did not give them, I expected that it would have effect in the market because of that non-performance. Coming down to 2011, 3rd Quarter and 4th Quarter you also failed to give them 45,000 metric tonnes; yet there was no problem in the market. Does that not imply that we were actually overbuying since your non-performance of this volume had no relationship with the availability in the market?

MD, LUBCON LTD: Well I cannot answer for PPPRA but I do know what situation I am facing and I took business decisions and was able to do what I think I could here.

HON. SADIQ: Thank you very much, I think as a rider you know that you have not been performing for about five times; why do you not stop applying so that you do not prevent or deny other Nigerians from getting allocation, do you not think this your application for allocation by PPPRA would deny other companies? Why do you not stop applying so that you do not prevent or deny other Nigerians?

MD, LUBCAN LIMITED: With due apology sir, I do not think any businessman will think that way, he will keep trying; he must make sure that at least he has some promises by putting things together

HON. SADIQ: I think as long as you know you cannot do it, there is no need applying.

HON. FALEKE: I think it is very simple. Your business line, which is lub oil and which you are known for; I was saying why do you not put all your energy on a product line where you have advantage, why going to PMS where you cannot actually perform as seen by your records.

MD LUBCAN LIMITED: Well, we are doing quite well in lubricant we know that, and we just also figured that we also had to add fuel, one way or the other; that was why we actually applied for this scheme. I think sometimes, as I said earlier, as big supplier of industrial lub, they ask you; can you give us AGO, give us PMS and things like that. Basi-

cally we also have, as I said, investment which is related to all these, like the depots we have in Lokoja and in Calabar. So we looking at expanding all these facilities, basically, like that of Lokoja, we all are looking ahead that when the dredging of the Niger takes place, we would likely be able to use it to serve the northern axis. So these are areas which we are looking at in terms of focusing the company. So if we are able to get these things in place, then we will be able to perform better.

HON. LAWAN: Thank you very much; we hope you will try a little bit more to be efficient, especially with regards to import, if you still desire to continue, that is. Do you still want to continue in participating in the subsidy scheme, despite the odds, or you want to concentrate on lubricants?

MD LUBCAN LIMITED: Well, it is our desire to continue sir, we will improve. Thank you sir.

HON. LAWAN: Can I invite the Managing Director the Origin and Gas, Please administer the Oath.

Thereupon Mr. Michael Abiodun the MD, Origin Oil and Gas affirmed

MR. MICHAEL ABIODUN, MD - ORIGIN OIL AND GAS: Good afternoon the hon. Chairman, Distinguished Members. Origin Oil and Gas is an oil trading company engaged in the importation of products within the West African region of Liberia, Sierra Leon, Ghana and Nigeria. We were first registered in Liberia that was in 2004, before we registered in Nigeria in 2005. We started in Liberia and our oil marketing company was a stepping stone for us to move into Sierra Leon in 2007. At this time Origin Oil and Gas was the only Nigerian trading company in that region. Afterwards we went to Ghana and we have been operating mostly in West African Countries. We started with the PSF scheme in quarter 4 of 2010, we have done three so far; we did quarter 4, 2010, quarter 1, 2011, quarter 3, 2011. in quarter 4, 2010, we were given a permit for 15,000 metric tonnes, we imported 14,267.674 metric tonnes and we were paid a subsidy of N1,137,565,740.69. At quarter 1, 2011 we had a permit of 15,000 metric tonnes, we did import 13,810.818 metric tonnes, and we were paid subsidy of N1,565,888,381.42. Quarter 3, 2011, we had a permit for 15,000 metric tonnes and we imported 14,827.914 metric tonnes: the subsidy is still pending. In summary we received permit for 45,000 metric tonnes.

HON. LAWAN: You said Q3 subsidy is still outstanding, do you have an estimated figure.

MD LUBCAN LIMITED: Yes, it is about N1.617billion. In summary of everything we received permit for 45,000 metric tonnes and we have indeed imported 42,906.406 metric tonnes and so far we collected subsidy of N2,703,454,122.11. The subsidy of outstanding

about is N1.6billion.

HON. LAWAN: You said you are essentially a trading company:

MD LUBCAN LIMITED: Yes sir.

HON. LAWAN: And you said you started trading in Liberia before moving into Nigeria; are you into trading of petroleum products or only PMS.

MD LUBCAN LIMITED: The best trading operation that Origin Oil and Gas does is PMS, AGO.

HON. LAWAN: And you trade with other African countries in PMS and AG? Prior to your participation in the PSF scheme which was in 2010, how were you trading in these products in Nigeria, what was the mode of your trading in Nigeria of these products?

MD LUBCAN LIMITED: From our experience in Liberia, owning gas stations was not our area of competence, so we decided right there that we would only import to established retailers. We decided that our area of competence is to import and sell to the retailers, and that is what we have been doing. We had done a lot of AGO in Nigeria before we got allocation to bring PMS to Nigeria. Sir, I hope you know that you can bring PMS without an allocation.

HON. LAWAN: So before you brought in PMS, you were into AGO, and you still do AGO.

MD LUBCAN LIMITED: We still do AGO

HON. LAWAN: How do you dispose particularly your PMS when you bring them in, you are not retailers, I suppose you do not have storage facilities?

MD LUBCAN LIMITED: We have arrangements with AMANIA, and MASTER Energy. But most time the way we work sometime, when we have already bought the cargo, we start looking for people to take it from us even before we deliver the cargo into Nigeria. Sometimes we take it to whatever tank that is convenient to them

HON. LAWAN: How do you retail them since you do not have retail outlet yourself, who are the major clients who buy from you and retail outside?

MD LUBCAN LIMITED: Well we do sell in bulk, but selling to majors means that sometimes you have to wait before you collect your money, so our model is to sell, turnover our money and buy something else., we are not interested in waiting for 45 or 60 days.

HON. LAWAN: I am not saying that you necessarily sell to the major marketers, I am

saying among your clients there are those who buy in bulk just like you said, some of those may be familiar names, for instance in the course of this exercise, we heard people talking about A. A. RANO buying from them. Now A. A. RANO is not the only one, it means there are others out there, so who are some of your biggest clients, those who buy from you and whose responsibility it is to take it out.

MD LUBCAN LIMITED: Like I said we do sell to NEPAP Oil and Gas before, and we sold to MERCOP. These people buy and when they want to pay they send at least N500million or thereabout.

HON. LAWAN: You do not sell to single truck owners?

MD LUBCAN LIMITED: We do not believe in doing it.

HON. LAWAN: Then if you are selling to these people, that is why we are asking for the list of these people who buy your products.

MD LUBCAN LIMITED: Those are some of the list I gave to you just now.

HON. FALEKE: Go to page 20 of you document, the mother vessels Bill of Lading, the supplier was VITOL and vessel name is Champion Express; that is the mother vessel. In Vitol documentation we have no Champion Express for that particular period, how do we relate that? That is one, and you go to page 72, the vessel name is TOM GUNHILL and from Vitol document for that period, we did not have those vessels, how do we relate this?

MD LUBCAN LIMITED: The one on page 21, the Bill of Lading was indeed issued to Vitol and if you look at the LC you will see the details. In any case, Vitol will be in the better position to answer that question, if it is not in their list, because I did open LC to them and I attached a copy as stated on page 15. We did issue LC to VITOL.

HON. FALEKE: Vitol did not issue you invoice

MD LUBCAN LIMITED: But they did issue an invoice, and we opened a Letter of Credit (LC) in their favour.

HON JAMES FALEKE: Do you have a copy of the invoice?

MD LUBCAN LIMITED: I will give you. The list of our document that we needed to submit which was attached to the letter of invitation did not say anything about invoice, that is probably why we skipped the invoice.

HON. LAWAN: We will be glad to have them.

MD LUBCAN LIMITED: Yes sir, I will give them to you, for our clearance with PPPRA,

those required that we put the invoice of the transaction is in it, and it was in it, but we will send it to you. Page 72, the transaction for the 3rd quarter, 2011 was a NIMEX transaction. There is a trading company call NIMEX, we bought the product from them, and in the trading of this products, international traders sometime take products from other traders. What happened actually for this particular transaction, there was a floating barge that two vessels loaded from. If you look at the two bills of lading in this particular transaction, page 70 for 3rd quarter 2011, there was one from M.T EMIRAL. There are numerous transactions but these are the documents they did give us for this transactions.

HON. LAWAN: Thank you very much; make sure you forward the relevant documents that we have requested. May I invite the Managing Director of PHOENIX OIL, please administer the Oath.

Thereupon Mrs. Zenobia Bruno Gaston, MD – Phonex Oil affirmed.

MRS. ZENOBIA BRUNO GASTON, MD – PHOENIX OIL: Hon. Chairman and the hon. Members of the Committee, Phonex Oil Company Nigeria Limited was incorporated in 1983, and seven years later it became a subsidiary company of the Adax and Orlix Group. When the company started the company had five franchised stations and three that it owned. Over the years most of these franchised stations had been let go as owners decided they wanted to apply for the ownership permit to run the stations themselves. In May 2005 Phonex Oil started bulk importation of petroleum gas, that is from our parent company which is ORLIX Oil and Gas, and affiliate this with the company in the Republic of Benin. Our parent company has companies in most of West Africa and we buy from our trading company, so we do not buy outside the company.

HON. LAWAN: You have a trading arm where?

MD, PHOENIX OIL: It is based in Geneva.

HON. LAWAN: So, when you buy do you buy from your own trading arm and ship it?

MD, PHOENIX OIL: They ship it to us.

HON. LAWAN: They ship it to you and do you take it from Cotonou or Lome?

MD, PHOENIX OIL: We take it from different areas, they either supply offshore Cotonou or they supply directly from the refinery in Ivory Coast, and we supply some affiliate with Vista Company in Cotonou itself. We are very large.

HON. LAWAN: Not offshore Cotonou but Cotonou itself?

MD, PHOENIX OIL: From the refinery they supply to us.

HON. LAWAN: How many times did you participate in the Petroleum Subsidy scheme?

MD, PHOENIX OIL: We participated twice in 2011.

HON. LAWAN: Both of them in 2011?

MD, PHOENIX OIL: Yes, quarter two and quarter three.

HON. LAWAN: What was your allocation in quarter two?

MD, PHOENIX OIL: It was 10,000 metric tonnes.

HON. LAWAN: How much did you bring in?

MD, PHOENIX OIL: We brought in a total of 9,864 metric tonnes.

HON. LAWAN: How much did you collect as subsidy?

MD, PHOENIX OIL: I can tell you what the total subsidy is and what we are still owed.

HON. LAWAN: All right, go ahead.

MD, PHOENIX OIL: In quarter two, 9,000 and quarter three, 15,000 metric tonnes.

HON. LAWAN: And how much did you bring?

MD, PHOENIX OIL: We actually brought in a total of 24,000 metric tonnes.

HON. LAWAN: And how much did you collect?

MD, PHOENIX OIL: We have collected N2,454,000,000.00 and we have outstanding of N602,000,000.00

HON. LAWAN: You only began participating in 2011, prior to that period, what was your role in the oil sector, particularly, the downstream sector?

MD, PHOENIX OIL: In 2005 we were importing cooking gas and then we started importing fuel in the first quarter of 2009, and to present day we have been importing fuel oil and diesel.

HON. LAWAN: And you said you trade in other countries other than Nigeria?

MD, PHOENIX OIL: Phoenix does not trade; our parent company has affiliate with other companies.

HON. LAWAN: When was your parent company incorporated or did it buy you over?

MD, PHOENIX OIL: They bought shares into Phoenix oil.

HON. LAWAN: So it has control over the shares?

MD, PHOENIX OIL: It does.

HON FALEKE: What is the name of your parent company?

MD, PHOENIX OIL: Adax and Orlix Group.

HON FALEKE: Are you representing Adax in Nigeria?

MD, PHOENIX OIL: No, I am representing Phoenix Oil.

HON. FALEKE: So, you are not aware whether it does any business in Nigeria?

MD, PHOENIX OIL: Yes, Adax used to do a lot of business in Nigeria. Adax was the owner of Adax Petroleum but it was sold two years ago.

HON. AHMED: Do you know the number of demurrage payment that you made? I am seeing accumulations of \$178,000. Do you have accumulation of receipts that are unpaid on your transactions on the PSF account?

MD, PHOENIX OIL: We have nearly \$800,000 which is yet to be paid.

HON. AHMED: The \$800,000 is it captured by the PPPRA prepayment or is that something that you bear? Because this payment is avoidable, is it not?

MD, PHOENIX OIL: It is not fully captured in the template.

HON. LAWAN: So what happened does that mean that you made losses or did it affect your profit in that import? Did the payment of that demurrage affect your profit?

MD, PHOENIX OIL: It did affect our profit and bearing the fact that we are yet to receive the balance of payment it has been very difficult for us.

HON. LAWAN: More so that you are not sure whether you will make a profit or you would be losing out in this particular transaction?

MD, PHOENIX OIL: On the last transaction I fully believe that we made a loss.

HON. LAWAN: And are you prepared to continue transacting business on the PSF?

MD, PHOENIX OIL: That is dependent on quite a few factors:

- i) We are yet to look at the new template.
- ii) Foreign exchange which is a major issue for the likes of us.
- iii) Although we do believe that because we operate through Calabar, and we believe

that though there are more jetties being built, we have to address the issues as they are.

iv)

HON. LAWAN: If you decide to exit from participating from the PSF what will your company be doing?

MD, PHOENIX OIL: We will continue with the diesel and fuel Sir.

HON. LAWAN: Thank you, I hope you have submitted all the documents we requested?

MD, PHOENIX OIL: Yes Sir.

HON. LAWAN: I now invite Eco Regen Technical Director to take the stand and the oath.

Thereupon the MD and Technical Director of Eco Regen Affirmed.

MR. ETRA OGWIJI (TECHNICAL DIRECTOR, ECO REGEN): The Hon. Chairman and the other Members of the committee, I am Eta Ogwiji the Technical Director Eco Regen, the Managing Director is Ayo Olumokun and the General Manager is Bassey O. Bassey. We were incorporated in Nigeria in March, 2010 as a subsidiary of the highly reputable Eco Regen Ltd based in the U.S.A. It was formed by highly experienced young indigenous oil and gas experts. Eco Regen is into upstream oil and gas services, drilling services, supply services, as well as operations in waste management services. Our involvement in the Nigerian oil and gas sector started in 2009 when we were invited by NNPC to submit proposal for a joint venture to provide environmental waste management services. Subsequently, we were invited by the NNPC to register as a corporate entity and also to have a physical presence in Nigeria. The project that gave us an entry into the Nigerian oil and gas market has undergone a great deal of extensive studies as well as due diligent check, our presentation came back positive. However, we are still awaiting a final approval and signing of a joint venture. Based on this background we decided to diversify into the downstream sector specifically importation of petroleum products which is where we are now. We got quarter one in November, 2010, we applied to PPPRA for the importation of PMS. We got a permit in January, 2011 for the importation of 15,000 metric tonnes. We imported 14,907.35 metric tonnes. We received reimbursement of N1,988,141,091.00. In quarter three in August, 2011 we applied and got an approval for 15,000 metric tonnes. We were able to import the total volume of 13,351.56 metric tonnes. We are yet to receive reimbursement for this supply of 2011. I will pass it on to the Managing Director, thank you.

MD, ECO REGEN: Chairman Sir, if you would allow me I think it will be better for my Head of Operations to take over from here because I have a back ground in petroleum engineering and the upstream side.

HON. LAWAN: You have your back ground in upstream and his background is downstream?

MD, ECO REGEN: Yes Sir.

HON. LAWAN: You were incorporated in 2010 but you started the business in 2009.

MD, ECO REGEN: No.

HON. LAWAN: But you said you started business in 2009 but you were incorporated in 2010

MD, ECO REGEN: No, we did not really start anything before 2010. All that we did was to go on invitation from NNPC to bid.

HON. LAWAN: How could you get invitation when you did not exist? There was no company in 2009; you came into existence in 2010. When you said 'we' are you thinking of you as an individual or any of your people here but not a company, because the company was incorporated in 2010 but you got invitation in 2009?

MD, ECO REGEN: Our parent company got an invitation in 2009.

HON. LAWAN: When was the parent company incorporated?

MD, ECO REGEN: It has been long, since nineties.

HON. LAWAN: Who owns it?

MD, ECO REGEN: Mr. Fayish Becham.

HON. LAWAN: Is he a Nigerian?

MD, ECO REGEN: No American. So we were invited to propose waste management.

HON. LAWAN: Americans were invited to come and participate.

MD, ECO REGEN: The American company.

HON. LAWAN: And so the American company was now advised to set up its subsidiary in Nigeria and that gave birth to you. That was in 2010.

MD, ECO REGEN: Yes Sir.

HON. LAWAN: So, who owns the Nigerian company?

MD, ECO REGEN: I am actually one of the Directors.

HON. LAWAN: So you own it?

MD, ECO REGEN: Yes Sir I am the Managing Director with some other partners.

HON. LAWAN: Do you have majority share holding in it?

MD, ECO REGEN: Yes Sir.

HON. LAWAN: So, it is your company.

MD, ECO REGEN: Yes Sir.

HON. LAWAN: So, what is your relationship with your American mother company because if the Americans were the ones who were invited and they now say go and incorporate a company in Nigeria what is your relationship with them?

MD, ECO REGEN: Right now, all we have is that we are achieving together, we are independent of ourselves.

HON. LAWAN: But, they were the ones invited and not you.

MD, ECO REGEN: No, I am part of the company.

HON. LAWAN: Are you part of their company?

MD, ECO REGEN: Yes Sir.

HON. LAWAN: Are you a Director in their company?

MD, ECO REGEN: Not really but that gave birth to me being a Director in Nigeria as a Nigerian because I was not in Nigeria when that happened.

HON. LAWAN: You were not in Nigeria?

MD, ECO REGEN: No.

HON. LAWAN: Were you working with the parent company? What were you doing, what was your responsibility?

MD, ECO REGEN: Yes, I was working with the parent company at that time.

HON. LAWAN: And there was not conflict of interest here? You were working with the parent company, the company was invited, they were now advised to set up a Nigerian company and you decided to set up a company that is owned by you.

MD, ECO REGEN: With an agreement with them.

HON. LAWAN: So you have a signed agreement with them.

MD, ECO REGEN: Yes Sir.

HON. LAWAN: Whatever business you do they partially get benefit from it.

MD, ECO REGEN: A sort of because we are paid off.

HON. LAWAN: So that is what they do.

MD, ECO REGEN: Not quite, because we are totally independent of them, we paid the franchise fee to bring them to Nigeria.

HON. LAWAN: But you bear their name?

MD, ECO REGEN: We needed the history of the company to work here.

HON. LAWAN: Prior to your participation you were fairly young maybe you were not yet crawling. You started in 2010 by 2011 you were already participating in the PSF. Did you do any business before then?

HON. LAWAN: Let me explain Sir. Basically what brought the company and I to Nigeria was the project that was proposed.

HON. LAWAN: But you are a Nigeria?

MD, ECO REGEN: I am a Nigerian and I worked in the North Sea for over 10 years as a Drilling Engineer. When we were approached to submit a proposal, it was initially a waste management project but after series of presentations to NNPC they changed it into rig services department.

HON. LAWAN: They were the ones who contacted you?

MD, ECO REGEN: It was the upstream investment division of the NNPC that invited us.

HON. LAWAN: So NNPC invited you, did they make an advert requesting that people should tender and so you did something or maybe somebody in NNPC knew you or anybody there and so they place you phone call or e-mail that you need to come over because we have business for you?

MD, ECO REGEN: No, nobody knew us there, we got an e-mail.

HON. LAWAN: They sent you an e-mail?

MD, ECO REGEN: Yes, I have all the evidence.

HON. LAWAN: How did they get to know about you? So they just asked you to come and do business here?

MD, ECO REGEN: Several times we received a lot of e-mails from Nigeria.

HON. LAWAN: Of course you will receive a lot of e-mails; I do receive a lot of e-mails.

MD, ECO REGEN: In fact, initially when we got the e-mail we were in doubt but we came to Nigeria, verified and then they said we should submit a proposal for waste management we did it. After a year and series of presentations they said they were looking into the waste management. But it was not too viable. Now because the division that called us was in charge of investment at that time, we were moved into the real rig services division that was newly created by the NNPC. We did series of presentations again and then they decided that they would not mind us supplying rig for rig operations which is one of the major things that we do. That was how we got into Nigerian market.

HON. LAWAN: Where do you buy your product from, is it from the U.S?

MD, ECO REGEN: No Sir.

HON. LAWAN: What role did your mother company play in this? Where did you buy your product from?

MD, ECO REGEN: The last first quarter we got it from Mecuria from offshore Cotonou.

HON. LAWAN: How did you dispose of it because I believe you do not have storage facilities? Do you have an arrangement?

MD, ECO REGEN: Yes we have.

HON. LAWAN: With whom?

MD, ECO REGEN: Masters Energy.

HON. LAWAN: How did you retail it?

MD, ECO REGEN: We have couple of buyers; we have Saghara Sole Energy and a list of buyers that we sold out to; Amond Oil, Sof River and quite a lot of them.

HON. AHMED: If I may recap the main reason you were in Nigeria was to submit a proposal on waste management, you are yet to sign that joint venture agreement.

MD, ECO REGEN: We are yet to sign it, we have gone through series of scrutiny with due diligence and all that and it came back positive all of them but up till this moment, we have not signed the agreement.

HON. AHMED: What happened basically you came in 2009 for waste management, 2010 somebody said why not go the whole hog come and do oil lifting business, go and incorporate you and did incorporate in 2010 and did some lifting from Cotonou. You went to Masters and the main reason you are here is still understudy. That summarizes your

operations in Nigeria?

MD, ECO REGEN: Yes Sir.

HON FALEKE: So what is your turnover like between 2010 and now?

HON. LAWAN: We mean the mother company but the daughter company, what is your turnover?

MD, ECO REGEN: From the first quarter the importation of petrol that we did I think we made just about N20 - N30 million profit or thereabout.

HON. LAWAN: Not profit, the total turnover.

MD, ECO REGEN: Right now we have not really done much in Nigeria.

HON. LAWAN: Except for these two you have not done anything in Nigeria?

MD, ECO REGEN: No, everything is just in the pipe line.

HON. LAWAN: Basically these two transactions are what you have done in Nigeria?

MD, ECO REGEN: Yes Sir.

HON. LAWAN: What is your share capital?

MD, ECO REGEN: N5 million

HON. FALEKE: You registered in 2010 and we are now in 2012. Between 2010 and 2011 what was your turnover, I want figures.

MD, ECO REGEN: To answer your question specifically, is it the profit or the turnover Sir?

HON. LAWAN: You want me to bail you out right?

MD, ECO REGEN: Yes Sir, I would not mind Sir.

HON. LAWAN: Thank you very much. At this juncture, Mrs. Ifeoma Onadingene, MD, Annaju, should please step into the witness box for her presentation.

Thereupon Mrs Ifeoma Onadingene, MD, Annaju, affirmed.

MRS. IFEOMA ONADINGENE (MD, ANNAJU NIG. LTD.): The distinguished Chairman and hon. Members of the Committee, we are happy to be here. We are from Annaju Nigeria Ltd.

HON. LAWAN: What is your position in the company?

MD, ANNAJU NIG. LTD.: I am the Acting Managing Director. Sir, permit me before I go into what we are here for to get some clarifications. We were not actually given an invitation but This Day newspaper on the 31st we saw Anaju but we are Annaju; so I do not know if it is a mistake.

HON. LAWAN: That is printer's devil. Have you participated in the PSF scheme?

MD, ANNAJU NIG. LTD.: Not actually, we were given a license but we did not participate.

HON. LAWAN: So, you were never given allocation?

MD, ANNAJU NIG. LTD.: No we were not.

HON. LAWAN: What do you do, are you into oil business?

MD, ANNAJU NIG. LTD.: Yes, we are active in the oil upstream sector.

HON. LAWAN: What of downstream?

MD, ANNAJU NIG. LTD.: We wanted to venture into it.

HON. LAWAN: You are yet to venture into the downstream.

MD, ANNAJU NIG. LTD.: No not yet.

HON. LAWAN: You do not want it?

MD, ANNAJU NIG. LTD.: We do but not yet.

HON. LAWAN: So what do you do?

MD, ANNAJU NIG. LTD.: We supply and run drilling companies and then lease tools to them.

HON. LAWAN: But other than that you have not participated in the Petroleum Subsidy Fund.

MD, ANNAJU NIG. LTD.: No we have not.

HON. LAWAN: Thank you very much and I want to apologize for keeping you waiting all day. We want to thank you very much for being such a committed Nigerian for you to respond to that invitation even though the name itself does not exactly capture your company name but you thought that it was necessary for you to come here. We truly appreciate that and I think I will just allow you to leave unless you have something you

want to discuss with us. The fact that you have been with us all day qualifies you if you so wish.

MD ANNAJU: There is no problem Sir.

HON. LAWAN: So thank you so much

MD ANNAJU: Thank you Sir.

HON. LAWAN: NACTICEL, sorry, did I invite you, I cannot remember inviting you, any way you are already here, do not worry.

Thereupon Mr. Taiwo Bashir, MD, NATICEL Petroleum affirmed.

HON. LAWAN: Can you please proceed and make your presentation?

TAIWO BASHIR (MD, NATICEL PETROLEUM): All right, thank you sir. Hon. Chairman, distinguished Members of the House Ad-Hoc Committee of Subsidy Monitoring Regime Management, my name is Taiwo Bashir and to my left is Mohammed Ahmed; the Business Development Management and to my right is Mr. Ade Adebisi, the Director of Finance. I will like to apologize before I start on behalf of Chairman and CEO in person of Olumuyiwa Olorunfemi who is unavoidably absent due to medical reason. We thank you for giving us this opportunity to address you on the role our company has played in the PSF scheme. Now going into our profile of our company in short; NATICEL Petroleum is an indigenous petroleum logistics and distribution marketing company, Set up specifically to provide the petroleum industry with service that can bridge the gap between customers and producers. The company was incorporated as a private limited liability company in January 2002. Our operational office is located at Suite 2, First Floor, City Plaza of Ahmadu Bello Way, Garki, Abuja. NATICEL Petroleum Limited joined the PSF scheme in late 2010; subsequently we began importation in 2011. We brought in a total of 56,298.0190 metric tonnes out of the total of 60,000 metric tonnes allocated to us. The total tonnage we have brought in five vessels. In the first quarter we had allocation for 30,000 metric tonnes and we brought this in two tranches, for the first tranche which we brought in through MT Union Force, we brought in about 14,437.72 metric tonnes. And the second tranche came in through MT Madonna 1 and we brought about 14,155,414 metric tonnes. All these are discharged at Master Oil Depot. For the second quarter we had allocation of 15,000 metric tonnes and we brought in 13,970.32 metric tonnes through MT Emata; this was also discharged at Master Oil Depot, Port-Harcourt. For the third quarter in 2011 we got allocation for 15,000 metric tonnes and this was brought in two tranches through MT Grace, the first one was 6,799.252 metric tonnes and this was discharged at Matrix Depot, Warri and the second one was 6,935.72 metric tonnes. For the allocated quantity of metric

tonnes, so we had an achievement of 95.3% performance in that quarter, and in the second quarter which we add 15,000 metric tonnes allocation, we did 13,970.232 metric tonnes, we had 93.1% performance and then in third quarter we had a total of 13,734.82 out 15,000 metric tonnes, we had 91.6% performance. The total in metric tonnes as we bought in 2011 was 56,298.190 metric tonnes and in litres it amount to 76,112,710 litres. For the subsidy, for the first quarter we brought it in a two tranches, we also received the subsidy in two tranches; the first one was N1.5, approximately N1.6 billion and the second one was about N1.5 billion in approximation. So the total we received for subsidy for that quarter was N3,111,508,616.13.

HON. FALEKE: Sorry, I think we gave you a standard in which to submit some documents to us. What you have just done here is the tabulation, there are no supporting documents to all these claims you have just given us: no shipping documents, no Bill of Lading, no Form M, nothing.

MD, NATICEL PETROLEUM: I am sorry honourable Committee; I want to apologize for that. Those documents are here with me actually.

HON. FALEKE: You can give them to us.

MD, NATICEL PETROLEUM: All right.

HON. FALEKE: How many copies?

MD, NATICEL PETROLEUM: I had two copies because I intend submitting them as an attachment to my presentation. When I was about to submit it, the lady I spoke with confirmed to me that it has to be in 10 copies.

HON. FALEKE: You are supposed to give us 10 copies? This will enable us to follow you as you present and each of us has to study your document after this sitting. So we need 10 copies.

MD, NATICEL PETROLEUM: Sir, I promise that immediately after this presentation I am going to get those copies down here.

HON. FALEKE: It is impossible for us to question you because we do not have access to the documents. So what you have written here are just the details that you know, it is impossible for us to question you. So we will advise you to go and make copies of this document, come back tomorrow and then we take you on, on this presentation.

HON. MOSHOOD MUSTAPHA: Thank you very much. I just have a very simple question for you. When was your company incorporated and what were you doing before you started importing fuel and how much in total were you paid as subsidy? Thank you

very much.

MD, NATICEL PETROLEUM: Thank you Sir. The company was actually registered in 2002 and within that time to this time what we have been doing actually is trading on diesel. Basically, we deal with private organizations and individuals, once they request, we buy at open market and then supply to them.

HON. AHMED: Thank you very much you are discharged. May I invite Dr. Jerry Ohen, the Managing Director of OWA Oil and Gas Ltd. to take the witness box for his presentation?

Thereupon Dr. Jerry Ohen, the Managing Director of OWA Oil and Gas Ltd.

DR. JERRY OHEN (MD, OWA OIL AND GAS LIMITED): Hon. Chairman and hon. Members of this ad-hoc Committee, we have submitted 10 copies of our transactions on the subsidy and then the write-up here. We got the invitation through the newspapers and we have not received that letter, but then we also know that submission is expected from us. Notwithstanding the fact that we are presently small player in the industry, we wish to seize this opportunity to submit as follows: Owa oil and Gas Ltd. is a duly registered and fully Nigerian owned oil and gas company. Our company was given allocation of 10,000 metric tonnes of PMS in the second quarter of 2011 which we duly executed. We had applied several times before this time but we were not given any allocation. We believe the barrier created in the subsidy regime should be dismantled to enable more Nigeria companies the opportunity to participate, thereby fighting monopoly and then subsequently reduce the pump price of PMS. Players in any particular sector of economic have different strength and that should be encouraged. Not every player should be required to engage in higher carrying cost aspect of the downstream if they can engage in smaller carrying cost aspects. Owa Oil and Gas was incorporated in 1996, we owned equity in other companies that play in the upstream, and two of them have OPL allocation that they are working on. We imported the PMS in two tranches in second quarter of 2011. The first tranche was 4.965 metric tonnes through NAMEX, we lifted off Cotonou, and mother vessel was NANOSI. We offloaded at the Fagbemis Depot, and the second tranche of 5.13 metric tonnes was also through the NAMEX. Our LC was opened through Guaranty Trust Bank Plc for the value of \$10.7 million and we received subsidy of N1.354 billion.

HON. FALEKE: Do you have any storage facility and what is your investment in the downstream?

MD, OWA OIL AND GAS LTD: Presently in Delta State where we have staff we are trying to secure financing facility from Zenith Bank Plc to do a tank farm in Warri.

HON. FALEKE: So as it is, you have no investment, no storage, and no retail outlet?

MD, OWA OIL AND GAS LTD: Essentially, our business model is to play in the bulk sector of the downstream and then upstream. We do not intend or we do not love to be all things to all people, we will like to be specialist based on our capacity to be able to intervene in getting the funding and getting the product to big players.

HON. LAWAN: So who are your major buyers of this product?

MD, OWA OIL AND GAS LTD: The Fagbemis and Petrogabs.

HON. LAWAN: I mean major buyers?

MD, OWA OIL AND GAS LTD: Yes.

HON. LAWAN: Petro what?

MD, OWA OIL AND GAS LTD: Petrogabs.

HON. LAWAN: Where is Petrogabs is located?

MD, OWA OIL AND GAS LTD: In Lagos.

HON. LAWAN: Where was this company registered? What is the share capital and how many staff do you have on board?

MD, OWA OIL AND GAS LTD: In Lagos we have about 8 and in Delta State we have about 11. Share capital in 2005 was a million Naira now it is N5 million.

HON. FALEKE: I am just wondering. This is the first time, of all the importers that have come here, that I have heard a Nigerian name as the mother vessel as per this Bill of Lading. I can see here too Captain Adeleke Ogundalu as the captain of the mother vessel.

HON. AHMED: What my Colleague is saying is that Nigeria has missed out in the big time activities in the maritime industry; that he is surprised seeing a Nigerian out of the blues as a Master of this vessel. But I do know that we have people bearing Yoruba names in Benin Republic. So, is this captain a Nigerian?

MD, OWA OIL AND GAS LTD: If you are looking at what we are talking about it is MT Brilla KG. It is not the mother vessel.

HON. LAWAN: So it's also daughter vessel?

MD, OWA OIL AND GAS LTD: It is Brilla KG.

HON. LAWAN: Run of the mill?

MD, OWA OIL AND GAS LTD: The mother vessel is MEGANOSIS.

HON. FALEKE: So the Master of a daughter vessel issues Bill of Landing to himself? It is expected that this consignment is taken from mother vessel, all right. And it is the responsibility of that mother vessel to issue a Bill of Landing to that daughter vessel. So what you are telling us now is that the daughter vessel actually issued a Bill of Landing to itself? And then the vessel is not under the Nigeria's flag, it is carrying Panama's flag?

MD, OWA OIL AND GAS LTD: Our LC was in favour of NAMEX and then we got the oil from NAMEX, origin was Netherland and then the daughter vessel was MT Brilla KG that came from the mother vessel.

HON. FALEKE: Sorry Sir, I just want better education from you. If I sell a product to you I am supposed to issue you the invoice and the way bill. So this Bill of Landing is supposed to come from the seller of that product, it cannot be issued by the MT Brilla KG; I mean this does not happen at all.

MD, OWA OIL AND GAS LTD: What I think you are referring to is the certificate of origin signed by Ca20 companies, 50, 70, 120 Captain Ogundalu, a certificate of origin, the original.

HON. AHMED: All right, you suggested in your paragraph 5 that the barrier created in subsidy regime should be dismantled and your own suggestion of dismantling it is to let more companies, 20, 50, 70, 120 even more come in. Is that what you are advocating? Am I correct?

MD, OWA OIL AND GAS LTD: Yes, I think the more players you have the more the requisite checks and balances.

HON. AHMED: But the requisite check and balances have failed; we can see it on the ground that it has failed.

MD, OWA OIL AND GAS LTD: The reason we thought about inviting or allowing more players is because of what happened in January with the removal of subsidy. I think the removal of the subsidy would be one of the things that might reduce the barrier to entry, so that the serious players will remain. If there is no subsidy, it is only those who have long time commitment to the business that will be there. And so you have people who may not be buyers, for example, we do not intend to do retail and if the retail trade is part of the barrier that is put there you will find that it will discourage some of the people who do not want to go into retail. So if you remove some of these barriers and then you create a situation where there is no subsidy and there is no incentive for those who are not serious. When you remove import license, you are likely to find that with the deregulation you will

have more players in the system.

HON. AHMED: That is your own opinion, which is allowing more people to come in. You were here yesterday and heard what the CBN said, removing subsidy or deregulation per say would not bring down the cost of petroleum when you have a lot of wastages. Nigeria is classified as a war-zone-risk country, how would removing subsidy remove Nigeria from the category? There are things that the government has to do before removing the subsidy. The demurrage, how would deregulation remove the demurrage, if you do not have it, I am just saying that... Anyway, thank you for your presentation. Do not forget to submit all the requirements we asked for. Thank you Sir.

May I invite Mr. Stanley Abamejuri, MD, Shorelink Oil and Gas Services Ltd.?

Thereupon Mr. Stanley Abamejuri, MD, Shorelink Oil and Gas Services Ltd.

ACTING CHAIRMAN (HON. JAMES FALEKE): Please go ahead. So we just want you to go straight with your participation in the fuel subsidy.

STANLEY ABAMEJURI, MD, SHORELINK OIL AND GAS SERVICES LTD.: Distinguished Chairman, hon. Members of this Committee. My name is Stanley Abamejuri, I am the Managing Director of Shorelink Oil and Gas Services Limited. Our company was registered with the CAC in 2002 and commenced business in 2007. We completed our tank farm in April 2010 and received DPR approval to commence business in June, 2010. Our depot has the capacity of approximately 29 million litres or about 22,000 metric tonnes of gasoline. All our PMS imports were done on delivery into tanks to our suppliers. In 2010 quarter 4 we received approval from PPPRA to import 15,000 metric tonnes. In second quarter of 2011 we received 15,000 metric tonnes. Quarter 3 of 2011 we received approval to import 30,000 metric tonnes and for quarter 4 we were given 20,000 metric tonnes to import. Overall, we imported during the period 47,206 metric tonnes and total subsidy we received during the period was N3,399,245,316.28. We have an outstanding payment of N1,656,763,687.38. The last cargo brought in was 16,229 metric tonnes, the details are in the document that you have there.

Thank you very much.

HON. AHMED: When did you start using your depot?

MD, SHORELINK OIL AND GAS SERVICES LTD: 2010.

HON. LAWAN: 2010?

MD, SHORELINK OIL AND GAS SERVICES LTD: That is correct Sir.

HON. LAWAN: You did your first importing Q2 2011.

MD, SHORELINK OIL AND GAS SERVICES LTD: That is correct.

HON. LAWAN: All right, do you have retail outlets?

MD, SHORELINK OIL AND GAS SERVICES LTD: We do not have anyone at the moment.

HON. LAWAN: So how do you sell your product?

MD, SHORELINK OIL AND GAS SERVICES LTD: We sell it in the open market.

HON. LAWAN: What does that mean?

MD, SHORELINK OIL AND GAS SERVICES LTD: Well, we sell to different retailers, filling station owners and some bulk purchasers.

HON. ABASS TAJUDEEN: Sir, based on the summary you gave us for your 2011 import, you did mention that total quantity approved for you was 45,000 metric tonnes but you supplied 47,000 metric tonnes. How come that you supplied more than what was approved for you?

MD, SHORELINK OIL AND GAS SERVICES LTD: Thank you very much in the business you are allowed a tolerance limit of 10%. Yes, it is acceptable.

HON. ALI AHMED: Thank you very much. I will now invite Mr. Dele Adejugbe (MD/CEO, Avant Garde Oil & Gas to make his presentation.

Thereupon Mr. Dele Adejugbe, MD/CEO, Avant Garde Oil and Gas Ltd. Affirmed.

HON. LAWAN: Can you please proceed and make your presentation?

MD/CEO, AVANT GARDE OIL & GAS: Good afternoon Hon. Chairman and Members of the Committee, the company was incorporated in 2007 to carry out the business of petroleum product upstream.

HON. LAWAN: You were incorporated in 2007?

MD/CEO, AVANT GARDE OIL & GAS: Yes, 2007. We do not have storage facility but have tripod arrangement with a couple of storage owners and presently negotiating with a petrol station owner on Lekki/Epe Road for a long lease. Also we just acquired three acres of land along Lekki/Epe Road for a gas plant/petrol station. We would start with gas plant and later construct the petrol station. All the equipments for the gas plant are on ground ready for installation. In August 2010, we submitted a request to be shortlisted as a partici-

pant in the PSF Scheme with PPPRA, in response to an advert by PPPRA for Expression of Interest for Marketers. We were shortlisted by PPPRA and given approval to import 15,000 metric tonnes of PMS during the Q4, 2010. We imported 14, 472.899 metric tonnes.

HON. LAWAN: Sorry, you were given an allocation of what, 15,000?

MD/CEO, AVANT GARDE OIL & GAS: 15,000.

HON. LAWAN: Q4 right?

MD/CEO, AVANT GARDE OIL & GAS: Q4 2010.

HON. LAWAN: You brought in 14,000?

MD/CEO, AVANT GARDE OIL & GAS: Yes, we were actually given 15,000.

HON. LAWAN: You brought in 14,000?

MD/CEO, AVANT GARDE OIL & GAS: Yes, we brought in 14,472.899 metric tonnes.

HON. LAWAN: And how much did you collect as subsidy?

MD/CEO, AVANT GARDE OIL & GAS: N1,166,701,600.96.

HON. LAWAN: That was your first allocation?

MD/CEO, AVANT GARDE OIL & GAS: That was the first and we made a loss at that transaction.

HON. LAWAN: What happened, why, how did you make a loss, what happened?

MD/CEO, AVANT GARDE OIL & GAS: I do not know, what they paid us was N1.16 billion as against our own calculation of N1.289 billion. We wrote to PPPR but we have not heard anything from them since so we said we would not go into that kind of transaction again.

HON. LAWAN: So you did not even apply again?

HON. LAWAN: A loss of how much, N101m?

MD/CEO, AVANT GARDE OIL & GAS: N101m for the past nine months.

HON. LAWAN: Oh! I see so it was a very bitter experience.

MD/CEO, AVANT GARDE OIL & GAS: It is still bitter experience.

HON. LAWAN: Oh! is still bitter experience, which means you have no interest.

MD/CEO, AVANT GARDE OIL & GAS: I actually came here to see if you can talk to them to pay me my money.

HON. LAWAN: But do they believe that they have your money. We can appeal to them to pay you your money if indeed you have money with them but if by their own calculations you do not have any money with them then we cannot appeal to them to pay you.

MD/CEO, AVANT GARDE OIL & GAS: Mr. Chairman, maybe when you appeal to them they will now recheck their calculations and find out that they actually owe me.

HON. LAWAN: Well I am sure PPPRA is watching this so maybe they should look into your application and if you do have a claim I believe it is only fair and just for them to pay you and if looking at your document they realise that you need to make some refunds we would also encourage them to collect back whatever is outstanding.

MD/CEO, AVANT GARDE OIL & GAS: No problem sir.

HON. LAWAN: So when you got that allocation where did you buy it from?

MD/CEO, AVANT GARDE OIL & GAS: We bought from NIMES and loaded offshore Cotonou.

HON. LAWAN: And how did you dispose it, you sold it to retail owners?

MD/CEO, AVANT GARDE OIL & GAS: We sold to retail owners. Fabins bought some, we sold to Joe Patrias Oil, Estee Ventures, and Petrogas bought some.

HON. LAWAN: Outside that importation what else do you do?

MD/CEO, AVANT GARDE OIL & GAS: Basically we do supply to AGIP, Mobil.

HON. LAWAN: What are you supplying?

MD/CEO, AVANT GARDE OIL & GAS: Diesel oil.

HON. LAWAN: Do you import diesel?

MD/CEO, AVANT GARDE OIL & GAS: Yes we have licence to import diesel.

HON. LAWAN: Do you have storage facility for diesel?

MD/CEO, AVANT GARDE OIL & GAS: No we do not have, but we have a tripod arrangement and we still supply through vessels too because if we supply Agip we are supplying their off-shore tank farm.

HON. LAWAN: Thank you so much and have a nice day.

MD/CEO, AVANT GARDE OIL & GAS: Thank you very much.

HON. LAWAN: Can I invite the Executive Secretary, Jetties & Petroleum Tank Farms of Nigeria (JEPTFON), Dr. Ukeje Nwoeforo to make his presentation.

Thereupon the Executive Secretary, Jetties & Petroleum Tank Farms A of Nigeria (JEPTFON), Dr. Ukeje Nwokeforo

DR. UKEJE NWOKEFORO, EXECUTIVE SECRETARY, JEPTFON: We have been observing the proceedings of this Committee and many of our members have appeared before you. As an association we have had our challenges and experiences and some of these have come to the fore here. Our Secretariat had put down the memo which we submitted yesterday, we made recommendations, because we feel the essence of this is for future progress of the industry.

HON. LAWAN: If we give you five minutes would you be able to do your presentation; five minutes no more?

EXECUTIVE SECRETARY, JEPTFON: I can sir; I will do my best sir.

HON. LAWAN: No, no if five minutes would not be enough then you are not getting a single minute.

EXECUTIVE SECRETARY, JEPTFON: Sir, I will try and limit myself to that sir.

HON. LAWAN: You should do more than try you have to finish in five minutes. To assist you we will take the chairman of the Association of NNPC Retail Outlets, while you sort yourself out.

EXECUTIVE SECRETARY, JEPTFON: All right sir, thank you sir

HON. LAWAN: All right thank you. We will quickly take Chief Andrew Ashiga, National Chairman, Association of NNPC Retail Outlets.

CHIEF ANDREW ASHIGA, NATIONAL CHAIRMAN: The Hon. Chairman sir, and the members of this Committee we want to thank you very much for this opportunity to make a presentation and what we want to be on record is not intended to either incriminate, ridicule or blackmail anybody. As a Nigerian once again I say we appreciate what is going on, we are stakeholders and the core people. Today if you look around in the country concerning the crisis in the distribution of petroleum products our association and members nationwide are the only people that the government is using to bring about sanity in the distribution of petroleum products at the downstream sector. So, we feel we occupy a very significant position and therefore have to tell this honourable Committee the excesses

in the industry and certain things that are happening along the line that are not making this subsidy go down to the public. Our Association was incorporated in 2010 and is a product of the formation of the NNPC retail outlets. As Nigerians it is one of our constitutional rights to form an association. We are duly incorporated but because of certain things that Retail Management has to hide they never allowed us to function as such. The right to form an association is a constitutional right just like I stated before and we should be allowed the right to function as such; but several efforts to bring it to their notice have always been evaded because they know it will help to uncover so many things they are doing there.

If you look around today you will see affiliate stations nationwide there are queues more particularly when there is crisis, and we are the only one the government uses to bail it out of embarrassment because our stations are strategically located in urban cities compared to NNPC owned Mega Stations that are politically located at the cities only. So in the areas of DPK which is a common man product we are supposed to be the best avenue to be used to get to the public but the NNPC would always allocate the bulk of the product to their own few outlets that are located in the cities. When the heat is up there the next thing they would do is move it from there to where we do not know. We have made several attempts to tell them the implication of it and they will not listen so we felt we should come before you so that you can intervene and see that they do the right thing. The essence of it is that the message is not meant to kill the messenger. We built our stations with our money and some of us collected money from banks and they only came into partnership with us and the promise they gave was that they would wet our stations constantly. We even had to make a deposit of N10m. Any NNPC outlet you see in the country today has deposited N10m to NNPC Retail and that is to make sure that all the brand or products would be supplied adequately but what happens? It is either there is an artificial scarcity or a distribution problem they; would divert it to their own small number of outlets which is just about 15% of the total performance of the retail. We account for about 85% and by the time their own outlets are overloaded the next thing is they move it and you would not know where it has gone to and the people would be suffering and that is why we come here to explain this maybe you may not be aware so that it is part of your mandate to please on our behalf come into the matter. Our agreement with them is here and our certificate of incorporation is here and we feel that if we did not say this you would not know and the essence is that the subsidy is supposed to go down. From all the proceedings I have been watching since I entered the hall it is like some people claimed they collected subsidy and that it did not go down the ladder. I am sorry to say that but then we who offer ourselves for sacrifice as patriotic Nigerians we should please be allowed to function and be able to give our best to support this present government, thank you sir. Mr. Chairman, the memorandum we submitted I am sure you have a copy. I just did a random summary because we have been here since morning.

HON. LAWAN: Do not worry you have been here since morning and so that entitles you to as much time as we can possibly give you so if there is something that is very important that you have omitted please take another two, three minutes to say it, you want things to be done properly.

NATIONAL CHAIRMAN, ASSOCIATION OF NNPC RETAIL OUTLETS: All right, like I stated the NNPC Retail refused to relate with us as an association and their reason is just what I have already explained, they would not want us to come close to see whatever they are doing and we are Nigerians. You see sometimes when the employee is trying to gain more than employer it becomes a problem. They have no reason for disallowing us from coming in as an association because we are supposed to represent our people. The meagre commission that they are paying us is just N2.50k. At the point of payment they will also deduct 10% out of it and we feel it is a common knowledge that petroleum products are not viable items; but they deduct this 10% all in the name of trying to ridicule the vision of the Federal Government. In the downstream sector in fairness this is one of the best innovations of the Federal Government the coming up of this retails where the government is selling directly to the public but it is like the cartel there are trying to frustrate the NNPC. I think we should bring it to your notice.

HON. LAWAN: So there is a cabal in NNPC?

NATIONAL CHAIRMAN, ASSOCIATION OF NNPC RETAIL OUTLETS: There is a cartel there.

HON. LAWAN: Oh! Cartel not cabals?

NATIONAL CHAIRMAN, ASSOCIATION OF NNPC RETAIL OUTLETS: Yes, even this N2.60k they are paying in the initial agreement they are supposed to pay latest two weeks after the submission of the claim but today it takes up to six months and we do not know what is happening, and why we have to tell you now is that there is an impending danger because by the time our people are no longer rendering the service this country would be turned into confusion. I am saying this without mincing any words. If you look around today you will see that it is only the NNPC outlets that are servicing the public and we should be treated as people who are important.

HON. LAWAN: Thank you very much I suppose that covers most of what you want him to present apparently. I will take it that you are satisfied with his presentation and that covers most of the issues. Let me just raise a few posers I have said this earlier today and I am going to repeat it that the essence of ensuring the availability of kerosene at affordable price is ensuring that it reaches the poorest of the society. Those who utilise kerosene are those who are actually, economically speaking, at the very lower segment of our society,

and that is why I believe that the price of kerosene was supposed to be at N40.90k. Like you said you hardly get this product.

NATIONAL CHAIRMAN, ASSOCIATION OF NNPC RETAIL OUTLETS: Yes.

HON. LAWAN: Does that mean you do not even sell it or do you have a way of getting it from other sources and then selling it in your retail outlets?

NATIONAL CHAIRMAN, ASSOCIATION OF NNPC RETAIL OUTLETS: Sir, with the agreement we entered into with them since we branded the outlets into their name we have no authority or power to bring kerosene from anywhere.

HON. LAWAN: You can only sell products that are provided by them and they do not supply you the product?

NATIONAL CHAIRMAN, ASSOCIATION OF NNPC RETAIL OUTLETS: Yes, they do not supply us.

HON. LAWAN: They do not supply you kerosene?

NATIONAL CHAIRMAN, ASSOCIATION OF NNPC RETAIL OUTLETS: They do not, kerosene in particular.

HON. LAWAN: If they do not retail it in their own because these are NNPC branded fuel stations so if they do not sell it there who do they sell it to? Of course we have had the DAPMAN apparently they sell it to the depot owners but definitely this I believe has a bearing on the very high cost of kerosene so you are confirming that they do not sell it to your stations?

NATIONAL CHAIRMAN, ASSOCIATION OF NNPC RETAIL OUTLETS: What I am saying is, let me clear it very well, what we are saying is that kerosene is meant to be distributed to all the outlets. There are two categories of outlets; the one built by NNPC themselves which is just about 36 in number.

HON. LAWAN: I believe they have one in each of the State capital.

NATIONAL CHAIRMAN, ASSOCIATION OF NNPC RETAIL OUTLETS: And they have filling stations, the ones we represent and which account for 85% of the total number of outlets in the country.

HON. LAWAN: They sell it in their own stations, 36 outlets.

NATIONAL CHAIRMAN, ASSOCIATION OF NNPC RETAIL OUTLETS: They supplied the whole thing to their own few outlets and by the time it is over supplied, the

product flies from there and go to another place that you may not understand.

HON. LAWAN: And they do not supply your own outlets?

NATIONAL CHAIRMAN, ASSOCIATION OF NNPC RETAIL OUTLETS: They do not supply our own outlets, that is exactly what we are saying and the same thing goes with diesel.

HON. LAWAN: So even diesel as well, so the only thing that is in constant supply in your stations is the PMS?

NATIONAL CHAIRMAN, ASSOCIATION OF NNPC RETAIL OUTLETS: Not even constant; it is epileptic supply sir.

HON. LAWAN: Even PMS epileptic?

NATIONAL CHAIRMAN, ASSOCIATION OF NNPC RETAIL OUTLETS: Yes sir it is epileptic.

HON. LAWAN: Oh! I thought with the change of name of NEPA epileptic has left this country I do not know that it transfers itself to NNPC supplies. This has nothing to do with PPMC?

NATIONAL CHAIRMAN, ASSOCIATION OF NNPC RETAIL OUTLETS: Not at all.

HON. LAWAN: So you would want the supply of kerosene to be extended not only to their own Mega Stations but also to the Affiliate Mega Stations which are the stations that you own?

NATIONAL CHAIRMAN, ASSOCIATION OF NNPC RETAIL OUTLETS: Yes sir.

HON. LAWAN: With regard to the formation of association like I said the NNPC people are watching us we would also bear on them, the GMD is going to be here tomorrow to see whether they have any reason you cannot exercise your constitutional rights to form an association.

NATIONAL CHAIRMAN, ASSOCIATION OF NNPC RETAIL OUTLETS: Thank you sir.

HON. LAWAN: Even when you want to form a political party the process is not so difficult so why not common association but we would get across to them when the GMD comes here tomorrow. Any question? Apparently no but if you still have anything to say please?

MOHAMMED IBRAHIM (MEMBER ASSOCIATION OF NNPC RETAIL

OUTLETS): Another area is the commission we are being paid it is too meagre it is just N2.50k. By the time you consider the running cost you discover that the commission is nothing.

NATIONAL CHAIRMAN, ASSOCIATION OF NNPC RETAIL OUTLETS: And they take 10% of the N2.50k

HON. LAWAN: Are these not commercial issues that I will expect you to write and sit with them and negotiate and resolve? Do we have to pry into how much they pay you, I thought you should leverage that the fact that you own these stations get them to sit down, discuss and agree on a rate that is fair to both sides?

MOHAMMED IBRAHIM (MEMBER ASSOCIATION OF NNPC RETAIL OUTLETS): Yes sir we have done that before it is just that it has not worked.

HON. LAWAN: What is the ground for the 10% deduction?

MOHAMMED IBRAHIM (MEMBER ASSOCIATION OF NNPC RETAIL OUTLETS): That is a VAT.

HON. LAWAN: No, no, no.

MOHAMMED IBRAHIM (MEMBER ASSOCIATION OF NNPC RETAIL OUTLETS): They are saying it is running cost sir which ordinarily is not expected. We have discussed with them but the result has not been positive.

HON. LAWAN: Thank you very much unless you have anything to add.

NATIONAL CHAIRMAN, ASSOCIATION OF NNPC RETAIL OUTLETS: Yes, like I rightly said it has to do with the hanging threat by my members nationwide you have to go into it to call them to order because by the time they do not do the right thing and we get to the level that we could no longer bear it is not going to be good for the country. That is exactly why we look at this forum as a wonderful one and use it to get at them just like you said. What I want to contribute further is on the question you asked as to why we have not sat with them to discuss it. We have written severally even to the Minister and the GMD and each time what we are being threatened like if you do anything we are going to blacklist you. We are Nigerians instead of blackmail or allowing ourselves to be blackmailed we decided to bring it to a larger place where you people can prevail on them to listen to us.

HON. LAWAN: Thank you very much we have listened and we would play the necessary role to ensure that things are done properly. Our objective at this side is to make sure that things are done properly, irrespective of whose horse is gored. Whoever is involved we want

fair and best business practices in the country, we want regulatory agencies to discharge their responsibilities in a manner that is fair and just. So we would see what we can do but I can understand why they would not be too happy to have you as an association but I do not think the way you have the courage to come and present these issues they would be too happy to have you as an association but we would play the necessary role. Thank you very much for adding your voice to this hearing we truly appreciate it and we would see what we can do. Before I invite TOTAL let me once again use this opportunity to remind the following that they need to be here tomorrow. We expect Trafigora, Sahara Energy SA, the LOIT, Adekanola Chartered Accountant and the Managing Director NNPC Retail. Of course this is in addition to the PPPRA, NNPC, PPMC, DPR, Accountant-General of the Federation and Attorney-General of the Federation. We expect these organisations to be here tomorrow at 10:00a.m. Let me invite the Managing Director of TOTAL. I thought we have finished with you but I can see that you are coming in a very large number.

MD – TOTAL: Chairman and Members of the ad hoc Committee, thank you for the audience given to us, we have sent a letter that today we will bring the necessary information - the bill of lading, letter of credit, discharge certificate and Corporate PSF cargo from PPPRA 2006. I will like the Director in charge of Finance to clarify certain issues, if you permit us.

MR. FELIX BONI – DIRECTOR FINANCE: The hon. Chairman, Members of this Committee, good afternoon. Thank you for the opportunity given us as a follow-up to make better clarification on some issues that were raised during our first appearance that was on 1st of February, 2012. I do not know if you still have our document during our first appearance. On the document there were two schedules; the first schedule named PSF cargo from 2006 to 2011 is the list of our importation. The list presented as claim in respect of subsidy amounted to N16.1billion, the following page 9 shows payment received in respect of the year 2011: N18.8billion that makes up a difference of N2.613billion. Mr. Chairman, if you permit me, I will like to refer you to that page, that in 2010, the last two cargo that we imported in respect of two vessels, one in November, 2010 and the second one on 26th December, 2010. The respective amount of subsidy claims were N1.931billion and the second one is N682million which made up total amount of N2.613billion. When you get to the schedule related to payment you will see that in 2011, the first payment received amounted to N2.613billion in March, that payment received in 2011 correspond to the subsidy claimed in 2010. You will notice the mechanism of payment of subsidy takes on the average a minimum of 60 days. You will notice that gap of N2.613 billion was as a result of time effect; therefore, there was no over payment of N2.613billion in 2011. The second point I will like to clarify was about the report of KPMG you mentioned during the last presentation, where an amount of N304million overpayment was raised. We did not have a

copy of that KPMG report, but that overpayment might be as a result of foreign exchange rate differential. Total Nigeria Plc received N672million in respect of delayed payment of subsidy and forex exchange rate referential. The exact amount of N282 million in excess of our expectation or the amount we received was paid back to PPPRA, and we were not prompted to do so, it was on our own initiative. In addition to that, in July 2010, we received from PPPRA a debit note of N54million, the overpayment that was not explained to us. Meanwhile, we were expecting a payment of subsidy for a bigger amount of N1.486billion in respect of product supplied. In order to avoid unnecessary financial charge for delayed payment, we had no other choice than issuing a payment for that amount of N44.5million so that we can receive early enough our subsidy payment. Up till now we have not received any explanation of such payment despite several reminders to PPPRA. In conclusion, to date the aggregate amount paid back to PPPRA amounted to N337million. Thank you Mr. Chairman this is the clarification I wanted to make.

HON JAMES FALEKE: You said PPPRA gave you debit note of N54.5million and that you did not want to argue, so that there will be no delay of your payment of your subsidy, so you had to pay N54.5million. You were not convinced that you owed that amount yet you made payment. Was it not better for you to have cleared this issue rather than making the payment accepting that you actually owed?

MR. FELIX BONI – DIRECTOR FINANCE: Yes you are right but not in the context where we operate. We had a debit note of N54.5 million and we were expecting N1.46 billion. In practice we knew that the longer we engaged this issue, the longer would be the delay of our payment. When we issued the payment, I recall it was sent with a covering letter asking them to explain the reason for the debit note to Total Nigeria Plc, till now no answer.

HON. LAWAN: Thank you very much for that explanation, even though you should be thanking us for giving you an opportunity to come and clarify some issues. I am sure you were seriously worried because of the information you gave the last time you were here. Now we have heard your explanation; of course we will go through the records. So I want to thank you very much for your patience having waited all day to make this presentation. If before we wind up this exercise there are things you think that will help in coming up with the report that will ultimately address most of the issues, please avail us with such information. Let me use this opportunity to express our gratitude to the Members of this ad hoc Committee who have received unprecedented cooperation from various stakeholders and to me that is an indication of the passion with which Nigerians desire to see things done differently in this sector. We would continue to assure Nigerians that our responsibilities is to get as much information as possible, so that when we tender our report, that report

will go far in addressing some of the issues. There is no doubt that a lot of issues have come up over the last three weeks that we have been conducting this hearing and I believe tomorrow we will use that opportunity to clarify some of these issues. We intend to end the public part of the hearing tomorrow so that we can retire, compile and conclude our report that we will ultimately present to the House of Representatives, but before we end this session today, we promise earlier to give Jetties and depots owners association, five minutes, please come and have your five minutes.

EXECUTIVE SECRETARY - (JEPTFON): Mr. Chairman, I am conscious of my time limit, I wish to state that yesterday, we submitted our memos, they are three; one is our presentation; two are supporting documents. We would recall that the PSF came in about 2006 under Senator Mantu's Committee and today, 6 years after, a committee is now set up what we know as Hon. Farouk Lawan's Committee, to monitor the subsidy regime, that means for the period of 6 years, the policy conceptualization of this PSF did not have effective provision for monitoring. The issues that have come out now have brought to the fore the problem of policy conceptualization. One of our recommendations is that this committee is such a very prominent committee, which would have been that of Sen. Ibrahim Mantu's, and it could have been a standing committee known as PSF Management Committee to oversee and coordinate the subsidy.

HON. LAWAN: First of all, let me clarify, this is an ad hoc Committee of the House of Representatives; it has no bearing, no relationship whatsoever with whatever Committee that Sen. Ibrahim Mantu headed.

EXECUTIVE SECRETARY - (JEPTFON): One of the things we are saying is that, in coming out with this fuel subsidy policy, there is no position for a central management committee to oversee and coordinate all its activities. If you have heard some of the questions that have been coming out, some of the institutions and organizations involved in PSF cannot give you a coordinated response. We believe that there is need for a committee to oversee and coordinate a programme of this nature that runs into billions of Naira so that it will be able to have data on ground. For instance, if this committee was there last year 2011 it would have been able to know how much subsidy is outstanding as at now. We will say, on guideline for operations that we believe for you to have efficiency, those who have structures, and those who are key players have to be encouraged. From the period we started this programme, Nigerian indigenous marketers have invested massively both in jetties and petroleum tank farms. One of the problems you have noted here affecting efficiency is demurrage, another one is the issue of berthing at jetties, mother and daughter vessels. There are some vessels that can come in, but because of draft limitation they cannot come in. If we are able to encourage Ministry of Transport in collaboration with our organiza-

tions for them to dredge certain areas of our jetty facilities, we would be able to have more vessels come in faster and discharge without having to incur demurrage. Now, if you look at the 6 years of this programme, from 2006 to 2011, we had only 51 participants but within 2011 alone you had 49 participants that came in. There is no rigid guideline, and what does that mean? It means you have people who do not have the capacity both in terms of structure and other facilities participating. Even in politics, sir, you have been there, you have to have structure, because if you do not have structure to play the game, you will resort to hiring facilities, and these things come with costs. As for today sir, even if you say Nigeria PMS consumption is about 60 million litres per day we have submitted it should be easy to verify. What they are going to do is to look at the facilities of the key players, MOMAN, IPMAN, DAKMAN, JEPTFON and so on. We see no reason they cannot restrict this trade to the key players and recommend allocation of import permit and allocation of petroleum products based on storage capacity and operational performance. These are what we are saying, so that you can talk of efficiency. JEPTFON has a total combined storage capacity of 1.73trillion litres, so we believe that if you recommend that there should be a level playing ground, we have invested in this area and we need to have optimum utilization of our capacities.

HON. LAWAN: Thank you so much, well I promise you five minutes, you have your five minutes, and you have made your suggestions. Of course we have listened to different arguments and I believe by the time we retire back and come out with our report, all the suggestions and arguments that have been given will definitely have some bearing on the outcome of our report. Hon. Colleagues, as I said earlier we will adjourn this meeting and reconvene 10 o'clock tomorrow. Once again I want to thank those who have been here to contribute to the success of this public hearing. I do truly on behalf of my Colleagues appreciate your contributions, your encouragements; particularly our colleagues in the Media who have equally been here with us, most especially Channels television, in the discharge of their responsibilities to the Nigerian people, to cover this whole exercise live. Thank you very much.

THE COMMITTEE ADJOURNED AT 6.00 P.M.

CHAPTER 10

Day Twelve: February 9, 2012

Day Twelve: 9th February 2012

HON FAROUK LAWAN, COMMITTEE CHAIRMAN: Hon Colleagues let me on your behalf welcome all those who were invited today. The response from all those who were invited is quite positive and I sincerely appreciate the fact that all those who were invited over the last three weeks have responded with great commitment and desire to provide whatever information that would assist the work of this committee. Today hopefully, is the last day of this Public Hearing even though we still have some issues that perhaps may not be conclusively addressed today but today, we intend to draw the curtain on the Public Hearing.

If we have unresolved issues we would still invite the relevant stakeholders and engage them to make sure that before our report is finally written, all issues are accommodated. The last three weeks have been quite tasking, quite challenging and the information that has come to the fore on this issue of subsidy regime has been quite revealing, at times very shocking and at other times even spiced with a lot of comedy. We have heard so many revelations the way the subsidy issue is managed. When we started this exercise we resolved that we will try to engage all relevant stakeholders and that is why we had to invite the relevant Ministers, the Chief Executives of the relevant regulatory agencies and other agencies that we believe have responsibility over the issue of fuel subsidy. We equally thought that it was important to equally invite the importers because of the very important role that they equally play. At the beginning, we thought we were only going to engage the major

marketers but later on, we thought that we needed to give opportunity to everyone of them so that whatever we write would capture their concerns, their views, their ideas and their challenges. That was why this exercise lasted as long as it is. I am glad to say that over the last three weeks we have received very positive responses from a lot of stakeholders. We went into this exercise with all sense of responsibility believing that whatever we are going to do will help in addressing some of the myriads of challenges facing this sector. There is no doubt that there is no sector in this country that does not require improvement. Sometimes, the problems are so enormous that it is important for very drastic and strategic changes to be made. We went into it with a very open mind and our mind is still open because the information that is currently before us is yet to be fully collated, it is when we retire after the Public Hearing that we will determine the various roles that the various institutions and individuals played and we will come out with a report that hopefully will start a new course of managing the fuel subsidy regime. In the course of this exercise, we were under tremendous pressure, particularly from the public because the issue of subsidy is one that is very dear to the heart of every Nigerian. The overwhelming public perception is that it is important to address this issue. I must say that the kind of support and encouragement that we have receive from the Nigerian public has further given us greater courage to do this work in the best way that hopefully would address the issues. I want to assure all Nigerians that our desire is to be guided by the fact. I know that out there, a lot of people had already made up their minds as to who is guilty and who is not. We have not made up our mind as to who has done what yet. It is the information we have received, the document that are before us that will finally guide our work. Where people have already made up their minds we ask that let us wait with an open mind for the report that this committee will finally tender to the House of Representatives. I must say that all the relevant stakeholders that have appeared here have shown an equal commitment to see improvement in the way the subsidy is managed in this country. I must thank all those in government and outside government, the marketers who have in way or the other contributed to the success of this exercise. As I said, we intend to end it today with the hope that by the time we retire, the documents that are available to us will help in answering some of the key questions. Before we started this exercise a lot of issues were out there in the public domain and were begging for answers. We hope that we in our own little way believe that this exercise will contribute to addressing some of those concerns, some of those issues that have become issues of public debate. In the course of this exercise again like I said, there were a lot of drama sometimes and there were a lot of issues which on the surface perhaps will easily make someone draw conclusions but there were also instances where perhaps the information given by the public contradicts the information that is available with regards to what is provided as far as the documents are concerned. What we intend to do is to take into consideration both the oral testimonies that were provided to us here as well as the docu-

mented evidences that we have with a hope that this will ultimately provide the actual bases upon which the report will be given. As we draw the curtain on this exercise once again, I want to welcome those of you who are here and I want to assure you that whatever the outcome of our report is, it will help in moving this sector a little forward. It will help the Nigerian government because I am glad that it seems to be working on the same page with the Executive Arm of government. Over the last couple of weeks, the executive has tried in so many ways to ensure that it needs greater accountability, transparency and openness in the way our oil and gas sector is managed, for instance, the directives by the President to the EFCC to begin to look into this matter as well as the invitation of external auditors to do so equally underscores the desire by the executive to work on the same page as the House of Representatives. I am also aware that the Senate is equally doing the same thing, which means that all of us in government are trying to respond to the public outcry that things must change and things must be done differently. We at the beginning decided to do this hearing publicly because we felt that our credibility and the integrity of this process currently ensures that we need the public to follow us as we do this so that even before the end of the exercise, Nigerians would have had the opportunity to draw their own conclusions on this matter. Hon. Colleagues, I wish to express my very hearty gratitude to all of you particularly the Members of this Committee who have clearly demonstrated a very deep commitment, a desire to make sacrifices and zeal to make a difference especially in the way this fuel matter was managed. Today we are with the hope that the information that is currently available to us from the last couple of weeks would be finally sorted out. In the course of the testimonies that were given by several people there were issues that have arisen which require some of you particularly those of you managing some very key departments and institutions of government to clarify. We want to cross the ts and dot the Is before we retire and write our report. This is why this invitation was given today. Let me first of all request those that were requested to provide certain information to please do so after which if they like they can leave and if they choose to stay they can stay. ASCON Oil, you were expected to provide some document. If you have submitted that you can either stay if you want to observe the proceedings and if you want to go you can go. And any other oil company or importer who was requested to be here to submit document, if there are please submit your document and then it is your decision either to remain here and observe the proceedings or to leave. Once again, I want to welcome all those who are sure and I want to assure you that this exercise as I keep on saying would be fair and just to everybody. We did not go into it with the intention of running down anyone or witch hunt anybody but we are also not going to shy away from saying the truth as we see it. We will interpret the information available to us as we are capable of doing and if there are issues that need to come to the fore we will not sweep them under the carpet. Thank you very much. Most of the people here are already on oath. What we will do is to swear those who

we perceive have not been put on oath and we take them. I know the DPR has already sworn to testify before this committee and the PPMC has done so and also the PPPRA. The AGF, the last time you were here you put the figure of subsidy paid for 2011 at N1.4 trillion but the Minister was very emphatic that it was N1.4 trillion and I remember that the two of you came together. I would believe that it was the position of the Ministry. Two days ago the CBN governor was here and he said the amount of money paid so far is N1.75 trillion. Can we have the updated figure as at today, how much subsidy was paid in respect of 2011 so far?

AGF: On the date I came with the Minister I circulated a paper that indicated that the subsidy paid by the time of that report was N1.697 trillion. In essence we harmonized this figure with the CBN and we agreed. Subsequent to that, there have been a couple of claims that right now in my own domain we have close to N50 billion. I have another one that is in process which is about N50 billion; so roughly all together, it is about N100 billion. It is a dynamic process, bills continue to flow in and so the figure that I gave by the time we came was the actual upload in the Federation Account, which was N1.697 trillion. But we discovered that the figure reported by the Minister has some other underlined additional functions, which were purely budgetary allocations, and I think we have reconciled with the CBN to arrive at the figure. The CBN keeps the account on my behalf so, my figure and that of the CBN are comprehensive.

HON LAWAN: Would you know whether NNPC has been fully paid for 2011 or do they also have outstanding payment?

AGF: By that report which I alluded to initially, I have paid a total of N785.9 billion to NNPC.

HON LAWAN: How much did you say?

AGF: It is the first item on the report that I circulated that day and the amount is N785.9 billion. I circulated the report the day I came with the minister but I have a few copies that would be submitted to the Secretariat. This will essentially be the same with the one I gave you the day we came with the Minister. The adequacy of the figures paid to NNPC has been taken for granted because NNPC fancies the net figure to the Federation Account haven made provision for the subsidy as it were. It is like a self-deduction by NNPC and the report is passed to us. The N785.9 earlier reported here is in concurrence with the figure of the NNPC.

HON LAWAN: Is it N7 billion or N700 billion?

AGF: It is N785.9 billion, Sir.

HON LAWAN: N785.9 billion; was that the total deduction?

AGF: That was the total deduction.

HON LAWAN: From information available to you, does that represent the entire amount of money that is due to NNPC in 2011 or are we expecting that NNPC equally have some outstanding payment because most marketers who appeared before us indicated that they have outstanding payment. Has NNPC fully deducted from the source or do they still have outstanding so that at least when we are putting our report together we will know whether those are final figures for 2011?

AGF: Once we have these figures what we do to establish whether the full provision has been made for NNPC subsidy would be reconciliation with NNPC itself. At every FAC meeting we have what we call a post mortem committee that is headed by the Revenue Mobilization Committee, PPPRA is a member, NNPC is a member, OAGF is a member, Ministry of Finance is a member and the Chairman is from the Revenue Mobilization. So we carry out monthly reports, the problem we had in January, which could have been fully reconciled, was the strike, which distorted the FAC meeting, and we just had what you can call a symbolic meeting. We are trying to harmonize all the reports before we call the FAC meeting but we do reconcile.

HON LAWAN: Let me ask the PPPRA; both of you may have some information on this. Would you know whether the figure the AGF is quoting for NNPC represents the total deduction by NNPC or this represents possibly payment for first, second and third quarter of 2011? Are we likely to expect any outstanding claims by NNPC, which it will deduct directly?

PPRA: Thank you Chairman, yes some payments are still being expected from NNPC to close the books in 2011.

HON LAWAN: Do you have an idea? It does not have to be a precise figure but is it possible to have a rough figure of how much that will be? Like I said, just give us a rough figure because maybe the claims are not before you.

PPRA: Very true Sir, I do not have the details of that but from FAC figures it could be somewhere in the region of N19 billion for PMS and for kerosene, it could be somewhere in the region of N45 – N50 billion but these are poor FAC figures.

HON LAWAN: So we are talking of roughly about N150 billion, give and take.

PPRA: Yes, but it is a poor fact but we need to have the document so that we can give a correct figure.

HON LAWAN: Do you also have an idea as to the outstanding of the other marketers because in the course of their appearance here several of them have alluded to the fact that they have not been paid outstanding. Would you have an idea of how much exactly is the outstanding in respect of the other marketers, which is yet to be forwarded to the Office of the Accountant General?

PPPRA: For the other marketers there is also work in progress but I expect somewhere in the region of N50 billion thereabout. These I must say, are poor FAC figures but just about that to wrap up the year.

HON LAWAN: How soon can we have these figures?

PPPRA: The document are still coming in, we expect some from NNPC but I think perhaps by the end of this month we should have it in place.

HON LAWAN: AGF, please tell us about your virtual account.

AGF: The Petroleum Support Fund is a scheme and the PPPRA is the determinant of what subsidy to pay. Under the current dispensation when the PPPRA determines what subsidy is due to the oil marketers he forwards his report to the Ministry of Finance, to the AGF, to the DMO and then the CBN. To instill further confidence in government's commitment to paying subsidy the DMO introduced what is called the Sovereign Debt Note. It is just a guarantee that the oil marketers would be paid. So once they know the figure given to them by the PPPRA they issue sovereign debt loan to the government agencies that are relevant, the Ministry of Finance, OAGF, CBN. The Ministry of Finance caused this to be audited. The audited report is passed to us and we can give a copy from 2006 to the Committee just today. So when this is done based on whatever figure we arrived at, based on the computation, then I will get the excess crude account from which the domestic excess crude account from which this payment is made and make sure that we have enough fund to meet this obligations and then the obligations were treated by the CBN. And then we will keep memorandum account with the report every month to the FAC meeting.

HON LAWAN: And how does the system work in respect of the NNPC?

ACCOUNTANT GENERAL OF THE FEDERATION: NNPC is part of FAC, so when I talk of FAC, NNPC is included and that is why there are the post mortem committee actually set up to reconcile differences that could mandate from such.

HON LAWAN: The question I am asking is, a voucher account is basically paid by other importers, NNPC directly sponsored, so that is what I am saying. Do they take directly from the FAC or wait for the sovereign debt note?

AGF: What NNPC passes to the FAC is a met figure, so the deduction is already made.

HON LAWAN: So what role does the Office of the Accountant General play in determining NNPC dues? You are supposed to be the one managing; you are not only the Accountant General of the Federal Republic of Nigeria, but also the Accountant General of the Federation.

AGF: Agreed, Sir.

HON LAWAN: Unfortunately, NNPC going into Federation Account, you are supposed to be the key figure, the Accountant General of the Federation, so what role does your office play in the direct deduction?

AGF: When these figures come to us like I said, the figures are already subjected to audit. The main Ministry of Finance and as an Accountant, I will need to refer it to two or three committees for them to determine what comes to me. We get the figures as given to us by NNPC, then we exposed it to FAC and we deliberate upon it. I keep the record that they are sure that where there are differences in the figures given to us by PPPRA and the audited figures we find the sources of difference and then pay them in subsequent month period.

HON LAWAN: So NNPC does not draw any payment from the domestic excess crude account?

AGF: It does, Sir.

HON LAWAN: It does not. The GMD of NNPC is here, we welcome you and I think we were discussing the mode of payment with the Accountant General of the Federation and he has told us the way other marketers are paid through the use of sovereign debt note that NNPC deduct from the sources they are already aware of. Can you take us through the process despite the NNPC payments are concerned, starting from the role played by the PPPRA? I believe that it is PPPRA that determines the volume you import. I also believe that going by the template or by the PPPRA, I do not know whether it is PPPRA that determines how much is payable to you or it is NNPC that determines; just take us through the process from import to payment?

AUSTIN ONIWON (GMD, NNPC): Thank you very much honourable Chairman and honourable Members. First, I will like to apologize for coming late, I had to defend the budget with Committee on Upstream that is why I came late, and I apologize. For petroleum products importation as it is, prior to the end of every quarter, the PPPRA, draws out the plan and we allocate volumes to various players in the sector. We meet our own through local refineries, importation and re-importation. As for all the importations that come, we prepared the documentations, PPPRA, DPR are aware of what product comes in;

the name of the vessel, the quantity and the discharge point. When this is done and we file our paper to them, they reconfirm with their own representatives at site and the independent inspectors that are also there. In respect of what we file to PPPRA, it is what they verify and satisfy that we can make claim on. So if we say we brought in 20,000 metric tons, their representative and independent inspector can only verify 29, which is what we get paid for. Now when they issue that certificate to us, I mean that we are entitled to this amount of money for the product that we have brought in, we deduct it from the crude oil price that we are going to pay to Federation Account, we discuss it at Federation Account, and we always present it to them. Then we write to the Accountant General that this is what has been given to us by PPPRA as subsidy due to us. We have backed it up from crude that we are going to pay for this month; however, that equivalent in the PSF should be back out to Federation Account. We do this every month. So it is not that we just deep hands and take; but we do and we write to the Accountant General, we copy the Budget Office and the Honourable Minister of Finance and we have sample in the document that I am giving to you.

HON LAWAN: All right, it is not, so you write after dipping the hands or before dipping the hands, which one comes first? Let me just give another related issue. Taking me through the process in terms of documentation, when you import, PPPRA provides you or gives you allocation, should I take that PPPRA gives you allocation then you do the import and then PPPRA or you raise your claims, right. You raise your claims, passed them over to PPPRA. Let me get to the correct claims. When you raise your claims you will first of all come over to PPPRA and you alluded to PPPRA certifying what is due to you. Now, when you do that how do you get paid? What roles does the GMD NNPC play? What role does the Minister of Petroleum Resources and the Minister of Finance play? Is there any role anybody else plays before the deduction is made? Once you get that certification you just proceed and deduct?

GMD of NNPC: We do not have any additional role required of the Minister, either Minister of Petroleum or Minister of Finance. But we notify the Minister of Finance and this is what was due for us and this is why we have taken and please, the PSF that is due to us should be credited to the Federation Account.

HON LAWAN: Before you came in we have raised the issue with the Accountant General of the Federation and I will read it now. From records available to us it thus appear that the figure of subsidy for 2011 is higher than the initial figure that we all thought it was because the CBN Governor came two days ago and actually confirmed that the figure they have paid so far is N1.75 trillion and from what the Accountant General of the Federation is telling me it seems to tally with the figure available to him. Has NNPC been fully paid for 2011?

If you still have outstanding payment, how much are we talking about,?

GMD of NNPC: Honourable Chairman, the direct answer to that question is that we still have about two months outstanding on PMS. But I also do not want the nation to know that we still have arrears of kerosene that has been carried over which has not been paid.

HON LAWAN: And how much is it?

GMD of NNPC: It was not incurred in 2011 but it is arrears that will still come around with date.

HON LAWAN: How much?

GMD of NNPC: For arrears of kerosene it is N217 billion.

HON LAWAN: Arrears of kerosene and this are for what period?

GMD of NNPC: It was for July, 2009 till about May, 2011.

HON LAWAN: But it is still 2011, you said all of it is for 2011?

GMD of NNPC: No, I said all of it was not due to 2011.

HON LAWAN: For 2011, May 20, 2011 and you are talking of N217 billion. For PMS and kerosene you still have outstanding of two months for 2011? Roughly how much are we talking about, how much for PMS and how much for kerosene?

GMD of NNPC: Well since we are in the public domain, I do not want to throw numbers alarm, we expect that figure to come from PPPRA.

HON LAWAN: Can you give us a rough estimate and your informed educated guess?

GMD of NNPC: Upon the average of what we have seen, it is about between 75 and 80 per month for old kerosene and PMS.

HON LAWAN: It is about N150 billion.

GMD of NNPC: No, for the two, it is about N 160.

HON LAWAN: About N160?

GMD of NNPC: Yes Sir.

HON LAWAN: All right. So about N 160 then, that is why I said, educated guess. We know that the Accountant General gave us a figure closer to that.

GMD of NNPC: Well, I do not want to be quoted wrongly, tomorrow if it is 70, they will

say GMD, NNPC is saying this.

HON LAWAN: That is why I said, we just want to have an estimate. Now for kerosene, I am still going back to this issue of cross-fertilization because like I said today's exercise might be to set the records straight before we write our report. We have a clear understanding of these issues. For kerosene, I recalled the last time you were here, you indicated that there was Presidential directive suspending subsidy on kerosene. Now, is there any counter-directive that authorized maybe NNPC or whoever to continue to pay subsidy on kerosene. Do you have any counter directive, do you have any documentations to that effect and is there any documents for policy statement or the decision of the Federal Executive Council or whatever suspending the payment of subsidy?

GMD of NNPC: There is no written counter instruction but when Mr. President, the late President Yar'Adua issued that letter he set up an Implementation Committee, headed by the then Minister of Finance, Dr. Mansur. I believe you can still have time to call him to verify. In that Committee it was discovered that the price of kerosene was going to become higher than that of PMS, which was at that point reduced from N70 to N65, and they felt that it was not the normal thing for kerosene, which is meant for the poor to be more expensive than PMS. So, they at that meeting took the decision that NNPC should hold on while they confirm from the late President. I do not have any written reconfirmation from them and I did not find it in the file when I took over. But that has continued, however, you will recall that I was summoned to the Floor of the House of Representatives and I was requested by his Excellency, the Speaker to pledge before the nation that I will not sell kerosene beyond N50.00. I believe that means I should sell kerosene at a subsidized rate because we all agreed that kerosene does not cost N50.00 but that was last year. What you are asking is before last year, what happened? This to the best of my knowledge was what happened. If we can get Dr. Mansur, maybe he will be able to give us more analysis of this situation. That is where we find ourselves today.

HON LAWAN: First of all, my understanding of the pledge given by the Speaker must have arisen from the information you provided on the Floor of the House because normally the House does not give Executive directives, we fully appreciate our responsibility and we appreciate the responsibility as you have ascertained. Now, GMD did it not occur to you that since the House's counter-directive, there was no documentation to that effect. On matters to do with accounting obviously, one needs to cover his back. Because you can sit and begin to make payment so that any alteration and there is nothing documented that really gives you right to do so. Did it not occur to you to initiate more to get that authorization either from the late President or even after his death and when the current President came in, at least to get documented authorization rather than just carrying on and spending public money without any formal Presidential authorization?

GMD of NNPC: Well, in retrospect, it may look like that but the reality was that the late President was incapacitated unfortunately; and we could not get that approval from him. However, in May, 2011 the then Minister of Finance, we brought this to his attention and he actually held the meeting with the PPPRA and directed them to commence verification of the kerosene and the PPPRA would be able to give us details.

HON. AHMED: Sir, it is just a rider to the question on approval on kerosene and we know that N268 billion was paid in 2011 for arrears of subsidy of kerosene imported in 2009 and 2010. And we asked this question before. We are giving you the opportunity so that our report will be straight. The subsidy for 2009 was presented to the President and was rejected and in 2011 the accumulated subsidy of N268 billion is now lumped up and paid. How did the approval come by, who approved the payment of a subsidy that was once rejected, not appropriated and captured and paid? That is the question.

GMD of NNPC: Well, first and foremost, I am not aware of the rejection. I am hearing that from you and I will verify that. If you can cast your mind back, honourable Member, if we have been owed from 2009 and we never touched it and at a point in time, we started deducting, it means that something definitely has changed, otherwise we would have started taking it from the time we incurred that cost. That is why I said that in May, 2011 the then Minister of Finance met with the PPPRA and directed that they should commence verification and issuance of certificate for recovering of that arrears and that is how we started recovering the arrears. Before then because we did not have any authorization, we did not do it. So PPPRA will be in a position to give that response and Minister of Finance should also be able to shed light on that. We did not take any subsidy on kerosene without due authorization. I think the two people, if PPPRA is still around and then the Minister is also still around.

HON. AHMED: My question is very particular about kerosene and not PMS, just before the Chairman moves on, I am just asking question about the kerosene before he goes on. Because kerosene we know is being deregulated and we do not even know what is happening, is kerosene deregulated or not. But assuming it is even deregulated we do not get kerosene below N100.00, so the painful thing is that you keep on getting the subsidy from the Federal Government and the common man does not get. So the question is, in 2011 based on about N268 billion that was paid in 2011 for arrears of subsidy for kerosene in 2009 and 2010. For my information subsidy of 2009 was not paid in 2010 because the President said no subsidy. That of 2010 was paid without appropriation in the budget.

Perhaps, it may be a genuine game, but the question is, who approved the payment of the N268 billion in 2011 for arrears of kerosene subsidy for 2009 and 2010?

EXECUTIVE SECRETARY (PPPRA): Thank you Sir. The issue of kerosene Sir, I must say my predecessor has mentioned this to mean that the verification exercise on kerosene arrears are prior to my coming down here and this verification exercise which is in line like what we do for PMS. But whether the authorization from PPPRA for that to be paid or not, I am not aware of that.

HON LAWAN: PPPRA, by your template how much should be the average per litre price of kerosene? That of PMS is N141.00, how about kerosene?

EXECUTIVE SECRETARY (PPPRA): Sir, let me just say that the price of kerosene traded by what happen on the product market, so you do have what the open market price of kerosene is on the month by month basis. But I can give you an average.

HON LAWAN: Yes, just an average.

EXECUTIVE SECRETARY (PPPRA): The average of the open market price that is with no subsidy on it is around N151.00 per litre.

HON LAWAN: N151.00 per litre?

EXECUTIVE SECRETARY (PPPRA): Yes, with no subsidy.

HON LAWAN: All right. PPMC given your very advantaged position I will accept this but I will also ask the DPR to equally give me an idea. How much do you think is an average cost of kerosene to the end users in Nigeria today? Sorry for that short break, the question I am asking is from your very vantage position; you will have an idea of how much a litre of kerosene costs the end user now? How much do you think is the average per litre price of kerosene in the Nigeria market today? I am not talking about the deregulated price, I am not talking about N40.90k. If I were to go out now and buy a litre of kerosene, what is the average per litre price?

MD (PPMC): Honourable Chairman Sir, NNPC sells kerosene nationwide in its mega stations, we have them at N50.00 per litre and in addition to that from the directives of the Honourable Minister of Petroleum Resources, she is also aggressively pursuing the kerosene direct scheme. Under that scheme a litre of kerosene is N50.00.

HON LAWAN: Are you saying that if I want to buy a litre of kerosene now in any part of this country, I will get it at N50.00? Because even in your position you should have an idea of what it cost, I mean you guys are managing oil sector, you should be very concerned about what happen and you should have an idea of what the end users pay for any product. I know DPR will be in a position to tell us that if you are driving into any filling station to buy PMS that on an average this is the price that I will buy it. If I drive into any filling station

in Bayelsa I will buy it at N50. This is because I have heard that even before the deregulation the price of PMS in Bayelsa was higher than most part of the country. Again if you go to maybe some of the villages in the North, you will also find that the price is different. If someone who is not in the sector, who has no responsibility in the management of the sector without this information as I do, I will expect that he also we have some information but he will provided us on some average. How much does the end user pay for a litre of kerosene? We have spoken to several marketers; we have spoken to retail owner, we have spoken to in the last three weeks a lot of presentation has been made here. In the open market, how much is the average price of kerosene. You are talking of mega stations, how many of them, 37; the other affiliated mega stations do not even sell kerosene. Because the owners came here yesterday and confirmed that they do not even sell kerosene. Anyway that is another topic, we will come back to it but let us discuss this.

MD (PPMC): Mr. Chairman Sir, I would like to put on record that PPMC as a company does not have a single filling station anywhere in the country where we sell kerosene.

I receive the figures on the weekly basis and I can tell you that as of today, what I got as of Monday this week was in the region of between N75 per litre in Lagos; and in South West. As you move towards the urban part of the country, it is close to about N95 and N110 per litre in the Northern part of the country. That is what I have from my research as of Monday this week.

HON LAWAN: You are saying in the Lagos now. If I put a phone call before you leave here and ask anybody to go and buy me a litre of kerosene you will find it at N75.00?

MD PPMC: Honourable Chairman Sir that is what I have been told by my unit. Again, let me put on record the fact that I am not a retailer, I do not control price

HON LAWAN: We know you do not control price. Nobody is saying you are a retailer, we know you do not retail; we know you are not responsible for the distribution. You should be concerned if PPMC has a rule, if PPMC should be interested in knowing whether the end user gets this product at a good price. It will make sense to the government, because government took a decision to withdraw subsidy on kerosene then the average Nigerian should be able to benefit from the subsidy. PPPRA, do you have an idea of price of kerosene in an open market? I know you do not use kerosene.

MD PPMC: Hon. Chairman Sir, just before you go to PPPRA I will like to agree with the statement you just made now that I should be concerned.

HON LAWAN: Beyond that, when you came here you made a presentation to us, you said This is the highlight of PPMC operation presented to the House of Representative at

Ad Hoc committee on the monitoring of the subsidy regime on Thursday January, 2012 by MD-PPMC Haruna Momoh. This is your presentation. In this presentation, you said PPMC mandate: (1) Efficient and effective evacuation of refined products from refineries and the subsequent supply and distribution of petroleum product to the parts of the country. You said that distribution is not part of your responsibility; Efficient transportation of crude oil to the refineries; and competitive marketing of special products. I thought when you are talking of competitive marketing it includes all these products and then save operation minimal cost. When I asked, of course I was not alluding to the fact that you retail or you are not retail outlet, but whether you do or do not, as someone in that kind of position should have an idea of how much a litre of kerosene is costing out there.

EXECUTIVE SECRETARY PPPRA: Chairman Sir, the average we get from the field is in the region of N130 per litre

HON LAWAN: N130 per litre, that is right. PPPRA, do you have an idea or you do not use kerosene, PPPRA uses kerosene, DPR does not.

GMD of NNPC: The price varies, it expands from N75 to as high as N130, like PPPRA has just mentioned.

HON LAWAN So if the average price is in the region of N130, and NNPC at what price do you give a litre of kerosene, N40.90k and the government subsidizes the difference with N150, PPPRA with N151? That is figure you give us. Let me ask, the subsidy that you deduct directly on kerosene is about N40.90. What price, maybe you will be able to tell us.

GMD of NNPC: It is either you take the pump price of N50 or the estimated pump price of N151 or if you take it at the bulk level is on the landed cost but they are always the same.

HON LAWAN: You have been deducting subsidy on kerosene; I just want to know for PMS an average subsidy before January 1st, and for instance 2011 PMS was selling for N65. What is the difference between N65 and N145. What I am asking is, what were you deducting? What was the average figure that you were deducting with regards to kerosene?

GMD of NNPC: I just want to put on record that I place my claim to PPPRA and PPPRA returns to me what I should get and based on what they gave us and depending on the price and the template price between N105 and N112 per litre.

HON LAWAN: So your claim per litre was N105 and N112, which means it will still come down to N40.90 because if you add N40.90 to N112 that is N153. What you are saying is that government pays N105 and N112 per litre so that Nigerians can enjoy this subsidy but they have been buying at the cost of N130, which means even if there was to be subsidy, it should not be more than N21 because of Nigerian people or the end users. If for PMS the

system is so provide for the kind of efficiency that makes the end users to buy per litre is N65, what went wrong that the end users in the case of kerosene cannot get it at N40.90 because government has been paying on behalf of all of us Nigerians at N105 to N112 for a litre of kerosene. We are not benefitting from that subsidy payment. It means it is like a double payment or burden on the end users if subsidy is claimed on their behalf but does not see it.

GMD of NNPC: Honourable Chairman, I hope that would be one of the findings of your honourable Committee. I want to state that kerosene is meant for household use, but kerosene also has other usage. I do not know whether you listened to Minister of Works when he made a statement that about 26,000 litres of kerosene is consumed per kilometer for road construction. They use it for cut back. Now we sell in bulk, we control kerosene, when we give bulk to people, once there is high demand there is possibilities getting higher price somewhere else. It will take fear of God for somebody not to be tempted to do, when they see higher price they will naturally take their products to that side. and that will reduce the volume available to the genuine people who need it; and once that volume is reduced it creates an artificial scarcity and the price becomes unmanageable. This is my own evaluation of what is happening. When there is short supply either real or artificial, we are going to have the challenges in managing the price to the consumer. I will like to say that it is not NNPC that is giving consumers double jeopardy because we do not earn anything beyond subsidy. We do not sell at our pump beyond N50.

HON LAWAN: From what you are saying in your explanation, it looks like the people you are distributing this kerosene to do not have the fear of God and that are why maybe this thing happens. I move from there, in 2011 was there any time when we heard there is scarcity or shortage in terms of supply? The responsibility of supplying this product is that of NNPC, and I know since 2009 marketers were not given import contract to bring in kerosene. The responsibility was borne almost exclusively by NNPC.

GMD of NNPC: I will read off this and I will hand it over to you. What we supply in 2011 on a month by month basis, in January, we did 11.26million litre per day on the average, in February we did N8.9million, in March we did 11.7million, in April, we did 8.9million, in May we did 9.7 million litres, in June we did 8.5 million litres, in July we did 10.02 million litres, in August it was 12.42million litres, in September we did 11 million litres, in October, we did 11million litres, in November we did 9.9million litres, and in December it was 10.2 million litres. On the average for the year, we did 10.37 million litres. The details are there and we will like to hand it to you.

HON LAWAN: Can we assume that 10.37 million litres was the level of consumption in the country, or at the rate of 10.3 million litres? The question I am asking is whether there

was any time you experienced shortage of this product. One of your arguments is that when there is a shortage then there is a problem. Now if there was shortage and this is what led to rising price and the NNPC as far as government is concerned was the sole supplier of kerosene, what step did NNPC take to address this supply challenge?

GMD of NNPC: By our own evaluation of daily consumption we were doing about 8million litres a day. When we discovered that this was getting tighter and tighter we increased it until we got to this figure that I have just given to you. And I believe that for kerosene, we probably will not require more than that 8million litres a day and we try to meet and reduce the shortage by increasing to 10million litres; and that is what we have sustained. I believe that the 10 million litres is more than what we need in this country.

HON LAWAN: How did you distribute your kerosene, who is responsible for distribution of kerosene?

GMD of NNPC: PPMC sales bulk

HON LAWAN: To whom?

GMD of NNPC: To marketers, to DAPMAN EMAN, to MOMAN, and to NNPC retail, those are the channels which we distribute petroleum products.

HON LAWAN: PPMC, can we have your records of distribution of kerosene in 2011.

MD of PPMC: Yes, we already submitted that to the House. I am not sure I have the management copy, but the clerk will bear us witness.

HON LAWAN: This morning?

MD of PPMC: No, no, we did it about a week ago.

HON LAWAN: Can you take us through how did this distribution is done and what percentage did you give DAPMAN, NNPC retail in 2011.

MD of PPMC: Percentages for DAPMAN, MOMAN and NNPC retail in terms of coastal, I do not have here. I will crave the indulgence of the Chairman to allow me to submit that to you today, but the percentages, for purposes of depot supplies, what I have here by my own records for the whole of 2011, IPMAN, both credit marketers and cash and carry marketers, it came to a total of 58.48 percent. For the major marketers, it was exactly 25 percent; and for NNPC retails it was 16.52 percent. I wish to put this on record by handing it over to the clerk of the committee. But for the coastal of all these marketers, I have mentioned that MOMAN, DAPMAN, NNPC, RETAILS and IPMAN are players. I will submit that records to you in terms of percentages later today.

HON LAWAN: In terms of percentages we want the comprehensive lists of all those who benefited from this products in 2011.

MD of PPMC: It is already in the system, Sir.

HON. FALEKE: I do not know the full meaning of PPMC?

MD of PPMC: It is Pipelines and Products Marketing Company Limited

HON. FALEKE: If you are the marketing company and you did not know the final destination of your products, I am puzzled about the idea that, if not PPPRA came to your rescue you really cannot confirm retail price of the product, because you told us that the price is N75. I am from Lagos; none of our constituents buy kerosene at N75, outside NNPC.

HON LAWAN: How many NNPC stations in the whole of Lagos.

GMD of NNPC: That is why you have longest queue, because everybody prefers there. We have two mega stations.

HON LAWAN: In the whole of Lagos only two mega stations, on the average. How many filing stations do we have in Lagos, just rough idea.

MD of PPMC: It will be difficult for me to give that now. I know that across the country we have about 24,000 stations.

GMD of NNPC: Just to correct this, it is one mega station in Lagos and 20 affiliate stations.

HON LAWAN: So in one station the price of kerosene is N50. Did you N50 or N75?

GMD of NNPC: It is N50

HON. FALEKE: Mr. Chairman, as I rightly said, if government is paying subsidy on behalf of Nigerians and Nigerians who are supposed to enjoy this subsidy are buying at higher price, what reason is it being paid by the government. I do not know the background of PPMC, the last time when I asked the PPPRA how he was appointed; he told us that the President appointed him. From my findings, he is a staff of NNPC, so he was seconded to PPPRA from NNPC. That does not show that he was appointed. I must say that PPMC, I do not know the marketing background I had checked he is a lawyer, so I find it difficult to understand. I am not personalizing, I am only concerned about Nigerian getting it at real price. But my question is this, you sell the DPK to DAPMAN. Yesterday, DAPMAN said they go offshore to collect their own from their vessels at N40.90. At the same time, you sell to IPMAN directly at N40.90...

HON LAWAN: I want to give you protection on that, our meeting here is to get fact and

information as possible.

MR. HARUNA MOMOH (Executive Director, PPMC): Thank you Mr. Chairman for the protection. Now I can understand and appreciate where the attack is coming from. (Laughter) Mr. Chairman Sir, like you rightly said in one of your annotations as PPMC, yes, I have my sphere of concern and also as PPMC yes, I have my sphere of influence. Sir, where I have my influence is the bulk supply and the bulk distribution of petroleum products but when it comes to the issue of open market price, it is indeed within my sphere of concern that there is no much I can do about it. But at the end of the day Sir, when this honourable Committee finishes its assignment I believe you would be able to proffer enduring solutions to those areas that have to do with distribution and therefore within my sphere of concern. To address the question directly on DAPMAN and IPMAN, we sell to DAPMAN coastal off-shore Lagos; that is to say in most cases, they nominate their vessels when we give them allocation of 5,000 metric tonnes of DPK or HHK. They import vessel, they do the STS and then take the product to their tank farm. In some cases also, in order to reduce demurrage we do send our own vessels to some of the mother vessels, to lighten the mother vessels bring in the product and then from our own vessels we get the DAPMAN members to do the STS. In the process of doing the ship to ship transfer they do incur some costs and I believe that is why in their depots they do sell at a premium but again it is worthy of note that most if not all the sale of DAPMAN of kerosene in their depots are directly to the IPMAN members. Let us talk about the NNPC depot, at NNPC depot we sell to both IPMAN, WORMAN and NNPC retails at the rate of N40.90k per litre for kerosene and it was expected that when they trucked out this kerosene from our own depot they take to their filling stations and therefore the only cost that they incurred is the cost of transportation, therefore, I believe that if NNPC is satisfied with the margin that they have on the spread between N40.90k and N50.00 at which they sell at the retail stations then we should try as much as possible to encourage those marketers that lift from our own depots be they IPMAN or be they Major Marketers which equally sell at that price, thank you very much sir.

HON FALEKE: By your response you are confirming that it was not possible for DAPMAN and other marketers to sell at the same price?

MOMOH (Executive Director, PPMC): By my response Sir, I have indicated that what the DAPMAN members incurred is an additional cost on the STS which includes cost of vessel, port charges and so on and so forth. So I do expect that they should also be reasonable in their pricing of the product when it gets into their tank farm. Thank you very much.

HON ABUBAKAR SADIQ: Thank you Mr. Chairman, PPMC you just told us just a while that you were not involved in selling, distributing, controlling of price of kerosene and

now at a later time just 30 minutes to 45 minutes you were now saying that you were selling to DAPMAN and the rest of the companies, I mean as a business man take that of kerosene how can you satisfy your customers, how do you determine that my customers are satisfied with my product so that I retain them without losing single person to any other business outlet, that is you do not even monitor your activities hence the common man is not your concern, if it were, that the common man is your concern you would have put yardstick how would I know that I have given A, B such amount of litres of whatever it is to take it to Kano, does that product gets to Kano and to the destination I wanted it to be and at the time I wanted it to be and how much is he selling? Is he selling out of our agreed price? Thank you very much.

GMD of NNPC: Thank you very much Hon. Member, I think we are all here to find solutions, we are all aware of the challenges, if kerosene is all over the place we would not be talking here so there is a problem but it is the same process and procedure that we used to distribute PMS that has no problem that we used to distribute kerosene so let all of us come together and find out why. PMS is doing well kerosene is not doing well I have tried to offer some opinions earlier on we should collectively find solution to the problem if kerosene is there we would not be here today but we are importing and supplying to the system more than what we believe is required and we are having challenges even collecting the money because that is the subsidy problem that all of us are in today. So, if we can together find a solution to this it would save this nation a lot. We in the PPMC and other oil marketers are doing very aggressive work to see that we create an alternative to kerosene through LPG and we are going to launch it, God willing, next month so that we make cooking gas more available and more affordable and to challenge kerosene even in the rural areas. This is the part of the solutions we are trying to look at because we have tried everything, we have tried over-supply it did not solve the problem but please let us collectively as a nation find a solution to it. We are ready to take suggestion that comes from anybody because it may be the solution that we are searching for, thank you sir.

HON LAWAN: Let me very quickly usually when you sell your product and you discover that marketers are not selling it at the appropriate pricing is there any sanctions that can be done to such a marketer and how many have you sanctioned in respect of kerosene?

GMD of NNPC: I am sure I have seen the DPR Director already preparing himself to answer that; he will give us the response.

EXECUTIVE DIRECTOR (DPR): Mr. Chairman, it is exactly the same thing we do with PMS, what the law allows us to do is seal off stations, this year alone I think we have sealed off much more than 90 but of course as soon as they also come back to their senses, again not to allow product off the market we open them but when it becomes chronic we

actually have the power to withdraw licences and we do that in some cases.

HON LAWAN: Are there cases of stations that licences were withdrawn in respect of over-pricing of kerosene product?

ED (DPR): For kerosene? Not in recent time because as the GMD actually mentioned there are not too many people selling kerosene.

HON MAKINDE: Thank you Mr. Chairman, Actually I want to believe there is genuine intention of government that brought about the creation of mega stations across the country for even distribution of petroleum products to the domestic users which is to the best interest of Nigerians but I am surprised that these mega stations and NNPC is not putting up a good policy to ensure even distribution of these products at least to these mega stations they have absolute control over. In my own mind, I believe if at least all these mega stations and their affiliates were getting products, this would really solve a lot of problems in the distribution. I would challenge NNPC to put up a good policy. A situation where the mega stations are getting 16% supply is not in the interest of the Nigerians. Thank you.

GMD of NNPC: Thank you very much Sir. I agree with you but if you see that the mega stations consist less than 1% of the total petrol stations in the country and they get 16% it means that we are having some obvious bias in their favour. We will get more petrol mega stations country wide but each petrol station is built based on the business case and we assure that we would do our level best to meet the needs of Nigerians but we cannot dominate retail other players should be allowed to play but I have taken your suggestion and I assure that in our plan for this year we are adding more mega stations and we would bias supply product to them and that is why we also came up with the Kero-direct is because of the concern we have for the people. That is why we said all right in addition to the mega stations let us try Kero-direct but unfortunately the numbers of trucks that are available are not that many. I think we have about 30 trucks or so and we are bringing more trucks.

HON MAKINDE: Sir, how manage mega stations across the nation is it NNPC or sub-list to the dealers?

GMD of NNPC: NNPC manages NNPC built mega stations then the affiliate owners run their own under our rules and guidance.

HON LAWAN: Sorry, when you say Kero-direct does that mean the GMD and some of the Chief Executives are standby the roadside and dispose of it directly to people, is it NNPC staff doing that or what does that mean, who handles kero-direct on your behalf?

GMD of NNPC: The company calls Capital Oil happens to but I do not know whether it has foresight better than us.

HON LAWAN: Sorry, can you please repeat the name?

GMD of NNPC: Capital Oil they brought in a lot of self-dispensing trucks into the nation so when we were faced with this challenge that we have we approached them, can we use these trucks to distribute kerosene to consumers? It is like bringing the kerosene to your doorstep. Instead of going to the petrol stations the trucks drive around and then sell along the road.

HON LAWAN: That is the company you have some moral and ethical issues with I suppose?

GMD of NNPC: We have commercial problem with them and we have resolve it.

HON GERALD: Sorry Chairman, I do not know who I will direct this question to, I think is PPPRA or NNPC. I want to find out whether the PSF Template for subsidy payment is the same for DPK and PMS. Are they the same?

GMD of NNPC: Yes Sir. The template is the same. The only difference is the product here and price of kerosene and that is it but it is all just MR.

HON GERALD: Because the PPMC boss was trying to clarify why there would be price differential between DAPMAN and IPMAN and I am aware that in your template there is price for lightening, there is price for lightening so why is it that the DAPMAN people would have cost to claim in what they collect from PPMC? Secondly, I equally want to ask does Petroleum Equalisation Fund Regime cover DPK. Sorry it is for PPPRA and PPMC?

ED (PPRA): Chairman Sir, if the product is deregulated it does not qualify if it is regulated the template provides for equalisation which is bridging N5, N85 under template.

HON GERALD: Under this circumstance, is DPK regulated or deregulated?

ED (PPRA): Sir my answer to that is, we do not have that regimented pricing at the filling stations for kerosene as it is on PMS.

HON GERALD: Is DPK regulated or deregulated just simple question?

ED (PPRA): At the agencies sir what is done is verifying the quantity of DPK that is discharged and that is it.

GMD of NNPC: Let me just put it slight differently so that we can get an answer. Irrespective of PMS before NNPC deduct subsidy at source they refer their documents to PPPRA, PPPRA satisfies those documents when the deduction is made. In respect of kerosene what role does PPPRA plays, does it equally satisfy how much should be deducted as subsidy on kerosene or no reference is made to PPPRA?

ED (PPPRA): Chairman sir if you recall that the issue of kerosene starting from 2009 to date has been in public domain as to whether there is subsidy or not and that was what led to at some points in 2010 when the proceeding was stopped and it was resumed in 2011. What my predecessors did was to verify based on the normal documentation for PMS that is what they did, yes. All the discharges by NNPC, documents turned in and they verify that and so we can confirm that this is the quantity you brought in. On that documentation I am not aware whether it is written expressly by PPPRA that you can deduct based on this documentation.

HON GERALD: You assumed your position in October 2011?

ED (PPPRA): It was in November, Sir.

HON GERALD: Within that period till now those documents NNPC submitted to you based on DPK not PMS, did you pay based on subsidy?

ED (PPPRA): Since I assume office there are documents submitted to us which we have not reconciled at least during my time but I am aware that my predecessor there were documents that were reconciled for which he signed off and issued some certificates to NNPC.

HON GERALD: Those documents your predecessor reconciled were they based on deregulation or regulation?

ED (PPPRA): The verification was based on the template, which provided for subsidy.

HON AHMED: Sorry, this is my last question on kerosene and I am directing it to all of you. We all know what was happening, we all know that WORMAN signed by its President Mr. Jubrin Adewale Tinubu wrote a letter to the Hon. Minister of Petroleum confirming what everybody knew that kerosene is imported and is diverted by a named company, Sahara he named it in his petition, and they convert it and sell it as Jet 'A' fuel. My question is that did you receive directive from the Hon. Minister to look into this, and did any of your agencies receive yes or no?

ED (PPPRA): No.

HON AHMED: Alright, if none of you received a directive from the Hon. Minister to do it, did any of you out of concern or love for Nigeria or even going out of your say I am a bulk supplier or something and this is a petition published in the newspapers, The Nation I think of, December 12 that this is an damaging allegation, did anybody even if you did not receive any directive from Hon. Minister that look I am in this sector I have the trust of Nigeria, did any of you did anything even to look at this allegation wider as it is whether it is true? Thank you.

ED (PPPRA): Thank you Hon. Member we also heard the news that such a thing happened but I am also aware that it was reported to the Security Agencies and they are better positioned to investigate and report and I believe they must have submitted their report so I would recommend that you check with them, thank you.

HON TAJUDEEN: Thank you Mr. Chairman my questions go to the GMD, sir I remember two, three weeks ago when you were here we did have course to discuss about one of your customers in the person of Capital Oil who reported illegally sold your product at one time (interruption) kerosene for now, alright. I will wait for the question later thank you.

HON LAWAN: Well unless anybody has any question again I think we have gotten as much as possible. GMD I will also come back to you. The template provided by PPPRA in respect of import, particularly PMS, provide for a five days payment on demurrage. From information available to us, it looks like NNPC has been incurring a lot of cost on demurrage because unlike other marketers if it exists five days then somebody has to bear it and because the template provides for only five days then obviously whether they incur demurrage or they do not they get payment for five days. How much did you pay on demurrage on 2011, do you those figures?

ED (PPPRA): I do not have it here but we are working on the reconciliation and we would provide it to you.

HON LAWAL: Is it true that you have been incurring a lot of damages on demurrage?

ED (PPPRA): It is very correct that we carried product that incurred demurrage: (i) to establish the strategic holding for the nation: and (ii) Because of the problems I highlighted during my past meeting where I cannot discharge and pump into land depots. That is why we have to carry the burden.

HON LAWAL: Have you taken any in-depth study or reflected on the best way to reduce this level of demurrage because anything that NNPC pays is a reduction on revenue that goes to government and usually when you incur this expenses does it reflected in what you deduct as far as the subsidy issue is concerned or is it an expenditure that is burned by NNPC?

ED (PPPRA): We do not claim beyond what is allowed by the template. It is a loss we were not happy to incur but because of the burden place on us as the national oil company is a burden we are carrying but we are also looking for solution to it. That is one of the reasons why we also engage the third parties tank farm and jetties to try to discharge our product as far as possible but it is not part of the things we claim as subsidy. I would have been happier if somebody pays me though.

HON FALEKE: I want to go to Accountant-General, PPPRA with this question I have because I just want to clear these issues. First is that before the subsidy was removed in January Nigerians were aware that the President did as much work as to speak with stakeholders on the necessity for the removal of the subsidy and this was based possibly on the information provided by the Finance to the extent that the amount we have spent so far was N1.3trn and with this the President went to discuss with Labour and everybody. During this process we have discovered that the amount is actually going up and now it is above N1.9trn. Coming from this angle, the Accountant-General, do we believe that the information you provided to Mr. President to enable him take a decision was actually wrong in the sense that I think he based his own argument purely on N1.3trn which he announced to Nigerians and we are now discovering that it is hovering around N1.7trn to N1.9trn. I want you to clear this first?

AGF: Thank you Mr. Chairman, I think I have alluded to the reason that if we could quickly recollect, the discussion on subsidy started somewhere around September/October. The figure that was given to the President by the Ministry of Finance that time and you would recollect that even in my opening discussion I said that they were based on projections as at that time which was probably September or October and subsequently from the office of the Accountant-General and CBN by January we had an exact figure which we now reported to be N1.69/N1.7 trillion. To the assumptions that we have made particularly based on budgetary assumptions the figure given to the President around September/October, I still believe they were very accurate based on the assumption by that time. Like in any accounting figure or record even by the time we are talking today I told the Committee that even the figure of N1.69 trillion we gave about three weeks ago is almost becoming obsolete because there are been more inflows since and I quoted a couple of figures to support that. Accounting figures are very dynamic and depending at what point in time we are alluding to these figures. There could be timing differences; figures could be arrived based on various assumptions. I want to reaffirm that given that even crafting financial system of either public or private enterprises you will find that in one or three years thereafter, you have what is called move around. The figures that came to light later are uncertain. I think this is in good side that the September-October probably did not take something into consideration. But let me also remind us that even the template of PPPRA as given to NNPC are ab initio estimates, it is when the event actually take place that we are able to actualize it. Like I said, in any dynamic thing a decision must be taken, we will take the risk of even making estimates but your point is well noted.

HON FALEKE: I want to go to actual figures that you have provided to us. In 2009 the data that you gave us shows that NNPC deducted N 166.025 billion while on the other hand NNPC gave us the figure for the same period of N 408.255 billion. Your office (AGF) gave

us N 166.025 billion for 2009; NNPC gave us a figure of N 408.255 billion. For this same period PPPRA gave us a figure of N 219,562 billion in November, 2011. In January 2012 PPPRA also came back to modify the base of further information that NNPC deducted N 261.509 billion. So it is difficult for us to reconcile these figures coming from the AGF office, the NNPC and coming from the PPPRA all different figures for the same period. What do you have to say to that?

AGF: I stand by the figure of N 166.025 billion as it is. I am alluding to actual figures that pass through the Federation Account which are historical figures. If there are discrepancies between our figures and they are so detailed just as you have done now, it is for us to go back and find out those differences but the figure I quoted here are figures that were presented to the Federation Account and that is the figure that the state and the federal government adopted in the period alluded to here. But like I said we can do our in house collation but I will be surprised if that discrepancy will exist because of the insulation we have provided in terms of this post mortem committee. Immediately after every FAC meeting all the agencies that are concerned chaired by the Revenue Mobilization do take the pain of meeting and scrutinizing these figures but we will check and we will get back to you even before the end of tomorrow why there are such discrepancies if there is any.

HON. FALEKE: Talking about the reliability of the data that we received from the agencies I just want to know which one to rely on. At inception PPPRA gave us the list of companies that participated in the PSF scheme and they were 110. In-between, it rose to 128 companies. Today we also have a new list of 140 companies also from PPPRA. Which one should we believe? We started with 110 companies and we started inviting those companies. When it rose to 128 we had to also invite those companies to come and actually confirm. As at today we have 140 companies. From you the details come from the PPPRA please confirm this situation.

PPRA: The list we gave to you Sir, you asked for various items: You asked of the comprehensive list from inception of PSF, which is 2006 to date. There was also the request for quarter 3. So what we have given to you is a global list based on what you requested from 2006 to date which is the global picture for which the quarter 3 is a sub set so there are no discrepancies.

HON FALEKE: Quarter 3 of what year?

AGF: It is quarter 3 of 2011; one is just the global from inception 2006 to date because you asked for we have provided it.

HON. FALEKE: So we will consider the 140 to be the global data?

AGF: Yes Sir.

HON. FALEKE: Mr. Chairman there are so many companies that have not been invited to clear the air because this is very important for us. This question is to NNPC, you claim here that we do crude to crude sales, government to government crude sales, have we sold crude to Liberian government?

GMD: Under government to government Liberia takes crude but that has nothing to do with subsidy. It is a normal crude sale that is done on behalf of government by the NNPC.

HON. FALEKE: I will give you a document that you will go through it because maybe, you have not seen it; this is a report of the Auditor-General of the Liberian government castigating Nigeria and NNPC. I will give it to you so that we give you a fair hearing, you read through and then you give us your feedback. It is alleging that they got a contract to buy 10,000 barrels of crude per day and eventually we supplied them 1 million barrels in excess through a particular company Adax Ltd and Adax Ltd was made to refund the money to the Liberian government. It is clearly stated in this document I will give it to you because you did not have it I will not expect you to respond on it.

HON. AHMED: My question goes to either GMD or PPPRA. My question centres on the 445,000 barrels per day. I know there is difference in litres when you refine and I think the difference is about 148 litres of all petroleum products. For petrol it is about 58 litres per barrel. So, if that is taken and you multiply 445,000 barrels by 58 litres it will give you 25.8 million litres per day and then other products are 100 litres; and if you multiply it also by that 445, 000 it will give you 44.5 million litres. So, clearly we have 25.8 million litres of PMS per day. If we assume for the purpose of argument that our level of consumption is 35 million litres per day that means we need only about 10 million litres to import, now given the 44.5 million litres of other allied products which in total will give you 70.3 million litres per day.

This is the argument; from 445,000 barrels per day you have accumulative refined products of 70.3 million litres per day including 25.8 million litres of PMS a day. Why do we need to import a single litre of PMS?

GMD: If all the petroleum products consumed in this country were PMS you will be very right but the nation consumes kerosene, they consume diesel, they consume LPG, they consume fuel oil and all of these come out of the crude. It is from that 445,000 barrels that NNPC supplies kerosene, it is from that it supplies diesel, it is from there it supplies fuel oil that the cement factories are using, it is from there it supplies the PMS. So the whole 445 barrels is not dedicated to only one product, it is dedicated to all the products that we supply to the nation.

HON. AHMED: If we take it just from that, we have 25.8 million litres of PMS; the deficit is about 9 or 10 million litres. Why do we not just import 10 million litres of PMS rather than all this 8 billion Dollars per annum that we spend?

GMD: You are right with your figure of 35; I differ from 35 so it depends of what figure you choose to be your figure for PMS.

HON. AHMED: I am just saying for the purpose of assumption, let us just assume so if we assume our consumption is 35 you do not have to agree but one thing you cannot disagree with is 22.8 million litres. So if we assume that we consume about 35 million litres per day the difference is just about 10 million litres, is that correct?

GMD: Based on your assumption you are correct.

HON LAWAN: All right, what is your assumption?

GMD: Mr. Chairman if you will recall during my last presentation, I tried to make a deduction from a published document on the number of vehicles in this country that in Nigeria as of 2007 we have 31 vehicles per 1,000 population. These vehicles carry not more than 9 passengers by definitions by that document. If we assume that these vehicles take on average 10 litres a day. If you multiply that by 31 cars per 1,000, which come to 4.6 million cars in the country, we will have to feed those vehicles approximately with 46 million litres per day. It could be slightly higher, it could be slightly less because it is not all the cars that engaged every day but other vehicles travels maybe from office to their homes while others go on journeys. So if you make an average of about 10 litres per day you will be talking of about 46 million litres already. So, that is my best estimate based on the sources that I have cited.

HON LAWAN: So, going by your own assumption, how many litres of PMS first of all when you buy the 445,000 barrels of crude oil. You have given us the total number for litres of PMS that will come out of it. Now for these other products, do we in Nigeria consume the entire products not PMS. Do we consume the entire products that come from the 445,000 barrels per day? For instance, fuel oil, kerosene, LPG is the level of consumption in this country at a level where all these products are consumed locally?

GMD of NNPC: I do not have the chart here but I can just quickly tell you that if we follow the yield pertain like we said and we run all the 445,000 barrels we shall make about 22 million litres of PMS so the balance we will have to bring in. We shall almost be balance on kerosene if we have 49 plus. We shall be surplus based on the consumption of 10 million litres on AGO.

HON LAWAN: So on the average how many litres of kerosene can we get from 445,000

litres. Is it higher than 10,000 or is lower than 10,000?

GMD of NNPC: It is less than 10,000, it is about 9,000.

HON LAWAN: So we are almost there, if we need to import kerosene it should be about 1 million litres per day, and then the other products?

GMD of NNPC: In diesel please understand the assumption, if we process all the 445,000 barrels in Nigeria.

HON LAWAN: If you are processing outside Nigeria or in Nigeria, I thought that if you are processing the 445,000 barrels wherever you are processing it, it gives you the same yield? It does not matter where it is processed whether in Nigeria or outside Nigeria it is the same quantity.

GMD: We shall be balance in AGO, we shall be deficit in kerosene, and we shall be deficit in PMS.

HON LAWAN: We shall be deficit in kerosene approximately of about 1 million litres per day, and then the other products?

GMD of NNPC: For PMS we shall be deficit

HON LAWAN: For PMS, based on your own assumption, we shall be in deficit of about 24 million litres assuming your own assumption is correct. Now how about the other products? Do we also consume the other products? Diesel averagely is it higher than 12 million or is it lower?

GMD of NNPC: For AGO we should be able to do about 15 million litres per day.

HON LAWAN: If we are able to do AGO about 15 million litres it means we shall have surplus of about 3 million litres per day. You do not have a template on this because it is deregulated; so there is no template. What is the average price of AGO?

GMD of NNPC: The open market price is somewhere between N145 – N149 per litre.

HON LAWAN: So, it is correct to say that if you have a surplus of 3 million litres of diesel that would buy you 3 million litres of PMS because the average is N145 and for kerosene the price is N141 so actually it should even buy higher than 3 million litres. This means that if you have 22 million when you add to 3 million you are talking of 25 million on average because since you produce this and it is not consumed it means NNPC sales it and can use the money to actually buy additional 3 million litres of PMS. So, we are now talking of 25 million litres per day. What other products do you get from the 445,000 barrels?

GMD of NNPC: Fuel oil is one of them.

HON LAWAN: How many litres of fuel oil can you get from the 445,000 barrels?

GMD of NNPC: From 1 barrel of crude you get 27 litres of fuel oil.

HON LAWAN: So, how many litres for 445,000?

GMD of NNPC: You will need this document, which gives you everything.

HON LAWAN: So we have 12 million litres per day approximately. What is the level of our consumption per day of fuel oil? I know certainly we do not consume 12 million litres.

GMD of NNPC: No we do not consume 12 million litres

HON LAWAN: So what do we consume?

GMD of NNPC: I do not get the figures at hand but I can get it for you.

HON LAWAN: Can we have a rough idea?

GMD of NNPC: But if you look at that document I have given to you it has balance the barrel. It has given you balance of barrels per day.

HON LAWAN: I do not want to be confused with any powerpoint presentation. This is simple arithmetic, no powerpoint today.

GMD of NNPC: We have to take advantage of technology so that we will not be left behind. It is not powerpoint to confuse anybody, it is an analysis.

HON LAWAN: I know but this is a very simple thing. Like you said 12 million litres now what is our level of consumption of this product? Averagely take the most conservative figure, the higher figure.

GMD of NNPC: I am going to get you the figure.

HON LAWAN: Do we consume up to 10 million? You should have an idea of how many litres we consume.

GMD of NNPC: I will get you the figure.

Hon Lawan: You will get me the figure. What of LPG, do we consume that as well? What of cooking gas is our consumption higher than what we can get from 445,000 barrels? Is it higher or lower? Let us assume the fuel oil balance is LPG, we have 25 million litres of PMS per day. By your own assumption of 46, the difference that we require would be 21 million litres per day. In addition to bringing in the imports done by NNPC is it limited to

the PMS that are yearly expected to come from the 445,000 barrels per day or does NNPC bring in PMS in excess of the 22 million litres per day. Is it only the 22 million litres per day that you supply or do you go to import additional? On average, what is your per day import of PMS?

GMD of NNPC: I did in my former presentation show that the band over the period that we are looking at has gone from 21 to 26 million litres on the average.

HON LAWAN: So on the average the 26 million litres ideally should come from the 445,000 barrels per day and outside that you do not import, you only bring in this product. Anyway, we would establish on why with the benefit of about 26 million litres per day that the import licenses so to say given to other marketers should equally be higher than what should ordinarily be the difference in terms of our consumption. Let me go back to another issue. Where do you get your imports from, is it from the refineries abroad and do you bring your products directly or through off shore Lome, off shore Lome, how do you bring it? How does NNPC bring in its own products?

GMD: NNPC sources its imports from the local refineries, from off shore refineries and from swap operations and I think I made that statement before.

HON LAWAN: The swap arrangement is the only one you did through Duke oil; is that right? That is for 90 barrels.

GMD of NNPC: And Trifigural.

HON LAWAN: How many barrels did you give to Trifigural?

GMD: 60 barrels.

HON LAWAN: Is it only Trifigural and Dukes?

GMD of NNPC: I do off shore refining with SIR. I do swap with Trifigural. I also do swap with Duke Oil.

HON LAWAN: That all right, 90 barrels with Duke Oil, 60 barrels with trifigural. Is anybody here from Trifigura? We have been asking to see Trifigural, if they do not appear before this committee we will have no option than to take a position on that. We have been asking for Trifigural to be here. In fact, GMD I would give you the responsibility of making sure that Trifigural appears before this committee on Monday next week. We have questions for Trifigural and they must come and respond to those questions. This is no joke, this exercise is meant to add value to Nigerian people and we are not going to take it lightly on anybody who is not here. Otherwise, we go through legislation to make sure that Trifigura does not business with Nigeria anymore and we can do it through legisla-

tion. So Trifigura if you are out there you must be here on Monday and GMD, you will bring Trifigura here on Monday. Maybe you would accompany them otherwise, we would swap and take you in place of Trifigura. We have heard in the course of this exercise a lot of issues that arisen and I just want your views generally on this. On the way these imports come into Nigeria. What truly are the main challenges on why, we have heard from NPA, we have heard from Maritime, we have heard from the depot owners, we have heard from the importers, we have heard from several people. You are the people in charge of regulating these agencies. We know there are huge challenges that undermine the ability of the Federal Government to maximally derive revenue from these imports. For instance, Customs does not charge custom duties. This is because these investors do not berth in Nigeria waters. NPA is denied the opportunity to get revenue our maritime services even the security. Ideally, that is usually security sub-charge that usually accompanies these operations even in the high seas. Now, because these vessels do not come into Nigeria we lose out in this, NIMASA loses out, NPA loses out, Nigerian Customs loses out, security loses out, now from your experience in this sector, how best do you think we need to move in terms of moving forward on the way this transactions are done? Because you engaged PPPRA for instance, issues the license to or rather give contracts to the importers, NNPC has been bringing in products and along the line Nigeria losses a lot in terms of revenue. I am sure the Accountant General is on my side on this because you would we want to have more money. So what from the benefit of your experience do you think how the problem and how do we possibly address these problems?

GMD (NNPC): Thank you very much Sir. One of the easiest ways to address this is a challenge to get our refineries working, and then we minimize all the importation and so on and so forth. We are working very hard on that and I assure you we will get it right very soon, God willing. If all the refineries are working as they are supposed to work, even though we will not meet 100% of what we required, what we need to import will considerably reduced and maybe the existing facilities in the port and everything will be able to cope with that volume of transaction. That is in my own opinion in the first place to go. The second one is to secure the infrastructure that is already on ground for effective distribution of those products, which is the pipeline network. If we can get pipeline network working, the refineries are working; products will be moved to every nook and corner of this country at very manageable cost. The only big problem we will have will be the cost of crude which will prays should remain high because that is source of revenue to the nation.

However, where we are today, that is where we are, that is the reality on ground, if we have to bring in product the cost per litre increasing when the size of the vessel get smaller. So it is important that bigger vessels are able to come into Nigeria and actually berth in Nigeria, unfortunately, because we have natural disadvantage all our ports are shallow water.

Those vessels cannot come in and by implication they must berth where draft can take and accommodated them and that is why we keep on having this mother vessel that everybody is joking about, but that is the reality. So smaller vessel have to go there to go and lighter. It is expected to go and lighter a small vessel within one day but that is a function of the turbulence on the sea. If the sea is turbulence you must disengaged the two vessels, otherwise there will be a spark and both of them will be engulfed in fire. So it is something that we cannot predict and these add to the numbers of days that those vessels necessary have to wait. And when they also gets to Apapa which is one of the busiest ports that we have for petroleum products, the three bags cannot all be dedicated to the same product at the same time. So some may be taking kerosene, while another one would be taking AGO, and another one would be on PMS. And also the marketers bring in specialty product like lubricant, so they have to queue for time. This increases the waiting time. If we can take part of that N5.00 that is paid as NPA dues and use the money to dredge the port, it will probably allowed those vessels to come in and discharged and go. So until we can take care of some of those things, we shall be facing these challenges but in my own opinion the best solution is to get our facilities running, the NNPC refineries running, the pipeline running, the new refineries that are coming up join and we shall be surplus in all the products and we will not need to import products and be subjected to this type of problem that we have as a nation. Thank you Sir.

HON LAWAN: Well, thank you so much for that explanation even though I want to clarify one issue. I think we have been sold a dummy here by most of these people who are engaged in shipping in this country. For information that came out yesterday about from the Vitoil and some of the importers the main incentive on why this ship, this big vessel, mother vessel do not coming into Nigeria waters. It is not the ocean depth, it is not the depth restriction, it is simply foreign exchange incentives that if they come into Nigeria shore, it would no longer be importation and they will not be able to collect dollar payment. So they will be limited and they will be restricted in collecting their payment in Nigeria and I can assure you if we have the time, I have actually obtain the map and so on and the details of the depth of Nigeria waters where this mother vessel berth in off shore Cotonou or off shore Lome, it actually even more shallow than Nigeria. But they do not want to come here because and they confirmed us yesterday, they do not want to come here because if they do, then it will no longer importation and they will not be able to open letter of credit, and they cannot benefit from forex and so and after all GMD you know quite well that this is mother vessel is only to take crude. They come into Nigeria to take crude oil. So if they can come in to take crude why can they not come in and bring in and discharged, they come in to take crude, you know that, they do.

GMD (NNPC): Excuse me, the crude terminal are designed for the depth of the vessels

that are coming there. From the onset, we can do a very simple exercise, we have VSCC both of us will enter and take it into Apapa. It will never go there, it cannot.

HON LAWAN: No, there is a difference between getting the mother vessel right to the port and the mother vessel getting into the Nigeria waters. We have off shore Lagos and nothing stopped this mother vessel from coming into off shore Lagos. I am not saying that draft is big enough for them to come to the port but they can come in to Nigeria waters and even if we have to use daughter vessel and those vessels can now pick product from off shore Lagos to Atlas Cove or wherever.

HON. FALEKE: I also know PPMC vessels get to off shore Lagos, the mother vessel.

HON LAWAN: And some other vessels.

HON. FALEKE: Yes.

HON LAWAN: So if your own vessel gets to off shore Lagos, why cannot they, because of the foreign exchange incentive?

EXECUTIVE SECRETARY (PPRA): Please Sir, just to clear this issue. There are two types of transactions, if you are bringing in an MR which is a middle range vessel, you can load that of Rotterdam, you can load out of TE side and you come straight and that is a straight discharged coming into the country. You will get into Lagos road and that transaction is finished. Even if you are using daughter vessel to lighter, that transaction is complete. Now there is another group of buyers who buy small, small parcels these are the people who buy off Lome, who buy off Cotonou and you are absolutely correct Sir, that if you are in Nigeria waters it is classed to be a local transactions which Naira denominated. Whereas if you are off shore Lome, Cotonou it is believe to be international waters. So this is where the issue is that is something we need to address but you have a miss crew here not only NNPC, if for example you are going to Folawiyo, there is no reason why you have to go and start buying from Lome, Cotonou straight into Folawiyo you can do that straight into Atlas Cove can do it. So it is small parcel actually present this challenges which needs to be address that we can keep the money here.

HON LAWAN: Yes, my worry which is also let me just explains to you and will get back to you. One of my worry on this is that in the end Nigeria losses so much revenue and it also encourages a lot of manipulations. They are round tripping to encourage so much of corruptions to the extents that we need to find a lasting solution to this problem. You wanted to say something.

AUSTIN ONIWON (MD, NNPC): I just want to clarify that our vessels, NNPC's vessels are off shore Lagos and they are lighter from there. The point I was making was it will

be cheaper for that vessel not to lighter at all but just going into Apapa and discharged. But because the port is shallow it cannot do that, so only two ports can do that today and that is Folawiyo and the NNPC Atlas Cove. That was the point I was making.

HON. FALEKE: Just to support the PPPRA statement. In the map we saw, we saw an annex tire approved zone on our waters where you can do ship-to-ship transfer. So if you have an annex tire approved zone secure by the Nigerian Navy, I see no reason why whatever transaction is done there should then be classified as a local transaction.

Because what we have seen in the this country, we have security polarizing, challenges everywhere and we discovered that, I am not saying that is what happened but a situation where you have off shore Cotonou, off shore Lome each time and these vessels are not inspected by Customs and they are not checked anything can come in from there. We have seen containers and even trucks land that brings in ammunitions. And so in the interest of national security, I think the Agencies should look at the situation where all these activities can be done off shore Nigeria. Thank you.

HON. TAJUDEEN: My question goes to the GMD, Sir, if you could remember two weeks ago when you were here, we did here to discuss or you reported to us the issue of Capital Oil who incidentally illegal sold some of your products of which you reported that you were in the process of making claim. I just want to know whether as at this date this company has finished paying, if it has, have stop using the facilities because you gave us that promise that you will do that. That is my first question. My second question has do with the obligation you mentioned also to some countries in respect of supply of petroleum products, you mentioned that to us about two weeks ago that NNPC has some obligations, contractual obligations to some African countries; I my correct?

AUSTIN ONIWON (MD, NNPC): We do not have any obligation on product to any African country to the best of my knowledge, no. I did not say so.

HON. TAJUDEEN: Do you sell some petroleum products to any African countries?

GMD of NNPC: Maybe from record, the answer is no.

HON. TAJUDEEN: Thank you. So you can answer the first question.

GMD of NNPC: I had a commercial transaction with Capital, we have our disagreement, money was lost, money was paid back and made whole and I have no problem with that. Thank you Sir.

HON LAWAN: We only need maybe the necessary documents to be sure that you heard this case and the money were recovered and you are still engaging the same. Honourable, do

you still have a question?

HON. AZODO: My question this time goes to the PPPRA. That has to do with the template of calculating the subsidy; I do not know whether you have different templates in calculating this subsidy because you received the quantity if you see somebody that imported 15 million litres. Two people that imported 15 million litres, the payments are usually different. So please I want know what caused the differences in this payment, I will like to know Sir? Thank you.

EXECUTIVE SECRETARY (PPRA): Thank you Hon. Azodo. That is \$5 per barrel and that is quite a lot. There are a lot of things responsible, which I can talk about, maybe there is a blow out somewhere, there is strike and there is panic buying by people going into the market. So you still see 15,000 metric tons but the prices at which when that product was loaded was difference. Prices stick on the daily bases.

HON LAWAN: PPPRA, now that you understand let me just seek clarifications on this issue. In the course of listen to the importers prior to sometime in 2009 most of those who were contracted out make imports were people who had storage facilities and then their guidelines were review and people who could enter through port arrangement were given opportunity to import. Now in the course of this exercise we discovered that a lot of them were claiming half-truth through crook arrangement inviting in the same storage facilities owner. When reviewing their documentations, do you take cognizant of whether there are multiple agreements with the same facilities owners by these importers? Because what we forestall is that where you have someone who have facility that can take let say a 100 million litres of product and then we have 10 people or more own heavy contract to put their product in the same facility and the way this thing is done you usually award contract on quarterly bases, Q1, Q2, Q3. So most of these products natural come about the same time and so it becomes impossible for that storage facility to actually provide services to these numbers of people. You take into consideration; first of all you assess given their claims on true port arrangement for that those facilities thoroughly concern these particular importers before they are contract are awarded and if you do not please we will want to have first of all the details of, I think they have the storage facilities and their capacity and we now want to have the various contract indicating the arrangement truthful arrangement these importers had particularly Master Energy. Almost everybody who was here was telling us his storage facility were Master Energy and almost everybody telling us that it is A. A. Rano who buys his product. Of course A. A. Rano was here and we put the question, it was obvious that there is no way A. A. Rano could have provided retail facility for all these people. Now we want to establish this because this will help in estrange the malpractices if at all, there are malpractices on this issue. So we will want you to provide us with those details as if you do

not, if you do and you are satisfy that yes those facilities were used by those people, please give us the relevant records.

AUSTIN ONIWON (MD, NNPC): Chairman we will provide. Thank you.

HON. FALEKE: PPPRA my question is on the list of contractors or suppliers. The PPPRA has a guideline as refer to by the Chairman but in the cause of this investigation we discovered that companies that were registered 2010 got allocation the same quarter the companies was registered we discovered that companies without track records at all in the downstream sector also got allocation to supply. A company was here yesterday and it claimed that it was PPPRA or NNPC that invited them to Nigeria to come and be part of the subsidy.

HON LAWAN: That was NNPC.

HON. FALEKE: All right, NNPC.

HON LAWAN: They said NNPC. Yes, I am telling you it is on record. What they said was that they were invited by the NNPC to come, what is the name of the company? We will give you the name of the company. They said you sent them an e-mail asking them to come and open a Nigeria subsidiary so that they can get Eco Region. Unfortunately they said NNPC, they did not specifically say GMD but I will assume whatever communication went out of NNPC must have been sanctioned by the GMD.

HON. FALEKE: So I was just trying to say, I mean is PPPRA going out of its place. You have gone out of the rules to allow this new company to participate.

EXECUTIVE SECRETARY (PPPra): I think the case of Eco Region is a little bit over the thought. You have companies registered they are corporate entities as per the guideline. The guideline as I must say has been amended did not stipulate a company that would have been registered for five years and all that is just a corporate entity. And then also what you then say is that some of these companies have in their article of association provided for that they can participate in the oil and gas sector. And then finally, because the guidelines as been amended that prior to this time you need to own a depot with the minimum of 5,000 metric tons capacity, you now can have a truffle, I think that is where it is, so people fulfilling that guideline as reverse, get in the entry into the business.

HON. FALEKE: The other question I wanted to ask is, we also observed during our investigations that some of the others you place with this suppliers, some of them did not performed either quarter 1, quarter 2 whatever. They never performed and yet during those period we never heard problems in the supplies, there were no scarcity due to none performance of most of these companies. Can you then say that most of the orders you placed,

I mean these people that have not performed, if they have performed that will have been excess to our requirement.

EXECUTIVE SECRETARY (PPPRA): Honourable Sir, your observation is correct but also what has happened here is that the shortfall in performance was adequately covered by NNPC, without NNPC going beyond what they were supposed to do that would have been a real serious issue. So that is what happens, Sir. NNPC had to do more than they were initially supposed to, to cover that and so that is how we got about that.

HON. SADIQ: A rider, in that case PPPRA do you not use performance form in your allocation?

HON LAWAN: Well, let me put it slightly in a different way before you respond. Some of the importers who came here absolutely told us that the guidelines provide for you to perform before you get the next allocation. That if you are given an allocation and you fail to perform then you are not likely to get it. But from the records we heard a company that appeared before us yesterday for instance who were given allocations three consecutive times and they did not perform. When they were given next allocation, which they perform and then they could also not perform in the next two. Now, I would have thought that when you give a company allocation three different times and that company failed to perform does that really indicate that that is not a serious business; I mean it is not the type of person to work with. Especially given the fact that that failure could actually if these imports were tied down specifically to the average level of consumption that failure can undermine the ability to guarantee a steady supply of the product, I think it was because it was more of a bazaar that was why people could failed to perform and they think nobody notices it because there are other, so many other people to perform and base on their performance there was too much supplies that was much more than what was consumed. So my take is to have people who clearly demonstrate an ability to perform. I will think there should be guidelines to find a way to sanctioned them by not encouraging others to further award contracts to those companies.

EXECUTIVE SECRETARY PPPRA: Chairman thank you very much. Let me say in the past, one would not know what would have informed such people reentering, but I can tell you Sir, as I talk to you here, the fourth quarter, we have already done what we need to do, to establish the performance of all the companies. As a matter of fact, we are going ahead to preserve the volume but reallocate them to performing companies, but if you are sitting there and you cannot perform, the nation is almost in a dying state of petroleum supply, we cannot sit and watch. We have done that one already and it was done at the end of January. We have started performance review and to come out with appropriate sanction, the sanction here is very clear that you will not participate in the next exercise. That

is already in place and that information has gone out.

HON LAWAN: First of all, I believe that apart from the guidelines for them to qualify, it requires that they submit their certificate of incorporation. We would want the certificate of incorporation of all the 120 companies you have on your list. These are some of the people that appeared before us. It is very clear that those people were fronting for other people and I think this matter is too serious to allow other people to front for other people. If you want those engaged in this importation business they should be able to come forward and do it yourself rather than sending proxies who will not perform and will find ways of shortchanging the systems. We will also need from Form CO2 and CO7, that we can establish directors of those companies. From the information to us today, the companies that actually participated in this scheme are 128 rather than 114 we were talking. Those companies that were not invited to appear before this committee, because we decided that we want to complete this public hearing on this even though we have to see TRAFICOLA and few others, we will request this companies to do meet with us. They can reach out our secretariat and provide the information that we have asked other companies to provide. They include certificate of credit, Certificate of Discharge, and the bill of lading, irrespective of the import they did in the fuel subsidy. We are going to slat another day to take them on but without necessary appearance before us, they are expected by this announcement to please forward this document to the secretariat. As I keep saying, if you are requested to forward documents to us and you fail to do so, we have nothing to guide us other than to comment that you did not do this import and we will recommend to refund whatever subsidy you collected to the federal government.

HON. AHMED: The PPPRA, we have noticed that there are some discrepancies and it has become a pattern with a few companies. If you take the volume of products supplied and match it with the subsidy paid with the same period it does not give you exact amount per litre. For example, I have a channel that supplied in May 2011 a total of 33.2million litres and subsidy paid was N3.3billion. If you divide that by N99.6 per liter and I had the date of departure of the vessel and the date of discharge, match it with another company with the same period, it would not correspond. Can you explain why a company with the same period would get about N99.6 per litre while other company that imported at the same time gets N77 per liter? Is it a trend? Is there any reason for this discrepancy? We noticed it in some of the payments made.

EXECUTIVE SECRETARY PPPRA: We will like to look at that specifically, because I think we have background information to look at it. But what I can just say off-cuf is that what really drives subsidy at the end of the day is based on your loading time, because your pricing base on your calculation is price around the BM. If we can look at that and we can

get into archives to look at the documentation we would be able to put explanation to that.

HON. AHMED: I get you very clearly no further explanation, loading time, which we have, so if I have loading time of all companies, there is no other magic. I should be able to arrive at a point, and if they do not tally that means there is something wrong.

HON GERALD: My question goes to Accountant General, few days ago you submitted this document, do you have a copy with you, I can give you another copy so that you can look at it. If you look at your page 2, at the last column, the total payment you made to some companies, now if you go to 2010 and 2011 column, you see payment made to companies. If you go to 2006 and 2009, those payments you made to the companies you lumped it up under PPPRA. Chairman, with your kind permission, we need detailed payment company by company as you did in 2011.

ACCOUNTANT GENERAL OF THE FEDERATION: If you look at the submission I made today, prior to 2010, when approval is made for payment, the bulk money is transferred to PPPRA and they paid to individual oil marketers. The system of aggregating and paying through CBN and AGF started in 2010. That is how we were able to aggregate. If you want a schedule we can collect a schedule for you from PPPRA.

HON. GERALD: When you look at your payment for 2011 or submission of your payment, in page 2 and several other pages when some marketing companies supplier came to us, the figure they give they are a lot of irregularities, discrepancies, let me name just four companies for you, so that you can know them; RAMANIA OIL and GAS Limited, you purportedly paid N27, 570,048,201.00. What he presented was N58 billion. Now go to page 3, TRIQUEST Energy, you purportedly paid N5.953, 684,000; but the company claimed to have received N22.1 billion. If you look at page 32, EDMAN Oil and Gas, you told us from the record that you paid N4.452 billion; the company told us that they received N27 billion. I do not want to go on and on. That is the more reason sir, with due respect, you must give us comprehensive payment you made from 2006 till date and the bank statements. Secondly sir, with your kind permission Chairman, this submission we got from CBN, the total of N1.75 trillion, you are reconciling with CBN, kindly tell us the exposure of the three tiers of government to this amount, that is to say, the federal government contribution or liability to this, as well as that of the local governments and state governments.

ACCOUNTANT GENERAL OF THE FEDERATION: Mr. Chairman, if I can start with the last question, each tier of government contributions will be according to the indices by which they benefit from the federation account. If it is for example 52 to 27 to whatever issue, then including the variation, I can give you that figure in formal way. So every tier of government, we suffered to the extent of what it would have ordinarily got and this

subsidy is not deducted. I have said several times that the Office of the Accountant General does not pay per say. The Chairman demanded more when he said the actual account. It is cash flow we are reporting, the PPPRA determines what will be paid to each marketer, and they sent a report to us, which is audit verified by the federal ministry of finance and that audit report is sent to us. Based on the figure given to us by the PPPRA then we liaise with the CBN for necessary action. When PPPRA according to the template as advised the Ministry of Finance by extension of the Office of the Accountant General on what is due to marketers, in concert with DMO, CBN and AGF or OAGF, I provide fund in actual account for CBN to do their appropriate payment based on the template given by the PPPRA. Like I said, we normally end up reconciling this figure. I think I am very concerned about this disparity you have pointed. We liaise with PPPRA and seek an explanation where there is this discrepancy but the actual payment based on that tripod of PPPRA, AGF, and CBN, and what we do is just to report to the FAC what is destined at the period on what is paid to each marketer.

HON, GERALD: From the information you have given to us, CBN has given different figure, you have given figures, PPPRA have given different figures. As at the time you appeared before us you give us figures, these are your figures, as of the time CBN appears before us they gave us figures. The issue is that these figures are irreconcilable as of now. Are you telling us that a country does not know the actual amount he has spent on subsidy as at this date?

ACCOUNTANT GENERAL OF THE FEDERATION: The Chairman even affirmed that the figure I gave is concrete to the figure given by CBN at the initial time.

HON. GERALD: He said that the figure is concrete with figure the CBN man has given, Mr. Chairman you are here please can you react?

HON. FALEKE: Accountant General, I think as a rider to the question, the step towards payment commences from the PPPRA and gets to you and from you, you give mandate to CBN. So there is no reason why your figure should be different from the figure of CBN because you give CBN mandate to pay. The PPPRA prepares payment approval document, sent to you and from your office you authorize fund either directly or indirectly but the question from the figures you are giving us which we are referring to is, why should a supplier received more money than what you have in your book? This is the issue. Personally, as representatives of other constituencies in this country, your document or facts is what all other units used to share the money, so if you as Accountant General give us a figure which does not relate to what CBN has paid, how do you expect various units to accept your figures that you have always presented as facts?

ACCOUNTANT GENERAL OF THE FEDERATION: CBN is a member of FAC and our figures have never differed. If there are differences, they are likely to be timely differences. I present report in cash basis. If the corporate entities say that like NNPC is presenting its figures, if it is in financial statement, it can be on an accrual basis, what flows in overlapping in another period to another period but at end of the day our figures still agreed. I am more concerned. The honourable member has said that a number of these companies reported 27 and you are reporting 58. I am very much concern about that but in terms of physical payment, CBN cannot have different figures because the figures CBN is paying are from my office, and you do reconcile on monthly basis. If there are differences they are likely timely differences of cash flow, I am very sure of that, when this issue of N1.3 trillion and N1.7 trillion issue came in, the CBN asked us and we sat down and our figures tallied. Like I said, PPPRA will need to sit down with us to clarify the disparities as reported by the oil marketers. That they said they have a disparity that is more of concern to me than any. There are always differences between banker's figures and accountant figures that is why it is call reconciliation; but there have never been any figures discrepancies between my figures and that of CBN.

HON LAWAN: GMD, you said you take your supplies offshore Lagos, not offshore Lome, offshore Cotonou, does that means that mother vessels pay all the normal charges? Do they pay revenue to NPA, Security, etc.? Such charges are usually paid and they usually inspected or monitor by the Nigerian Customs Service. If they are in Nigerian waters, I will expect that the Nigerian Customs Service, even though they do not collect custom duties but once any ship is within Nigeria waters I expect Nigerian Customs to have some responsibilities on that, whether or not there is any role played by the customs.

GMD OF NNPC: I have not operated on any of the vessels, so I really on my colleagues but we do have custom Chief inward report which they issued.

MD, PPMC: Yes, the Customs are very much involved in our operations because any vessels that is bring in being it mother vessels or daughter vessels we do manifest, in the process of manifestation the customs do clear such vessels and the give to us what is call the ship inward report for each vessels and there you have the rotation number on the basis of this that we go ahead to do our discharges.

COMPT. OF CUSTOM: It is obligatory on any vessels coming into the Nigerian territorial waters to report to customs within 24hours of arrival. It is also the responsibility of the customs to issue authority to break bulk. As at present, what is obtainable is that every vessel that comes into the Nigerians territorial waters must submit manifest electronically and for vessels that are in our territorial waters we must inspect such vessels, even if they are in the midstream but within Nigerian territorial waters. Like we said in our presentation,

vessels that are in Lome territorial waters or Cotonou territorial waters are not reported by us because those areas are outside our territorial waters. So I do confirm that for vessels brought in by NNPC will take part in our activities as provided for in the laws of customs that is the Customs and Excise management act.

HON LAWAN: The last time you were here, you said NNPC need to pay some money, have you been paid?

COMPT OF CUSTOM: Not yet, Sir.

HON LAWAN: The GMD when are you going to pay the customs money because this money is meant for the Federation Account? When is customs getting their money?

GMD OF NNPC: To be honest, I do not have time to even sit in my office in the past weeks; by the grace of God when this cools down we will sit down and engage them. We will negotiate the terms. When we negotiate the terms, the ones we agree on we will pay, but this one we will sit down negotiate the terms. I do not have N40billion to give now.

HON LAWAN: Is it 40billion or how is it?

COMPT OF CUSTOM: Mr. Chairman, it is about N46billion

HON LAWAN: N46billion, do we ask the GMD to go to his office and bring the money. The GMD, we will give you one week to report back to us on the progress you are making on this matter. Let us know what we can do, even if you are not going to settle all of it. I think it is important that you show some level of concern by addressing some of these issues. Like I said, this is federal government's matter, we are not asking you to pay importers or commercial transactions. This is money from NNPC to Nigerian Customs, so we have one week.

GMD NNPC On a serious note, we will sit down with them, we will agree on how we are going to pay them instalmentally. And then we will report back to you.

HON LAWAN: I can see the Attorney General of the Federation is here. We invited him today and we agreed that you will be here around 2:00 o'clock and we can see he has arrived but before I take him on, while we are giving you people a little break we would soon come back to you because by the end of today we want to iron the issue out. I will crave your indulgence to stay with us for the rest of today so that we can now go back to our offices and like you said continue with the major issue. Let me just invite the Managing Director of Olusola Adekanola & Company. I think he is here. Can you make your presentation, please? We sent you a letter.

MR KEHINDE OYELEKE: (MD, OLUSOLA ADEKANOLA & COMPANY): Thank

you Hon. Chairman and Members of this Committee, first and for the record, we did not get invitations for this meeting and about 6:00 p.m. yesterday I got a call that sounded like a rumor that we should be here today and I think I just came based on that invitation and I do not know what form the presentation should take. Any way I am here with my presentation and I would briefly go through it.

HON LAWAN: Let me tell you why we invited you. Information available to us indicates that you are among the firms that are engaged in inspecting products coming in and we felt given that role, we need to engage you before completing this exercise and we have heard so much about round-tripping of some products not actually coming in and being paid for and since you are among those charged with the responsibility of inspecting these products, we felt it is important to also hear your own views in this matter. So proceed and make your presentation.

OYELEKE:: Mr. Chairman, we appreciate the invitation. We are a firm of Chartered Accountant and we have been in the business since 1984. We were engaged by the Budget Office of the Federation on the 24th of March 2011 to audit the claim of independent marketing companies in conjunction with accounting firm of Akintola Williams, the Loit who was doing it solely before we were engaged. An agreement was executed on the 2nd of June 2011 between Federal Ministry of Finance and our firm which specified what we are expected to do. I think what we are expected to do are detailed in the report and I do not really want to take our time going through it one by one but majorly, we are engaged to audit the process and also audit the claim committed by the importing companies and we have been doing our assignment pursuant to that engagement. Briefly Mr. Chairman, I would briefly take us through the process of haulaging the import. Let me clarify that what we audit mostly is the products that are discharged to the shore tanks. Typically, what happens after the discharge we do not stay behind to monitor and so we can only speak to discharge process and how that works. How that process works is that PPPRA normally circulates what they call notice of arrival of vessels coming to the country and once we get that notice of arrival we would know when each vessel is arriving and we would be there. Also to witness the discharge typically would be the PPPRA, DPR, we the auditors, Nigerian Navy, the Nigerian Port Authority and of course the representatives of the marketers, just to witness the discharge process. Before we assemble for the discharge we always get a document that lists out various things that we inspect before the visit. We would get the details of the shuttle, the mother vessel and the bill of lading, the arrival quantity, certificate of quality, transfer certificate and certificate of origin where the product was coming from, the water level of the vessel and other necessary documents. Once we get these documents the way the process works is that we would go there and inspect the vessel that was coming in and also check the kilometers. The whole idea of this is to be sure that the vessel

is not tilted because when a vessel is tilted sometime the volumetric reading could be a bit distorted therefore we always check to be sure that the vessel is standing straight. Once we do that, the first process is what we call the deep on where we go to the shore tanks and measure the quantity of product that was there prior to the discharge. A whole team always go there not just auditors but the entire team from DPR, PPPRA and so on and so forth. We would deep on to be sure of the volume in the tank before discharge and once that is done we proceed back to the vessel itself to identify how much quantity the vessel had brought in and again everybody signs off on this document and if there is any discrepancy everybody would stay there until we agree. I think there has been at least one occasion where almost a whole day was spent arguing on the figure. We spent a whole day arguing before we finally reached an agreement. So it is not a figure, which anybody just brings, it is a figure that everybody looks at and agrees on. Once we basically done the reading on the vessel we would go to the shore tank that had been measured previously and upon finishing of the discharge the tank would also be measured again to gauge how much quantity is there post discharge. So in a way there are three ways to verify these figures, you check the volumes before and after and you also check the volume that the vessel brought with it, the difference of course is deemed to be the difference between the volume at the beginning of discharge and at the end. At the end of the commission of the exercise the Captain would be asked to remove his hose, the vessel disengage and then everybody present would sign off on the certificate of discharge for the vessel. That is basically how the discharge process goes and we always audit that, but that is only the beginning of our work, the work continues when the claims are presented by the marketing companies who imported the products and this is sent to the Ministry of Finance who also send it to us, we would have done our own review of the document and where there are discrepancies between the claim submitted to them and what we read we always notify that and I think on the two occasions that this arose the PPPRA always reconciles back to our figure that we submit. With respect to the claim process, what the importer does is to put their claim to the PPPRA who would forward such claim to Ministry of Finance who would send it to us to review and recompute. So far, we started this assignment on the 10th of June 2011 and before then Akintola Williams, the Lois was doing it alone. The way the arrangement works is that we alternate the audit of the process with Akintola Williams. We do not do joint audit, the one that is allotted to us we would do and the one that is allotted to them, they would do and each person would give its own report. So far we have reported on claims of 101 vessels and under-recovery. We recommended for payment a sum of N141 billion. I think that is the summary. I am available to take question from the Hon. Members. Thank you.

HON LAWAN: Thank you very much for that presentation. You said the amount you recommended for payment is N141bn?

OYELEKE (MD Partner): Yes, Sir.

HON LAWAN: From what period?

OYELEKE (MD Partner): The period covered is from June 10th when we started.

HON LAWAN: June 10th 2011 to

OYELEKE (MD Partner): I would say maybe to November 2011 because the one of December is just coming in.

HON LAWAN: November 2011, so averagely a period of six months?

OYELEKE (MD Partner): Yes, six months.

HON LAWAN: And N141billion? That is curious because if for six months the amount you verified is N141bn and almost N3trn was paid in 2011 how come only N141bn was verified by you? There are two of you right.

OYELEKE (MD Partner): Yes.

HON LAWAN: Do you work separately or do you work jointly?

OYELEKE (MD Partner): We work separately.

HON LAWAN: Separately, so assuming the other one also has a figure of N141bn that is N282bn?

OYELEKE (MD Partner): I cannot speak on that, Sir.

HON LAWAN: Do you also verify the NNPC claims?

OYELEKE (MD Partner): No.

HON LAWAN: All right, you are limited only to other imports. PPPRA why is NNPC not subjected to audit scrutiny because if you are asking them to verify the discharges of others why not that of NNPC, why applying different standards?

EXECUTIVE DIRECTOR (PPRA): Yes, Chairman, I will like to go back to history. When the scheme started in 2006 NNPC was probably the sole supplier at that time and progressively there was that comfort level on the part of NNPC that they were not subjected to but in recent time we put that all in place because with the appointment of Independent Inspectors everybody is going through the same process and we try to get everybody on even queue both the marketers and NNPC to have a lean time for this to be done but I must say sir in terms of their documentation it is more straightforward in terms of vessels arriving in bulk and all that so it is a lot easier to verify their documentation but that is in the past

but going forward these are positive things we have already put in place and we are working with them just to make sure that all the processes are adhered to.

HON LAWAN: Are you using the same set of auditors are they different auditors?

ED (PPPRA): Sir the auditors are appointed by Ministry of Finance; Adekanola & Co, Akintola Williams and the other party.

HON LAWAN: Are you speaking on behalf of the Ministry, you want to speak on behalf of the Ministry of Finance? Let me ask you another question, when you do these verifications do you also verify the documents? Let me tell you where I am coming from so that you would understand the basis for my question. From the presentations made by some of the importers it was very clear that some of them lack that capacity to do the jobs themselves so we have a feeling what they do is to collect the licence just like in the olden days of Second Republic when imported licences were given and they take it to those who can afford to do it and they collect a commission and other people do it, do you also verify to determine through the documentation whether these imports were actually carried out by the people who received the allocations or your work is only limited to determining that the vessel does not tilt?

OYELEKE (MD Partner): Thank you Honourable I think we inspect the document for every vessel that comes in and the document always contain details of the importer and the originating country, details of mother vessel and all those things. I would acknowledge that the information of that level would not necessitate the viability of the particular importer we do not go to that level of detail but each vessel that comes in has the detail of where the vessel was coming from and we review this document but I do not think the document goes into any lengthy details about whether the importer is viable or not.

HON LAWAN: In the course of your work within this six months, were you able to uncover any malpractices or it was perfect, everything went on very well, everybody that was supposed to bring product actually brought product and was certified by you and he went and collect the subsidy, did you uncover or come across any case of malpractices?

OYELEKE (MD Partner): Mr. Chairman, what we did was not a process audit as such. Basically, it was an audit of the discharge into the tanks to be sure that the volumes that were to be claimed later on are actually what were discharged.

HON LAWAN: But you certified payment?

OYELEKE (MD Partner): Yes Mr. Chairman, we certified payment based on the quantity discharged basically and what we do is to ensure that the claim being made tally with the volumes that was discharged. I think yes, there were discrepancies but mostly on calcula-

tion errors, which we pointed out to the PPPRA. I think it only happened on two occasions and when we pointed it out to them we were able to convince them that figures were right but in terms of whether there was major malpractices and so on and so forth the point why we come into this picture was, was the product discharged and was it discharged at the right quantity and does the claim that comes subsequently tally with the volume that was discharged. That is where why we are in the process. As far as we are concerned, there were not many fraudulent practices based on that limited exposure to process but if we are to review the entire process we do not know what we would uncover but at least, the areas we focused on they are only calculation errors.

HON LAWAN: Two quick questions: Was that all you were expected to do in the terms of contract given to you? Secondly if that is all that you were required to do what gives you the technical competent to do that because looking at the kind of jobs that you are supposed to do, this thing appears to me to be more of expertise - technical issue and as auditors what gives you the technical competence to do that? You were employed by the Ministry of Finance, what were your terms of payment, were you recruited to do it in a year, six months or monthly basis, how are you paid? I would have thought that if determination is only on the volume then maybe there are people who have background in this kind of thing and those are the kind of people who should be employed to do it, not auditors. What technical competence do you have to do that?

OYELEKE (MD Partner): Thank you honourable, one thing I said when I was giving this report was that there were several parties that always witness the discharge of the product DPR was always there, NPA was there and PPPRA was there so I think it was a joint effort by all the parties concerned and each person brings its own expertise to play. Clearly we were not Marine Engineers or Petroleum Engineers and we were never claimed to be one. Our expertise basically is to audit volumes and figures and all those and I think that is the value we brought to the equation. Hon. Chairman, you asked a question of whether that was what we were engaged to do. No, our terms of engagement gives us about seven or eight outlines which I really do not want to start reading the long list but essentially, it is just to verify the process of petrol coming into the country and to verify the claims made by the people importing the product and I would argue that that is clearly within the realm of financial accountant to do. In terms of our terms of engagement, I think we are engaged for the period of two years; I need to double check that one but I think it is two years. In terms of payment, I think we are paid N275, 000 per vessel.

HON LAWAN: And you have so far inspected how many vessels?

OYELEKE (MD Partner): We have reported on 101 vessels.

HON LAWAN: And your responsibility is largely to determine whether the vessel is standing straight even though you are not a marine expert? How do you get payment, do you get it directly from the Ministry of Finance or you get paid by the PPPRA?

OYELEKE (MD Partner): No, from the Ministry of Finance and Hon. Chairman I think the issue of tilt basically that was just one tiny part of my presentation.

HON LAWAN: What exactly? From your responsibility, it looks ideally this is the work that should be done by people who are knowledgeable in marine activities not really an auditing firm? Hon. Colleagues do you have any question?

HON AHMED: Are your terms of engagement similar with the LOIS?

OYELEKE (MD Partner): I do not have access to the LOIS contract but I would assume that it is the same.

HON AHMED: Actually the government should be commended because as an auditing firm you have no business to do in the oil industry but because for some reasons the Hon. Minister of Finance did not trust the officers and now placed a huge amount of trust on external body as yours, that was why you were engaged. From the document submitted by the Accountant-General I can see the work done which you have claimed money, full participation in the entire process of receiving petroleum product, visiting offices, terminals and jetties, review exchange rates in the determination of product prices, recomputed subsidies and devaluating correctness. That is what you should do and we hope that is what you have done. So if we discover as we have done in some case, any discrepancies regarding quantity or discrepancy on the amount claimed, you would be responsible.

OYELEKE (MD Partner): The only clarification I would make is that what we audit is the discharge into the shore tanks and what happens after the discharge we are not responsible to that because a lot of people have come to this committee to say all kind of things. We only look at the amount it brought into Nigeria and the amount it discharged into the tanks. So to the extent that there is any error you discovered in the process that we oversee of course, we should be responsible.

HON FALEKE: I just want you to take us to the process of determining the quantity. How do you determine the quantity? You told us you deep, give us this process.

OYELEKE (MD Partner): Thank you Honourable, I think I have to go through it one more time. When a vessel is ready to arrive and we are notified and on the day of arrival we are there the first thing we do is we would inspect the tank on which the product would be discharged to: Verify that the tank is contained the estimated discharge and also to confirm whether there are any product there previously and what that volume of that

product is. Once that is done we go back to the vessel and confirm how much product is in there because you would expect that whatever amount that is brought that is the amount that would be discharged, so we would verify that then the discharge process (interruption)

HON FALEKE The point I want to get to is where you are, you go back to the vessel to determine how much volume is there, take it from there, and how do you determine that volume?

OYELEKE (MD Partner): Basically there are seismic reading that was done, it is electronically read and everybody is there to witness it, when you say how do I determine or maybe I do not understand the question the thing is read in everybody presence and everybody witnesses that and we sign off.

HON FALEKE: I mean the whole country rely on your signature on a particular document. Especially, PPPRA rely on your signature on a document before they are paid and I am asking you, before you put your pen on paper how do you determine the volume on the vessel, how? I mean you were engaged, if you were not an expert you would have engaged the services of an expert in your service. So how do you determine the volume on that vessel? I want to know your process, it is very important.

OYELEKE (MD Partner): Thank you sir. First and foremost the vessel that comes in already have a specified volumes that is already there and how we determine that volume is, there is a reading through which this thing is measured and all we do is to witness the reading, not just alone but along side with other officials and it is read. The representatives of the owner and importer of the product is there, PPPRA is there but basically this thing is read in everybody presence and we all (interruption)

HON LAWAN: Well just very briefly, I would allow the Honourable to continue with the line of question. As you can see, my understanding is that the Minister of Finance decided to use your services even though prior to that period the same agencies you mentioned were there and so the Minister of Finance decided to bring you in thinking that you will add value to what is happening. That was why you were recruited. If from what you are saying you do not even know how this thing is done you unilaterally rely on them then why are you there, why should we be paying you this money, this is taxpayers money. Why should Nigerians be paying you this money if you do not even know what your jobs entail? You said there is seismic reading and you do not even know how to read the seismic figures you rely on DPR, you rely on PPPRA, you rely on those who are already there so why do we have to bring you in? It pre-supposes that if there is any connivance or collaborations with these other agencies and that was why perhaps you were brought in then your presence there does not serve any purpose?

OYELEKE (MD Partner): Hon. Chairman, with due respect, basically it is an audit process and what we are expected to do is to audit that process we are not supposed to go there with any meter of our own.

HON LAWAN: So what do you audit, let us understand. Let me read what you said (interruption)

HON AHMED: Mr. Chairman sorry, on his last testimony the PPPRA said and I quote 'we rely on Akintola Williams' once they see your signature for him, he does not care, it is done, and the veracity is there.

HON LAWAN: I think the PPPRA can confirm that, yes, they rely on you and if they rely on you and you do not even know or you have very little idea of what you are expected to do, incredible and they are paying you?

HON FALEKE: Does the word measurement of a ship any place in your investigation; do you know anything about that?

OYELEKE (MD Partner): I do not know what sounding measurement means.

HON FALEKE: So I put it to you that the details that you always submitted to the PPPRA is based on verbal information given to you by the vessel or the suppliers, you do not take actual details. You see, in determining volumes in a vessel there are certain things that must be done, there are certain documents that vessel owners must provide for you if you do not have those documents. How do you determine those volumes? If you want to determine volumes in tanker for example you deep, simple term and then you look at the table so the vessels have tables so if you deep and you just take out your deep stick and you look at it and then you determine your volume, no, it does not work like that, it does not and a lot of things going into it. Does temperature actually matters to you? All these issues, I am not an NNPC guru but as a procurement person I should be able to say this, thank you very much.

HON LAWAN: Thank you very much we need all your documents and I hope the other firm if they are out there listening, we would also need their own documents. I would invite the Attorney General of the Federation. It is one of those rare opportunities where we would put Attorney General of the Federation on oath.

MOHAMMED BELLO ADOKE (ATTORNEY-GENERAL OF THE FEDERATION): First of all, let me appreciate the fact that you have been kind enough to indulge me. You had asked me last week to see you but I was unable to be here because I had other conflicting national assignments. I thank you for the indulgence. Mr. Chairman, may I please crave your indulgence to refresh your memories on the issues because I have not seen those letters

but I am ready to take any of the questions if they are within my domain and competence.

HON LAWAN: I think we have a couple of issues. In the course of this hearing we received information first of all from some of the marketers who raised petitions to you on certain malpractices that manifested in this whole saga. We will like to know what steps were taken with regard to those petitions. When NIMASA came they also reported that there were instances when they apprehended vessels, some apprehended vessels trying to round trip and some who apparently were apprehended in areas where they should not be. These cases were reported to your office and so we will like to know what steps were taken in respect of those cases. That is the beginning.

AGF ADOKE: Thank you Mr. Chairman. It is indeed true that I got a petition just one not several petitions and I think it came from Oando if I am not mistaken. Since I do not have the capacity to investigate I forwarded that petition through the Director of Citizens Right to the Inspector General of Police to investigate and revert back to me. Unfortunately, I have not gotten the report because the police have not reverted back to me. I will take steps if I leave here, I will be right back to them to find out what type of investigation and let you have it. That is it on the issue of the petition from the marketers only one marketer as I said and that was the step I took at that time because I did not have the capacity to verify and investigate the claim and I could not have prosecuted without proper investigation as well as the necessary evident and facts upon which to predicate the prosecution. I am a bit surprised of the issue of NIMASA.

HON LAWAN: Are we to take it that this matter is currently under investigation?

AGF ADOKE: That is what it should be but I will verify and I will get back to you tomorrow precisely.

HON LAWAN: I think it is important for us for you to verify the state of investigation and then give us the feedback.

AGF ADOKE: I will do that and I will let you have it, Sir. On the issue of NIMASA, I am completely ignorant of any such matter before me. I am not aware, it has not been brought to my knowledge I will go back to the office, I will call my Director of Public Prosecution and verify but I do know that NIMASA had problems with some vessel owners that have taken them to court on purely civil matter for seizure of their vessels. That I am aware of but the issue of reporting or lodging a complaint to my office or handing over any of these trespassers in our maritime water I am not aware of to the best of my knowledge.

HON. AHMED: This is a rider on NIMASA, the claim actually we asked them to bring the copy of the letter so, I would not be surprised if they have not submitted to you that

they often discover cargo ship piracy. According to NIMASA Act, they could proceed to prepare criminal charges on these ship owners but they are harm strong by the fact that they needed the Attorney General's fiat and that they have written to your office to grant them the fiat, which is not forth coming.

AGF ADOKE: Thank you Mr. Chairman, that again is not accurately correct. I do recall that NIMASA has written to me through the Minister of Transport requesting that I should grant them a general fiat and absolute fiat to prosecute all cases. Granting my power to granting fiat, there is a duly incubate for me to verify, ascertain as well as examine and satisfy myself that there is a good course to grant my fiat and I do not grant fiat in anticipation. I have written back to them through the Minister of Transport and I have asked them to submit to me all those number of cases they want to prosecute, give me the facts, the figures, the title and everything to enable me evaluate and see whether or not they are deserving cases for which I should grant fiat or not. To the best of my knowledge they are yet to respond to that. I responded to them through the supervising minister the Minister of Transport.

HON. AHMED: When was that communication because they came here and that information was supplied? When did your letter go to them?

AGF ADOKE: I think it is about three weeks ago to be precise. Their letter came in through the Minister of Transport and I responded immediately saying I am not going to just give them an empty fiat, I have to know the number of cases they are going to prosecute and I have to evaluate those cases to satisfy myself that they were cases that were deserving of my fiat.

HON. AHMED: I want to make a request, if I call it passionate because it is not every time that we have sessions like this. This one came because of what happened. Now we are dealing with some that produce things that concern the economy of this nation and economic saboteurs. For NIMASA specifically not for any other agency and in line with the Supreme Court's decision 2006 in Osaho where it says the Attorney General has authority to initiate prosecution, to take over and to enter action. But his power to prosecute is not exclusive that for police, for the government authorities whose Act permits them to proceed on criminal authorities, those cannot go ahead without the Attorney-General's fiat although the Attorney-General can take over to stop such. So, I am saying this because we know what happened, when a ship is arrested, NIMASA writes to the Minister of Transport within one week. The Minister of Transport takes one-week process, the Minister of Transport writes to the Attorney General, three weeks. Attorney General writes back to the Minister of Transport, four weeks. The Minister of Transport takes it back, five weeks. What I am saying, this one that we are lucky to discover and in line with the Osahon's case

can you say NIMASA, go ahead and prosecute but send me returns of your cases and at my will I can take over, I can stop, I can do whatever in line with Osahon's case?

AGF ADOKE: Thank you very much, I would gladly have been willing to do that but you would need to amend the NIMASA Act itself because the Act specifically say that in prosecuting they must seek the consent of the Attorney-General and I am not prepared without an amendment to cede my powers to them. I will not give them a blanket fiat because it could also be abused, it could also be subjected to all kinds of manipulations.

HON. AHMED: I am concerned about the timing. What can the Hon. Attorney-General give us to make sure that once NIMASA discover these ships within the time that you sent to me and get back it should not be more than one week? Will you give us that assurance that from the date your letter comes in within one week the Attorney General can give us that assurance?

AGF ADOKE: With profound respect it has been my policy to since I assume the Office of Attorney-General to respond to every official mail within 48 hours. I want to assure you that if there is any such request I will really encourage most of the MDAs that they should write directly to my office rather than going through the tortuous root of bureaucratic red tapism. If they sent that to my office I will within 48 hours respond to them.

HON. AHMED: I think everybody has claimed that this direct deduction by NNPC from the Federation Account to pay subsidy is in line with constitutional requirement. Did they seek your input before arriving at that because as far as we are concerned any money that is not appropriated by this Assembly cannot be spent. They have been spending without appropriation; did they seek the Attorney General's input?

AGF ADOKE: There has been no clarification from my office to that effect and if they seek my opinion I will give them in writing and I will tell them the appropriate thing to do base on my understanding of the constitution and the law. I did recall that when I appeared before the National Assembly during my Senate screening and confirmation hearing I did say that all institutions of government must be regulated by the Physical Responsibility Act and I still stand by that.

HON. AHMED: We have discovered a lot of sweet heart deals, sweet heart contracts, unbelievable contracts so good that some of these oil companies would be begging government that please, this thing is too sweet, why do you not review it? Do they bring such contracts to your notice for vetting? We know that they have legal department but do they bring them for vetting?

AGF ADOKE: No such contract has been sent to my office and in two occasions they

have had one or two problems, they have asked for my opinion and I have willingly advised them but since I begin my tenure I have not reviewed any of their contracts. It has not been the practice and there is not any to my office, they have always stopped at their legal department. But if they do seek our cooperation or intervention, we are very willing and ready to lend them our support and professional expertise.

HON. AHMED: The last time the Hon. Attorney-General appeared I think in December, we cannot stop the office from pursuing the agenda of the criminal justice system according to the Federal Government's policy but the House agreed through the Committee on Justice that the specific use of plea bargaining should be halted for now until the Office of the Attorney-General of the Federation comes back to us with rules and regulations so that it will be clear and transparent to anybody when and how these rules will be. I am sure you are working on it but before you come back I hope we are on the same page that plea bargaining at least for now should be stopped. We are looking at all these; we have heard companies that have come here acting as alter ego to former ministers and even current ministers. So, if you have things like that you do not want to resort to plea-bargaining, I just want to be sure.

AGF ADOKE: That is a very tricky question. I am not going to give you a straight answer on that because I have to look at the powers given to me by Section 174 of the constitution. I believe that those powers are not given in vacuum, I have to take certain things into consideration before I decide to take over or withdraw or terminate a case. That may include but not limited to plea bargain itself. But based on the discussions we had with you when I appeared before you sometimes in December we are in the work at the moment trying to get the law that will compliment the powers given to me by the constitution in that respect. But for now we will trade with caution.

HON LAWAN: Just two quick questions before we allow you to go. In the course of this hearing we discovered that most of our importers buy from off shore Lome, off shore Cotonou. When these mother vessels leave Europe or wherever they come from they usually berth outside Nigerian waters. Do you have any bilateral understanding with the Republic of Benin or the Republic of Togo on this matters or it has no legal implication for Nigeria for vessels to come to off shore Lome and off shore Cotonou and for our people here to collect import licenses and then to go and buy just around the corner?

AGF ADOKE: Well it's not to the best of my knowledge whether there is a bilateral agreement between the Republic of Benin and whatever. I will try to find out that because I am not competent to give an answer to that at the moment but I will look at the legal regime and tell you whether it is legal or illegal. I will come back on Monday or I can send you a written opinion on that whichever are most suitable to you Sir.

HON LAWAN: I will go back to NNPC; this is a very simple question. Where are we in this country today with regards to the supply of PMS? Is there any likelihood that in the short term there could be scarcity? I am saying this because I know when subsidy was withdrawn on the first of January, from the measure taken by the PPPRA and from the information available to us a lot of people were not given allocations for quarter 4 of 2011. Among those who picked the allocation some were hesitant in carrying this out because they were not sure of what was going to happen on the first of January. Now that even this hearing is going on that perhaps adds to the uncertainty, what is the likely scenario in the next couple of weeks in this country. Is there any likelihood of scarcity in terms of supply PMS?

GMD of NNPC: Definitely there are a lot of uncertainties in the sector and most other players are not taking the risk because they do not know what is going to happen. However, as at yesterday 8/2/2012 we had about 1.8 billion litres of PMS available. Depending on your daily consumption rate it can go to 33 or even 35 days. We do hope that within the next few days that the situation will be clarified, the certainty will be returned and other players will come in. However, if nothing happen at all, the status co remains as it is and no additional import comes in, at 35 million litres per day if that is the figure you use we should be able to sustain supplies for 33 days.

PPRA: Just to add to what the GMD has said, I think the issue is actually very fundamental. The banks are not releasing credit lines to the importers to bring in products. The reason they have advanced is that there is no definitive statement as to whether subsidy would be paid in 2012 or not. That is fundamental, this whole thing that they do is from the finance by the banks and without the banks giving credit lines this will not happen.

HON LAWAN: What exactly will happen?

PPRA: NNNPC will sell what there is but I think on the interim NNPC is getting the cargos but that is just a temporary relive. Fundamentally, the other marketers should reenter just to make sure that we have a robust supply from the system.

HON LAWAN: Without maybe preempting what will be the position of the House of Representatives when we tender our report obviously since the price per litre of PMS was pegged at N97.00 it presupposes that something would be paid as subsidy. Naturally I would expect that anybody who has contract to import should certainly bear in mind that if through the work of PPPRA and the outcome of our report determines what we believe should be the average per litre price, naturally government will have to bear the difference. I do not think that should be a serious matter of concern for those who are importing. Since the subsidy has not been completely deregulated, you know that the subsidy has not been withdrawn completely and obviously it presupposes that government will continue to bear. Let the public not forget that one of the mandates of this committee is to recommend a

figure that will be captured in the budget and it is not that there are not other areas that we should be looking at in the management of the oil sector. In the course of this exercise we have glimpse into so many windows should equally take our attention but we want to end this exercise because we want to have a definite figure that will guide the National Assembly in appropriating figures for subsidy. To do that this exercise has to come to an end and this is why there are issues with Duke Oil. I hope Duke Oil is here? In any case what we will do is that we will take the two of them together on Monday. Unfortunately, it will no longer be a Public Hearing but this committee will sit to discuss those issues with you on Monday. We need Duke and Transfigura to come to us. If in the course of that discussion we need to see those that you subcontract the transaction to we would also invite those ones. We would rather take both of you at the same time than just take you and take the other one separately. You are bringing both Duke and Transfigura. I read that question because we need to know where we are and I think going forward, it is very important for us to have a vibrant strategic reserve system so that where there are concerns like now that so much is happening. Beyond what we are doing, beyond the investigation by the Senate there are so many reform activities that are taking place. Whether some of them are meant maybe to deplete attention from what we are doing it does not matter but a lot is happening. Because of what is happening naturally, one would expect that the market would respond. Going forward there will also be occasions like this so I think it is important to ensure that at any given time there are strategic reserves to cushion whatever likely upheavals may arise. Hon. Colleagues, I think we have had a very exhaustive discussion over the last three weeks. Even though I still have a few issues, it has come to my knowledge that all the presentations made by the GMD are not backed by a single document. That is why the Secretariat has no record. We need all the documents. We gave you a template on various shipments that you made. We particularly need that and we will also need all other documents that we have requested for. For the marketers, our arms may not be able to reach them so easily; you should know it is very easy for our arm to reached NNPC. So it is important that we get all these relevant documents?

AUSTIN ONIWON (GMD, NNPC): Honourable Chairman, I think all those documents that are requested for, I submitted 10 sets.

HON LAWAN: All right. Just a quick one; Accountant General, you should also listen to this. How do you pay NNPC and how does NNPC pay itself in dollar or in naira?

ACCOUNTANT GENERAL OF THE FEDERATION: They pay in Naira.

HON LAWAN: So what do they deduct? You keep on reminding us that they deduct in dollar or in naira?

ACCOUNTANT GENERAL OF THE FEDERATION: They file the components to me in naira. I believe they would have deducted in naira. The statement components they made to me.

HON LAWAN: But they earn the money in dollars.

ACCOUNTANT GENERAL OF THE FEDERATION: I cannot speak for them.

AUSTIN ONIWON (GMD, NNPC): Petroleum products that we sell in Nigeria we earned in naira and the marketers that came to us they pay in naira and the certificate given to us by PPPRA is also in naira.

HON LAWAN: So you deduct the naira equivalent. And for the crude especially this one, we do not know what you get as the product not the money. Because you sell in naira so you deduct in naira equivalent. Honourable Colleagues, I think we would draw the curtain at this stage. I want to use this opportunity to particularly express our very deep gratitude to the people in the industry who have been with us and other stakeholders who also appeared before this Committee. Like I mentioned in the beginning of this exercise, you have displayed a lot of patience, a lot of commitment, a lot of zeal to contribute in making this exercise a success. So I want to thank the Ministers that have appeared and the Chief Executives from various parastatals and the individuals; particularly those individuals that were invited by this Committee; Engineer Halman Tukur, Olisa Agbakoba, Femi Falana, Umar Dambo, Chief Gaius Obaseki, Kalu Idika Kalu, people who clearly are not either from the regulatory side of government and they are also not importers but who volunteered information and came before us and I want to assure all of them that at the end of this exercise we believe the contributions they have made will add to the value of this quality debate. I want to once again assure Nigerians that this exercise has been full of information, documents, revelations, and some of these revelations were in some instances quite shocking, some were very revealing, some came with a lot of drama but ultimately that desire is whatever information that is before us will now be thoroughly studied, collected so that we will write a report that ultimately would address some of the major issues of concern that have arisen in the course of this exercise. And I keep on repeating that it is our desire to be fair, objective and just in the course of producing our report. We are not going to write a report that is hide that addressing the interest of any group or rather over all interest of the Nigerians people either interest and the desire to ensure that best business practices become the guide principle in the way we managed the subsidy regime. We will work towards ensuring that there is greater transparency and accountability and prudent in the management of public resources, especially with the regards to the way sector was managed and would be managed in future. Within the next couple of weeks, we will sit down and work on our report and within the next couple of weeks; I assure you that we are going to present our

report before the House of Representatives. And it is also our expectation that the House will adopt the recommendation that come out from it. We hope and pray that relevant Agencies of Government who would be call upon to implement some of the recommendations would equally do so. Some of the recommendations will likely call on the Legislative to take some legislative actions. There would be some obvious that will be implemented by the Executive and they maybe some that we have to go possible to the Judicial arm of Government. But whatever comes out of this report, we want to assure Nigerians will be burn by the desire for them to be input in this polity. We have no intention to run down anyone and I keep on repeating this, we have no desire equally to sweep any act of malicious under carpet, so many things has come to the fore and those issues will hopefully be concerned to the views that will be reported in the outcome of this exercise. I want to use this opportunity to thank the leadership of the House, particularly the entire Members of the House of Representatives for giving us this assignment. In the course of doing it, we committed ourselves to be here to everybody and that why all those affected by this exercise who are invited and we thank you for your views which you have expressed and we will assure you that we will not betray Nigerians in the report that we are going to present. I want to repeat for those other companies that have not appeared before us, we expect you to submit your report latest by Tuesday next week. Failure to do so will mean that we have no information to have come and if you do not, we will assume that you did make this import. I want to express my very sincere gratitude to my friends in the media who have covered this Public Hearing since its commencement particularly Channels TV that give us live coverage throughout the course of this exercise and they did so and believing that what we are doing is already bringing down the tension within the polity and I believe it is also made so many Nigerians to be further informed of the operation of the oil sector. Prior to this exercise, everybody believes that the oil industry is covert, it is not transparent, and it is not open. I believe a lot of Nigerians, even ordinary Nigerians have had the belief of the kind of operations and the kind of things that have done in the oil sector. It is only my hope that what has happened in the last three weeks will ensure that going forward is done differently. Once again I thank you all, thank you so much. (Applause).

The Ad Hoc Committee Adjourned Sine Die