

The Maritime Industry of Nigeria. Challenges and Sustainable Prospects

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Abstract: In this paper, we have analysed the history of the Nigerian Shipping Industry in mid-1950s, Nigeria's first indigenous shipping line the "Nigerian Line" was established by Mr. Patrick Osoba as a joint venture with the Finnish firm, Nordstrom and Company. Furthermore, the evolution of the Nigerian fleet will be shown in statistics from 1980 to 2017 and what happened between these years. There are many challenges that affects the Maritime Transportation Industry in Nigeria and these have to be solved and taken into consideration because this Industry plays a vital role in the Economy and growth of the Nation. These challenges are funding, manpower, legislation, pollution, safety etc. these would be expatiated further into this paper, and we have tried to analyze these challenges, giving a proposal on how to boost the Nigerian Maritime Industry.

Keywords: Nigerian Shipping Industry; Maritime Transportation Industry in Nigeria; Nigerian Maritime Industry

1 Introduction

The Maritime Transportation Industry in Nigeria is that which is undeniably important to the economic growth of the nation. Its role can affect the economy positively or can also be a set back to the economy. The history, growth and progress of nations are closely interwoven with the degree of development of the maritime transport industry that can exist or already in existence. The Nigerian economy is classified as a mixed economy and the maritime industry of Nigeria is a Major sector of the Nigerian economy putting in consideration that the country's status is a major oil producing and exporting country. Maritime trade has played a key role in Nigeria's economic development. It accounts for about 95% of the vehicular means of Nigeria's International Trade. The economic level, an adequate and efficient

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maritime transport system plays a vital role in the development of a country's market especially the market of international trade by transforming local markets in to national, regional and international focus. This allows economies of great scale in areas that have promising comparative advantage with concomitant generation of huge employment opportunities. The maritime sector is capital intensive and thus requires huge amount of funding.

Further into this paper, the history of the Nigerian Shipping Industry will be discussed, in mid-1950s, Nigeria's first indigenous shipping line the "Nigerian Line" was established by Mr. Patrick Osoba as a joint venture with the Finnish firm, Nordstrom and Company. Furthermore, the evolution of the Nigerian fleet will be shown in statistics from 1980 to 2017 and what happened between these years. There are many challenges that affects the Maritime Transportation Industry in Nigeria and these have to be solved and taken into consideration because this Industry plays a vital role in the Economy and growth of the Nation. These challenges are funding, manpower, legislation, pollution, safety etc. these would be expatiated further into this paper, and I have tried to analyze these challenges and given a proposal on how to boost the Nigerian Maritime Industry.

2 Maritime Industry of Nigeria. Challenges and Sustainable Prospects

Maritime Transportation Development in Nigeria: The role of maritime transportation in the context of economic, political, social and historical development of different developed, underdeveloped, or developing countries is undeniably of very great importance to each nation. The history, growth and progress of nations are closely interwoven with the degree of development of the maritime transport industry that can exist or already in existence. In the case of Nigeria, it is situated on the occidental part of Africa, which has a coast line of 853km which runs through the southern states, Lagos, Cross Rivers, Delta, Ondo, Bayelsa, Akwa-ibom, and Rivers bordering the Atlantic Ocean so therefore, there is no exception on this. The economic level, an adequate and efficient maritime transport system plays a vital role in the development of a country's market especially the market of international trade by transforming local markets in to national, regional and international focus. This allows economies of great scale in areas that have promising comparative advantage with concomitant generation of huge employment opportunities.

Before the appraisal of Maritime Transportation in Nigeria, it is necessary to discuss the history of the Maritime Industry in Nigeria. The idea of shipping as the catalyst of developing the economy is not a new theory as Adam Smith saw the shipping industry as one of the stepping stones to economic growth. He wrote: A business working in a country town without links to the outside world can never, he argued, achieve high levels of efficiency because it's very small market will limit the degree of specialization.¹ In mid-1950s, Nigeria's first indigenous shipping line the "Nigerian Line" was established by Mr. Patrick Osoba as a joint venture with the Finnish firm, Nordstrom and Company. In 1959, the Nigerian Shipping Line Limited (NNSL) was established by the Nigerian Government; with Palm Lines Ltd. and Elder Dempster Ltd. as technical partners who were bought out in 1961 (Ugochukwu, 1990). NNSL started operations with two second-hand vessels, grew to 27 ships in 1980, and declined to 13 in 1992. To revitalise its fortune, \$65million via the Ship Acquisition and Ship Building Fund (SASBF) was invested, but this was mismanaged leading to NNSL's liquidation in 1995. Failure of NNSL can be attributed to several factors among which are: political interference, huge debts, exorbitant repair bills, debt owed among others. In 1995, NMA established another government owned national carrier: the National Unity Line (NUL), with MV Abuja – a 6,879 dwt vessel, as its only vessel. Unfortunately, in 2002 it's only vessel was sold off. By 2000, Nigeria had a total of 122 registered indigenous shipping companies who mainly chartered their vessels.² Maritime trade has played a key role in Nigeria's economic development. It accounts for about 95% of the vehicular means of Nigeria's International Trade.³ The maritime industry of Nigeria is a Major sector of the Nigerian economy putting in consideration that the country's status is a major oil producing and exporting country. As a consumer nation, this country is a large market for foreign goods owing to its population. The Maritime business has been has served as a crucial means in the process of the diversification of the Nigerian economy, which is an important aptitude in view of the crashing crude oil prices in the recent times. The major attributes and characteristics associated with the maritime transportation industry particularly against the background of the appearing obliviousness harrowing policies encompassing this sector. Remarkably,

¹ Adam Smith: *An Inquiry into the Nature and Causes of The Wealth of Nations*, Ch.3

² Ukwuegbu ,Chijioke Anthony, *How to Boost Indigenous Participation in The Shipping Sector*

³ Professor Victor F. Peretomode, "The Role of the Maritime Industry and Vocational and Technical Education and Training in the Economic Development of Nigeria" (2014)

the Key qualities and attributes of maritime transport and which can also be applied to different modes of transportation shows that:

1. Maritime transport, is an essential derivative demand
2. Maritime transport is demand responsive.
3. The maritime transport sector is Capital intensive which means that transportation requires large funds and human resources and maintenance.
4. The industry's labour market requires both skilled and unskilled workers.
5. Global and international Economy influences the maritime industry especially because it affects the trade pattern of the Nation.
6. Maritime transportation is very open to technological efficiencies and changes.
7. Structural support and logistics are vital and very essential in order to achieve an efficient Maritime Transportation System.

Nigerian Economy in The Context of World Trade: The Nigerian economy is classified as a mixed economy. In terms of natural, material and human resources, it is a country of abundant endowments. There is also vast potential of financial, legal, communications and transport resources with a stock exchange (the Nigerian Stock exchange), which is the second largest in Africa. Nigeria is ranked 30th in the world in terms of GDP /23rd (PPP) as of 2018, and is the largest trading partner in sub-Saharan Africa with the United States of America and supplies a fifth of USA oil imports (11% of the oil imports). Apart from registering the seventh largest trade surplus with the US, Nigeria is the 50th largest export market for United States' goods and the 14th largest exporter of goods to the U.S. The largest foreign investor in Nigeria happens also to be the United States. The International Monetary Fund (IMF) projected economic growth of 9% in 2008 and 8.3% in 2009 respectively for Nigeria. The IMF further projects that the Nigerian economy would grow by 8%. According to Citigroup, Nigeria is touted to be among one of the countries that will experience highest average GDP growth between 2012 and 2050. Furthermore, Nigeria is one of the two countries from Africa that is among the 11 Global Growth Generators countries. Previously, however, economic development had been hindered by years of political instability, military rule, corruption, and mismanagement. The restoration of democracy and subsequent economic reforms are expected to successfully put Nigeria back on track towards achieving its full economic potential. This again is very questionable. Progress may be slow and

sluggish, nonetheless, Nigeria is said to be the second largest economy in Africa after South Africa, but without question, the largest economy in the West African region.¹

3 Challenges of Maritime Industry in Nigeria

There are many challenges that affects the Maritime Transportation Industry in Nigeria and these have to be solved and taken into consideration because this Industry plays a vital role in the Economy and growth of the Nation. These are:

3.1. Legislation and Legal Matters /Reforms

There are so many agents of change of which the Nigerian law Reform Commission is one of them. The law Reform Commission is an omnibus commission, because it not only deals with the maritime sector alone but with other sectional laws which includes constitutional law, criminal law etc. The committee of the Nigerian Shippers Council, Nigerian Maritime Lawyers Association and the National Assembly Committee on Marine Transport would, at one point or the other, rely on the Nigerian Law Reform Commission to effectively discharge their mandate. The actualization or realization of so many far-reaching policies of the Federal Government, from revolutionizing transportation, to allying the maritime industry to the economic aspirations of the Federal Government. Aligning the Maritime industry with the world economy and Implementing Port reforms are static and very inactive².

Over the years the maritime industry has been totally neglected. Nigeria's shipping sector is estimated to be capable of generating N7 Trillion annually. However, in order to tap revenue from this sector there will need to be an overhaul of policy, institutional, regulatory and legal framework. We need to develop a new national shipping policy. Nigeria's shipping policy dates back to 1987 when the Nigerian Shipping Policy Act, No.10 of 1987 was enacted following Nigeria's ratification of the United Nations Code on Trade and Development (UNCTAD). UNCTAD was to adopt the 40: 40: 20 code which covers ship acquisition, cargo sharing and shipping

¹ Bamidele Badejo: Maritime Transportation industry in Nigeria; structure, analysis, challenges and prospects.

² <http://thenationonlineng.net/maritime-industry-needs-modern-legal-framework/>

activities.¹ Under the code 40% of the total volume of cargo traffic and revenue was reserved for indigenous Nigerian carriers, 40% was reserved for carriers of cargo originating in destination countries and 20% for recognized third flag carriers. If implemented this would have gone a long way to correct the imbalance in shipping trade as it affected Nigeria. The purport behind the Nigerian Shipping Policy was to develop a vibrant shipping industry that would generate revenue for Nigeria and Nigerians. In pursuit of developing our maritime industry, the Nigerian Maritime Authority (NMA) was established to co-ordinate and implement Nigeria's National Shipping Policy. NMA's successor the Nigerian Maritime Administration and Safety Agency (NIMASA) when established in 2007 had no defined purview regarding Nigeria's Shipping Policy, though it was mandated to promote and develop indigenous commercial shipping in international and coastal shipping trade, and regulate and promote maritime safety, security, marine pollution and maritime labour. The Merchant Shipping Act, 2007 was enacted to provide for merchant shipping and related matters. This Act was to be implemented by NIMASA and lays down a list of regulations for ships operating in Nigeria regarding licensing, registration, certification and penalties for non-compliance with the Act. There exist multiple government agencies in the maritime industry with duplication of functions. There is an urgent call to reorganize these agencies for better function and output.²

3.2. Marine Environmental Protection

The effects of marine pollution on water bodies and coastal areas causes degradation to the environment and its ecosystem. Nigerian Coastal waters like all coastal and port countries in the world, it experiences the problem of marine pollution, sometimes through industrial activity at the ports. And like some other petroleum producing nations, Nigeria's marine pollution challenge is exacerbated by oil and gas exploration and production. Nigeria's petroleum resources are currently derived from the Niger Delta, a region characterised by rivers, rivulets, creeks and the Atlantic Ocean. Marine pollution arising out of petroleum harnessing is a major cause of the social unrest in the area which has over the years attracted national and international attention, thus causing the Nigerian government to take extraordinary measures to stem the tide, like the imaginative establishment of the Niger Delta Development

¹ UNCTAD

² <https://www.independent.ng/advocating-reform-nigerias-shipping-sector/>

Commission (NDDC). It has become apposite to examine the laws dealing with marine pollution, note their inadequacies and suggest ways to strengthen the legal regime with a view to ending the social, economic and environmental blight of marine pollution. It is worthwhile to acknowledge that there is no particular legislation or body of laws in our national statute dealing with the degradation of our marine environment.¹ Rather, what we have are laws, regulations and international conventions on this and it is a very serious challenge abiding by the laws due to the high level of corruption.

3.3. Safety and Security

The safety and security in the Nigerian maritime domain has improved over the years, but there is still an urgent need to improve the security of this Industry. Piracy in Nigeria is due to the high level of corruption in the country. Piracy, sea-robbery and illegal bunkering are still in existence up till this moment. Even when there is an increase of military intervention, there are still some loopholes in the system. Due to the high level of natural oil in Nigeria, its major source of revenue is the exportation of crude oil. Due to the fact that the income gotten from the oil is not in full circulation to the people of the economy, it has led to the high level of oil exploitation and illegal bunkering. This increases the illegal activities and promotes sea-robbery etc. Appropriate measures has to be taken to reduce these activities at sea. In an attempt to increase the safety, Nigerian Maritime Administration and Safety Agency (NIMASA) encouraged the Nigerian Air force to provide air tactical support for sea-based operations against illicit operations of ships. The recent success of the anti-piracy operations involving the Agency, the Nigerian Navy and the Nigerian Air force has given impetus to this agreement between both parties. This of course is of good tactics but the effectiveness of the memorandum is of great importance to increase the safety and security of Seafarers and Cargo.

3.4. Human Resources and Training

In every industry, human resources is one of the most important role in the growth of the industry, so also training is to be provided for more research that would enhance and boost the effectiveness of the sector. The Nigerian Maritime

¹ <https://allafrica.com/stories/200601030839.html>

Administration and Safety Agency (NIMASA), created a training program for students in 2009 called the Nigerian Seafarers Development program (NSDP). More than a thousand students were registered in the program and graduated from various universities from UK, Romania, Egypt, Philippines etc. Unfortunately, only about 20% of the graduated students have been able to go for Seetime training and this is a basic mandatory of the Standard Certification and Watch Keeping (STCW) Manilla convention. There is a lack of training and manpower capacity development and this is indeed a setback in the attempt to enhance the human resources sector of the industry, more attention is to be given to improve this area.

3.5. Funding

As earlier stated in the introduction, the maritime sector is capital intensive and thus requires huge amount of funding. There is a lot of business and a high demand of shipping due to the high trade level in the country. Nigeria has acquired enough revenue but unfortunately, it still has the problem of paucity in capitals and funds. There are problems of embezzlement in this sector and therefore a lot of risks for foreign investments.

Other challenges still affecting the maritime industry are:

- Research and development: Economic viability
- Overlapping inter-governmental institutional responsibilities
- Technology Infrastructural Support

Below is the outlook of the Nigerian fleet growth over the years from 1980 – 2018:

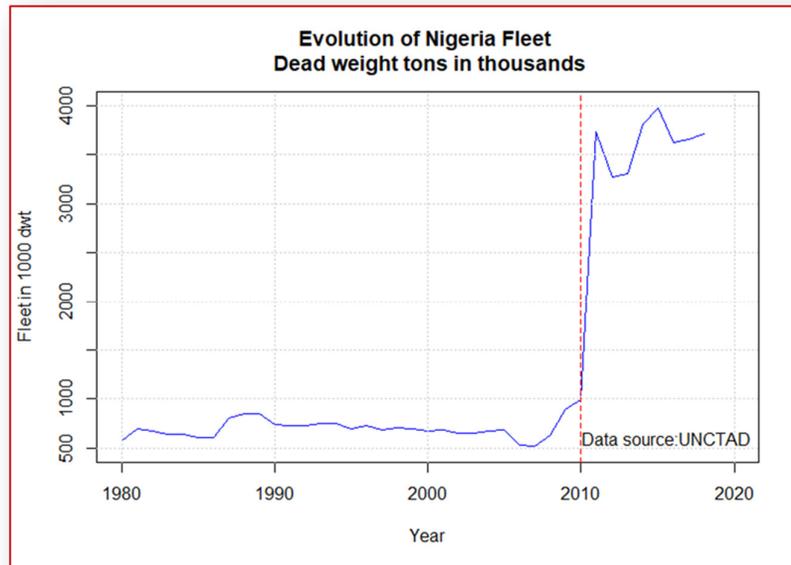


Figure 1

From the figure above, it shows the Evolution of Nigerian fleet over the years. This shows improvement has actually been made towards the acquirements of fleet. In 2010, there was a drastic change point in the industry so the question is what happened. There was a change in power and thus the current government showed more focus on the maritime sector and developed it. If the Government of Nigeria can pay more attention to the activities of the maritime industry as it affects the economic growth, there would be more development and thus the evolution can be more standardized.

4. Recommendations to Boost the Maritime industry of Nigeria

In order to boost the maritime Shipping industry of Nigeria, there is a rational need for government to strengthen and give support to the developing and to the growth of the industry because it is a core industry that can be of great assistance to the development of the Economy. More attention has to be given to the industry to boost

the economy and to provide adequate funding, more investments and the acquiring of more ships into the Nigerian fleet. Training of personnel and Man power has been developed but the government has the compelling need to provide more fleet and thus create more employment opportunities for the man power of the sector to function properly. These have to be considered to develop the maritime industry of Nigeria.

a) Implementation of Legislation

The Cabotage Act of 2003 provides the necessary legislation that will boost indigenous participation in Nigerian shipping but it is being implemented half-heartedly (Federal Government of Nigeria, 2003). The Act reserves the commercial transport of goods and service within Nigerian coastal and inland waters to vessels flying the Nigerian flag owned by Nigerians and built in Nigeria. Government should reduce the granting of waivers to foreign owned vessels and encourage foreign shipping operators to have indigenous partners. ii. Provisional time charter contracts: NIMASA in collaboration with NISA/SOAN and NNPC should get international Oil Companies to sign provisional time charter contracts with indigenous shippers stating in principle that NISA/SOAN vessels will be engaged as soon as they are purchased. This provisional contract will encourage financial institutions to finance vessel acquisition since the loan will have a repayment plan.

b) Manpower Development

Manpower development: This emphasises creation and developing a skilled and continuous human capital locally that is necessary to the needs of the shipping industry. This can be achieved via Maritime Academy, Creation of more maritime academies should be encouraged and existing ones upgraded. The Nigeria Maritime University in Warri (Obiageli, 2011) should be quickly opened and staffed with world class faculty. As more skilled maritime manpower is available in Nigeria, indigenous shippers will find their cost of doing business greatly reduced and therefore, thrive Scholarship. Subsidising the cost of seafarers' training will encourage more people to take up seafaring training and attract the best and brightest of Nigerians.¹

¹ Ukwuegbu, Chijioke Anthony, How to Boost Indigenous Participation in The Shipping Sector

c) Development of Business

Industry wide audit which therefore means that NIMASA, and other stakeholders should conduct business wide audit identifying short and long-term opportunities and how to harness them. Foreign Technical Partnership which indicates that indigenous shippers should seek foreign technical partners who they can work with to boost their operational capacity. More vessels should be acquired to increase the number of Nigerian fleet. Funding at low-interest rate can be gotten from the Cabotage Vessel and Finance Fund (CVFF). But this time, Nigerian banks should be involved in its disbursement to prevent the occurrence of the mismanagement. The shipping industry should be incentivised to engage in mergers and acquisition as their current individual size is insignificant in competing with international shippers. Indigenous shippers who engage in mergers and acquisition should be given waivers such as tax holidays and preferential statuses. Various financial incentives should be made available to eligible indigenous shippers such as tax holidays, zero duty on ship and ship parts, disbursement of the CVFF at CBN interest rate, accelerated depreciation for ships and other capital assets to accumulate capital for future expansion.

5 Conclusion

The Maritime Industry of Nigeria over the years, has grown according to the statistics shown on the evolution of fleet in Nigeria, but there is still a compelling cause to continually develop this Industry. This Industry thus affects the economic performance of the nation and Nigeria, being a major exporter of oil and majors on trade with other foreign countries, it is vital for the government to support and pay more interest in the affairs of the Industry. Until the government becomes more aware of how it affects the economy, the Industry cannot properly function to its fullest capacity. In order to boost the Shipping Industry, the challenges stated in this paper should be tackled. There should be proper implementation of the law, pollution and environmental hazards should be dealt with according because this is a major problem to the industry and to the people of the economy. Safety should be a priority in order to create more stability and for foreign investors to invest with a peace of mind. More attention has to be given to the industry to boost the economy and to provide adequate funding, more investments and the acquiring of more ships into the Nigerian fleet. Training of personnel and Man power has been developed but the

government has the compelling need to provide more fleet and thus create more employment opportunities for the man power of the sector to function properly. These have to be considered to develop the maritime industry of Nigeria.

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