

The Maritime Industry Of Nigeria Challenges And Sustainable Prospects

Author: Daramola Oluwagbemiga Favour

Abstract

The Nigeria maritime industry has evolved over the years since its earliest foundations in the mid-1950s when Nigeria's first indigenous shipping line, 'The Nigeria Line' was established by Mr. Patrick Osoba as a joint venture with the Finnish firm, Nordstrom and company. Furthermore, the evolution of the Nigeria fleet will be analysed statistically from 1980-2017 indicating what happened between those years. There are many challenges that affect the Maritime Transportation Industry in Nigeria even in recent times 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 include, but not limited to funding, manpower, legislation, pollution, lack of safety and so on. These would be expatiated further into this paper, and proposal will be given on how to boost the Nigeria Maritime Industry.

The role of Maritime Transportation in the context of economic, political, social and historical development of different developed, underdeveloped, or countries is undeniable of very great importance to each nation. The economic level on adequate and efficient maritime transport systems plays a vital role in the development of a country's market especially the market of international trade by transforming local market national, regional and international focus. Thus, this is the height the Nigeria Maritime Industry should strive to attain and even surpass.

Keywords: *Maritime Industry, Challenges, Prospects, Transportation, Shipping, Economic growth*

THE MARITIME INDUSTRY OF NIGERIA CHALLENGES AND SUSTAINABLE PROSPECTS

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 growth of 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 inexistence. The Nigerian economy is classified as a mixed economy and the maritime industry of Nigeria is a major sector of this economy, putting into consideration the country's status as a major oil-producing and exporting nation.

Maritime trade has played a key role in Nigeria's economic development; it accounts for above Ninety-five percent (95%) of the vehicular means of Nigeria's international trade. For the economic level, an adequate and efficient maritime transport system plays a vital role in the development of a country, especially in the area of international trade by transforming the local market into national, regional and international focus. This ensures great economies of scale in areas that have a promising comparative advantage with the concomitant generation of huge employment opportunities. The maritime sector is capital-intensive and thus requires huge amounts in funding.

Further, the history of the Nigerian shipping industry will be discussed starting from the Mid-1950s when Nigeria's first indigenous shipping line known as the "Nigerian Line" was established by Mr. Patrick Osoba as a joint venture with the Finnish firm, Nordstrom and company. The major challenges which persist till now include, but not limited to funding,

manpower, legislation, pollution, safety and so on. These would be expatiated further in this essay and analysis has been made on the challenges so as to provide a proposal on how to boost the **Nigerian Maritime Industry (NMI)**.

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2. MARITIME TRANSPORT 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 degrees 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 coastline of 853km and runs through the southern states of Lagos, Cross Rivers, Delta, Ondo, Bayelsa, Akwa-Ibom and Rivers, bordering the Atlantic Ocean, so therefore, there is no exception on this. The situation of this industry in such a location allows for economies of great scale in these areas that have promising comparative advantage with concomitant generation of huge employment opportunities.

Before appraising the 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 without links to the outside world can never, he argued, achieve high level of efficiency because it's very small market will limit the degree of specialization". In the mid-1950s, Nigeria's first indigenous shipping line limited (NNSL) was established. NNSL started operations with two second-hand vessels, which grew to twenty-seven (27) ships in 1980, and declined to thirteen (13) in 1992. To revitalize its fortune, \$65 million via the Ship Acquisition and Ship Building Fund (SASBF) was invested, but this was mismanaged, leading to the NNSL's liquidation in 1995.

There are many challenges that affect 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 also include legislation and legal matters/reforms. There are so many agents of change, of which the Nigeria Law Reforms Commission is one of them. The Law Reforms Commission is an

omnibus commission because it not only deals with the maritime sector alone, but with other sectional laws which include constitutional law, criminal law, and so on. The committee of the Nigeria Shippers Council, Nigeria Maritime Lawyers Association and the National Assembly committee on marine transport would, at one point or the other rely on the Nigeria Law Reforms Commission to actualize or realize so many far-reaching policies of the Federal Government from revolutionizing transportation, to allying the maritime industry to the economic aspiration of the federal concessioner ports. The Nigeria Ports Authority (NPA) is a federal government agency that governs and operates the ports of Nigeria. The ports controlled by NPA include:

- The Lagos port complex at Apapa, in Lagos
- The Calabar port located in the south-east corner of the country, in Cross River State.
- The Delta port located in Delta State which includes the port of Warri, Burutu, Sapele and petroleum terminals at Escravos, Forcados and Pennington.
- The Rivers port, Port-Harcourt, located in coastal Rivers state comprises of the Port-Harcourt port, Okrika Refined petroleum oil jetty, Haastrop or Eagle Bulk cement jetty, ibetu jetty and Bitumen jetty.
- The Onne port, located in Rivers State on Ogu creek near the Bonny River, 19km from Port-Harcourt.
- The port area is located in three local government areas of Rivers State, Eleme LGA, Ogu-Bolo LGA and Bonny LGA.

As earlier stated, the maritime industry of Nigeria is a major sector of the Nigeria economy putting into consideration the country's status as a major oil-producing and exporting country.

As a consumption-oriented nation, Nigeria is a large market for foreign goods owing to its teeming population. The maritime business has, and will continue to play a crucial role in the process of the diversification of the Nigerian economy which is an important aptitude in view of the unstable crude oil prices in recent times.

Remarkably, the key qualities and attributes of the maritime transport and which can be applied to different modes of transportation show that: First, maritime transport is an essential derivative demand, secondly, maritime transport is demand-responsive, and thirdly, the industry's labour market requires both skilled and unskilled workers.

Apart from registering the 7th largest trade surplus with the United States, Nigeria has the 50th largest export market for the United States' goods and the 14th largest exporter of goods to the U.S. The largest foreign investor in Nigeria happens to also be the United States. The International Monetary fund (I M F) projected economic growth of 9% in 2008 and 8.3% in 2009 respectively for Nigeria. The IMF further projected that the Nigerian economy would grow by 8%. The restoration of democracy and subsequent economic reforms are expected to successfully put Nigeria back on track towards achieving its full economic potential. Progress may be slow and sluggish nonetheless, but 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.

3. CHALLENGES OF MARITIME INDUSTRY IN NIGERIA

Government aligning the maritime industry with the world economy and implementing port reforms are static and very inactive. Over the years, the maritime industry has been totally neglected. Nigeria's shipping sector is estimated to be capable of generating ₦7 trillion annually. However, in order to generate revenue from this sector, there will need to be an overhaul of policy, institutional, regulatory and legal framework. The purpose 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 industries, the Nigeria Maritime Authority (NMA) was established to co-ordinate and implement Nigeria's national shipping policies. The NMA's successor, The Nigerian Maritime Administration and Safety Agency (NIMASA), which was established in 2007 had defined purview regarding Nigeria's shipping policy. There exist multiple government agencies in the maritime industry with duplication

of functions, thus there is an urgent call to re-organize these agencies for better performance and output.

Marine Environment Protection

The effect 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 experiences the problem of marine pollution, sometimes through industrial activity at the ports, and like 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 characterized 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.

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. In addition to piracy, sea-robbery and illegal bunkering are still in existence up till this moment. Even when there is an increased level of military intervention, there are still some loopholes in the system. Due to the high level of natural oil in Nigeria, their major sources of revenue are 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. Appropriate measures have to be taken to reduce these activities at sea. In an attempt to increase the safety, the Nigeria Maritime Administration and Safety Agency (NIMASA) encourages inter-agency co-operation with the Nigerian Air Force to provide air tactical support for sea-based operations against illicit operation 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 a good tactic but the effectiveness of the memorandum is of great

importance to increase the safety and security of seafarers and cargo.

Human Resources and Training

To every industry, human resources plays one of the most important roles in the growth of the industry, so also training and funding is to be provided for more research that would enhance and/or boost the effectiveness of the sector. The Nigerian Maritime Administration and Safety Agency (NIMASA), created a training program for students in 2009 called the Nigerian Seafarers Development Program (NSDP); thousands of students were registered in the program and graduated from various universities in the UK, Romania, Egypt, Philippines and so on.

Unfortunately, only about 20% of the graduated students have been able to go for sea time training and this is a basic prerequisite of the Standard Certification and Watch Keeping (STCW) Manila Convention. There is lack of training and manpower capacity development and this is indeed a setback in the attempt to enhance the human resource sector of the industry hence more attention is to be given to improve this area. As earlier stated in the introduction, the maritime sector is capital-intensive and thus requires huge amount of funding. There are lots of business and high demands of shipping services due to the high trade level in the country. Nigeria has acquired enough revenue from this sector but unfortunately, it still has the problem of poverty in capital and funds. There are problems of embezzlements in the sector and consequently, lots of potential foreign investment inflows are risked.

Other challenges still affecting the maritime industry include:

- Research and development
- Economic viability
- Overlapping inter-government international responsibilities
- Technology Infrastructural support

Available data and chart of the evolution of the Nigerian fleet over the years shows improvement has actually been made towards the acquirement 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 channelled more attention to the

activities of the Maritime industry as it affects economic growth, there would be more development and thus the evolution can be more standardized.

(4) RECOMMENDATION TO BOOST THE MARITIME INDUSTRY IN NIGERIA

In order to boost the Maritime shipping in Nigeria, there is a cogent need for government to strengthen and give support to the development and growth of the industry because it is a very significant industry that has the potential to 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 acquisition of more ships into the Nigerian fleet. Training of personnel and manpower creates the compelling need to provide more fleet and thus create more employment opportunities for the manpower of the sector to function properly. These have to be considered in order 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 the Nigerian shipping industry; however it is being implemented half-heartedly (Federal Government of Nigeria 2003). The act reserves the commercial transport of goods and services 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.

(B) 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 financial vessel acquisition since the loan will have a repayment plan.

(c) MANPOWER DEVELOPMENT

This emphasizes creating and developing a skilled and continuous human capital locally that is crucial in meeting the needs of the shipping industry. This can be achieved via a maritime academy; creation of more maritime academies should be encouraged and existing ones should be upgraded, like the Maritime Academy, Oron.

The Nigeria Maritime University (NMU) Okerenkoko, Warri south-west local government area was opened with world-class facilities in the month of April, 2018, with three faculties namely: The Faculty of Environment, The Faculty of Engineering and The Faculty of Marine Transportation and Logistics. Moreover, scholarships were given to students of the university to study at the Caribbean Maritime University (CMU) at Jamaica. As more skilled maritime workforce become available in Nigeria, indigenous shippers will find their cost of doing business greatly reduced and therefore, make businesses in this sector to thrive. Subsidizing the cost of seafarer's training will encourage more people to take up seafaring training and attract the best and brightest of Nigeria.

D) DEVELOPMENT OF BUSINESS

Industry-wide audit is indispensable which therefore means that NIMASA and other stakeholders should conduct business-wide audit in order to identify short and long-term opportunities and how to harness them. More vessels should be acquired to increase the number of Nigeria fleet, funding at low-interest rates can be gotten from the Cabotage Vessel and Financial Fund (CVFF). But this time, Nigerian banks should be involved in its disbursement to prevent the occurrence of earlier witnessed mismanagement. Various financial incentives should be made available to eligible indigenous shippers such as tax holidays, zero duty on ship parts, disbursement of The CVFF at CBN interest rate, accelerated depreciation

for ships and other capital/assets to accumulate capital for future expansion.

(E) LACK OF INDIGENOUS MARINE ENGINEERS

The country lacks suitably qualified and proficient marine engineers that are capable of working onshore or offshore because there are very few established schools offering such courses in Nigeria at the moment and exposing conventional engineers to such peculiar work environment poses great hazards which could lead to loss of lives at sea. In order to curb or contain this, the country should provide some relevant maritime courses to schools that are willing and capable of handling it. The students should also be made to undergo health and safety trainings like the Safety of Lives At Sea (SOLAS).

CONCLUSION

The maritime industry of Nigeria over the years has grown according to the statistics shown on the evolution in Nigeria, but there is still a compelling cause to continually develop this industry. This industry has, and will continue to affect the economic performance of any nation, and Nigeria, being a major exporter of oil and a major international trade partner with other foreign countries, makes it vital for the government to support and pay more attention to the affairs of the industry. Until the government becomes more aware of how this industry affects the economy, it cannot properly function to its fullest capacity in order to boost the shipping industry. The challenges stated in this essay should be tackled. There should be proper implementation of the law, additionally, pollution and environmental hazards should be dealt with accordingly because this poses a major problem to the industry and its safety, which ought to be a priority in order to create more stability and allow foreign investors to invest with a peace of mind. More employment opportunities should be created for the existing manpower in the sector to function properly. These have to be effectively considered to develop the Maritime industry of Nigeria.

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