A LEGAL EXAMINATION OF THE SETBACKS IN THE NIGERIAN MARITIME INDUSTRY AND THEIR POSSIBLE SOLUTIONS*

Abstract

Nigeria, the most populous black country has a coastline of approximately eight hundred and fifty-three kilometres. This country has vast resources and is bordered to the North by the Republic of Niger, to the south by Gulf of Guniea (part of the Atlantic Ocean), to the West by Benin and the East by Republic of Cameroon and Chad. Since the dawn of humanity, the sea has been a source of sustenance, providing food and avenues of trade. The search for natural resources and wealth resulted in the establishment of the maritime industry that would continue in some form or another until the present. The maritime industry constitutes a vital sector of the economy of this great nation. The work adopted the doctrinal research methodology and relied heavily on library-based material and internet materials. The aim of the work is to appraise the setbacks in the Nigerian maritime industry with the objective of showing how these setbacks have crippled the growth and performance of the Nigerian maritime industry. This work found that there are many challenges that must be solved and taken into consideration because the maritime industry plays a vital role in the economy and growth of the Nation.

Keywords: Maritime, Maritime Industry, Maritime Activities, Maritime Environment, Setbacks.

1. Introduction

The Federal Republic of Nigeria is composed of thirty-six states and the Federal Capital Territory is Abuja. Nigeria has a coastline of approximately eight hundred and fifty-three kilometres. Her maritime infrastructure and facilities include ports and inland waterways, and her inland waterways are about 3000km. The country's principal container port is Lagos¹, other ports include Port Harcourt², Rivers State and the new port at Onne Free Trade Zone³. The Nigerian port is the gateway to the nation's economy. The maritime activities constitute a vital sector of the Nigerian economy and given the spate of activities within the sector including that relating to incoming and outgoing cargo; maritime sector faced with so many challenges⁴. Ojo stated that 'Nigeria is not only a littoral state but also blessed with rich internal waterways. Maritime activities include all activities linked to coastal shipping, waterways, passenger movements and coastguards. Maritime in its strict sense embraces all the maritime related business activities which take place within a country's maritime environment. These include offshore economic activities such as fishing, salvage, towage, underwater resources, and onshore economic activities such as port activities, maritime transport (shipping), ship construction, repairs, and maintenance activities. Due to close linkage between maritime activities and economic development, most nations cannot afford to treat it with levity, hence a conscious intervention needed to ensure that the national interest is protected⁵. These activities are complex, strenuous in nature and are subjected to international conventions, rules and regulations which guide the functionality and modalities of such operations.

2. The Maritime Industry

Maritime can be described as the all-embracing term, which covers matters relating to navigable waters such as the sea, ocean, great lakes, or commerce connected therewith. The process of navigating or engaging in commerce through various types of navigable waters introduces the related concept of shipping⁶. Nigerian Maritime Industry to O. M Atoyebi & L. Ebekhile in their article⁷ can be described as an all-encompassing industry which embraces all maritime related business activities that take place within the country's maritime environment. It ranges from offshore economic activities such as fishing, salvage, towage, and underwater resources to onshore economic activities such as ports activities, maritime transport (shipping), ship construction, repairs and maintenance activities as well as the enterprises involved in carrying out these activities⁸. Put in another way, the Nigerian maritime industry encompasses all activities related to maritime or coastal movement. This includes all activities linked to coastal shipping, waterways, passenger movements and coastguards. The Federal Ministry of Transport largely supervises this sector. Maritime activities in Nigeria could be seen

^{*}By Tochukwu Nkiruka NWACHUKWU, LLB (Hons), LL.M, PhD (in view), Faculty of Law, Nnamdi Azikiwe University, Awka, Anambra State, Private Legal Practitioner, AO2 LAW, Awka, Anambra State, Nigeria. Tel: +2348067673140. Email: tochianaje@gmail.com

^{*}Osinachi Victor NWANDEM, LLB (Hons), BL, LLM, FCIARB, MCIARB, PhD (in view), Faculty of Law, Nnamdi Azikiwe University, Awka, Anambra State, Private Legal Practitioner, Aluko & Oyebode, Lagos, Lagos State, Nigeria. Tel: +2348039579333, +2349168344399. Email: Osinachi Nwandem@aluko-oyebode.com; osinachinwandem@gmail.com

¹ Lagos main Port facilities are at Apapa and Tincan Island

² Port Harcourt is located 66 kilometers from the Gulf of Guinea along the Bonny River in the Niger Delta.

³ Onne is located 25 kilometers south of Port Harcourt

⁴ A Rhodes-vivour, 'Maritime Arbitration in Lagos' A paper delivered at the International Bar Association Conference on Arbitration in Maritime and Transport Disputes held in Hamburg Germany on the 26th – 28th April 2007 http://www.drvlawplace.com/media/maritimearbitration accessed on 12th May 2023.

⁶J C Anishere, 'Maritime Administration in Nigeria (1)' available on < https://www.shipsandports.org/detailadmi Ralty.php?id3> accessed on 12th May 2023.

O. M. Atoyebi & L. Ebekhile, 'The Maritime/Shipping Industry – Its Challenges and Prospects, and Implications for Foreign Investment' available on < https://omaplex.com.ng/the-nigerian-maritime-shipping-industry-its-challenges-and-prospects-and-implications-for-foreign-investment/> accessed on 12th May 2023.
8 Ibid

as a major lifeline of our developing economy. It is common knowledge that these activities are complex, strenuous in nature and are subjected to international conventions, rules and regulations which guide the functionality and modalities of such operations. Any policy that disrupts the smooth running of the industry will affect the efficiency and well-being of the society⁹.

The Maritime 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 setback 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 is already in existence ¹⁰. 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 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 focus¹¹. 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 amounts of funding ¹².

Despite the tremendous contributions of the maritime industry to the Nigerian economy, it cannot be described as a healthy environment. By implication the present level of performance of the sector could still be improved upon given the necessary tonic and impetus to do so¹³. Maritime deals with sea, shipping and sailing. The international transactions of import and export of products and services have made it essential for the facilitator of this transaction which is "shipping". Shipping has been a great weapon to achieve the prospects in international trade, the demand for which makes it mandatory for shipping, since 75% of international trade passes through sea. This has led to the development in sea transport otherwise known as maritime transport, shipping and other businesses that have relative links with water transport. Shipping is very essential to any non-landlocked nation. There is need for ship for the carriage of consignment from where it is produced to the place of demand¹⁴.

It is pertinent to state here that, the maritime industry is a highly technical, professional, competitive, and complex industry. Over the years, it has been bedevilled by serious fraudulent and unwholesome sharp practices. To a large extent, these problems have made our ports highly unattractive, unfriendly, and less competitive when compared with ports in West and Central African sub regions. Poor policy implementation, inadequate financing, inadequate maintenance of existing facilities, obsolescence of plant and equipment, decline in quality service, operational delays, severe congestion, proliferation of government institutional agencies, government policy inconsistency and lack of skilled manpower among other factors have combined to retard the actualization of the huge potentials in the maritime industry of the Nigerian economy¹⁵

Building of Local Capacity in the Nigerian Maritime Industry

Anishere¹⁶ saw the need to develop local capacity in the maritime industry of Nigeria. To the erudite writer, capacity building entails 'deliberate and or incidental endeavours through investment in people, institutions and practices, to enhance human abilities and institutional capabilities in the pursuit of national development.' It is a process of incremental acquisition of capacilities. The human dimension of capacity building is the process by which a nation develops and increases its human resources capabilities through the inculcation of relevant general and technical knowledge, skills, and effectiveness to realize set goals efficiency. On the other hand, institutional capacity building involves the development of capacities or organizations and institutions with a view to enabling them to accomplish their objectives. The reason the development of local capacity is important in the maritime industry is that the world depends on merchant ships to transport over 80% (by weight) or the total cargo exchanged in world trade. The present global economics could not exist without ocean shipping as two-thirds of the earth is covered by water. Ships now transport more than 5 billion tonnes of cargo each year and the total annual tonnes miles covered by merchant vessels exceed 10 trillion worldwide. Ships facilitate trade and are a very crucial component of a nation's competitiveness in international markets. The development of this local capacity

⁹ J C Anishere, Essays in Admiralty: An Introduction to Legal Issues in shipping from a West African Perspective (England: Petrospot Ltd, 2012) p. 99

¹⁰ F. E. Alari, 'The Maritime Industry of Nigeria: Challenges and Sustainable Prospects' available on https://dj.univ-danubius.ro/index.php/DWP/article/view/126/285#> accessed on 12th May 2023.

¹¹ F. E. Alari, op. cit.

¹² Ibid

¹³ J C Anishere, Essays in Admiralty: An Introduction to Legal Issues in shipping from a West African Perspective, op cit, p. 100

¹⁴ B T Adelayo, *The Practice of Shipping Operations* (Lagos: Mariac, 2007) p.29

¹⁵ S Echenim, 'Will Nigeria's Maritime Industry Sail Through' available on < https://www.leadership.ng/nga/artic les/will_Nigeria% Ez% Maritime_Industry_Sail_Through.html> accessed on 12th May 2023.

^{16 &#}x27;Maritime Administration in Nigeria (2) Developing Local Capacity in the Maritime Industry in Nigeria'<http://www.shipsandports.org/detailadmirality> accessed on 12th May 2023.

will enable Nigerians to take control of the maritime activities quickly and effectively alongside the West African subregions, potential as a regional maritime power. It will also increase effective participation of Nigerian- owned vessels, which would also help to reduce foreign companies' influence, charges and price fixing of freight rate which have inflationary tendencies. It will go a long way to improve our level of maritime technology and know- how¹⁷.

The first major policy drive towards local capacity building and development in the maritime industry in Nigeria was stimulated by attempts by government to respond to 1974 United Nations Conference on Trade and Development (UNCTAD) Code of Conduct Resolution (40:40:20 ratio). To build capacity to have a fair share of Nigeria's seaborne trade, government enacted the National Shipping Policy (NSP)¹⁸, which established the National Maritime Authority (NMA) with core function of local capacity building in ship ownership, building, manning, etc in coastal and upstream shipping¹⁹. The NSP created two major opportunities for indigenous shipping practitioners to leverage on and enhance capacity. These are (a) The Ship Acquisition and Ship Building Fund; and (b) Cargo Allocation. The Ship Acquisition and Ship Building Fund (SASBF) were meant to assist local shipping practitioners to acquire vessels. Cargo allocation was meant to distribute available cargo to genuine local shipping operators to encourage their growth²⁰. This effort is not enough; there is still need for more local capacity building and development in the maritime industry as decried by Anishere. Nigeria's maritime industry (excluding crude oil) accounts for about 120 million tonnes mile (about 0.13% of the world total) and yet is already playing a very significant role in the nation's economy, second only to petroleum. Apart from being a major foreign exchange earner, the maritime industry of Nigeria should generate substantial employment opportunities and boost national income and Gross Domestic Product (GDP)²¹.

The Structure of the Maritime Industry

Key players in the industry cut across all sectors of the economy. The players in the maritime industry can conveniently be divided into three categories (1) The Federal Government (2) Maritime institutions; and (3) Non-maritime institutions (4) Federal Government: Ministry of Transport – The federal government of Nigeria controls and regulates the maritime industry through the Ministry of Transport (5) Maritime Institutions – The maritime institutions can be further divided into two categories (a) Government Institutions and (b) Private Institutions (d) Government Institutions – These are made up of – (i) Nigerian Ports Authority (ii) National Maritime Authority (iii) Nigerian Shippers Council (iv) Maritime Academy, Oron etc. (e) Private Institutions – These are made up of –(i) Shipping companies (ii) Ship building companies (iii) Freight forwarding companies (iv) Oil exploration and producing companies (v) Logistics companies (vi) Niger dock (vii) Maritime training institutions (6) Non-Maritime Institutions – these consist of: (i) Cargo interests (ii) Maritime workers²²

The maritime industry is such that all the players are dependent on one another for the business to progress. One party buys the consignment another takes charge of the shipment and delivery at the port of discharge, whilst another party clears the consignment from the port of discharge and yet another delivers the consignment finally to the consignee. Even the vessel used for the shipment of the consignment is more often than not a product of a charter who may again lure the vessel to a third party²³. It is obvious or glaring that the various players in the maritime industry relate at some point in the ordinary course of business and this relationship gives rise to dispute and disagreements. The problem has always been identifying the appropriate dispute resolution mechanism to apply in resolving the disagreements.

Setbacks in the Maritime Industry

The maritime sector has been encountering a lot of setbacks which include the following:

Marine Infrastructure and maintenance deficit: The Marine infrastructure deficit was identified as one of the major challenges faced by the Nigerian Maritime Industry, because its success is largely dependent on its infrastructural development which includes ports, terminals, and cargo handling equipment, ²⁴most of which were built several years ago, and cannot presently handle all the tonnes or capacity currently received daily. One of the major causes of infrastructural deficit is the unavailability of operational equipment, coupled with the failure of the industry's management personnel to widen the country's shipping business, which has ultimately culminated in the country's revenue loss in the industry in the last few years. ²⁵ Even in cases where these equipment are available, the required expertise to achieve a proper maintenance

¹⁷ J C Anishere, 'Maritime Administration in Nigeria (2) Developing Local Capacity in the Maritime Industry in Nigeria' op cit

¹⁸ Decree No 10 1987 now National Shipping Policy Act Cap N75 Laws of the Federation of Nigeria 2004

¹⁹ C N Chizea, 'Development of the Maritime Industry: Issues and Challenges' A Paper Delivered at the Nigerian Institute of Shipping's Annual Maritime Lecture, Investiture and Award held in Lagos on the 19th November 2008 p. 7
²⁰ Ibid

²¹ J C Anishere, 'Maritime Administration in Nigeria (2) Developing Local Capacity in the Maritime Industry in Nigeria' *op cit* ²² I Wilson *on cit* p. 20

²³ S Ogwemoh, 'Imperative of a Nigerian Maritime Organisation' http://www.nigerdeltacongress.com/articles/in accessed on 31st July 2012

²⁴P.M Brickstone, 'Nigeria Maritime Industry' Proshare Intelligent Investing (17, January 2019) < https://www.proshareng.com/news/TRANSPORTATION/Nigeria-Maritime-Industry/43571> accessed 21 April 2022

²⁵Bayo Akomolafe, 'Infrastructure Deficit Rattles Maritime Sector Stakeholders' https://www.newtelegraphng.com/infrastructure-deficitrattles-maritime-sector-stakeholders/ > accessed 22 April 2022.

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structure seems quite hard to find, as most persons involved in the chain of vessel acquisition and maintenance do not always possess the requisite expertise. In a maritime survey conducted in 2019²⁶, it was discovered that most companies in the industry have no room for maintenance expenditure, as it is often considered a waste of resources. Although there have been various reactions to this issue, most of which highlight this challenge, this is a crucial aspect that must be addressed to secure the consistent growth that is required in the industry.

Loss of revenue owing to inefficiencies and sharp practices: In recent times, research²⁷has revealed that Nigeria is currently losing over 15 billion naira in revenue, with its percentage in ownership of vessels lower than the 8% contemplated in extant legislations, owing to the unpredictability in maritime operations, sharp practices, unanticipated delays in ports shipment etcetera. More so, the collaboration amongst stakeholders, inclusive of regulators and operators alike, to curb or mitigate the existing efficiencies through the promotion of global best practices, and the use of innovative technologies seem to be slow-paced.

Lack of Funding and Government Support: The Maritime Industry is largely capital intensive and thus, requires a significant amount of funding as a lot of businesses thrive on the success of the industry, which is due to the high demand of shipping and trade level in the country. Over the years, the maritime industry has been stiffened by insufficient funding leading to gross inefficiency and lack of effectiveness in the management of the shipping and maritime industry services at the end. The danger in the insufficient funding of this industry is that it would impede economic growth to a large extent, creating a lot of risks for foreign investments.

Lack of legal Provision Reserving Marine Transport services to Nigerians: One great set back in the Nigerian maritime sector is the issue of no legal provision reserving the provision of marine transport services to Nigerians or to Nigerian owned/registered vessels. In Nigeria today, foreigners dominate coastal and inland water transportation, foreigners own the bulk of the fleet operating in Nigerian waters, and foreigners feature significantly as service providers and intermediaries such as pilots, crewmen, engineers, freight forwarders, bunkers etc²⁸.

Sea Piracy Problems: The challenge of insecurity in the water--ways is another factor militating against maritime business in Nigeria. The coastal areas are not secured for business for fear of sea pirates.²⁹ According to the International Maritime Bureau, around 73% of the global kidnappings and hostages are attributed to the West African Region.³⁰ it is on record that, some essential goods with high premium have been lost due largely to insecurity of cargo in the ports. Over the years, the maritime industry had indeed faced different challenges of serious insecurity problems both at the ports of origin and destination. Research has shown that total cost of piracy is very high annually in addition to human cost and this is greatly affecting the shipping sector as stakeholders and investors are not contributing to the industry due to this security problems. However, the government has introduced the Anti-Piracy bill in June 2019 and the purpose of the bill is to ensure safe and secure shipping on Nigeria waters, prosecute infractions and criminalize piracy according to NIMASA.

Improper Implementation, Inconsistency and Frequent Shift of Government Policies: Over the years, the maritime industry has been badly hit by several government policy summersaults or policy inconsistencies, which by nature are very abrasive and reflecting some level of negative impacts both in the productivity and operational efficiency of the sub-system of the entire economy. The frequent shift in policy direction of government in issues regarding shipping as a critical industry, (such as pre-shipment and destination inspection regimes), over the years, is a serious problem militating against the growth and development of the industry. The speed and frequency at which these major policies are twisted, changed and/or reversed, often without clear pronouncements, have led to confusion among freight forwarders, clearing and forwarding agents and other stake holders. These frequent changes in policies have greatly hampered growth within the industry. The government should know the dangers inherent in such changes and goal post policy shifting and therefore takes steps to establish sustainable policies in the industry. These improper implementation, inconsistency and frequent shift of the government policies have created unfriendly operational environment in the maritime industry. Over these years, the industry has been very unfriendly in outlook to its investors, users, and stakeholders due largely to some of the unfriendly policies enunciated by successive government of the day, which have been very hostile and negative to the growth and development of the industry.

Lack of Managerial and Operational Knowledge and competence Unprofessionalism: It is regrettable to note that, the operational performance, productivity, and overall administration of this vital sub-sector, has also been left to the whims and caprices of unprofessional managers, who know nothing about the challenges of the industry. More so, most operations

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²⁶Bayo Akomolafe, 'Infrastructure Deficit Rattles Maritime Sector Stakeholders' https://www.newtelegraphng.com/infrastructure-deficitrattles-maritime-sector-stakeholders/ > accessed 22 April 2022.

²⁷ P.M Brickstone, 'Nigeria Maritime Industry' Proshare Intelligent Investing (17, January 2019)

²⁸ I Umar, op cit

²⁹ O U. Edih*et al*, 'Prospects and Challenges of Maritime Business in Nigeria" *Direct Research Journal of Management and Strategic Studies*, vol. 3 (2) pp. 8 – 13, March 2022

³⁰ O. Animashaun, op.cit

and stakeholders in the shipping/maritime industry lack the basic operational knowledge and education to function effectively, efficiently, and optimally, hence given to mediocrity, unprofessionalism, and non-excellence as to the way and manner issues of this industry has been directed over the years. This is an industry where 70% of the operators and stakeholders are acute illiterates. This has over the years, affected the operational performance, output and value-added services within the confines of the shipping-maritime industry environment. Most of the issues that have bedeviled the industry over the years, stems out from lack of manpower and lack of professionals within the system which have impacted negatively on its growth, operational modalities, and performance.

Lack of Operational Shipping Policy: The lack of an operational shipping policy framework has brought some form of crisis in terms of holding some level of trust and confidence in the operations of the industry. This is a recipe for underdevelopment and inefficiency of the national economy. This lack of an operational shipping policy framework has also ignited an attitude of nonchalance among operators, stakeholders, ship-owners, ship agents, and freight forwarders, also hell has let lose within the confines of the operational system, as there is no policy reprimand for offenders, and this has affected negative impacts in the operational modalities of the system.

High Tariff Syndrome and Stake Holders' Antics: The problem of exorbitant tariffs and rates affect the efficiency of and operational performance of the shipping industry. This is because over the years, this has led to fraudulent and sharp practices by importers, exporters, and freight forwarders. It has also led to the diversion of Nigerian bound cargo to ports of neighbouring countries in the central and West African sub region. Despite the various port reforms of government over the last two decades, tariffs and rates in Nigeria remain very high and unaffordable; it is still the highest in the West and Central African sub region. This greatly affects the operational efficiency of the profession and the industry. Also, it has denied Nigerian ports, their rightful status of being the hub of West and central African sub-region in terms of freight movements, distribution, and transshipments³¹.

Operational Vices and Sharp Practices: The lack of an enduring maritime policy framework has over the years, ignited some operational vices and sharp practices in the industry, which culminated in under-declaration, under invoicing, concealment, falsification of documents, importation of contrabands and so on. This ultimately leads to capital flight and economic sabotage. These have negatively affected the operational performance of the entire maritime industry.

3. Solutions to Some of these Problems

The government is the first point of call for development in the Nigerian Maritime Industry. In order to ensure that the industry remains functional and responsive to Nigeria's needs, the government has a role to play in each of the following policy areas Regulation, control and licensing, Monitoring and implementation of set goals, Provision and maintenance of infrastructure, Standardization and harmonization of port operations, Provision of an enabling environment for all maritime actors and stakeholders, Provision of fund, collateral and finance in such a manner that maritime goals and objectives for the country can be realised, Initiation, implementation and coordination of maritime policies within the context of a national transport policy and the socioeconomic thrust of the government, Acting as intermediary for maritime operators on international issues and Protecting indigenous maritime operators in such a way that incremental growth and development of the sector can be achieved. Other solutions to the already mentioned problems are as stated below.

- Efficient implementation of government policies.
- Incorporation of professionals Staff into the Maritime Industry to curb the manpower shortage in the industry.
- Abolition of harsh or hostile government policies to welcome investors and stakeholders in order to develop the sector.
- Disbursement of Adequate funds by the Government to the Sector to enhance and develop the industry as the problem of inadequate finance is a major problem of the Maritime Sector in Nigeria.
- Creation of a standard operational shipping policy.
- Reduction of the high tariff rates and provision of educational knowledge of Maritime in more higher institutions.
- To curb concessioning and container traffic, it is recommended that the government should make frantic efforts to seriously ensure that both rail line and rail sidings should be connected to each of the inland Container Depots across the six geo-political zones of the country at the end of the day. This is because, these infrastructural facilities if achieved will resolve the problems of port congestion, thereby increasing port's output, productivity and efficiency of the port system. It is also recommended that, the Government should as a matter of policy through the supervisory coordination of the Nigerian Shipper's Council to ensure that all the approved ICDs should be functional in terms of effective operational modality through the effective rail movements of these goods to the ICDs as expected. This will serve as a fillip to the efficient functioning of our ports system at the end of the day. he Nigerian Port Authority (NPA and other relevant agencies should maintain and employ more equipment for cargo operations as it is necessary for the facilitation of port effectiveness and there should be constant and consistent dredging and maintenance of the waterways, port terminals and other facilities as it will enhance sub-regional transhipment trade

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³¹ O. Animashaun op.cit

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in the country. There should be adequate port security to avoid unnecessary breakdown of operations and other fraudulent activities within the port.

• Effective implementation and Enforcement of the Anti-Piracy bill.

4. Conclusion

The government has taken some appropriate measures to curb the various problems plagued with the Nigerian Maritime Industry. However, Nigeria still has a long way to go in making its maritime sector rank one of the world's best maritime sectors in the world. Various solutions have been proffered but the government boldly turns a blind eye to these resolutions. It is important for the government to take these solutions into consideration as the maritime sector in Nigeria is one of the most important sectors that should not be ignored as it is a major factor for developing the country itself.