IMPACT OF CABOTAGE ACT ON MARITIME OPPORTUNITIES AND ECONOMIC GROWTH IN NIGERIA

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Abstract: From the research conducted, it has become quite clear that the maritime issue is tied to National Defense and Economy. For smaller States without regional, strategic and political interest, the concept of free port, full laissez faire economy and liberal shipping policy and practice may lead to economic growth. However, the study revealed this to be the exception rather than the rule. Only Hong Kong, a small erstwhile colony of Britain, and Singapore could be said to have leaned towards this practice. The bulk of other states have continued to reflect their domestic economic development agenda on their shipping policies. The strategy has been generally to support and build a more competitive local shipping industry. The more successful a nation's shipping industry, the more liberal its position towards true liberalization of the shipping. However, there is clear evidence that forms of national support could attract hostility or accommodation depending on how it affects overall trade and industry practice. Besides, the clout or perception of the strength of a country can also define the international tolerance level. A clear example is the legislation and practice of cargo preference by the USA, in spite of the EU position. Apart from this, the size of market and the over-all maritime potential of a nation can also inform others' position on its shipping policy.

Keywords: Cabotage, Shipping, Maritime, Cargo, Towage, Bunkering, Vessel, Stevedoring, Dredging

I. INTRODUCTION

The term "Cabotage" is a Spanish word which refers to the maritime trade along country coastlines. In the context of its usage in the study, the term Cabotage refers to the coastal shipping opportunities which exist in respect of Nigeria's coastal maritime trade.

The captivation of this lucrative shipping market opportunity is expected to occur as a result of the compulsion of the restrictiveness provisions of Cabotage Law. The market reservation provisions of the law is intended to achieve the reservation of a significance part of the Nigerian coastal shipping business opportunity, particularly those existing in respect of the local carriage of goods, the coastal transport of men and materials, the supply of offshore vessels of differing operational and market role description, the supply of all manner of shipping services between all Nigerian coastwise and offshore locations for Nigerian operators only (Walter, 2010). The commencement of the Cabotage regime is supposed to effectively signal the rebirth of Nigeria as a budding regional player (Abubakar, 2002).

The Maritime Industry in Nigeria

When the word Maritime is mentioned, what really and readily come to minds are ships and movements of cargo. These, no doubt, make up the hardware of the Maritime industry. But a "ship" does not refer to beasts and meter vessels alone. It is interesting to note that drilling rigs, offshore platforms, buoys and other

offshore including mobile units are deemed to be ships under maritime Law. Revolving around this hardware is a wide range of services which make-up the software of the industry. These include Manning services, port services, Pilotage and towage, dredging, Stevedoring services, bunkering and freshwater and other victuals services and of course agency services. It is also a known fact that, Maritime transportation on its own is a major earner any day. (Osma, 2005)

The Maritime Sector of any economy is like an orbit around which the economic being of the country revolves or rotates. Even the land locked countries cannot progress too far in their developmental programmes without having some collaborative understanding and co-operation with countries having seaport access. This scenario is understandable against the backdrop of the fact that over 90 percent of International Trade is done by sea or carried by ships. The number of world fleets today stands at about 46,000 Cargo carrying vessels with varying sizes and cargo carrying capacities. It is believed that on daily basis, these ships move millions of tons of cargoes comprising goods and commodities, fuel, crude oil,

raw materials, machinery and equipment, foodstuffs, medicaments and others around the world. The situation is not different in Nigeria, as a member of international community. It is estimated that well over 90 percent of her visible international trade is sea borne. Nigeria as a nation that heavily depends on exports of crude oil for her foreign exchange earnings and importation of various goods including raw materials for industries cannot but pay serious attention to her maritime sector. This, most probably, must have been one of the reasons why the Federal Government is paying particular attention to the reforms carried out at the nation's Maritime Sector.

The Nigerian Maritime Administration and Safety Agency (NIMASA), formerly known as National Maritime Authority (NMA) is virtually an important agency of Government charged with the overseeing of the vast maritime activities in the country. Nigeria is naturally located in the important international trade routes, and is divinely blessed with much viable maritime environment. The vast resources of this environment have serious impact on the nation's economy. In 1974, UNCTAD Code of conduct for cargo sharing known as UNCTAD 40, 40, 20 was adopted.

The Nigerian Shippers Council was subsequently established by decree 13 of 1978, and charged with the responsibility of organizing shipping activities in Nigeria. However, the National Maritime Authority (NMA) was established by decree 10 of 1987 to implement the Nation's shipping policy in line with the UNCTAD communities. Hence, the nation was ready for full participation in merchant shipping line activities. The Nigerian National Shipping Line (NNSL) was incorporated to enable the country to participate fully in the Nation's Maritime Trade. As at 1987 the NNSL could boast of a fleet of 27 vessels. Sadly enough, NNSL now stands liquidated.

National Unity Line (NUL) replaced the NNSL. It began with one vessel. It also suffered similar fate as NNSL. It is believed that, as at the last count, there were about a total of 122 registered shipping companies in Nigeria and all of them mostly depend on chartered vessels to carry their own share of cargo. Nigeria is richly endowed with maritime potentials which Britain, the colonial masters discovered, amply exploited and utilized to further their trade between their colonies in West Africa and Britain. With her vast coastline, marine, economic and human resources, Nigeria was seen by the British at that time as a potential leading maritime nation in West Africa. True to this "prediction" Nigeria at independence, realizing the imperatives of economic and political independence as a young nation quickly proceeded to establish the Nigerian National Shipping Line (NNSL) among other dimensions. Again along with other newly independent African countries, Nigeria joined the International Maritime Organization (IMO).

The scope of this research study will be limited to the impact of Cabotage act on maritime opportunities and economic growth in Nigeria.

II. METHODOLOGY

This research highlights the process and procedure used in this study. Also ensures that the procedure employed in this study is carefully planned so as to obtain accurate and complete information about the research question under review. 100 questionnaires were sent to respondents, however only 93 of these responses were collected. Likert response scale were used to understand the varying level and degree of the impact of Cabotage act on maritime opportunities. However, this research faced some limitations such as; Non-availability of secondary data which would have enhanced the reliability and validity of the work. The level of the respondents' knowledge about Cabotage act. Lastly, the problem of inadequate responses from the respondents.

III. FINDINGS AND DISCUSSIONS

Table 1: Indigenous stake holders are protected by the Cabotage act.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	UNDECIDED	7	7.5	7.5	7.5
	STRONGLY DISAGREE	2	2.2	2.2	9.7
	DISAGREE	3	3.2	3.2	12.9
	AGREE	21	22.6	22.6	35.5
	STRONGLY AGREE	60	64.5	64.5	100.0
	Total	93	100.0	100.0	

Source: Field survey: March, 2012.

Table 1 above shows that 60 (64.5%) of the respondents strongly agree that indigenous stake holders are protected by the Cabotage act, 21 (22.6%) of them agree, 3 (3.2%) of the respondent disagree with the question and 2 (2.2) of them strongly disagree, while 7 (7.5%) of the respondent were undecided. This shows that the indigenous stake holders are protected by the Cabotage act. This analysis also indicates that a total of 81 (87.1%) out of the 93 respondents are in support of the question.

Table 2: Increase in the participation of indigenous players in maritime sector has increased the nation's gross domestic product.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	UNDECIDED	5	5.4	5.4	5.4
	STRONGLY DISAGREE	57	61.3	61.3	66.7
	DISAGREE	26	28.0	28.0	94.7
	AGREE	3	3.2	3.2	97.9
	STRONGLY AGREE	2	2.2	2.2	100.0
	Total	93	100.0	100.0	

Source: Field survey: March, 2012

Table 2 above shows that 2 (2.2%) of the respondents strongly agree that increase in the participation of indigenous players in maritime sector has increased the nation's gross domestic product no matter how small it is, 3 (3.2%) of them agree, 26 (28.0%) disagree, 57 (61.3%) strongly disagree while 5 (5.4%) of the respondents are undecided.

This result shows that 83 (94.7%) out of the 93 respondents are not in support of the question, that is, increase in the participation of indigenous players in maritime sector has not significantly increase the nation's gross domestic product.

Table 3: There are new investments and business ventures in maritime sector due to the Cabotage act.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	STRONGLY DISAGREE	8	8.6	8.6	8.6
	DISAGREE	7	7.5	7.5	16.1
	AGREE	26	28.0	28.0	44.1
	STRONGLY AGREE	52	55.9	55.9	100.0
	Total	93	100.0	100.0	

Source: Field survey: March, 2012.

Table 3 above shows that 52 (55.9%) of the respondents strongly agree that there are new investments and business ventures in maritime sector due to the Cabotage act, 26 (28.0%) of them agree, 7 (7.5%) disagree, and 8 (8.6%) strongly disagrees while none of the respondents were undecided. The above result reveals that out of the 93 respondents, a total of 78 (83.9%) them agrees that there are new investments and business ventures in maritime sector due to the Cabotage act. Nigeria's trade is dominated by foreign shipping companies. The trade is mainly import-oriented, except for crude oil, which accounts for over 90% of the export trade. The transportation of crude oil is largely carried out by foreign tankers as the terms of trade is on FOB basis. The non-participation of indigenous shipping companies in the transportation of crude oil and LNG means a huge loss to the Nigerian economy, amounting to an aggregate of USD 10.5 billion in 5 years.

The vessel capacity of indigenous shipping companies is abysmally low with an average age distribution of 27 years. This places the Nigerian Shipping companies at a disadvantaged position in international competition. There are enormous opportunities for indigenous participation in coastal and domestic trades which involve mainly the lifting of petroleum products from Nigerian oil terminals to West African countries and between Nigerian ports. There are also good opportunities for indigenous participation in offshore oil and gas vessel supply services.

The Nigerian inland waterways are grossly underdeveloped, though they represent viable investment opportunities. The Nigerian public sector cargo represents over 70 percent of the total cargo output at the Nigerian ports. It has also been discovered that Cabotage has attracted new businesses to the maritime sector. The stakeholders in the maritime sector are fully aware of the benefits of the Cabotage laws. It has been uncovered that many of the stakeholders' companies may not part-take in the Cabotage business because of lack of capital, personnel, infrastructure, incentives (reduced cost of investment i.e. interest) and the ease with which to borrow funds.

It is observed that the aims, objectives and purpose of Cabotage laws are known to the stakeholders in the Cabotage industry. From the investigations so far carried out, it has been discovered that the stakeholders have the view that the real role of the NMA in the new Cabotage regime should be regulatory.

It has also been unveiled that cargo reservation can develop and enhance maritime capacity building in Nigeria. That there is a possibility that cargo reservation principle will be acceptable in this era of

Cabotage and globalization, if well harnessed, and articulated.

During the cargo allocation regime, the NMA concentrated mainly on what may be seen as private cargo rather than working out an effective mode and control mechanism for major public cargo generators in Nigeria i.e. the NNPC, Ministry of Mines and Power, Ministry of Works etc. Distribution of export private cargo was quite negligible. Import Private Cargo is quite less than Import Public Cargo. The total absence of control of Public Cargo resulted in the non-use of waiver powers conferred on the NMA and the Ministry of Transport. Indigenous shipping companies see the relevance of the NMA in terms of mandatory collections. Indigenous companies were disillusioned with NMA during the cargo allocation era, because, they perceived that it encouraged a patronage system in which owners of ships were not getting cargoes. Rather, cargoes were allocated to "brief case shipping companies" and "Connected" public officers. This explains the reason why they felt unconcerned when cargo allocation was suspended. Because of the implication of arbitrage in Cargo allocation it was not favourable to any of the stakeholders in shipping. Rather, it increased the cost of doing shipping. The NMA feels that indigenous shipping companies were lazy and relied solely on them for their cargoes instead of equally sourcing elsewhere. The NMA feels that indigenous shipping companies do not possess the required vessels for available cargoes. That one of the ways that the Cabotage regime triggers economic activity and economic growth in Nigeria is through the entrepreneurship empowerment, job creation through restructured and reorganized NMA/NPA, hence, the increased earning of the NMA, through redefined, well-organized NMA working conditions and environment with professionals in place.

With the concession of the ports, the concessionaires would ensure strict enforcement of the Cabotage laws. The stakeholders would engage professionals who would be competent, resourceful and capable of taking advantage of the opportunities the Cabotage regime has created in the maritime sector to improve their lots, hence the nation's economy.

CONCLUSIONS

The Nigerian experience revealed much confusion for several reasons. Apart from getting involved in the turbulent politics of ocean-borne trade right from the start without grooming and nurturing local competence, first, it totally ignored the need to create a learning curve with the sheer absence of Cabotage legislation. In seeking to implement the National Shipping

Policy Act, the NMA left out the bulk of section 14 cargoes, in pursuit of section 9 cargoes. Added to the fact that its application of section 18 was reduced to bureaucratic procedure, private cargoes by the fact of ownership, size and numbers were quite cumbersome to identify, control and allocate. It also tended to affect usual commercial trade practice. Moreover, the shippers were left to pay a high transaction cost incidental to the measure for the support of indigenous shipping companies. Yet there was no remarkable growth. Rather, the decline and demise of conference lines made cargo allocation procedure unclear to understand and control.

However, the study noted that defective and distasteful as Cabotage regime might appear to others, the NMA and other stakeholders still have the statutory duty to assist the maritime development of Nigeria. To do this, it was seen that public sector cargo size in Nigeria could provide a firmer and justifiable ground for the commencement of a credible programme. A more efficient cargo support programme then should focus on the control and involvement of Nigerian shipping companies in the carriage of section 14 cargoes. Not only are these easier to identify and manage, the resistance to the approach is not also expected to be high.

Two reasons account for this position. First, a review of the USA cargo preference revealed that the practice did not inhibit intended competition. It did not also affect usual commercial practice between a willing buyer and seller. All it did was to identify government – impelled cargo for competition among domestic shipping companies. In the event that no national flag could take up the cargoes, a waiver was issued allowing foreign vessels to lift on certain conditions. Although the US power and clout could account for the success of this approach and its seeming international accommodation, it is submitted that public institutions generating such public cargoes do have a contractual right to decide the terms of trade and the contracts they wish to choose. Besides, the linkage between national flag and defence and security needs can easily come handy as a precedence represented in the consideration of a nation's interest, politics and survival.

ACKNOWLEDGMENTS

The author appreciates the support of the department of transport management, Ladoke Akintola University of technology, Ogbomosho for the valuable assistance rendered during the course of the research. Our gratitude also goes to the conference organizers for granting the privilege to participate at the conference.

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