

**EXAMINING GOVERNMENT POLICIES FOR THE DEVELOPMENT
OF NIGERIA'S MARITIME INDUSTRY**

BY

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1. INTRODUCTION

The theme of this Convention resonates very much with industry stakeholders. We are all very passionate about the maritime industry and have expectations on where the maritime should be at this time. I was to speak on government policies towards shipping development but have taken the liberty to adopt a wholistic approach and therefore the paper speaks to government policies for the development of the maritime industry. Shipping is unarguably central to the maritime industry but to have a sustainable and thriving shipping development, a country must develop other areas of the maritime industry.

Reference to maritime industry encompasses ship ownership, seafarers, shipbuilding & ship repair yards, ports and logistics, maritime academic institutions, maritime finance, shipping lawyers, equipment manufacturers, fisheries and several other shipping related activities. I find the definition of maritime industry in the 2018 Report by Menon Economics and DNV GL very comprehensive and adopt it as the operative definition for this paper. The Report defines maritime industry as "all companies that own, operate, design, build, deliver equipment or specialized services to all types of ships and other floating units" - *Report on "The Leading Maritime Nations of the World", 2018 by Menon Economics and DNV GL*. All the maritime sub-sectors listed in the beginning of this paragraph can comfortably sit in this definition.

Everyone is in agreement that Nigeria has abundant marine resources. To mention a few, the Atlantic Ocean that abuts our coastline, petroleum, gas, fisheries and inland waterways etc. Nigeria is located alongside the Gulf of Guinea with a coastline of 852km bordering the Atlantic Ocean and a maritime area of 46,000sq

km which places the country makes it a potential major maritime nation. While the major revenue earner for the country is the hydrocarbon industry, statistics indicate that the maritime transport component of that trade is an estimated USD8m annually. - *NIMASA: Nigeria's Maritime Industry Forecast 2018-2019: Emerging Opportunities and Challenges.*

Major shipping countries adopt a comprehensive approach in the formulation of policies for the maritime industries. Such policies cover the entire gamut of maritime industry so provides for ownership and operation of ships, ship building and repair, freight industry, supply of services to and management of ships, maritime infrastructure, import and export services involving shipping transportation, ship finance, marine insurance and maritime laws. The rationale for this method is the realization that fiscal condition in one segment affects the overall profitability of the shipping sector and its attractiveness or otherwise for investment purposes.

Maritime industry is of itself a major source of wealth creation and at the same time is a major service provider to other industries and therefore could be said to be central to the overall development of the economy. This underscores the need to develop a comprehensive and coordinated policy for the maritime industry that will galvanize the sector towards a structured and sustainable development. This paper will dimension and examine the policies required to catapult Nigeria to a major maritime nation.

2. Emerging Leading Maritime Nation

Globalization, technology and specialization has disrupted the traditional trend in world fleets and market dominance by the British, Greeks, Norwegian and the Japanese shipping companies. Today, the 10 leading maritime nations are China;

United States; Japan; Germany/Norway/South Korea for 4th position; Greece; United Kingdom; Singapore; followed by France and Italy for 10th position. - 2018 *"Leading Maritime Nations of the World"* Report published by Menon and DNV - GL.

Nigeria desires to be one of the strong maritime nations, at least, in Africa. One indication of this desire is the country's efforts to be admitted into the Council of the International Maritime Organization (IMO). To achieve this goal, Nigeria has to demonstrate that it has significant interest in shipping. IMO-Importance is one of the indicators employed by DNV - GL in assessing the 30 countries studied in its 2018 Report on the Leading Maritime Nations. Secondly, the Nigeria Vision 2020 expresses the country's goal to emerge as "one of the 20 leading global economies in the world by 2020" and presumably that should include the development of its maritime industry.

At the core of the maritime industry is the shipping sub-sector. Ships (floating) provides the platforms necessary to convey goods and passengers from one point to another - long and short distances and remains the preferred mode for transportation of goods in international commerce. Logically, therefore, the fulcrum of a nation's maritime policy must be centred around shipping and related businesses.

However, a review of what is commonly regarded as Nigeria's development policy document paints a very distressing picture. I am referring to the Nigeria Vision 2020 issued in 2010. The Vision 2020 failed the maritime industry in different levels.

Vision 2020 identified 5 thematic areas as key sectors for economic development, namely: Agriculture and Food Security; Energy; Finance; Manufacturing; and Solid

Minerals. National Technical Working Groups were established for each of these thematic areas with the task of developing short- and medium-term strategies for the development of these sectors. The Vision 2020 policy document display what is generally referred to as “sea blindness”. It was oblivious to the reality that energy, manufacturing, agriculture, solid minerals, all depend on transportation services and in particular shipping services given its status as the preferred mode for international transportation for imports and exports. It is therefore not surprising that while efforts have been made by agencies of government (MDAs, CBN etc) to stimulate growth, provide incentives in the named thematic areas, as a follow through to the action plan under the Vision 2020, not much has been done for the maritime industry.

Section 4 of Vision 2020 on “Sustaining Social and Economic Development - Improving Transportation” p.20, reproduced hereunder further demonstrates the sea blindness even where “transportation” was considered:

“The current transport infrastructure in the country is inadequate to meet the needs of a 21st Century economy. In the aviation sub-sector, NV20:2020 plans to establish an effective and efficient emergency search and rescue unit under the Federal Airports Authority of Nigeria. For land transport, the government will construct eight major roads (6-lane at the minimum) to link the extreme ends of the country e.g. two (2) diagonally: Maiduguri-Lagos and Sokoto-Calabar, two (2) across the country: Kano-Port Harcourt and Ilorin-Yola and four (4) spanning the borders of the country: Sokoto-Maiduguri; Sokoto-Lagos; Lagos-Calabar; Calabar-Maiduguri; and also Lagos-Benin-Onitsha-Enugu-Port Harcourt. The roads will facilitate inter-zonal transportation, while states will construct feeder roads to link with the major roads. It will also develop an expansive, efficient and affordable multi-modal transportation

network plan for major cities. This will include development of pedestrian, cycling, public transit facilities, road, rail and water transport. The government will also privatise or concession the Nigerian Railways to the private sector to rehabilitate and reposition it for effective operations.”

The document sets clear goals and road maps for land and air transport but none for marine transport. Little wonder that the development strategies by MDAs also omit the maritime industry, it, not having been identified as a key sector for economic development. The neglect of the maritime industry stands out painfully in the basket of incentive offered by the Central Bank of Nigeria (CBN), Ministry of Finance, Federal Inland Revenue Service (FIRS) published in the Compendium of Investment Incentives in Nigeria 2018 published by the Nigerian Investment Promotion Council (NIPC).

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Note, in particular, section 3 of Sector Specific Incentives. Investment incentives are available for 4 of the thematic areas identified in Vision 2020 as keys sectors for economic development. This is very significant because

prospective investor in shipping is interested in the incentives and protections available to the shipping industry comparable to that obtainable in other maritime nations before a decision is taken to flag a vessel in Nigeria or to invest in other areas of the industry.

That being said, it will not be correct to state that Nigeria does not have some sort of policies for the maritime industry. Yes, one can opine that Nigeria does not have a composite document that could be referred to as “the” policy document for the maritime industry but that is not unusual or peculiar to Nigeria. Let me quickly say that I am not undermining the importance of a comprehensive and coordinated policy for the maritime industry. However, one can glean Nigeria’s policy thrust for the maritime industry from the several extant legislation and existing institutions. A review of the laws supports Nigeria’s broad intentions and commitment to:

- a) Be a responsible coastal, flag and port State
- b) Develop Nigerian Fleet (ship ownership).
- c) Coastal shipping
- d) Maritime manpower (seafarers)
- e) Maritime legal services
- f) Local fabrication of equipment used in the oil and gas sector
- g) Maritime infrastructure - ports infrastructure (incl port access channels, navigational aids).

3. ON-GOING INITIATIVES

i) Nigerian Fleet Implementation Committee (NFIC)

In an effort to trigger growth of Nigerian fleet for international seaborne trade and coastal shipping, the Honourable Minister of Transportation, Rt Hon Rotimi Amaechi, in April 2016, set up a Ministerial Committee on Modalities for the Development of a Nigerian Fleet which Committee metamorphosed into an implementation committee (NFIC) upon the successful completion of their task. The NFIC are mandated to:

- Develop strategies that will incentivize the private sector to invest in ship ownership and to register the ships in the Nigerian Ship Registry;
- identify institutional framework to support the establishment of a sustainable Nigerian Fleet;
- identify areas of “government support” for the shipping industry;
- Set out the action items to encourage the development of ship building and ship repair facilities;
- Provide guidelines and recommendations to augment maritime manpower capacity; and
- provide practical guidelines for attainment of the mandate and to midwife the implementation of the recommendations a Report

The NFIC, chaired by Mr Hassan Bello, the Executive Secretary of Nigerian Shippers Council has recorded tremendous strides thus far. While not pre-empting the report of the Committee, productive consultations have been had with the underlisted (non-exhaustive) individuals and institutions.

- a. Office of the Vice-President of the Federal Republic personally chaired by His Excellency, Professor Osinbajo with relevant Ministers and CEOs of government Agencies in attendance;

- b. Hon Minister of Budget and National Planning
- c. The Economic Recovery and Growth Plan (ERGP) Implementation Team of the Ministry of Budget and National Planning
- d. Hon Minister of State for Petroleum
- e. Nigerian National Petroleum Corporation (NNPC);
- f. Nigerian Content Development and Monitoring Board (NCDMB);
- g. Infrastructure Concessions Regulatory Commission (ICRC)
- h. Nigerian Content Development and Monitoring Board (NCDMB)
- i. African Export Import Bank (AFREXIM) and
- j. African Development Bank (ADB)

The NFIC has recorded positive outcomes which will be published in its report but suffice it to say that the effective participation of Nigerians in shipping particularly in ownership and operations of ships now has the attention and commitment of government from the highest levels and as a result thereof, all the key stakeholders are actively collaborating to achieve the mandate of the NFIC. The Chairman, Mr Hassan Bello continues to pursue this assignment with much vigour and passion.

ii) Draft National Transport Policy

Following the production in 2016 of a Draft National Transport Policy (NTP) by the 2014 Technical Committee on the NTP and presentation of the draft policy to the 15th National Council on Transportation (NCT) held in Sokoto in August 2017 by the Honourable Minister of Transportation, the Council constituted an Inter-Ministerial Committee to finalize the 2016 Draft NTP. The Inter-Ministerial Committee for the Finalization of the National Transport Policy was inaugurated by Hon. Minister of Transportation on 19th October 2017. The Committee comprised of experts from relevant Ministries, Departments and Agencies; and private sector experts in the various fields of transportation including educational institutions and professional bodies. The Final Draft

National Transport Policy 2017 produced by that Inter-Ministerial Committee was submitted to the Hon Minister of Transportation in November 2017.

The new Final Draft NTP provides for integrated transport system, governance and implementation strategies. The introductory part establishes the Basic Policy Framework and underlying Guiding Principles. Specific chapters are dedicated to the different modes of transportation i.e. water, air and land transport including pipeline; and for cross-cutting issues like Education and Training, Integrated Transport System, Policy Implementation Strategies and Strategic Action Plans etc. Each transport mode is divided into sub-themes covering Existing Situation and Challenges, Policy Goals and Objectives, Policy Statement, Funding, Safety and Security for the different sub-sectors. The transport modes and sub-sectors covered in the NTP are:

A. Water Transportation

- Ports
- Inland Waterways Transport and Coastal Shipping
- Inland Dry Ports and Hinterland Connectivity
- Nigerian Fleet for International Seaborne Trade
- Safety and Security - Water Transportation

B. Land Transportation

- Rail Transport
- Road Transport
- Pipeline Transport
- Road Safety and Security
- Railway Safety and Security

C. Air Transportation

- Airport
- Civil Aviation Safety and Security

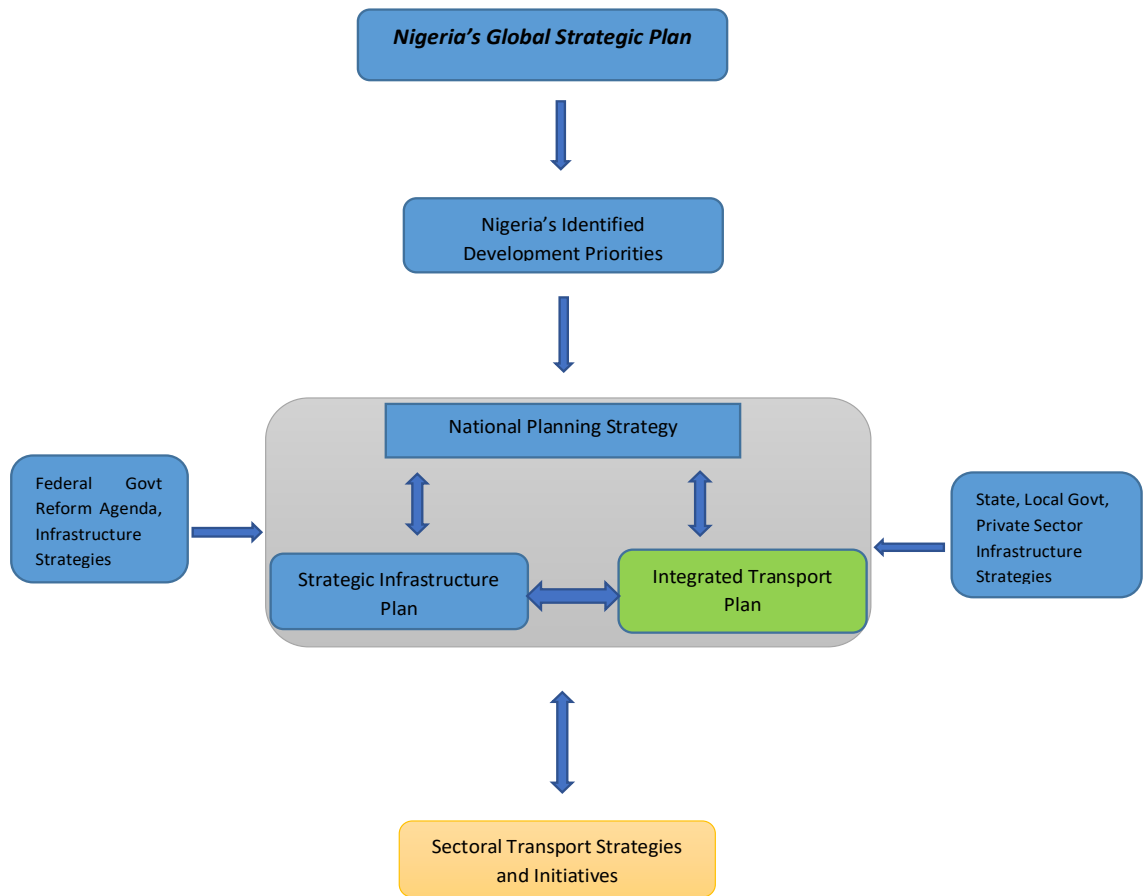
As an integrated transport policy, prominence is given to integrated planning and management of inter-modal and multimodal transport systems and, very importantly, the promotion of transport as a shared responsibility between Government, industry and private stakeholders.

Progressing from the construct of transport as a shared responsibility, the draft Transport Policy promotes a shift from the traditional sector-specific silo approaches for transport management to a more integrated 'whole of government' approach to the development and management of transport, through harmonized institutional, policy and legal arrangements. The Federal Ministry of Transportation remains the lead national institution to provide a coordination role among all national agencies and competent bodies with a mandate for the management of transport. New institutions which require legislative intervention such as a National Transport Commission to serve as economic regulator for the transport industry are recommended.

The NTP has a section on Strategic Action Plan that proposes a series of actions to materialize the goals and strategy for the future of Nigeria's transport industry for the period 2018 to 2028. It contains a number of short, medium-term and long-term actions designed to enhance the implementation of the policy objectives of the National Transport Policy.

I have presented a bird's eye view of two ongoing initiatives to demonstrate that the Federal Ministry of Transportation is responsive and that the Hon Minister of Transportation has in point of fact bought into the need to have an integrated policy and has facilitated the development of same.

NATIONAL STRATEGIC PLANNING FLOWCHART



The above schema proposed in the Draft NTP demonstrates the “whole of government” approach to planning. If adopted by other Ministries particularly the Ministry for Budget and National Planning, maritime industry will be recognized as a key economic driver and adequately provided for in subsequent Vision documents in terms of allocation of resources, investment incentives and overall development strategy etc.

4. FOCUSED STRATEGY

Becoming a strong maritime nation requires deliberate planning and focus on selected areas of the maritime industry where Nigeria could have a competitive

edge over other countries. Recall the 10 leading maritime nations mentioned earlier were scored based on their capabilities and performance in 4 main groups namely: shipping, maritime finance and law, maritime technology, ports and logistics. For assessment purposes, each of the four main groups were subdivided into sub-groups and weighted in accordance with the criticality of the sub-group in global maritime industry. Shipping being the centrepiece of the industry commanded higher weighting. The 4 main groups and sub-groups:

1. Shipping

- a. Fleet size - management
- b. Fleet size - - owner country
- c. Fleet value
- d. IMO - Importance

2. Maritime Finance & Law

- a. Legal expertise
- b. Insurance premium
- c. Laon arrangers
- d. Shipping portfolio
- e. Transparency and corruption
- f. Market sophistication
- g. Stock exchange size

3. Maritime technology

- a. Shipyards
- b. Classified Fleet
- c. Marine supply
- d. R & D index
- e. ICT index
- f. Knowledge creation

4. Ports & Logistics

- a. Port handling - TEC
- b. Total cargo handled
- c. Port operations - HQ
- d. Cruise ports by passengers
- e. Port connectivity index
- f. Logistics performance index
- g. Burden of customs procedure

One could add

5. Seafarers

- a. Number of qualified seafarers
- b. Number on board international seagoing ships
- c. Volume of foreign currency repatriation

It is highly unlikely for one country to score the highest in all the main groups, so strategic and focussed planning will require the selection of a combination of any of the subgroups and allocate resources for the development and aggressive marketing of the country as the go to place for the identified products or skills in Africa. This is one of the ways that Nigeria could benefit from the Africa Continental Free Trade Area (ACFTA) so that we do not cry wolf as President Trump when other African countries exploit the access to our large market size while Nigeria gets little or nothing from the multilateral trade regime.

Let us take a cursory look at where Nigeria ranks in a few of the sub-groups listed above.

A. Shipping: As emphasized earlier, shipping is the centerpiece of the maritime industry. Where does Nigeria stand in terms of fleet size? 2018 statistics

from the Nigerian Ship Registration Office has on record: Merchant ships - 136; Offshore support vessels-69; Supply vessels - 49; Tankers - 105 and several other types of ships. The Registry is unable to confirm the trade routes and thus the number of vessels that trade outside the Nigeria's cabotage trade zone is difficult to determine. Statistics available to us in Abuja MoU on Port State Control for West and Central Africa suggests that Nigerian flagged ships are absent in international seaborne trade - excluding near coastal voyages. But we know that Nigerian government agencies and entrepreneurs do own and operate sea-going ships. Unfortunately, those ships are not registered in Nigeria and does not count in assessing the country's ranking and desire to become a strong maritime nation. The question is: why are foreign registries the preferred option for Nigerian government entities and citizens? The response to that question is the key to the growth of a Nigerian fleet. The answers will definitely point to issues beyond the status of Nigerian ship registry. It's the absence of a whole gamut of focused "whole government" policies and actions to attract foreign and domestic shipping companies to the Nigerian Registry. One can just imagine our ranking if LNG's mega fleet and NNPC's NIDAS proposed "fleet" were registered in Nigeria!

- B. IMO Importance:** This is a subgroup under shipping. One would say that Nigeria probably ranks the highest in West and Central Africa and at par with the best in other African sub-regional groups. The number of domestications of, implementation and compliance with IMO instruments are the determining indicators and Nigeria is doing pretty well on that front but that on its own does not translate to a major maritime nation or fleet development/expansion.
- C. Maritime Finance & Law:** Access to finance for ship purchase, loan, mortgage, insurance, fiscal incentives - the entire finance industry in support of the maritime industry are critical to the commercial viability of a Flag State. A lot needs to be done here. The insignificant counterpart funding offered by

the Bank of Industry under the CBN intervention funds exhibits total lack of knowledge and familiarity with the maritime industry.

With respect to maritime law, Nigeria undoubtedly has a robust legal framework and expertise in maritime law practice. In point of fact, the Nigerian Shippers Council fund an annual programme which offers training opportunities to the budding maritime practice in other African countries. Nigerian maritime lawyers constitute the standing Faculty for these training sessions. The problem though is whether the Government as a policy has embraced these maritime experts, showcased them in its investment policies, manuals and international investment foras with the goal of Nigeria being recognized as the centre for maritime law expertise in the continent. We note with dismay the engagement of firms for maritime related transactions for reasons other than the knowledge and skill in maritime matters or worse, reliance on foreign maritime law firms when we have Nigerian maritime law experts.

D. Ports & Logistics: A great potential to be the leading country in West and Central Africa but remains untapped or lost. Largest economy, largest export and imports in volume and freight, highest number of major ports in the ECOWAS region but now overrun in port efficiency and logistics by smaller economies like Togo, Cotonou and recently Ghana. Nigeria has totally lost transit cargo to the hinterland countries which was once dominated by Nigeria. It was hoped that the Ease of Doing Business initiative will change the dynamics, but this has not happened. The preference of other countries for disport by shipping companies and cargo owners clearly evidences not just lost opportunities but fundamental failure somewhere.

E. Seafarers: Laudable ongoing initiative by NIMASA to assist in the training of cadets in and outside Nigeria. Happily, the industry has a Minister of Transportation and a Director General who are genuinely interested in promoting maritime education. They have succeeded in the reform of Maritime Academy of Nigeria, Oron and have expressed commitment to upgrade it to the level of University. Funds prescribed in the NIMASA Act for the Academy are being disbursed to the Academy. Nigeria has permitted the establishment of other maritime training institutions in several States of the Federation while NIMASA remains the central authority for standards and certification. If building capacity in the area of seafaring is adopted as an area of focus, recognizing the scarcity of experts and years of training required to become a captain or engine room officer, it should not be difficult to accept that the attempt to place a marine engineer or captain at the same level with history, or religious studies or literature graduates in NIMASA or NPA, for example, acts as a disincentive and negates the very essence of port and Flag State Administration.

With Nigeria’s teeming population estimated at about 190m, and reportedly, the largest youth population in the world, Nigeria could compete with the Philippines in the export of seafarers and maritime labour. But there is a problem. Nigerian seafarers are insignificant in international shipping. Again, it requires a “whole of government” approach. We are aware of the scarcity of berths for sea training. NIMASA could invest in a training ship as SAMSA of South Africa has done. Nigerian government agencies could implement a policy on maritime manpower which will require every company that employs the services of ships to leverage on and insist that such ships must have a certain minimum number of Nigerian ship board officers and crew on board. The government agencies could leverage on and insist that ships which trade

regularly with us offer berths to our cadets. Nigerian government could on the diplomatic side, have a dedicated team to iron out the diplomatic bottlenecks/recognition issues involved in engagement of foreign seafarers on board ships. These concerted actions will supplement and give impetus to FMOT's and NIMASA's efforts at cabotage enforcement.

5. CONCLUSION

Ideally, the maritime industry and ranking of a country often is a reflection of the size of the country's economy. If we are the largest economy in Africa, clearly something is wrong for Nigeria not to be the highest-ranking maritime nation in Africa. In analysing Nigeria's stand on the scoring indicators, it is evident that the odds are stacked in our favour to emerge as the leading maritime nation in Africa. Leading maritime nations approach the growth of the maritime industry as a national agenda and provide growth impetus to ship ownership and operation, ship building and repair, freight industry, supply of services to and management of ships, import and export services, finance and marine insurance, maritime legal services and maritime manpower. This follows the realization that incentives in one segment affects the overall profitability of the shipping sector and its attractiveness or otherwise for investment purposes.

The paper strongly proposes a "whole government" approach to the development of the maritime industry. Development of the maritime industry should be a national policy given Nigeria's natural marine resources and the dependence of other key growth sectors on maritime transportation and services. The main advantage of this method is that adequate capture of the maritime industries in national development plans and strategies will trigger collaboration, prioritization and incentive measures from every organ of government particularly from all the applicable agencies including the Ministers responsible for Finance, Commerce and

Investment, Exports and Imports, National Planning, Petroleum Resources, the Central Bank etc. It will cease to be viewed as a Federal Ministry of Transportation project or a NIMASA problem, though, the Transportation Ministry may remain the driver in some instances. Everyone in this audience has a role to play in this project. We are encouraged to use any opportunity available to us to push any combination of the issues identified in this paper.

Thank you for your attention.

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