

# Role of shipping in Nigeria's economic revival strategy

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Nigeria's shipping history will forever make reference to how foreign ship owners made record profits in demurrage charges from country during the 1970s and port congestion that trailed massive importation of post-civil war reconstruction materials into the nation.



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The inadequacy of the Apapa Port alone to handle the chartered ships resulted in many of them being stemmed at the Lagos anchorage for up to six months! Incidentally, the congestion coincided with Nigeria's oil boom, which made the millions of dollars paid in demurrage relatively easy for the government to offset.

However, the bulk of these monies went to foreigners because Nigeria's indigenous shipping tonnage was largely undeveloped, save for the Nigerian National Shipping Line (NNSL), which was the then-national carrier employing hundreds of Nigerian seafarers thereby contributing to the country's gross domestic product (GDP). NNSL subsequently suffered a decline in fortunes and had to be wound up in the 1990s after a number of attempts to revive it failed.



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But the good that came from that congestion experience was the building of the Lagos Tincan Island Port, which was commissioned on October 14, 1977. The port had thereafter maintained a consistent second place next to the Apapa Port in terms of volume of goods and gross registered tonnage of vessels it handles annually, thus making significant and consistent year-on-year contributions to the economy.

## Shipping always categorised as "other services", not a standalone item

Despite its importance and record contribution of shipping to Nigeria's GDP, the National Bureau of Statistics (NBS), has always categorised shipping under "other services" and not as a standalone item.

With regards to domestic shipping, the ownership of tankers and offshore supply vessels (OSVs), is still tilted in favour of foreigners despite the implementations of the Coastal and Inland Shipping (Cabotage) Act 2003, and the Local Content Act of 2010. These laws confer on Nigerian citizens the right to building, ownership, management, and crewing of vessels that operate within Nigerian territorial waters. Not a little loss of national income, one could rightly surmise.

## Professional training and skills can help alleviate unemployment

At a time like this that Nigeria is battling with a high level of youth unemployment, professional training and skills in any of the fields enumerated above can help alleviate the scourge. Since virtually all these fields are untapped, they provide golden opportunities for Nigerians to earn a decent living and contribute to developing the economy.

Beyond professional training and education, Nigeria needs shipping investors (foreign and local) to increase her maritime asset base. This is a rather touchy issue, as most Nigerians believe that investing in shipping requires breaking a bank vault. But this assumption is often taken too far. Mature maritime nations in Europe, North America, Far East, and Middle-East Asia have made investments in shipping so fluid, flexible and all-encompassing, so much that virtually anyone or group of persons can invest in ships and allied assets. Also, communal savings and funds that do not have immediate use find a good haven of investment in ships.

A good case is the National Iranian Tanker Company (NITC), which is among the three biggest tanker companies in the world, funded with the pension fund of five million Iranian pensioners. As at 2015, NITC had 42 very large crude carriers (VLCCs), each capable of transporting about two million barrels of oil per voyage. The company transports Iranian crude to export markets, and also engages in cross-trading of crude oil cargoes for some 150 oil majors worldwide, including Royal Dutch Shell, Total SA, Saudi Aramco, and state-run producers in Kuwait, and Abu Dhabi.

With capacity for 11 million tonnes annual average, the NITC generates some \$1.5bn yearly in voyage charter freight, and time charter hires for its owners.

## The fortune Nigeria is missing out on

Imagine the fortune Nigeria is missing out on by not having as much as a single tanker of its own to lift her crude. Granted that crude lifting contracts are now being given to some indigenous companies, the tanker vessels that lift the crude cargoes are still all foreign-owned and foreign-flagged, while negotiations for their chartering are done with the ship-owners brokers, who are neither Nigerians nor resident in Nigeria. In essence, even the traditional five percent broker's commission is not included in the national income portfolio.



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To fully harness this shipping potential, it is important to strengthen the portfolio of the channel management companies - Lagos Channel Management (LCM), and the Bonny Channel Company (BCC), because of their strategic importance as backbones of Nigeria's maritime assets.

Industry watchers agree that the Channel companies have performed quite well, with green deep seaports coming on stream in Lekki, Badagry, Bonny, and Akwa Ibom, and other areas. Nonetheless, capacity building of the channel management companies will help expand their scope of operation to make room for ever larger and more vessels to ply Nigeria's seaports and waterways, from which economic activities will be accelerated.

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