

WHAT NEEDS TO BE
DONE TO BUILD AN
ATTRACTIVE MARITIME
INVESTMENT ARENA IN
NIGERIA

BY IFY ANAZONWU – AKERELE (MRS)

INTRODUCTION

□ **NEED FOR EFFICIENT & COST EFFECTIVE TRANSPORTATION**

In today's interdependent and globalized world, efficient and cost effective transportation system that link global supply chains are the engine fueling economic development and prosperity. With 80 percent of the global trade carried out by sea and handled by ports worldwide, the strategic economic importance of maritime transport as a trade enabler cannot be overemphasized. The trade competitiveness of both developed and developing countries depends heavily on effective access to international shipping services and port networks.

□ **NIGERIA'S MARITIME POTENTIAL'S AND RESOURCES**

Nigeria is known to be endowed with one of the greatest maritime potentials in the world. With a coastline of 823 kilometer and navigable waterways of about 4,000 kilometer, Nigeria is no doubt a force/should be a force to be reckoned with in the maritime industry. This assertion is further accentuated with her abundant human resources of about 160 million people living in a massive land mass of 923,768.64 square kilometer. The country is also blessed with huge natural and mineral resources such as oil, gas, coal, tin, bauxite, iron ore, agricultural produce etc, which presupposes that it has abundant cargo to be lifted, especially through sea

□ **UTILIZATION OF NIGERIAN'S MARITIME RESOURCES BY NIGERIANS**

It is therefore pertinent that maritime operators, especially the indigenous ship operators, should take advantage of such huge maritime potentials to thrive. Unfortunately, indigenous shipping operations has not benefited from the huge maritime potentials of the country. It is their foreign counterpart that have a large share of the commercial activities in the maritime sector. Some kind of synergy has to be worked out.

CHALLENGES & OPPORTUNITIES IN THE MARITIME INDUSTRY

□ **CHALLENGES IN THE MARITIME INDUSTRY**

The Nigerian Maritime Industry as we know is facing a complex environment that involves both challenges and opportunities. The interconnected issues of finance, security, capacity, skill, climatic change and environmental sustainability is perhaps the most prevailing challenge.

□ **OPPORTUNITIES IN THE MARITIME INDUSTRY**

Opportunities include favorable policies by the government, improved transport network, job opportunity, growing diversification of sources of supply, international trade/access to new markets, acquisition of skills and technology, deeper regional integration and cooperation facilitated by agreements, partnerships and an enabling policy framework.

SHIP FINANCING

□ REALITY CHECK/ ANALYSIS

Despite the role of maritime transport in the development process, not much attention has been given to this area of shipping. The acquisition of ships is very complex and highly capital intensive. It takes a lot of time and money to build and acquire a vessel.

A study shows that Ships owned in about 35 developing countries of the world accounts for about 94% of the world merchant fleet used in maritime transportation. This means that Nigeria and other developing countries account for only 6% of the world's merchant fleet. (Very poor but on the increase)

ROLE OF THE GOVERNMENT IN FINANCING SHIPPING.

□ **EFFORTS OF THE GOVERNMENT**

Efforts of successive governments to stimulate the growth and development of indigenous shipping operators is yet to yield the desired result as factors such as ineptitude, poor policy implementation, unfavorable operational environment, lukewarm regulations and sanctions have marred such efforts. This I am pleased to say is being addressed positively

□ **Cabotage Vessel Finance Fund (CVFF)**

In a bid to promote the indigenous maritime business, the Cabotage Act was passed into law and it gave birth to the Cabotage Vessels Finance Fund (CVFF) which was initiated to enable the indigenous ship owners to acquire vessels and compete with their foreign counterpart. Currently six indigenous ship owners have been shortlisted as beneficiaries. We wait with abated breath for the actualization of the disbursement of the funds.

INVESTMENT IN SHIPPING



□ **LONG TERM INVESTMENT**

Another problem is that investment in shipping does not yield quick return, it is a long term investment. Hence most investors do not find the sector very attractive to invest in.

□ **ACCESS TO FOREIGN LOAN**

□ **EXCHANGE RATES**

WHERE THE BURDEN LIES



- It falls on the Nigerian business entrepreneur who intends to go into the shipping business to use his own funds but then how much can he really raise and invest into a highly capital intensive venture like shipping.

GOVERNMENT INTERVENTION/SOLUTIONS

□ **SUBSIDY**

All over the world, the burden of vessel acquisition and financing is made easier by intervention of the government -even in the most developed shipping countries- to ensure the development of the national maritime industry.

The primary objective of government subsidy and incentives is to attract shipping companies to invest in the industry and to retain their existing capacity.

This trend has been applied in many EEC countries and has produced desired result e.g. giving a special operating subsidy to Local ship owners upon attaining a set minimum level of performance, provision of cheap credit and direct cash transfer to indigenous ship owners in order to acquire new vessels, cover up their losses etc

Given the pervasive impact of finance on shipping in Nigeria, the federal Government must be prepared to emulate the good initiatives of other countries by subsidizing very heavily, the cost of financing ship, particularly

INCENTIVES

□ INCENTIVES

Furthermore, due to the high cost of operation in the shipping industry, the government can also provide some incentives which will help to reduce operating or running costs. They could be in various forms like granting of various reduction of port charges to indigenous carrier, exemption from the payment of Nigeria Maritime Administration and Safety Agency levy by indigenous carriers, generous allocation of Cargo all year round by government parastatals to boost their earnings and enable them to repay their loans in due time.

TAXATION

□ TAX CONCESSION

In the developed world, shipping businesses are usually given very favorable and attractive investment incentives but the reverse is the case here. The tax rate of 45% on taxable profit applicable to other business is same that is applicable to shipping companies.

There is no concession or subsidy applicable to shipping because it is not classified as a pioneer business or agro. Investment, grants and allowances for shipping business in Nigeria are not different from those enjoyed by ordinary companies.

Under such a harsh fiscal regime, investors would naturally prefer to invest in the other sector of the economy that are less risk prone but with very high yields at very short periods. Hence the private sectors investment in the acquisition of ocean going vessels has until very recently been non-existent in this country.

MARITIME BANKS



- The financial sectors investment in the acquisition of vessels has until very recently been non-existent in this country.
- The effort of agencies such as NIMASA in the creation of International Maritime Bank of Nigeria funds for the shipping industry is to be commended and sustained. Hopefully, it will see the light of day
- Most banks today have Maritime Desk, this is a welcome development.

SHIP BUILDING /SHIPYARDS

- **Need for requisite technology and industry for ship construction in Nigeria**

Presently Nigeria has very few ship building facility namely Niger dock, Naval Dock Yard ltd, West Atlantic Shipyard, STARZ ltd or even a steel manufacturing company. The implication of this is that all the materials needed to build a ship will have to be imported what obtains today is that ships are being purchased from foreign ship yards.

NEED FOR REQUISITE KNOWLEDGE

TRAINING INSTITUTIONS AND FACILITIES

- In the Nigerian maritime industry, experienced hands are retiring without adequate arrangements for their replacement.
- Lack of training institutions, facilities, vessels & berths for shipping personnel and seafarers. There are less than ten universities and polytechnics in Nigeria offering courses in shipping and related activities in the country today.
- Knowledge needs to be expanded; it is from knowledge that we get expertise. We need institutions that would not only undertake degree programs in Nigeria but institutions that are accredited and would issue internationally recognized certificate. Furthermore, as
- The maritime industry is a green area and if we want investors, we must show that we have both the requisite skills and capacity to thrive in the industry. There is a need to have a basic understanding of the commercial nature of shipping business and the resultant ability to determine demand, make appropriate forecast, determine competitor's strength and to evolve a policy of competitive advantage.

FORMAL DATA BASE

□ CURRENT DATA BASE

There is a need to have a structural frame work in the maritime industry, an up to date database of all the stakeholders, practitioners and vessels in the sector.

In Europe, there is an association called the Oil Companies International Maritime Forum (OCIME); just as we have the Indigenous Ship Owners Association of Nigeria (ISAN);

The OCIME created a data called Ship Inspection Report Program, so that if any IOC wants to use any vessel, they need not go to the vessel owners to inquire of the ship, but rather go into the Ship Inspection Report or database and pick a ship that meets the required standard or purpose.

Consequently, as most indigenous ship owners are not part of this organization, most IOC would not engage their services. Hence, there is an urgent need for Nigerians or even Africa to have its own data base, in order to meet up with the ongoing trend around the world- start from somewhere.

INFRASTRUCTURE

- The existence of infrastructural facilities is not one that should be neglected either by the government or the end users of such facilities as it is necessary for the development of the economy of a country.
- These basic amenities such as good roads , rail system, power supply aid the smooth running of a business, Making it possible for one to concentrate on making back the investment made in a business.
- Also, the navigational aids and the beacons in our water ways and sea approaches are poor and outdated. Our port lack modern facilities which tend to ensure that activities run smoother and faster.
- End users are should however develop a maintenance culture, to ensure the infrastructures put in place by the government are well managed and used for its intended purpose.
- The world evolves constantly and the maritime sector in Nigeria should not be left out. We need to gain back the business opportunities that we have lost to other neighboring countries and to do that, we need to to put in place a system that works.

SECURITY(PIRACY)



□ **NEED TO CURB PIRACY/ ANTI PIRACY**

This is another fundamental and global issue in the maritime sector and unless it is tackled quickly and effectively, piracy and illicit crimes on our waterways could do serious damage not only to Nigeria's oil and gas industry but also the Nigerian economy, slowing development for years to come.

SECURITY(ANALYSIS)

□ **IMB REPORTS**

Nigeria again topped the list of countries in the Gulf of Guinea where piracy and sea robbery held sway in 2013. According to statistics released by the International Maritime Bureau (IMB) in its 2013 analysis, Nigerian pirates moved further afield last year and ventured far into waters off Gabon, Ivory Coast and Togo, where they were linked with at least five of the region's seven reported vessel hijackings. The annual report further showed that Nigerian pirates and sea robbers accounted for 31 of the region's 51 attacks, taking 49 people hostage and kidnapping 36, more than in any year since 2008.

SECURITY (CONSEQUENCES OF PIRACY)

- **Loss of lives and property**

The result is that the waters of the Gulf of Guinea are now the most dangerous in Africa for merchant. Already, seafarers are becoming increasingly wary of using Nigeria's territorial waters.

- **Insurance premium to Nigeria have skyrocketed.**

- **Boycotting of Nigerian ports**

In some instances, goods meant for the country have had to be diverted to neighboring countries, just as the insurance premium paid on Nigerian-bound ships has gone up astronomically. The corollary is that goods shipped into the country are rather costlier.

SECURITY(ROLE OF NIMASA)



- Currently, NIMASA in collaboration with relevant security agencies as well as the signing of a Memorandum of Understanding (MOU) with the Nigerian Air Force to complement the efforts of the Nigerian Navy are working tirelessly to reduce piracy to the barest minimum through these collaborative efforts.

CONFERENCE & EXHIBITIONS

- Need for more Conference and Exhibitions

These conferences will provide an avenue for better marriages in form of partnerships between Nigerians and her foreign counterparts

- Transfer of knowledge and acquisition of technology

Our aim is not to chase the foreigners but to ensure that Nigerians are fully equipped with the skills and knowledge require to develop our maritime sector.

POSITIVE INTERNATIONAL IMAGE



- There is need for Nigeria to be visible on the international platform, portraying a positive image.
- This positive image is what would encourage investors all over the world to invest in the Nigerian Maritime Industry.

WHAT NEEDS TO BE DONE

- ❑ SHIP FINANCING
- ❑ SUBSIDY
- ❑ INCENTIVES
- ❑ TAXATION
- ❑ MARITIME BANKS
- ❑ SHIP BUILDING/SHIP YARDS
- ❑ TRAINING INSTITUTIONS AND FACILITY
- ❑ SECURITY
- ❑ FORMAL DATA BASE
- ❑ INFRASTRUCTURE
- ❑ CONFERENCE AND EXHIBITION
- ❑ POSITIVE INTERNATIONAL IMAGE

CONCLUSION

- I believe Nigeria has what it takes to be the hub of maritime trade in West Africa, but first, we must work towards it with all determination, casting aside every set back and short comings and holding steadfast to our goals. The maritime sector is one area where the nation's income should flow from steadily without hindrance. It lies basically on the government and the stakeholders in the maritime sector to build a sustainable and attractive maritime arena and the rest is history.

THANK YOU FOR LISTENING