

POSITIVE IMPACTS OF CABOTAGE ACT 2003 ON THE NIGERIAN MARITIME INDUSTRY AND THE ECONOMY

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Abstract

The enactment of the cabotage Act 2003 and its implementation has certainly made some positive impact on the economy of the country. However, this article identified some specific findings with respect to effective Maritime transportation for the purpose transportation of persons, goods and services exclusively by indigenous ship owners of the country. Particular revelation is made in this work in the area of growth in domestic water borne Trade which have comparative advantage.

Introduction

Nigeria is known to be endowed with a robust maritime business because of her abundant natural resources that are in demand world over, as well as her strategic location, hence the need for effective maritime transportation to serve the purpose of movement of these resources around cannot be overemphasized. As an important stakeholder of the oil industry in Africa and the world at large, the movement of bulk of the products to other parts of the world is regular, thus boosting the maritime industry in the country.

However, with the advent of the Cabotage Act, wide chances are open to the web of interest in and related to the maritime industry. These opportunities includes the movement of goods and passengers within the coastal and inland waters to the offshore exploration and production activities by the local and multinational oil companies, the energy sector covering upstream activities in exploration and production, and downstream marine operations in oil products, gas, chemicals, power and renewable energy supplies are apparent. The Iron and Steel industry will feature greatly here, with the focus on ship building and maintenance. Other openings are consultancy and finance services, ship management agencies and ship brokerage and chartering and so on¹, Nonetheless, we must state the fact that all these potentials can only be manifest on the proper implementation of the Cabotage Act.

Growth of Domestic Water-Borne Trade:

Water transportation has been said to be the most underutilized and neglected form of transportation in Nigeria, with the exception of all and its by-products, not much significant domestic cargo is

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¹ The Regime will in addition, stimulate brisk business in the support industries such as mooring, towage, piloting, dredging, maritime training, container fabrication and so on.

carried on the coastal and inland waters. The obvious results of all these are that the roads are congested; pollution of the environment from automobile effluent emission is on the increase while heavy duty transportation has become inefficient. Moreover while road haulage is a huge and lucrative business for truck owners, little value is conferred on cargo owners who spend more compared to what they could have done with road transportation. Practically, a single average size barge can carry almost the same volume of goods as can be lifted by fifty to one hundred stretch trucks at lower costs, risk and time. The reckless abandonment of the inland water ways is evident in their shallow depth. This has caused plying difficulties for cargo-carrying vessels. It has been suggested rightly that one of the challenges of Cabotage is to fast track the dredging of the waterways to accommodate these cargo carrying vessels. On this we applaud the former administration of Good-luck Jonathan for his efforts in awarding the contract and kick starting the process of the dredging of River Niger, in the later days of his administration. The other challenge is the construction of inland container depots (ICDs) and jetties at river hubs within the country. It is expected that more lives and properties would be saved from been destroyed by incessant trucks loaded laden accident that occur every day as a result of bad roads and negligence on the part of operators. It is also expected that much time-consuming traffic in Apapa, Lagos and Port Harcourt occasioned also by trailers carrying laden and empty containers from the ports would not have arisen at magnitude if there were alternative sea or river routes for the carriage of cargo to various destinations in the country². On this though, credit must be given also to the immediate past administration of President Muhammadu Buhari for appointing Hon. Chibuike Amaechi and Dr. Dakuku Peterside as Minister of Transportation and Director General of Nigerian Maritime Administration and Safety Agency respectively. Their appointment brought a sigh of relief then and great improvement in the industry which is evident in the completion of numerous Inland Container Depots and the ones yet to be completed. The implementation of Nigeria's cabotage regime, which restricts coastal trade to Nigerian-owned and flagged vessels, has the potential to significantly boost domestic waterborne trade and the overall maritime industry. This includes increased participation of indigenous shipping companies, the development of local shipbuilding and repair capabilities, and the creation of employment opportunities.

The cabotage regime aims to reserve coastal trade for Nigerian-owned and flagged vessels, fostering growth and development of the local shipping industry. This includes direct employment in shipping operations, shipbuilding, Ship repair, and related services. The cabotage regime encourages the acquisition of maritime skills and technology, leading to a more skilled local workforce.

² Mike Igbokwe, "Advocacy paper for Promulgation of Nigerian Maritime Cabotage Law presented at the House of Representatives Public Hearing on the Cabotage Bill in April, 2001.

By reducing capital flight and promoting local content, cabotage can contribute to overall economic growth. Increased control over coastal trade, can improve national security and safety. The need for Nigerian-flagged vessels can stimulate investment in local shipyards and repair facilities.

Domestic shipping activities can boost the Nigerian marine insurance sector. Increased activity in the shipping sector can lead to higher revenue for the government through taxes and levies. Though a significant challenge is the limited capacity of the Nigerian shipping industry to meet the demands of coastal trade, requiring investment in infrastructure and skills, access to funding for Nigerian ship-owners to acquire vessels and participate fully in cabotage remains a challenge. There have been concerns about the level of compliance with the cabotage laws, with some foreign vessels still dominating the trade. Despite the cabotage restrictions, foreign vessels still pose competition, particularly in specialized areas. Stronger enforcement of cabotage laws is crucial to ensure the intended benefits are realized.

Adequate port infrastructure and support services are necessary to handle increased shipping activity. The cabotage regime has the potential to transform Nigeria's maritime sector, but its success hinges on addressing the challenges and ensuring effective implementation. NIMASA and other stakeholders need to collaborate to create an enabling environment for Nigerian-owned vessels to thrive in coastal trade.

Impact of Cabotage on the Nigerian Economy:

The Nigerian Cabotage regime, which restricts coastal trade to locally owned and manned vessels, aims to boost the domestic shipping industry, create jobs, and enhance economic development. The economic benefits of the proper implementation of the Cabotage Act in Nigeria are enormous. The proper implementation of the Act will be strategic to the growth of Nigeria's economy. For instance, it has been reported that Lagos State is test running the first urban inland transportation within the Lagos waterways. This will no doubt promote the development of Lagos State economy.

The Cabotage regime will create more jobs for Nigerians and this would naturally include seafarers who are authorized by the law to man the vessels in exception of where they lack the required expertise to prosecute the job. Despite those who are already in the maritime industry, an expanded effect of these requirements will be the training of more Nigerians to assume offices as masters, seafarers, engineers and so on in order to cope with ship building, repair and maintenance.

Capital flight is the main result of an import economy, but with the Cabotage policy in place in Nigeria, attention will be shifted to Nigerian workers resulting in the hiring of Nigerian crewmen, Nigerian ship builders and maintainers. It means that the money that would have been used to import this work

force will now be distributed among Nigerian workers in terms of wages. The scheme will in turn save Nigeria foreign exchange and generate revenue for her citizens because the Cabotage regime will be dominated by Nigerians. The indigenous merchant tonnage under the Act will also generate economic benefit and foreign exchange earnings for the national economy, and enhance other cost advantages. These include improvements in balance of payments, rise in industry output and increased business investments. The local shipping companies will pay taxes to the country for good patronage. Maritime institutions will also enjoy this boom by being well and properly equipped for the system.

The development in domestic marine operations under the Cabotage regime will definitely lead to the improvement of the infrastructures for handling the coastal and inland waterways commerce such as the modern container handling facilities, additional shore-sides and landslide capacities, terminals, berths quays foreshore cranes to enhance and expand ports capability for loading and unloading cargo on-board ships and so on. The boom will also spread to the dredging of inland waterways as we earlier noted, rehabilitation and development of ports and river ports as it is currently been done at the Calabar, Onitsha, Delta, River Niger and Oguta lake ports which is the delight of several merchants and the affected communities.

It has been severally said that with the effective implementation of the Cabotage regime, the institutions where seafarers and other relevant personnel are trained,³ will be given adequate attention. That way, if proper funding is provided, they will command respect as prestigious institutions because of the importance of their products to the nation's economy and for the content of their income. If the government is able to achieve that, most Nigerians of school age will change from the mentality that only the formal universities can impart knowledge of tertiary standard. This will however lead to increase in participation in the maritime sector. Of course since our target is to produce seamen that can meet international standard, the time has come to work it out, and our maritime institutions will be on top of it by improving facilities and staff strength, churning out sea men really of international standard. This is evident in what is happening now in Maritime Academy Oron thereby making it unnecessary for our seamen to be sent abroad for training. Instead our local seamen can be engaged abroad and earn foreign exchange for Nigeria; the institutions too can train some foreigners who will pay school fees into the country through the schools. Additionally, this development can encourage some entrepreneurs to venture into the production of teaching and learning equipment for these institutions

It incentivizes investment in Nigerian shipyards, dry docks, and related infrastructure, fostering a thriving maritime sector. By increasing the participation of Nigerian-owned vessels in coastal trade,

³ Example, the Maritime University in Delta State, the Maritime Academy of Nigeria, Oron, Akwa-Ibom State.

the Cabotage regime generates revenue for the country through increased shipping fees and related taxes. Reduced reliance on foreign vessels for coastal trade, can conserve foreign exchange that would otherwise be spent on fuel and other expenses.

The Cabotage regime promotes the growth of local tonnage, enabling Nigeria to handle a greater volume of domestic trade and potentially export shipping services. The focus on local shipbuilding and ship management encourages the development of indigenous expertise and technological know-how. The Cabotage regime provides opportunities for training and development of Nigerian seafarers, contributing to a skilled workforce.

Having a strong domestic shipping industry enhances national security by ensuring that essential goods and services can be transported within the country, even during emergencies, by fostering a robust shipping industry, the Cabotage regime help diversify the Nigerian economy beyond its dependence on oil. The regime aims to level the playing field, ensuring that Nigerian-owned vessels are not disadvantaged by foreign-owned competitors.

Miscellaneous Professional Services:

The Cabotage regime if it becomes further activated, vessels, tugs and barges to be employed in the movement of products have to be built and bought through funds generated from local financial markets. Consequently, they would need cover from the insurance markets, documentation from maritime lawyers. Accountants and Auditors too will be involved to straighten the financial records of those organizations. Beyond these professionals, coastal communities and port cities will witness growth in population and commerce generally. This will have serious impact as the proposed new jetties will engage some local hands for jetty security and maintenance jobs. There could be royalties and income for leasing of lands for improvised jetty storage houses and other purposes.

National Security:

In Nigeria, the concept of national security is paramount within the cabotage regime, which restricts foreign vessels from engaging in domestic coastal trade. This policy aims to safeguard Nigeria's economic interests, promote local capacity building, and enhance maritime security. By prioritizing Nigerian-owned, built, manned, and registered vessels, the cabotage regime strengthens national security by reducing reliance on foreign entities, fostering domestic shipbuilding and maritime expertise, and enabling better control over Nigeria's maritime domain.

The Cabotage Act aims to reserve commercial transportation of goods and services to Nigerian flag vessels, owned by Nigerian citizens. This focus on indigenous participation fosters job creation in the maritime sector, reducing unemployment and promoting economic stability, by developing a strong

domestic shipping industry, Nigeria can retain more revenue within the country and reduce dependence on foreign shipping companies.

Restricting foreign vessels from operating in Nigerian waters enhances maritime security by allowing better control and monitoring of activities within the Exclusive Economic Zone (EEZ). Nigerian-owned and operated vessels are more likely to be compliant with national regulations and security protocols.

This improved control over maritime traffic facilitates better surveillance and response to potential security threats, such as piracy, smuggling, and illegal fishing. The Cabotage Vessel Financing Fund (CVFF) also contributes to national security by potentially funding initiatives that remove navigational obstructions and ensure the safety of marine environments.

The cabotage regime ensures that Nigeria has greater control over its maritime resources and trade routes. This control is vital for protecting Nigeria's economic interests, particularly in the oil and gas sector, where a significant portion of offshore operations relies on maritime transport. By limiting foreign involvement, Nigeria can better safeguard its strategic assets and ensure that its maritime activities align with national security objectives.

The Cabotage Act aims to develop a robust Nigerian maritime industry by encouraging local ship-owners, shipbuilders, and seafarers. This focus on local capacity building reduces reliance on foreign expertise and technology, enhancing Nigeria's self-sufficiency in the maritime sector. A skilled and experienced Nigerian maritime workforce is crucial for maintaining national security and responding effectively to maritime challenges.

Effective enforcement of the Cabotage Act is essential for realizing its national security benefits. Regular monitoring and inspections of vessels operating in Nigerian waters are necessary to ensure compliance with the Act's provisions. Addressing challenges related to waivers and ensuring that Nigerian-owned and operated vessels are prioritized in cabotage trade are crucial for maximizing the security benefits.

The concept of national security is deeply intertwined with Nigeria's cabotage regime. By prioritizing Nigerian participation in domestic coastal trade, the regime enhances economic security, strengthens maritime security, protects strategic interests, and fosters the development of local capacity. Effective enforcement of the Act and addressing challenges related to waivers are critical for maximizing these security benefits and ensuring Nigeria's long-term maritime interests, apart from economic reasons, Cabotage regime is also pursued for the protection of national security. With the restriction of foreign

vessels from participating in coastal and inland waters trade, the country is saved from the encroachment of foreign elements of security risk. In addition to that, the regular operation of the domestic fleet will build up the experience and mastery of the officers and crew. To that extent they will also be useful in times of conflict and national emergency.

Lessons for Nigeria:

The Nigerian Government should therefore draw functional, realistic and applicable lessons from these specific and efficient policies in order to be able to effectively execute a policy worthy of its goals and ambitions for Nigerian shippers. This is only possible if and when the government, the organizations and institutions involved are prepared to push the industry as a company that contributes to the national economy as expected. There is nothing wrong with a timely review of all relevant laws and regulations regulating the maritime cabotage regime if that would really provide Nigeria and Nigerian operators with the required forum to dominate Nigeria's maritime coastal trade market. Nigeria cannot however be contrasted with the United States or China in terms of strict compliance and enforcement of cabotage legislation, but isolated and specific lessons may be learnt from other third world countries such as Singapore and Malaysia. NIMASA and the Nigerian Port Authority may join high-equity private sector organizations. Jointly, they will form a corporation to own a national fleet to be operated by solely local or international professionals. The Niger dock should be challenged to construct vessels, tug boats, cruise ships, barges, etcetera, that can be deployed in cabotage trade; international technical services could be rendered by these companies. The Nigerian Cabotage Law does not imply that the world economy will be fully excluded from the Nigerian maritime industry, since foreign ships can still transport cargo and passengers to and from Nigerian ports and should only be disallowed from transporting cargo from port to port within Nigeria. Nigerian policy makers responsible for foreign trade and the maritime industry should be concerned with the concerns of Nigerian ship-owners, operators, seafarers and shipyards and the building of a domestic fleet for the control of maritime trade which a cabotage law will produce. The danger of relying on foreign vessels or shipping companies controlled or owned by foreign companies/interests in times of emergency, national or regional crises makes a strong case for a Nigerian tonnage. Evolution of more extensive and detailed legislation with capturing provisions; availability of tonnage, financial/fiscal system, acquisition of equity interest in existing shipping firms, secure source of financing for the acquisition of vessels, corporate training of Nigerian seafarers, to STCW standards are strongly recommended.

The Cabotage Act in Nigeria, enacted to reserve coastal trade for Nigerian-owned and flagged vessels, offers several key lessons. It aims to boost indigenous participation in the maritime sector, foster economic growth by reducing reliance on foreign vessels, and create jobs. However, it also highlights the need for capacity building in shipbuilding and the effective implementation of financing

mechanisms like the Cabotage Vessel Financing Fund (CVFF). Additionally, the Act reveals the complexities of balancing protectionism with the need for foreign investment and collaboration.

The Cabotage Act's primary goal is to empower Nigerian citizens and companies to participate more fully in the maritime industry by reserving domestic coastal trade for them. This can lead to increased job creation, skills development, and retention of revenue within the country, rather than it being siphoned off by foreign operators.

By encouraging Nigerian-owned and flagged vessels, the Act seeks to reduce the dominance of foreign-owned ships in Nigerian waters, promoting a more equitable distribution of economic benefits. The Act's requirement for vessels to be built in Nigeria, while intended to stimulate local shipbuilding faces a practical challenge. Nigeria currently lacks the capacity to build modern, large, sea-going vessels. A more practical approach might involve initially focusing on building smaller vessels like barges, while simultaneously investing in infrastructure and training to gradually build capacity for larger ship construction.

This highlights the need for strategic investments in maritime infrastructure (ports, shipyards) and human capital development to support the Act's objectives.

The Cabotage Vessel Financing Fund (CVFF) was established to provide financial assistance to Nigerian ship-owners to acquire vessels. The effective disbursement and management of the CVFF are crucial for enabling Nigerian companies to compete effectively in the cabotage trade. The CVFF can play a vital role in enhancing indigenous participation and reducing reliance on foreign vessels.

While the Act restricts foreign participation in certain areas, it also acknowledges the need for foreign investment, collaboration, and technology transfer. The Act's implementation should be flexible enough to allow for partnerships and collaborations between Nigerian and foreign companies. Foreign companies can contribute expertise, technology, and financing, while Nigerian companies can benefit from these collaborations and grow their capacity.

The Act needs to be regularly reviewed and adapted to address emerging challenges and opportunities in the maritime sector. The waiver system, which allows for temporary exemptions from Cabotage restrictions, needs to be carefully managed and transparent. Regular monitoring and evaluation of the Act's impact are essential to identify areas for improvement and ensure that it is achieving its objectives.

Impediments to the Implementation of the Cabotage Act:

Laudable and appreciable as the Cabotage Act may be, there are some factors which exist as threats to the successful implementation of the Act. Some of these factors are from either administrative bottlenecks arising from neglect by officials in effecting set targets at the right time, or from the wordings of certain provisions of the Act. Whichever way the end result is that anxiety keeps mounting as expectations are high among Nigerians concerning the impending benefits derivable from the Cabotage Act. For the local operators who started counting their blessings with the commencement of the Act, these challenges to the regime become a major setback to their business. It is not also out of place that the private sector alone lacks the resources and authority to accelerate the pace of the implementation process

Consequently, no choice other than to follow the steps applied by the government.⁴ However, even the public sector appreciates the formidable strength of the forces likely to stand against the actualization of the Act. We are still yet to see whether it is willing to transform these setbacks into stepping stones. We intend here, to consider the chances of the implementation of the Act considering the performance of certain institutions upon which the hope of its actualization was built.

The continued and frequent rate of changes in the top cadre of the implementing agency has been a major go slow to the implementation of the Cabotage regime in Nigeria. The merger of NMA and JOMALIC into Nigerian Maritime Administration and Safety Agency which is now responsible for the implementation of Cabotage Act, happened at the time when accelerated action was demanded of the agency as a result of the dire need to achieve the goals of the regime. NIMASA is in charge of not only overseeing shipping activities and dock labour but also for developing Nigerian tonnage. Regrettably, the agency has not lived up to its responsibilities. Before the appointment of Rotimi Amaechi as the Minister of Transportation and the subsequent appointment of the immediate past DG of NIMASA, Dr. Dakuku Peterside as the DG of NIMASA in 2016, president Buhari appointed General Jonathan India Ganba as the Board Chairman for NIMASA. There had been too frequent changes in the headship of NIMASA at least from 1999 till date; NIMASA have had about ten (10) DGs with an average tenure of a year and seven months each. In the history of the apex regulating body... only two

⁴ This potent and ambitious position of the Government was acknowledged by the Minister of Transport when he declared at page 4 of Guidelines to the Implementation of the Act thus: The Government is mindful of the need to develop indigenous merchant marine fleet has at various times initiated policies and projects to boost indigenous vessel acquisition. Notable in this respect was the acquisition of 24 vessels by the now defunct NNSL in 1970s, and the establishment of the Ship Acquisition and Ship Building Fund under National Shipping Policy Act, 1997 Cap 44 LFN 1990. Unfortunately the laudable initiatives aforementioned failed to achieve their objectives.

persons have been made substantive CEOs. The first was John Egesi who spent only 3 months in office before he was thrown out because of political intrigues. The second was Dr. Ade who served between 2007 and 2009. In-between Egesi and Ade, Enugu-born politicians contended with each other for headship of the agency with George Enoch taking over from Egesi. Eneh lasted in office for a year before being replaced by Ferdinand Agu. Agu lasted for four years and the Cabotage Act was enacted during his tenure, but when he fell out with Chimaroke Nnamani, the then Governor of his State, he was replaced by Late Festus Ugwu. After Ugwu came, the creation of NIMASA and the appointment of Mfon Usoro the first Federal DG in 2006. Usoro lasted for nine months and was replaced by Dr. Dosunmu in 2007. By 2009, Dosunmu was replaced by Temi Omatseye. Omatseye was replaced 18 months after by Akpobolokemi who served his four years tenure and was reappointed at the mercy of Good-luck Jonathan, the then president and his fellow Ijaw man. Akpobilokemi's second term was cut short in 2015 with the defeat of Jonathan by President Muhammadu Buhari⁵. Mike Igbokwe, a guru and expert in the Nigerian Maritime Law observed and rightly that the Nigerian shipping industry has not or is yet to realize the full benefit of the Cabotage regime for reasons of basically unnecessary political interference with the implementation of the Act, among other things. No regime has mustered enough political courage, determination and patriotism to fully implement the Act and penalize or prosecute offenders⁶. NIMASA during the headship of Dr. Akpobolokemi was allegedly infested with corruption and scandals and under investigation of EFCC on numerous frauds related issues⁷. There is still this feelings of fear that these frequent political intervention and headship changes in NIMASA has its toll on the poor performance of the agency, because every newly appointed Director General must come up with his fresh idea of running the institution⁸. The immediate past headship Dr. Dakuku Peterside has done its best but it is hoped that with the appointment of the current DG of NIMASA, in the person of Dr. Bashir Jamoh from Kaduna state, who doubles as the current president of the Chartered Institute of Transport Administration of Nigeri and whose tenure began on the 11 March, 2020 will maintain the robust developmental policy standard set by the Pete-side administration.

Another issue that bedevils the success of the Cabotage objective is the poor state of maritime infrastructure in the country. The ultimate truth is that the nation's ports and inland waterways are yet to be properly provided with facilities and infrastructure for standard maritime operations. For

⁵Ships and ports, NIMASA: 10 DGs in 16 years, <<http://sandports.com.ng/nimasa-10-16-years>> Accessed 15/10/25

⁶ The challenges-of-implementing-the-Cabotage-act-by igbokwe <<http://gavelinternational.org>> accessed 15/10/25

⁷Premium Times, EFCC arrests sacked NIMASA boss over alleged multibillion naira fraud, July 30, 2015 <<http://www.premiumtimes.ng.com/news/headlines/187509>> accessed 17/10/25

⁸ 'Frequent Leadership changes at NIMASA worry stakeholders' in THE GUARDIAN NEWSPAPER, Wednesday, August 15, 2007, p. 51.

instance, cranes, separate berths for loading and unloading of coastal ships, and so on. These and other amenities are yet to be adequately provided. The situation is worse when you talk of Electronic Data Interchange (EDI) for transmission of messages and documents, as well as other Gadgets for monitoring of movement of cargo in transit and the clearing of goods. Nigeria is blessed with about 420 nautical miles coastlines; therefore, the Cabotage project faces a tough test without standard and state of the art modern telecommunication network covering the various ports, harbors, inland waterways, vessels and so on. At a workshop on challenges of maritime practice in the new millennium of maritime activist, it was observed that Nigerian coastal radio stations (which is responsible for provision of services for ships with routine safety, urgency, or distress message traffic) have been in-operational for long and the NITEL has not lived up to its responsibility of providing international maritime satellite (INMARSAT) coast earth station and or coast radio stations. Other necessary maritime radar system for surveillance, search and rescue, distress alerts and weather warning were lacking thereby endangering security of lives and property on the Nigerian coasts and inland waters⁹ Making the Nigerian maritime environment unsafe and unduly dangerous could lead to negative effect which will mean in the end discouraging passengers and cargo owners from patronizing maritime business operators in the country. It is therefore necessary that urgent attention and general overhaul of the Nigerian maritime infrastructure is needed, if the object of the Act is to be achieved.

The issue of financing is very important to the success of any Cabotage regime. It is not enough that there is the will and temperament to prosecute the Cabotage policy without ready cash. Over time this has constituted the bane of many policy initiatives, and the implementation of the Cabotage is not out of this challenge. The popular opinion, and arguably, knowledge, is that long-term lenders are simply not there in Nigeria. Lending policies are also very high in Nigeria and it is usual to find lenders tightening lending policies and taking smaller bites of the deals they involve in¹⁰. Operators are advised to take advantage of facilities of commercial banks as they try to meet certain minimum requirements. They look for ways to satisfy the growing tough requirements of banks. The truth is that there could hardly be ship financing without collaboration of the government and the private sector Another major issue of concern with respect to financial challenge to the Cabotage regime in Nigeria is the issue of misapplication of funds and financial impropriety: NIMASA, through the Nigerian Seafarers.

An interventionist programme established to address the manpower requirements in the maritime industry abroad became of the inability of Maritime Academy of Nigeria to live up to io

⁹ Information Technology is Maruma Practice' by Name II F. CEO, Elkins Mare Ltd at the workshop on Challenges of Martins Practice to the New Millennium Organized by de Federal Ministry of Transport is Collaboration with to Pedestals and Foundation Chamders, 26-28 February 2001 quoted in Mike Igholewe, Nigerian Maritime Cabotage, p. 19.

¹⁰ G. Biu, Ship Financing & Security Documentation (2001 Consulting)

responsibilities, blew 20 billion to train 2,500 seafarers under the programme between 2011 and 2015¹¹. According to the then DG Akpobolokumi, the amount covers training fees, allowance, cost of laptops, books and other learning gadgets¹². The big question that begs for answer is that, how could NIMASA have expended a whopping amount of ₦20 billion in training 2,500 seafarers abroad when our Maritime Academy of Nigeria (MAN) Oron is poorly utilized and malfunctioned? Mr. Bolaji Sunmola, the president of the National Association of Stevedoring Companies, lamented on the wastages and declared it wouldn't have been necessary for us to send our boys to Philippines, if MAN Oron was functional at its optimal levels. He said that Oron was 50 times better than the school, yet such a huge amount is buried there all in the name of leaving the country¹³.

Government or government support which could manifest in the form of indirect or direct financial assistance for private ship owners, initiate policies for soft loans, provide favourable tax treatment to shipping operators, with some waiving the requirement of the payment of tax, including income tax. The Cabotage Vessel Financing Fund was established by the Act to promote the development of indigenous acquisition capacity by providing financial assistance to local operators in the domestic coastal trade. A very important issue is the commercial management of the fund. Operators must understand that the fund is small and demands even distribution on ship acquisition, repair and maintenance. While the fund is good and necessary, it is insufficient to satisfy the demand of the Cabotage trade. This implies that operators will still look out for other sources of funding.

Economic challenges here have to do with market forces, subsuming demand and supply variables. It centers on availability of service providers and corresponding impact on freight rates. The problem is that supply of services may be insufficient to meet expected needs, resulting in inflated freight rates for available services. Cost of waiver and licenses have to be considered too, and which will be transmitted to freight rates or borne by freight rates. Though there isn't competition regulation framework in place, shipping is not exactly subject to principles of competition, especially charter rates on specific voyages. These are agreed on individual cases and subject to negotiations by parties. Contracts proceeding from such negotiations are best respected for commercial order. It will make sense to create some kind of framework for the prevention of abuse of market dominance. Other impediments to the successful implementation of the Nigerian Cabotage regime include: failures on the part of implementing agencies, operational challenges, ambiguous provisions of the Act and

¹¹This day News Paper, Oversees Training for more Nigerian seafarers, 27 March, 2015 <<http://www.thisdaylive.com/articles/overseas-training-for-more-nigerian-seafarers/205/59/>>Accessed 16/10/24

¹² Nigerian observer News, NIMASA's Seafarers' Training Boosts Nigeria-Philippines Relations, April 19, 2015 <<http://www.nigerianobservernews.com/2015/04/19/nimasas-seafarers-training-boosts-nigeria-philippines-relations/#sthash.WNVLNQn.dpuf>> 16/10/24

¹³ Shipping position, National Seafarers Development Programme and Matters Arising 8 August 2016, <http://shippingpointon.com.ng/editorial/the-national-seafarers-development-programme-and-matters-arising> 16/10/24

relevant laws, provisions of the Act on waivers licenses and definition of terms, official corruption, the role of stakeholders like government, maritime businessmen, cargo owners and the likes. To this end, all hands must be on deck in order to come to the full realization of the benefits of the Cabotage policy in Nigeria.

A Critical Analysis of the Cabotage Act, 2003:

An appraisal of the Act here will be approached from three dimensions viz: criticisms of the Act, failures and laudable achievements of the Act. The Act was enacted in 2003 and took off one year thereafter. In the quest to allow for local participation, it provides that all vessels used for domestic coastal trade must be built wholly owned and manned by Nigerians. There is no doubt that the Act was well intended for Nigeria, hence it seeks to create employment, ensure maritime security, help us acquire better managerial and technical skills, conserve capital flight, improve environmental safety and provide a fair ground for healthy competition amongst our local operators and provide private and public sector collaboration. However, several years down the line, it seems that only very little of these have been achieved. This is even worsened by the lack of cargo support for its members from NIMASA and NNPC. The Impression we get from the leaders is that. Nigeria has little capacity to meet any of the requirements stated above while the Act empowers the minister of transportation to grant one year waiver to foreign vessels involved in coastal trade where it is reasonably felt that Nigeria lacks capacity. The government in trying to be transparent formulated guidelines through the Ministry of Transportation for the successful kick-starting of the Cabotage regime. The guidelines detailed the procedure for several categories of registration, waivers, enforcement, Cabotage vessel financing fees and training and so on. The efforts of the government implement these laws through the relevant agencies appear insignificant. This is against the backdrop that not until recently, NIMASA seems to have lacked the human and material resources to bring the Act to fruition. One of the reasons for this is the lack of the necessary synergy amongst the relevant agencies like NPA, NIWA, NNPC. NCS. NA. Immigration, NSCDC, NPF and so on involved in the implementation of the Act. Example, quota or work permit are issued to foreigner's seamen by Immigration under the Cabotage regime without recourse to NIMASA in order to ascertain their Multiplicity of laws and functions by relevant agencies are not also left out of this. Also, very little percentage of the operational vessels in the coastal trade as registered, local operators are reluctant to register in order to evade registration fees as they barely get joint to do, and foreign vessels are allowed to operate pending their waiver and consonantly when they finally get their waiver. This is a blow to the objective of the Act. More so, there is no incentives or patronage policies from the government to encourage the local operators. In financing it is still not clear whether NIMASA is adequately disbursing the CVFF to the intended beneficiaries, and the CVFF looks lopsided since it is concentrated more on ship acquisition at the expense of building of ship repair and training of indigenous m-power.

The ILO's perspective on the Nigerian Cabotage regime:

While not explicitly stated in the provided search results, it can be inferred from its core principles and focus on fair labor practices and decent work conditions for seafarers. The ILO, through conventions like the Maritime Labour Convention, 2006 (MLC, 2006), advocates for the protection of seafarers' rights and welfare, which aligns with the Nigerian Cabotage Act's goal of promoting local participation in coastal shipping. However, the ILO would likely emphasize the importance of ensuring that the implementation of the Cabotage regime does not compromise seafarers' rights and working conditions.

The ILO promotes "decent work" which includes opportunities for work that is productive and delivers a fair income, security in the workplace and social protection for families, better prospects for personal development and social integration, freedom for people to express their concerns, organize and participate in decisions that affect their lives and equality of opportunity and treatment for all women and men according to the International Labour Organization. The Nigerian Cabotage Act aims to achieve this for Nigerian seafarers by reserving coastal trade for Nigerian-owned, built, and crewed vessels.¹⁴

This ILO convention sets minimum standards for working and living conditions of seafarers, including fair wages, hours of work, rest periods, repatriation, and access to medical care. The ILO would likely expect the Nigerian Cabotage regime to be implemented in a way that respects these standards and ensures seafarers working on cabotage vessels enjoy these protections.

The ILO emphasizes the importance of social dialogue, which involves consultations between governments, employers, and workers' organizations. In the context of the Cabotage regime, this could mean that the Nigerian government should consult with ship-owners, seafarers' unions, and other stakeholders to ensure the effective and fair implementation of the Act.

The ILO's core principles also include eliminating discrimination in respect of employment and occupation. The Cabotage Act, by prioritizing Nigerian seafarers, could raise concerns about potential discrimination against foreign seafarers. The ILO would likely advocate for a fair balance that protects the interests of both Nigerian and foreign seafarers.

The Cabotage Act allows for waivers to be granted to foreign vessels in cases where Nigerian capacity is lacking. The ILO would likely be concerned about the potential for abuse of the waiver system and the need for transparency and accountability in its application. While the Cabotage Act aims to build

¹⁴The International Labour Organization. <<https://www.researchgate.net>> Accessed 07/05/2025.

local capacity, the ILO would likely emphasize the need for adequate training and skills development for Nigerian seafarers to ensure they can effectively take advantage of the opportunities created by the Act.

The ILO would want to ensure that the implementation of the Cabotage Act does not lead to a decline in working conditions for seafarers, whether Nigerian or foreign. This includes fair wages, safe working environments, and access to decent living conditions.

The ILO's perspective on the Nigerian Cabotage regime is likely to be one of cautious support, emphasizing the importance of ensuring that the Act is implemented in a way that promotes decent work for all seafarers and respects international labor standards. The ILO would likely encourage Nigeria to:

- i. Ensure that the Cabotage regime is implemented in a transparent and accountable manner.
- ii. Invest in capacity building to ensure that Nigerian seafarers can effectively participate in the domestic shipping industry.
- iii. Prioritize the welfare and working conditions of all seafarers, regardless of their nationality.
- iv. Engage in social dialogue with all stakeholders to ensure the effective and fair implementation of the Act.

Failures of the Cabotage Act, 2003:

Apart from the impediments discussed earlier on the successful implementation of the Cabotage regime. The Cabotage laws had some fundamental flaws that gave it a faulty foundation for instance, the waiver part of the Act is technical, but unfortunately its management was left to political patrons and non-professionals such as the minister of transport who will in turn make use of other political patrons and non-professionals, and this does not help the system at all. Again, it is unnecessary to have placed 15 years age limit on operational vessels under the Act because it is reasonably believed that the optimum use of these vessels depends on their maintenance. The establishment of the CVFF is laudable, but the 27% charge required for Cabotage vessel finance is like double taxation for same Cargo, as 3% on total freight paid by importer does not offset the depreciating effect on the private sector finance of same importer. In order to be properly guided, let us consider the failures from the four pillars of the Cabotage policy.

The few ship yards that exist in Nigeria are not well equipped for ship building. It appears there is no accurate statistics of the number and types of ships built in Nigeria. This is because ships are still been procured in abroad. In as much as building of ship is capital intensive, we are yet to see any ship owned by any indigenous operator that was built in Nigeria. Two reasons accounts for this lack of the technical know-how and the huge cost involvement it is therefore clear that Nigeria is lacking in the technology and enabling environment to embark on ship building. Consequently, foreign vessels will still be operational in Nigeria until such a time Nigerian would be able to surmount the challenges. Under the immediate past Directorship of Dakuku Peterside, NIMASA came up with New Cabotage Compliance Strategy, NCCN, in order to suspend certain categories of waivers at least five year and this in a plan for the optimal implementation of the Act¹⁵. The former DG) was quoted to have said that part of the measure by NIMASA to end the issuance of waivers was to develop infrastructural man capital development of Nigeria which demands the training of seamen to attain global standard¹⁶.

There is limited number of the vessels built in Nigeria and owned by Nigerian citizens. Until recently, because of the costly nature of ships, Nigeria Financial institutions have failed to be supportive to ship acquisition, and even the banks grant such loans with right collateral and short period to repay. The paucity of knowledge of the industry also drives people with huge capital into other ventures. The CVFF is helpless here since the government has demonstrated lack of will power to enforce the punitive me The Act is failing as the government and the implementing agencies are constrained to grant waivers to foreign owned vessels.

There is no doubt that poor man power has hindered the progress of the regime. The Nigerian maritime industry needs improvement in the area of personnel, capacity building and human resource development in this regard though we applaud the government's effort in restructuring MAN Oron, equipping it and the raining of Nigerian cadets to take over in the nearest future. Other areas that the regime has failed include: non-transparency on waivers to foreign vessels, misapplication of funds by shippers into other ventures, non-corporation by foreign vessels who evade registration nor renew their waivers, lackadaisical attitude of the government and its agencies towards strict enforcement of the Act, no drive for extraction of raw materials and lack of technical competence for building and assembling of vessels, and so on.

¹⁵ *Cabotage: NIMASA moves spent a five-year waiver cessation plan. March 23, 2019*

¹⁶ <<https://www.thevalvenews.com.ny/politics/Cabotage-nimasa-moves-toimplement-a-five-year-wairver-cessation.plan>><<https://www.thevalvenews.com.ny>

Laudable Achievements of the Cabotage Act 2003:

As much as we have identified contain areas where the Cabotage Act have failed, it is enable that the Act has succeeded in some respect, especially since the establishment of its super implementing agency NIMASA, down to the later part of president Good luck Jonathan regime and more importantly, with the coming into power of president Muhammadu Buhari in 2015 and the subsequent appointment of Rt. Honourable Rotimi Amacchi and Dr. Dhakuku Petersade minister of transportation and Director General NIMASA, respectively. We now tam to highlight some of these achievements Beginning with the training of local seamen, we have earlier stated that between 2011 and 2015, NIMASA, through the Nigerian seafarers development programme, had trained 2,500 seafarers to strengthen local manpower capacity Apart from MAN, the establishment of institutes of maritime studies in some of the Nigerian universities by NIMASA is worthy of mention. Notable universities with maritime institution are Ibrahim Badamasi Babangida University in Niger State, Niger Delta University in Bayelsa State, Lagos State University and University of Nigeria Nsuka, Enugu State, Maritime University in Delta State, NIMASA College of Science and Technology. Apart from the training of seafarers, NIMASA has graduated 298 more surveillance officers in basic training as part of its Integrated Security and Waterway Protection Infrastructure, otherwise known as the Deep Blue Project (DBP)¹⁷ This is an addition to several many others that have been trained It has been mentioned that the land-based intervention force will collaborate with the command and control centre in Lagos for effective security of the marine areas¹⁸.

On the construction of dry ports, mention it again since it has been extensively discussed in previous chapter, but it is good to reiterate that there is on-going construction and completed dry ports within the country. There are several approved locations for the Inland Containers Depots (ICD) which are under concession with private sector operators¹⁹. These ICDs will be complementary to the conventional ports. The dredging of the ports is also not left out there continuous and on-going dredging of the ports, for instance, the River Niger, Lokoja, Delta ports and Calabar. It is with warmed heart that we receive the news that for the first time in 13 years Calabar port receives its first vessel. The vessel, MV Boreas berthed at the seminal out one year after the operator struck a deal with the shop owner, Marquisa Shipping Line for business²⁰. We are also reliably informed that Rivers State port receives 162 vessels from January to June of 2019. This is a welcomed development, even though the Ports Authority has warned that the port is in a state of decay, and therefore demands attention²¹. urgent attention in fact, without much ado, summarizing the achievements of NIMASA under

¹⁷NIMASAtrains298militarypersonnelonintelligence gathering <http://opr.news/3a6b599a46f78b05_ng> 18/5/25.

¹⁸Ibid.

¹⁹ FG to begin construction of dry ports in Abia, Plateu, others-ICRC <http://opr.news/415d5bd/a7b/59bb_ng>Accessed 15/5/25.

²⁰Calabar Port receives first vessel in 13 years Sept. 30, 2019. <http://opr.news/4601598d190929en_ng> 19/5/25

²¹Rivers NPA Port receives 162 Vessels in 2019 HI, May collapse soon<http://opt.news/70cc7bb1101006en_ng> Accessed 19/5/25

Peterside, Chief Chukwuemeka Eze, while commending him for the countless values and adding colours to the administration of president Muhammadu Buhari, declared that so much have been achieved since the taking over of the headship of NIMASA in the first quarter of 2016 Part of the reforms initiated include the new Cabotage Compliance Strategy which has raised the bar in the development of the maritime industry by the creation of jobs for Nigerians in the sector, thereby contributing to the federation account and the Gross Domestic Product (GDP) of Nigeria²². The agency has for the past three years made tremendous efforts towards the protection of Nigeria's maritime assets and environment by setting up Response Capabilities under the Deep Blue Sea project. It has acquired special mission telecom gadgets, special mission aircraft and 17 interceptor special mission vessels. It has collaborated with the security agencies to establish command and control centre with armored vehicles and personnel to fend off criminals within the coastal areas²³. The inspection of over 600 vessels that calls within the Nigerian ports has drastically improved marine safety and reduce unseaworthy vessels from its 2015 18.99% to 14% in 2018²⁴. Eze praised Peterside, and sees him as an emerging force in the maritime industry not only in Nigeria but in the entire world and the first elected Nigerian to head the Association of African Maritime Administration (AAMA), an organization of 34 member countries. NIMASA under Peterside brought sigh of relief to Nigerian seafarers by promptly responding positively to the improvement of their welfare and terms and impeded the effective implementation of the Cabotage regime in Nigeria, the accruable benefits have not eluded Nigeria as can be seen from the progress made so far, especially with the present administration, hence the government has shown evidence of strong drive and determination to fully realize the benefits of the Nigerian Cabotage policy. We now turn to the concluding aspect of this research.

The Cabotage Act of 2003 in Nigeria aimed to reserve coastal trade within Nigerian waters for Nigerian-owned and operated vessels, fostering indigenous participation in the maritime sector. While it has faced implementation challenges, it has also achieved notable successes. The act has led to a significant increase in the number of Nigerian seafarers employed on vessels operating in Nigerian waters, with many vessels now having at least 70% Nigerian crew content.

The act has created opportunities for the growth of indigenous shipping companies, encouraging them to invest in vessels and participate more actively in coastal trade. The Cabotage Vessel Financing Fund (CVFF) as established to provide financial assistance to indigenous operators for acquiring vessels, contributing to the growth of the national fleet.

²²*Ibid.*

²³ (n 25)

²⁴*Ibid.*

The act has spurred growth in the shipbuilding and ship repair industry, with local shipyards becoming busier with repairs and some construction activity. The increased activity in the maritime sector has facilitated the transfer of technical knowledge and skills from foreign experts to Nigerians, particularly in ship management and repair.

The act has generated numerous direct and indirect employment opportunities in the maritime sector, including seafaring, shipbuilding, ship repair, and related services. By reducing reliance on foreign vessels, the act helps to conserve foreign exchange and potentially increase revenue for the country.

The act empowers indigenous operators by giving them a greater share of the economic benefits derived from coastal trade. While challenges remain, the act has contributed to reducing the dominance of foreign vessels in Nigerian coastal waters. The act allows for joint ventures between Nigerian and foreign entities, promoting collaboration and knowledge transfer. Increased Nigerian participation in coastal trade enhances maritime security by providing more eyes and ears on the water.

The act has spurred investments in port facilities and other maritime infrastructure to support increased local activity. The Cabotage Act has led to the development of a more robust regulatory framework for maritime operations in Nigeria.

The act has raised public awareness about the importance of the maritime sector and the potential benefits of cabotage. The act indirectly encourages more environmentally friendly practices by promoting the use of Nigerian-flagged vessels, which are often newer and more efficient.

The act also applies to inland waterways, promoting their development and utilization for trade and transportation. The act has fostered collaboration between government agencies, private sector operators, and international organizations; the act has contributed to the development of maritime clusters, where various stakeholders are located in close proximity to each other.

With increased demand for vessels, there is potential for the Nigerian shipbuilding industry to grow and become more competitive. By fostering indigenous capacity in the maritime sector, the act indirectly contributes to national security by reducing dependence on foreign entities for vital transportation services.