

## **Strategy for the Implementation of Cabotage Policy for the Development of Indigenous Maritime Capacity in Nigeria**

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### **Abstract**

The paper is a study of cabotage policy regime in Nigeria and how it has affected the development of indigenous maritime capacity since its enactment as an Act twenty years ago with so much promises and expectations from various stakeholders in the Nigerian shipping industry. The Policy Implementation theory was utilized to explain the organisational and inter-organisational implementation behavior of policies. In carrying out this study, both primary and secondary data were used. Primary data involves obtaining information by means of interviews and questionnaire to gauge the opinions of stakeholders, as to the success of the policy. On the other hand, secondary data involves the collection and examination of available data of relevance to a study. They include relevant textbooks, journals and periodicals, seminar papers, reports, magazines and internet. The various findings revealed that the policy has not met the expectations of the indigenous operators. Despite the existence of the Cabotage policy as enshrined in the Cabotage Act, in addition to the provision of vessel purchase fund, the development of indigenous shipping has not significantly improved. More so, the expected fleet expansion has not necessarily been achieved. Findings also showed that cabotage has failed woefully to build indigenous capacity in shipping which has resulted in the loss of trillions of Naira in revenue for the government. However, the study suggested that the renewed efforts of government, especially NIMASA, if sustained, will change the situation for the better. Also, on the Cabotage Vessel Financing Fund (CVFF), government should make haste to ensure that all impediments to access the Fund by indigenous operators are promptly removed; it should also make haste to commence disbursement of the Fund. This will ensure the acquisition of relevant and needed vessels by the indigenous shipping operators, thereby giving them the necessary impetus to actually participate in the cabotage trade to the benefit of Nigerians and the achievement of the objectives of the Cabotage Act.

**Keywords:** Cabotage, Development, Indigenous, Maritime & Strategy.

### **Introduction**

As a matter of fact, events around the world have shown that the maritime sector, when handled rightly, can go a long way in reducing poverty, creating wealth creation, promoting skills acquisition and encouraging entrepreneurship. The sector has the capacity to boost a country's economic development and also contribute very significantly to the growth of the national gross domestic product (GDP). Some of the opportunities the sector can bring include: providing a platform for global shipping and commerce; act as a source of renewable energy; enabling fisheries, tourism, maritime transport and infrastructure, to mention but a few. The modern international maritime transport system falls into three zones: interregional transport, which covers deep-sea shipping; short-sea shipping, which transports cargoes of short distances and often distributes cargoes brought in by deep-sea services; and inland transport (Stopford, 2009:50).

The maritime industry is playing a prominent role to the development of Nigeria as a nation. However, the maritime industry has for some decades now, been bedeviled with myriads of challenges including paucity of funding/financing and public private partnership (PPP), inadequacy of the legal and regulatory framework, inadequate incentives for private investors, lack of political will and inconsistencies in policy formulation. Oluremi (2011) was of the view that the approach of protecting domestic shipping companies by prohibiting foreign ships from participating in domestic or coastal shipping is one which is recognized all over the world as that based upon the realization that the protection of nation's maritime industry is an avenue for economic advancement and availability of defence/security in situation of national emergencies and crisis. One common method of protecting and promoting the maritime industry is to forbid foreign ships from taking part in the Inland or cabotage trade. It is equally asserted that ships required for this purpose are to be domestically built, owned and operated. At separate occasions, some policies and programmes had been initiated to assist indigenous ship procurement, to attain a growth level in the maritime sector, and these could not yield the intended goals (Ajiye, 2013).

In the 1970s, 24 vessels were acquired by the now extinct 'Nigeria National Shipping Line' (NNSL) and the setting up of the 'Ship Acquisition and Ship Building Fund' (SASBF) under the 'National Shipping Policy Act' (NSPA) (1987). All these failed to give Nigeria its rightful place in the world maritime business. The passage of the Cabotage Act, 2003, and the NIMASA Act, 2007 to advance the growth of local shipping commerce in ocean and inland trade; port reforms which led to 'private terminal' operations to encourage effective freight management and discharge; reduction in operation overheads and accretion in cargo volume, are efforts employed by the government to improve and give growth to its maritime industry (Atteh & Nwekeaku, 2016).

According to the 2017 report of the National Bureau of Statistics/Nigerian Ports Authority (NPA), the ship traffic statistics at Nigerian ports has reflected that a total number of 19,833 vessels berthed at the various ports between 2013 and 2016. Similarly, 543,842,425 tonnages were registered within the period under review. Year 2014 recorded the highest number of vessels berthed as well as tonnages registered while the least were recorded in 2016. Tin Can Island Port handled the most ships accounting for 33% of total number of ships that berthed in all ports and 32% of total tonnage registered in all ports. It is closely followed by Apapa port which accounted for 28% of ships that berthed and 25% of total tonnage registered and Onne port which accounted for 15% of ships that berthed and 30% of total tonnage registered. Also, cargo traffic statistics revealed that a total of 312,185,808 cargo traffic was recorded at all Nigerian ports between 2013 and 2016. 196,851,236 or 63% of the cargo traffic were inwards while 115, 334,572 or 37% were outward (National Bureau of Statistics/Nigerian Ports Authority, 2017).

Cabotage law has also been highlighted to be a framework of transformation, but needs to be properly regulated for the benefit of Nigerians and the improvement of the Nigerian economy. Given the low level of growth and outright absence of indigenous technology, Nigeria cannot afford to operate a strict cabotage legal regime but a liberal or relaxed cabotage. So many factors militate against the smooth implementation of the policy. Such factors include policy imperfection, institutional inadequacies like NIMASA's shortcomings, waiver clause, issuance of special license to foreign operators, other regulatory instruments inconsistent with the spirit of the Cabotage Act, and failure of implementing agencies (Njar & Okon, 2018).

The introduction of Cabotage in Nigeria is to significantly utilize the legally entrenched and lucrative shipping opportunities as a result of the riparian nature of the country's geography, characterized by coastal and inland waterways, coupled with the increase in the movement of people, goods, and services due to oil exploration in the country. In addition, Nigeria is an import-dependent country and shipping is pivotal in this regard. Cabotage therefore introduces a market reservation in coastal shipping, especially "in respect of the local carriage of goods, the coastal transport of men and materials, the supply of offshore vessels of differing operational and market role description, the supply of all manner of shipping services between all Nigerian coastwise and offshore locations for Nigerian operators". In view of the importance of shipping in the economic and sociopolitical development of Nigeria, including its sovereignty, qualitative and exhaustive policy formulation to stimulate indigenous ship owners and its implementation are imperatively introduced in the country (Ajibo, Anozie, Onyeabor, Umahi, Odinkonigbo & Agu, 2019).

Advances in technology in various industries have led to increased product and process flexibility, quality, and efficiency measures such as delivery, lead time, inventory, return on equity, set-up time, consistency, and reliability, all of which have improved competitiveness (Ellingsen & Aasland, 2019). The Nigerian maritime industry faces challenges of technology adoption for improved efficiency due to lack of technical capacity to produce high-tech equipment used in the industry, and this has undermined the coastal and inland shipping (Cabotage) regulation that aims to transfer technology to Nigerians (Ajibo, Anozie, Onyeabor, Umahi, Odinkonigbo & Agu, 2019). Nigeria's location could benefit strategically from the maritime trade along the coast of West Africa and the Gulf of Guinea; however, these challenges impede the full realization of the maritime industry's capacity to boost the Nigerian economy. Tapping into the gains provided by technological advancement would translate to economic growth from the industry (Chidi, Onyeabor, Nwafor, Alozie, Nwafor, Mahakweabba & Adibe, 2020).

The maritime industry's productivity in Nigeria is also impeded or affected by inadequate infrastructure that undermines port services' efficiency and effectiveness (Ekeada, Obioma & Anyanwu, 2018). It is against this background that this study examines Nigeria Cabotage policy and the development of indigenous maritime capacity from 2003-2021.

### **Research Questions**

- i. How has the implementation of the Cabotage policy developed the indigenous maritime capacity in Nigeria?
- ii. What is the strategy adopted for the implementation of Nigeria Cabotage policy for the development of indigenous maritime capacity?

### **Objectives of the Study**

- i. To examine how the implementation of the Cabotage policy has developed the indigenous maritime capacity in Nigeria.
- ii. To assess the strategy adopted for the implementation of Nigeria Cabotage policy for the development of indigenous maritime capacity.

## **Conceptual Framework**

### **Concept of Cabotage**

Cabotage simply means transport or navigation along the coastal areas of a country. It is the carriage of goods and passengers within the coastal waters of a particular country. Igbokwe (2006:1) defined cabotage as “the carriage of goods and persons by ships between ports on or along the same coast or between ports within the same country and the exclusive rights of a country to operate sea traffic within its coasts”. In a similar vein, Ndikom (2010:1) defined cabotage as “an inland trade along coastal waters. It is the trade along a country’s coast; the transport of goods or passengers from port to port in the same country”.

It can be seen that cabotage, essentially, is all about coastal shipping within a country’s waterways. However, the exigencies of national interests, national security and agitations by the citizens are some of the determining factors deciding what type of policy the government of a particular state will adopt, with particular reference to cabotage.

According to Ademuni-Odeke (1984:75), cabotage is a “nautical term derived from Spanish, literally denoting navigating from cape to cape along the coast without going out into the open sea”. On his own part, Akabogu (2004:2), saw cabotage as “navigating or trading along the coasts of a territory, between the ports thereof”. There are basically two options:

- i. Shipping liberalism
- ii. Protectionism

Shipping liberalism, according to Chrzanowski (1985), recognises the principle of free and fair competition in sea transport, irrespective of the flag the ship is flying. Under such policy, shippers have the right of a free choice of carrier; either a home or a foreign-flag vessel. Hence, the basic principle of shipping liberalism is that the merchant marines operate on the freight market without any intervention of the public bodies/governments or their agencies. Government non-intervention is thus the very essence of the concept of liberal policy in shipping.

Protectionism, on the other hand, is the adoption of some form of policy, aimed at giving preference and protection to the local or indigenous shipping companies in that state so as to ensure that they partake in the shipping activities of the country, being shielded from the undue advantage of foreign shipping companies in terms of better technical ability and competence.

### **Concept of Capacity Development**

The concept of “capacity” has been defined as the power to perform or produce or improve. From the UNDP’s perspective it is the ability of individuals and organizations or units to perform functions effectively or efficiently and sustainably. The past decade has witnessed a resurgence of interest in the issue of capacity development and with it the redefinition of the concept, with the intent of moving away from the traditional acceptance of capacity development based on technical training and foreign expertise and to capture the concept in its complexity and entirety.

The United Nations Development Programme (UNDP) defines capacity development as the process through which individuals, organizations, and societies obtain, strengthen, and maintain

the capabilities to set and achieve their own development objectives over time (Ngubane, 2016). The point is that, capacity development has to do with the realization of organizational or institution's goals through the inputs of resourceful human and technological resources. It involves both individual and the society at large improving their skills and wider knowledge for the purpose of development of any kind.

The United Nations Disaster Risk Reduction Office (UNISDR) defines capacity development as the process by which people, organizations and society, systematically stimulates and develop their capability over time to achieve social and economic goals, including through improvement of knowledge, skills, systems, and institutions within a wider social and cultural enabling environment. For the Organisation for Economic Co-operation and Development/Development Assistance Committee (OECD/DAC) capacity development is the process whereby people, Organisations and society as a whole unleash, strengthen, create, adapt and maintain capacity over time (Katsouris & Sayne, 2013).

### **Literature Review**

Charlie and John (2016) have revealed that the National Assembly on 30 April 2003 passed the Coastal and Inland Shipping (Cabotage) Act ("the Cabotage Act") into Law. It was stipulated that the provisions of the Cabotage Act would become enforceable from 1 May 2004. The much-awaited guidelines for the implementation of the provisions of the Cabotage Act were eventually released by the Honourable Minister of Transport on 7 of June 2004. The intention of the Cabotage Act is primarily to stimulate the development of indigenous capacity in the Nigerian Maritime Industry. The Act therefore seeks to reserve domestic coastal trade ("Cabotage or Cabotage trade") within Nigerian Coastal and Inland Waters to vessels built and registered in Nigeria, wholly owned and wholly manned by Nigerian citizens. Foreign owned vessels and companies are however allowed to participate in Cabotage trade within Nigerian waters, subject to obtaining a waiver and/or a license from the Federal Ministry of Transport. Under the Cabotage Act, "Nigerian Waters" is defined to include inland waters, territorial waters or waters of the Exclusive Economic Zone (respectively, together or any combination thereof) and the meaning given to them by the National Inland Waterways Authority Decree 1997.

According to Ajiya (2013), the Cabotage Act is designed to guarantee the participation of Nigerian citizens in its own domestic maritime trade. The objective of the law is based on the following:

- a) To promote economic growth and national development;
- b) The need for the nation to protect its coastal trade through shipping;
- c) To stimulate and expose Nigeria's indigenous shipping operators to shipping business in the coasts as a stepping stone to deep sea/international shipping;
- d) Promote acquisition of shipping technology by creating and diversifying employment opportunities in the industry;
- e) Improve environmental safety;
- f) Enhancing indigenous maritime capacity by igniting the flame of education, training and employment of seafarers, ship operators and ship managers since the ships to be used in domestic shipping would be Nigerian-built and Nigerian-owned, crewed and operated;
- g) Protection of the nation's security interests;
- h) Improve Balance of Payment;

- i) Provide level ground for fair competition amongst the indigenous ship-owners and operators.

Four years after the Cabotage regime came into operation, the Indigenous Ship-owners Association of Nigeria, the umbrella association of local shipping investors still complains bitterly that lack of enforcement of the law has encouraged unabatedly foreign domination of the coastal shipping trade and that they are worse off now than before by lack of cargo support for its members from NIMASA and NNPC (Agoha, 2008).

The implication of this Act to indigenous ship owners, according to researchers like Akpabolokemi (2012); Ubadire (2008); Usoro (2003) & Charlie and John (2016) is that ship owners could no longer leverage on the expertise provided by foreign expatriates as the Act does not encourage transfer and sharing of technology, bearing in mind that most of the sea fearers in Nigeria are poorly trained and not exposed to modern day technology required for effective sea operation. The Act also requires the ships to be made in Nigeria which has been difficult considering the place of Nigeria in technological development. The implication of this policy is that ship owners are not even allowed to use foreign made vessels as that would violate the law (Ajiye, 2013). This policy has thrown many indigenous ship owners into a state of confusion and has been the reason why some shipping companies are no longer in existence.

Therefore, in the case of inability to perform such contract, the Cabotage Act caters for the upgrading of Nigerians with a provision in the waiver clause that allows Nigerians to understudy the foreigners for two years. Nigerians are expected to have measured up competently and professionally after the two years to now take-over independently, but reverse seems to be the case since 2003 that the Cabotage Act was passed, as a result, given an unfettered opportunity to the foreigners to continue to enjoy the two-year waiver without an end (Akpabolokemi, 2012).

According to Ugwoke (2015), indigenous ship-owners attribute the comatose situation of the local shipping sector to the collapse of the Cabotage regime and failure of relevant government agencies from policing the territorial waters against foreign vessels operating illegally (Ugwoke, 2015). Nigeria has good economic policies in every sector of the national economy. But the problem all these decades had been lack of effective implementation. This is exactly the problem in the nation's maritime sector where policies targeted at developing indigenous shipping have failed. The problem has been ineffective enforcement of the Coastal Shipping policy (Cabotage) and the local content law made for the development of local shipping companies. Incidentally, those who are benefitting from the failure are foreign shipping companies and individuals who have learnt the tradition of 'greasing the palms' of few Nigerian officials to remain in illegitimate business. At this point firms need to show high level of adaptability, resilience and commitment to staying in business which would be easier with the right expertise in the organization's possession.

Ubadire (2008) maintained that in order to entrench a vibrant and result oriented Cabotage policy in Nigeria, there is need to amend the Cabotage Act to depict the genuine aspirations of the local ship operators who are supposed to be protected, encouraged, and supported under the policy. Hence, the section of the Cabotage Act that imposes surcharge on indigenous ship operators should be expurgated. Additionally, the conditions for obtaining waivers by foreign shipping operators should contain safeguards for local shipping companies and the transfer of technology. These objectives can be achieved by including in the Cabotage Act the consultation of Indigenous

Shipping Association of Nigeria (ISAN) before waivers can be granted to foreign shipping companies. Moreover, granting of waiver should be done on case by case bases and must be engendered by the collective interest of Nigeria.

Walter (2010) suggested that beyond the legal framework, adequate and accessible funds should be provided to local ship operators to really encourage and bolster Cabotage in Nigeria. First, the CVFF should be increased in order to sufficiently take care of many Nigerian ship operators. The current maximum figure of US\$25 million an indigenous ship operator can apply is inadequate to purchase a large brand-new oil tanker, neither can it purchase a second hand vessel of equivalent size.

Above all, the literature reviewed did not adequately address the nature and strategy adopted for the implementation of Nigeria Cabotage policy for the development of indigenous maritime capacity which this paper attempted to fill.

### **Theoretical Framework**

Policy implementation theory, according to Dunst, Trivette and Starnes (1993), is concerned with “strategies used to translate policies into practice, and the analysis of the implementation of existing policies to determine whether they are achieving stated goals or solving the problem(s) that the policy is intended to alleviate”. The strategies or actions, they further argue, may be taken by public and private individuals or groups so long as they are directed towards the “achievements of objectives set forth in prior policy decision”.

Peter and Linda (2002) have identified three generations of policy implementation research. The first-generation implementation studies are largely case study analyses and placed heavy emphasis on activities between policy formulation and execution. Here the concern lies more on the precision and language to judge the effectiveness of policy. Being driven to finding the best way to move policy proposal to successful execution, they proposed models generally based on what is often concentrated on, and reflective of, a “top-down” perspective. This categorisation is not cast in stone.

The second-generation genre easily falls into two types. The first subgroup here which includes eminent policy scholars like Mazmanian and Sabatier (2017) have often be classified as “top-down” theorists given their penchant for paying so much emphasis on the policy and legal objectives. However, together with others like Robert Nakamura and Smallwood (1980), and Berman (1980), their approach has taken a strong resort to empiricism, which as a result created the impression that this generation of policy analyst is more sophisticated and “consciously more theoretic”. The other school known as “bottom-up” orientation places more attention on street-level bureaucrats and a commitment to the development of an inter-subjectively reliable methodology and a concern with policy areas. The contribution of this variety rests on the claim that the top-down approach ignored, or de-emphasized, the role played by street-level bureaucrats on whose shoulders the planning and execution of policy laid.

Consequently, bottom-up proponents argue that for implementation research, attention and a useful approach is better focused to capture the entire picture of the implementation process. However, it is to be noted that a blend of the two has been suggested viewing the bottom-up/top down controversy as unnecessary since they could be nothing more than “different ways of looking at

the same phenomenon”. Because of the difficulty in imposing a standard explanatory kit for all purposes, Maitland (1995) cautions that different conditions might require different implementation strategies. For this reason, he with other Contingency theorists advocated that appropriateness of strategy is contextual and dependent on the contingencies surrounding the particular policy issue (Sabatier & Jenkin-Smith, 1993).

In their seminar book, *Implementation and Public Policy*, Mazmanian and Sabatier formulated the Policy Implementation Model which focused on what happens after policy has been enacted. Not concerned with issues of policy design and formulation politics, the model goes straight to identify key variables that affect success, or outcome, of policy implementation. In analyzing the outcome and impact of implementation process, the parameter which determines success or failure is based on the extent to which the stated legal objectives in the policy were met or fulfilled.

Strengthening the model with modifications suggested by Winter (1990), here is a framework that incorporates four key socio-political conditions of:

- i. The character of the policy formulation process prior to the law,
- ii. The organisational and inter-organisational implementation behaviour,
- iii. Street-level bureaucratic behaviour, and
- iv. The response by target group. The aim of a model, Soren Winter states, is “to identify and integrate the most important variables for the purpose of getting a comprehensive view and stimulating future theory development”. This study will adopt this model to study Nigeria Cabotage policy and the development of indigenous maritime capacity.

Mazmanian and Sabatier (1983) have listed six conditions for effective implementation provide as follows:

- i. **Clear and Consistent Objectives:** The enabling legislation or other legal directive mandates policy objectives, which are clear and consistent or at least provides substantive criteria for resolving goal conflicts. This helps in providing standard for evaluation of the policy, which also serves as an important legal resource to the implementing officials.
- ii. **Adequate Casual Theory:** The enabling legislation incorporates a sound theory identifying the principal factors and casual linkages affecting policy objectives and gives implementing officials’ sufficient jurisdiction over target groups and other points of leverage to attain, at least potentially, the desired goals.
- iii. **Enhancing Compliance:** The enabling legislation structures the implementation process so as to maximize the probability that implementing officials and target groups will perform as desired. This involves assignment to sympathetic agencies with adequate hierarchical integration, supportive decision rules, sufficient financial resources, and adequate access to supporters.
- iv. **Committed and skilful Implementing Officials:** The leaders of the implementing agency possess substantial managerial and political skill and are committed to statutory goals.



- v. Support of Interest Groups and Sovereigns: The programme is actively supported by organized constituency groups and by a few key legislators (or a chief executive) throughout the implementation process, with the courts being neutral or supportive.
- vi. Changes in Socio-economic Environment: The relative priority of statutory objectives is not undermined over time by the emergence of conflicting public policies or by changes in relevant socioeconomic conditions, which weaken the statute's causal theory or political support (Mazmanian & Sabatier, 2017).

The crux of the research is then reducible to a central concern. The study speculates that the likelihood that legal objectives (shipping development) enshrined in the national shipping policy will be attained is essentially rested on the extent to which the conditions stated in the framework are met. Reflecting on the number of agencies and groups that are involved as shipping stakeholders in Nigeria, the role of the implementing agency, NIMASA, will be crucial in forging a common shipping front. However, inter-agency ego, territorial mindset and differences in the core policy arena could pose difficult for NIMASA's coordinating role.

By using different groups of independent variables to explain outcome, the concern of the study to investigate the causes of the failure of national shipping policy comprising the NSPA and cabotage act is satisfied. Additionally, this model will help us to address three key issues. First, it throws light on the compliance or conformity of outcome with policy objectives. Next, it provides us with insight in the implementation process such that we can verify whether policy goals or objectives were altered. Finally, we can identify the primary variables that affect policy outcome.

## **Methodology**

This study used a mixed research design which entails both qualitative and quantitative approaches. The population of the study stood at 5,610 which were derived from the staff of Nigerian Maritime Administration and Safety Agency (NIMASA), Nigerian Ports Authority (NPA), National Inland Waterways Authority (NIWA), Nigerian Shippers Council (NSC), Indigenous Shipping Association of Nigeria (ISAN) and Nigerian National Petroleum Corporation (NNPC). The sample size representative of the target population in this study was 361. It was determined based on the Krejcie and Morgan (1970) method of calculating sample size.

Purposive sampling was employed for the interview. For the questionnaire, simple random sampling was used to select specific departments in the organizations that are saddled with the responsibility of Nigeria Cabotage policy and the development of indigenous maritime capacity. Three hundred and sixty-one (361) copies of questionnaire were distributed to the respondents who are staff of Nigerian Maritime Administration and Safety Agency (NIMASA), Nigerian Ports Authority (NPA), National Inland Waterways Authority (NIWA), Nigerian Shippers Council (NSC), Indigenous Shipping Association of Nigeria (ISAN) and Nigerian National Petroleum Commission (NNPC). However, only three hundred and forty-nine (349) copies of questionnaire were filled and retrieved. Thus 349 out of the 361 copies of questionnaire were therefore, used to analyze the data. Data were analyzed using 5-point Likert scale in descending order of SA, A, D, SD and U to determine the level of responses. The responses from questionnaire were presented according to the objectives using charts and frequency table (frequency, count and percentage).

Interviews were held with senior staff from the above-mentioned organizations. The interview results were supplemented with information from the extant literature, including newspapers, reports, official documents and were analysed using content analysis.

### Data Analysis and Interpretation of Results

**Table 1: The indigenous shipping operators have been able to access the Cabotage Vessel Financing Fund (CVFF):**

Option	Frequency	Percentage
Strongly Agree	23	6%
Agree	29	8%
Disagree	131	38%
Strongly Disagree	149	43%
Undecided	17	5%
<b>Total</b>	<b>349</b>	<b>100%</b>

Source: Field Work, January (2023).

On the question of whether the indigenous shipping operators have been able to access the Cabotage Vessel Financing Fund (CVFF), the data supplied by respondents show that majority representing of one hundred and forty-nine (149) or forty-three percent (43%) strongly disagreed, one hundred and thirty-one respondents (131) representing thirty-eight percent (38%) disagreed. twenty - three (23) respondents representing six percent (6%) strongly agreed while twenty-nine respondents (29) accounting for eight (8%) percent agreed. Those who remain undecided were seventeen (17) or five (5%) percent.

From their responses, it can be seen that the indigenous shipping operators have not been able to access the Cabotage Vessel Financing Fund, CVFF. This is seen as a failure of the policy, as expectations had been high that they would be able to access the fund in order to acquire the much-needed tonnage. However, the implementing Agency, NIMASA has explained on various occasions that it was trying to put things in the right order before it starts disbursement so that the fund would not go the way of the earlier Ship Acquisition and Shipbuilding Fund. Also, acquisition of vessels is capital intensive and, therefore, enough money needs to be accumulated before disbursement begins so that the money to be given out will be sufficient to acquire the needed vessels.

This is further supported with interview response provided by an official of National Shippers' Council (NSC) that: the indigenous shipping operators have not been able to access the Cabotage Vessel Financing Fund despite the provision for it. The implication of this is that foreign vessels are still dominating Nigerian waters. The evolution of the Cabotage Act of 2003 is a culmination of various efforts of relevant stakeholders, government agencies and the lawmakers towards the development of an enabling law, which provides for the regulation of the Nigerian coastal trade and ensures that the interests of the domestic shipping companies are adequately protected. Hence, the Act would not have materialised without the persistent clamour by the indigenous operators and maritime professionals who saw the Act as about the only way of safeguarding the continuous existence of domestic shipping after all previous efforts seemed to have failed. In particular, two efforts, which had been made in the immediate past to promote and protect indigenous shipping operators in Nigeria, are:

- i. The ship acquisition and shipbuilding fund
- ii. The cargo control and sharing policy

This fund is created by virtue of section 42(1) of the Act for the purpose of promoting the development of indigenous ship acquisition capacity. This is realized by providing financial assistance to Nigerian operators in the domestic coastal shipping. The monies to be paid into the fund are set out in section 43 of the Act Other provisions in relation thereto include beneficiaries of the fund and the management thereof (January 20<sup>th</sup>, 2023).

The result is in tandem with the position of Agbakoba and Associates (2019) that the Cabotage is a creation of the legislature restricting participation or preserving maritime or aviation trade within a nation for the exclusive advantage of its nationals. The Nigerian maritime cabotage was enacted by the federal government in reaction to cries by major maritime practitioners and administrators who pressurized the government to set up an organic instrument to use indigenous maritime skills and appropriate the huge profits in the sector for the benefit of the citizens. The call was timely to alter the situation by which the nation's maritime businesses both local and international were controlled by non-Nigerians. The idea of instituting the cabotage policy was to stimulate the promotion of the maritime trade by an interventionist mechanism with the aim of helping the promotion of the indigenous capacity to control more foreign competition and dominance.

**Table 2: Cabotage Vessels Operating in Nigeria**

Company	Numberof Vessels	Registration-Type
1.Akpos Marine Nigeria	5	Nigeria
2.Bourbon Inter Oil Nigeria	5	Temporary
3.Seabulk Offshore Nigeria	8	Temporary
4. Lamnalco Nigéria	20	Joint Venture
5.Sea Trucks Nigéria	67	Nigeria
6.Diesel Power Nigéria	39	Nigeria
7.Hyundai Serv. Ind. Nig.	4	Foreign
8.Walvis Nigéria	14	Foreign
9.RANGK	3	Nigeria
10.Bourbon Inter Oil	3	Joint Venture
11. West Africa Offshore	15	Foreign
12. West Africa Offshore	10	Joint Venture
13. Phoenix Tide Offshore Nig	32	Bareboat
14. Shell Petroleum Dev. Nig	121	Joint venture
15. Maersk Line	8	Foreign
16 Income Electrix	5	Nigeria
17.First Marine & Eng Serv.	6	Bareboat
18.Coastal Inland Marine Serv.	5	Foreign
19. Edison Chouest Offshore	3	Foreign
20. Milford Marine Nigeria	5	Nigeria

*Source: NIMASA Cabotage Report (2006); Onyemechi (2015).*

Another participant from the Indigenous Shipping Association of Nigeria (ISAN) details that Cabotage Act in Nigeria was enacted in 2003 to add more value to the Nigerian maritime industry, especially, in the area of indigenous fleet expansion and human capacity development. The main objective was the human capacity development and indigenous ship-owning and shipbuilding; the aim was to curtail foreign dominance and unequal competition by non-Nigerians. Since the enactment and subsequent implementation, the purpose of that enactment has not yet been attained. What is still applicable is foreign dominance and unfair competition, arising possibly from policy failure, institutional ineffectiveness as in the case of the Nigerian Maritime Administration and Safety Agency (NIMASA), lack of stable local capacity and confusion among the players in the maritime industry (January 17<sup>th</sup> 2023).

**Table 3: The Current Ship Building Industry in Nigeria does not have the Capacity to Satisfy the Cabotage Trade Market**

Option	Frequency	Percentage
Strongly Agree	158	45%
Agree	127	36%
Disagree	27	8%
Strongly Disagree	31	9%
Undecided	6	2%
<b>Total</b>	<b>349</b>	<b>100%</b>

Source: Field Work, January (2023).

One of the intended benefits of the cabotage policy is a situation where the shipbuilding industry will be able to meet the demands of indigenous ship-owners in building new tonnage as well as ship repairs. However, the present circumstance in Nigeria does not portray such a situation. Hence, in answering this question, one hundred and fifty-eight (158) representing forty-five (45%) percent strongly agreed that the present shipbuilding industry did not have the capacity to satisfy the cabotage trade market while one hundred and twenty-seven (127) respondents accounting for thirty - six (36%) percent agreed. Respondents who strongly disagreed stood at thirty – one (31) representing nine (9%) percent and those who agreed represent eight (8) percent or nineteen (27) respondents while respondents who are undecided account for six (6) or two (2) percent.

In agreement to the foregoing analysis, an interviewee who is an official of the National Inland Waterways Authority (NIWA) explains that Nigeria’s cabotage Act is a piece of legislation which, if well implemented, can transform the fortunes of Nigeria. Apart from empowering Nigerians, as active participants in the coastal trades, cabotage will provide many jobs, alleviate poverty and open training opportunities and facilities for the Nigerian maritime cadets and seafarers. The challenges of making cabotage in Nigeria work effectively are quite enormous but not insurmountable. For example, Nigeria today lacks a national fleet or national carriers. Were any of these in place, it would have been possible to use it to train Nigerian Cadets, Marine Engineers, and Electrical Engineers etc and employ those who have been trained but now jobless. This would also have helped in supplying crew to cabotage vessels. It is sad to reiterate here that; Nigeria is probably the only country in the world without her own fleet.

The official of the National Inland Waterways Authority (NIWA) further laments that: in fact, what informed Government’s decision and desire to embark upon port reform in Nigeria is the dismal failure of our ports and their operational managers to perform most efficiently and cost effectively. At a time, the government was squandering billions of tax-payers’ monies to support and salvage the non-performing public utility called Nigerian ports. Successive Governments continued to pump huge amount of money which their collaborators siphoned away in the name of dubious contracts to supply cargo discharging plants, fire-fighting equipments and communication or security gadgets; most of which were never supplied, or even if supplied not functional (January 18<sup>th</sup> 2023).

**Table 4: Strategies adopted for the implementation of Nigeria Cabotage policy for the development of indigenous maritime capacity have been effective**

Option	Frequency	Percentage
Strongly Agree	53	15%
Agree	49	14%
Disagree	134	38%
Strongly Disagree	102	29%
Undecided	11	4%
<b>Total</b>	<b>349</b>	<b>100%</b>

Source: Field Work, January (2023).

On the statement that the strategies adopted for the implementation of Nigeria Cabotage policy for the development of indigenous maritime capacity have been effective, data collected show that it is not true. This is because respondents who disagree and strongly disagree were in the majority, representing one hundred and thirty-four (134) or thirty - eight (38) percent and one hundred and two or twenty - nine (29) percent respectively. This is against the fifty-three (53) or fifteen percent (15%) and forty - nine (49) or fourteen percent (14%) and eleven (11) accounting for four (4%), of those who disagree, strongly disagree and undecided respondents.

This findings corroborates with the view of Rtd Rear Admiral Ombo who is a Maritime Security Consultant who said that “Any business’ success is measured by the level of need, demand and the patronage for the advantage it brings. Opportunity for utilization is based on the demand and available market. Cabotage being protected by the maritime industry has the need, demand and ready market. There is an enormous market for potential investors in the industry. If thoroughly exploited, the earnings from maritime industry stand a chance of exceeding that of the oil industry (January 19<sup>th</sup>, 2023).

**Table 5: Fleet size, ownership status, and annual total hire in US dollar of vessels chartered for coastal shipping in Nigeria by NNPC, PPMC, and DPR from 2004 to 2013**

S/No.	Year	Total number of vessels	Local (Nigeria)	Foreign	Hire (US dollar)
1	2004	35	8	27	34,918,149.49
2	2005	21	4	17	28,174,555.61
3	2006	25	7	18	20,141,632.61
4	2007	30	9	21	56,497,555.70
5	2008	30	10	20	68,548,971.07
6	2009	40	13	27	61,158,180.61
7	2010	58	15	43	121,6141,364.08
8	2011	71	20	51	131,463,562.15
9	2012	81	26	55	140,326,549.01
10	2013	84	28	56	143,328,264.90

<sup>a</sup> NNPC means Nigerian National Petroleum Corporation.

<sup>b</sup> PPMC means Pipelines and Product Marketing Company.

<sup>c</sup> DPR means Department of Petroleum Resources.

<sup>d</sup> Table culled from Anele (2017).

Due to the need to develop domestic shipping in Nigeria through empowering indigenous ship operators to participate as well as acquire the capability to handle and manage all aspects of coastal and inland waterway transport, the Coastal and Inland Shipping (Cabotage) Act was enacted in May 2003 (Cabotage Act). Despite the existence of the cabotage policy as enshrined in the Cabotage Act, in addition to the provision of vessel purchase fund, the development of indigenous shipping has not significantly improved. More so, the expected fleet expansion has not necessarily been achieved, while the attendant development of the shipbuilding subsector has not taken place (Interviewed 20<sup>th</sup> January, 2023).

**Table 6: The implementation of Nigeria Cabotage policy has impact on the overall Nigeria's Economy**

Option	Frequency	Percentage
Strongly Agree	23	6%
Agree	31	9%
Disagree	139	40%
Strongly Disagree	156	45%
Undecided	-	-
<b>Total</b>	<b>349</b>	<b>100%</b>

Source: Field Work, January (2023).

On the statement that the present cabotage policy has impacted positively on the overall Nigerian economy, 9% of the respondents agreed with the notion while 6% of them strongly agreed. On the other hand, 40% of them disagreed while 45% strongly disagreed. Based on the above data analysis, it is safe to conclude that the implementation of Nigeria Cabotage policy has no impact on the overall Nigeria's Economy.

## Conclusion

In conclusion, it can be stated that despite the seemingly unimpressive impact of the cabotage policy regime on the development of indigenous maritime capacity in Nigeria, the policy remains

one of the best things to happen to indigenous shipping development in the country, given the loud clamoured for its enactment by various interests and the relief that greeted its promulgation into law in the year 2003. Also, there are facts to show that in the long run, the situation of the indigenous shipping operators will be the better for it, with all the government efforts aimed at ameliorating the unfavourable conditions of Nigerian shipping companies, shipbuilding and ship repair yards and seafarers and also ensuring that the set objectives of the Cabotage Act are attained. These efforts have been described in this pape and it is believed that with sustained commitment and interest shown by the leadership of NIMASA and given government support and cooperation from other relevant government agencies, those laudable objectives will be achieved.

Another consensus among stakeholders is that the government agencies saddled with the responsibility to implement the legislation are constrained by other bureaucracies and thus compromises its anticipated impact on the indigenous industry operators. For instance, the Act noted that possession of tonnage is a critical infrastructure for a successful cabotage business and that the acquisition and management are capital intensive and, of course, beyond the resource capacity of a Nigerian investor. This is why the Act provided the Cabotage Vessel Finance Fund (CVFF) to enable indigenous operators acquire ships. The research study discovered that more than two decades since the law took effect in the maritime sector, CVFF took off only a few years ago with highly unfriendly conditions for access. Access to CVFF was the most disappointing of all impacts of the law on indigenous ship owners. Industry players also observed that the take-off sum is grossly inadequate for an expensive sector like maritime.

The study noted that Nigeria is endowed with a coastline of about 870 kilometres, about 3, 000 kilometres of inland waterways, and 913, 075 square kilometres in land mass. But Nigerians have not benefitted substantially from these enormous maritime resources which nature bestowed on them, which was the reason why 2003 Cabotage Act was enacted in the first place. Yet despite these enormous coastline resources, foreigners dominate the Nigerian coastal and inland shipping maritime subsector from all indications and from all available data. Subsequently, in the course of this study, the role and mandate of Nigerian Maritime Administration and Safety Agency (NIMASA); and the reasons and events leading to the enactment of the Coastal and Inland Shipping (Cabotage) Act 2003 were discussed. The study subsequently evaluated or appraised the nature of Cabotage policy in Nigeria and the strategy adopted for the implementation of Nigeria Cabotage policy for the development of indigenous maritime capacity.

### **Recommendations**

Based on findings during the course of this study, the researcher hereby puts forward these recommendations, which if implemented, will go a long way in improving the lot of indigenous shipping operators in particular and in ensuring the positive development of shipping in Nigeria in general.

- i. For the Cabotage Policy to have the maximum positive impact on the development of indigenous maritime capacity, the Government should set in motion a process for the review of the existing Cabotage Act to be in tune with the realities on ground. Areas of review should include those contentious provisions mentioned earlier in the study, for instance, provisions on shipbuilding in Nigeria. Since Nigeria is not building ships now and is not likely to begin in the foreseeable future, the provision should be removed and not made a condition to be met in order to be granted a waiver. If and when the nation

becomes a shipbuilding country, it can then be provided as a condition, if it is still necessary. Another one is the waiver powers vested in the Minister. The study recommends that the waiver process should be handled by a technical body, composed of professionals and technocrats who will better appreciate the technicalities involved and will not play politics with the issuance of waivers. Other provisions to be looked into include the age limit on the cabotage vessels and registration of vessels for cabotage operations by indigenous shipping companies.

- ii. On the Cabotage Vessel Financing Fund (CVFF), government should make haste to ensure that all impediments to access the Fund by indigenous operators are promptly removed and commence disbursement of the Fund. This will ensure the acquisition of relevant and needed vessels by the indigenous shipping operators, thereby giving them the necessary impetus to actually participate in the cabotage trade to the benefit of Nigerians and the achievement of the objectives of the Cabotage Act.

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