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Government in merchant maritime transport business in Nigeria : recommendations for improved performance of the current shipping line

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GOVERNMENT PARTICIPATION IN MERCHANT MARITIME TRANSPORT BUSINESS IN NIGERIA:

Recommendations for Improved Performance of Current Shipping Line

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DECLARATION

I certify that all the material in this paper that is not my own work has been identified, and that no material is included for which a degree has previously been conferred on me.

The contents of this paper reflect my own personal views, and are not necessarily endorsed by the university.

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Abstract

Title: **Government Participation in Merchant Maritime Transport Business in Nigeria: Recommendations for Improved Performance of current government Shipping Line.**

A country that sidelines the shipping industry abandons a veritable avenue for grossing in the much desired foreign exchange earnings for the country's development.

However, the level of participation, and the angle from which nations view shipping could (and should) vary.

In the earlier days, shipping formed the basis for conquest and political dominance, therefore, colonial empires were built on strong shipping capability and thus it followed that strong colonial powers were also large shipping and trading nations. Attention has long since shifted from such priorities, of 'national ego' and therefore trade and conquest have become separate . Nations are therefore less involved in setting up state-owned shipping enterprises just for the sake of having one. While putting in place the necessary machinery for ensuring that international trade is facilitated through the carriage of goods by sea, the governments themselves hardly get involved by way of establishing merchant marine business.

This scenario however is not the case with the developing world where governments tend to give shipping a 'disproportionate' degree of attention, justifying their attention for reasons which invariably tend to be other than strictly business, namely; political influence, employment for citizens, security for national cargoes, cost control, etc. It seems therefore that the primary plank on which a business enterprise should be set up is usually given secondary position while non-business motives take the front burner. This has been the bane of many a public enterprise in Nigeria. The list of sick government establishments is an endless one.

This paper dwells on the issue of developing nations' attempts at foraging into the area of merchant maritime business as stake-holders. In particular, it analysis the Nigerian governments' foray into the shipping trade through the establishment and management of a national line- the Nigerian National Shipping Line (NNSL). The results as it turned out were catastrophic both for the shipping line itself and the government that set it up. The paper also proffers recommendations for the improved

performance of the new shipping line-Nigeria Unity Line (NUL), that replaced the defunct NNSL, based on the model shipping companies in the Scandinavia which are practical examples of running a successful shipping outfit.

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List of Abbreviations

AMWAC	America West Africa Conference Lines
AOL	Africa Ocean Lines
CBN	Central Bank of Nigeria
CKD	Completely Knocked Down
COA	Contract of Affreightment
COWAC	Continent West Africa Conference Lines
DWT	Dead Weight Tonnage
ECOMOG	ECOWAS Monitoring Group
ECOWAS	Economic Community of West African States
EDI	Electronic Data Interchange
FEWAC	Far East West Africa Conference Lines
ISM	International Safety Management Code
JL	J. Lauritzen A/s
JLMEL	J. Lauritzen Melbourne
JLNYC	J. Lauritzen New York City
LB	Lauritzen Bulkers
LDC	Least Developed Countries
LKT	Lauritzen Kosan Tankers
LPG	Liquified Petroleum Gas
MAN	Maritime Academy of Nigeria Oron
MD	Managing Director
MEWAC	Mediterranean West Africa Conference Lines
MINCOMAR	Ministerial Conference for West and Central Africa on Maritime Trade
NEPA	National Electricity Power Authority
NIPOST	Nigeria Postal Services
NITEL	Nigeria Telecommunications
NMA	National Maritime Authority
NNPC	Nigeria National Petroleum Corporation
NNSL	Nigerian National Shipping Line

NUL	Nigeria Unity Line
PAN	Peugeot Assembly of Nigeria
RO-RO	Roll-On-Roll-Off
SMS	Safety Management Systems
STCW	Standard Training and Certification for Watch keeping
SWOT	Strengths Weaknesses Opportunities and Threats
TCPC	Technical Committee for Privatisation and Commercialisation
UKWAL	United Kingdom West Africa Conference Lines
UNCTAD	United Nations Conference For Trade and Development
VCM	Vinyl Chloride Monomer

Chapter 1

INTRODUCTION

1.1 **Background of the Nigerian shipping industry**

Shipping in Nigeria dates back to the pre-colonial days around the 15th and 16th centuries, when Portuguese traders and adventurers landed on the Nigerian Coast, as they did in most other countries on the West African Coast engaging in trade with the communities along the Coast in such commodities as palm kernel, rubber, cocoa, cotton and other cash crops.

Essentially, by that time, the movement of the crops and produce was done in the Merchant’s ships. This means that they controlled the trade in all its ramifications, buying raw materials from the Coastal communities and bringing it back to them as processed goods. John Holt for example started trading in West Africa around 1850 and acquired his own vessel in 1808.

The period between the 1940s and 1960s saw a number of countries emerging as independent and sovereign nations. National issues including merchant shipping began to take centre stage. This newly independent nations including Nigeria and other West African nations inherited some structures, including economic and political structures that had been set up by the colonialists. One such structure was the exportation of primary produce/raw materials from former colonies and the importation of finished goods back into the countries in question.

Gradually, this emerging New Nations found out to their displeasure that a situation existed whereby the liner shipping services at their disposal were exclusively controlled by liner shipping companies of the Developed World.

Available statistics indicate that in 1969, although developing countries accounted for no less than 64.1% by weight 0f all goods loaded in ocean-borne trade, they owned and operated only 7.6% of the world merchant fleet.(Ola, Adegbeyeni, 1988).

The developing nations also felt that the freight charged them for both out-ward and in-ward bound goods were arbitrarily high, a situation which they felt created adverse consequencies on their balance of payments position. With this background, the stage was set for many developing countries (of which Nigeria was one), to start considering setting up their own national fleets.

1.2 **Rationale for government participation in shipping trade in Nigeria.**

The Nigerian government started its foray into serious merchant marine business after independence. Some major factors could be said to be responsible for this interest in Nigeria like in many other emerging economies;

- The control of its trade by a few powerful nations that had a strangle-hold on the carriage of goods by sea, a point which has been elaborated upon in section one above.
- The disruption of shipping services caused by the withdrawal of tonnage from commercial services during the second world war. This made it clear to most nations that in times of crises, a nation would need its own fleet. This would also provide security in the transportation of its national cargoes.
- The balance of payment problems which placed a premium on the saving of foreign exchange and gave rise to a great number of bilateral trading arrangements, many of which contained a provision for the establishment of national fleets as a panacea for solving the foreign exchange problems of the nations.
- The attainment of independence by colonial territories and the consequent emergence of national consciousness, national prestige and the feeling that it was a pride to see a country's flag flying in foreign nations on its ships.
- The conscious efforts being made by countries to develop and diversify their economies
- The desire by the independent nations to create an avenue for job opportunities for its citizens

Thus for most of the countries, the non-economic reasons for establishing a national fleet far outweighed the economic reasons and the effects of this trend was soon to manifest. Even the developed nations were not spared from this trend of reasoning. For example, the USA and former USSR shipping policies were influenced to a very large extent by military considerations. In the USA, the Merchant Marine Act of 1936 formulates the national defence objective of the US shipping policy quite clearly (R. G. Vambery, 1968).

1.3 **Economic reasons for establishment of a national fleet**

The economic reasons for establishing a national fleet are either direct or indirect effects-the direct effects being the ones on the income and industrialisation from the initial investment in shipping (if domestic resources are used) and the wages and profits which arise from the operation of the fleet. The indirect effects are the one from the avoidance of disruption of shipping services during hostilities in which the country concerned is either involved or not, reduction of economic dependence, the influence on conference decisions, economic integration within the country and with neighbouring countries, promotion of exports, diversification of employment, improvement of the balance of payment, realisation of comparative advantages, and the stimulation of backward and forward linkages to the shipping industry. (Niko Wijnolst, 1975).

Thus with most of these in mind, the Federal government of Nigeria, prompted also by the trade boom of the 1960s and the 1970s was set to go full stream into liner shipping. The oil boom around that same period also brought about a kind of revolution in world trade generally, and since most merchandise moved across international boarders are moved by sea, this also meant that the shipping trade had to benefit from this global trade boom. Nigeria felt that it should not be left out of this 'revolution'. The country had to carry its own share of the trade. Thus came the idea of a national fleet.

1.4 **Government policy and protectionism of shipping in Nigeria**

Having realised the need for shipping, the Federal government therefore started a process of ensuring sustainable development in its shipping industry. Some of the government policies which have been put in place since then include;

1. The Nigerian Merchant Shipping Act of 1962

This is the oldest of all the legal instruments set up by the government to regulate the shipping trade in Nigeria and its provisions included the transport of Dangerous Goods and goods liable to spontaneous combustion, as well as laws relating to shippers of grains and cargoes like timber, sea worthiness of vessels, port and navigation, wrecks and salvage, oil terminal dues, River Basin and Inland Waterways development as well as port congestion.

2. The UNCTAD Code of Conduct for Liner Conferences,1974.

Nigeria was a signatory to this code.

3. The Nigerian Shippers Council Decree of 1978.

This decree was empowered to protect the shippers interests in Nigeria, particularly within the context of the UNCTAD Code.

4. The Nigerian National Shipping Policy Decree 10 of 1987.

This decree , like the Shippers' Council decree was a reaction to the UNCTAD Code but focused on the ship-owner interest as against the Shippers' Council decree which whose focus is on shippers' interests, the main objective of the shipping policy decree being the development, regulation and promotion of the shipping trade in Nigeria.

Chapter 2

Establishment of NNSL

The Nigerian National Shipping Line (NNSL) was established in 1959 on the eve of the countries independence from the British colonialists. Incorporated as a limited liability company, it was borne out of the Nigerian shipping act of 1948 as Nigeria's contribution to the liner shipping business which was fast gaining popularity amongst the governments of emerging independent nations.

The shipping trade was looked upon as a foreign exchange spinner and a much needed buouy for the fledgling economies of these new nations

2.1 Ownership Structure

NNSL had a nominal /authorised share capital of £2,000 (N4,000) at the take-off. These shares were fully subscribed by the Federal government and two foreign partners namely-Elder Dempsters Limited and Palm Line Limited, both of them British companies jointly owning 49% while the Federal government had the controlling interest of 51%. Eventually, the financial interests of the technical partners were bought out by the Federal government in 1961, thus assuming absolute control over the firm.

2.2 Organisation/Management of the company

After buying over the minority shares of the two British partners by the Federal government of Nigeria, thereby making the company fully owned by the Nigerian government, the organisation/ structure of the company started undergoing constant metamorphorsis (at least four from the time of inception to 1987 when the company was in the throes of death). As an organisation which had profit motives amongst others, it's set-up was similar to any commercial venture in the Nigerian private sector. For instance, there was a Board of Directors as well as a Committee of Management. There was however a major difference in the running of NNSL and the private sector in the sense that unlike the private/commercial ventures, the appointment of members of the Board of Directors was not necessarily dictated by relevant experience or training (Technical know-how) but due mainly to political considerations.

The Federal ministry of transport had the ministerial responsibility for the supervision of NNSL. Although in law, the ministry of transport was expected to merely serve as a channel between government and the shipping line since the company was incorporated as a limited liability with its own articles and memorandum of association and set objectives. It was not created as a division of the ministry of transport. In real life however, " the ministry has sat over the shipping line as a monster, converting it from a commercial enterprise into a slow-motion bureaucratic enterprise." Etim Anim, (1991). To state that this situation adversely affected the performance of the shipping company is merely stating the obvious. Later on, a sub-committee of the Technical Committee on Privatisation and Commercialisation, TCPC, set up by the government to put life into its ailing companies was to observe rightly that "there was a conflict between NNSL's socio-political and commercial objectives". It stated further that "in the course of its operations, civil service bureaucracy had been introduced through over-supervision by the supervising ministry. As a result, where the NNSL was expected to operate in a commercial setting with minimum delay in the decision-making process, excess bureaucracy tended to stall the organisation's efficiency and effectiveness".

The company was managed in such a way that the Board of Directors was concerned with broad policy issues affecting the company while the day to day running of the company was vested in the company's management committee.

Apart from the board which was a committee, meeting on an ad hoc basis, there was the Managing Director's (MD's) office, and four Departments and four Divisions as follows ; Operations, Technical, Finance and Administration Departments, while the Divisions were Public Relations, Research/planning, Audit and Legal/secretarial. Although most of the above nomenclatures are self-explanatory, it is necessary to give a brief description of their major functions in the context of NNSL, to give a clearer view of how the company was run.

2.2.1 Managing Directors office

As the man in charge of the day-to-day running of the company, the MD was the chief executive of the company as well as a member of the Board of Directors. In principle, since he took part in board meetings, he was supposed to be actively involved in policy formulation as well as having the sole responsibility of implementing policies. In reality however, the situation was quite different. As a government appointee, his actions were more-or-less dictated by the whims and caprices of his employer-the government. Under his office was the Research/Planning division, Internal audit and Public relations divisions.

2.2.2 Operations Department

This was the core of the companies activities, with the main function of maximising the company's economic utilisation of its ships. As the nerve centre of the company's commercial activities, it also had the responsibility of liaising with other relevant shipping agencies like National Maritime Authority, Maritime Conferences, Port agents around the world, and Port Authorities as well as monitoring freight market. The Department had three Divisions: Commercial, Ocean Traffic Control and Agency Divisions.

- Commercial-This Division liaised with the various maritime conferences which the company belonged to and canvassed for cargo by selling out ships space to intending shippers. In addition, it also supervised the activities of port agents as well as scrutinising of ships disbursement statements, organising stevedoring matters and handling of freight rates.
- Agency division- This division provided husbandry services for the company's owned as well as ships belonging to principals for whom NNSL provided such services for a fee .
- Ocean traffic control –This division dealt with the programming of ships taking into consideration the size of the company's fleet and the trade routes they covered with the intention of ensuring maximum deployment and utilisation of the ships in a cost effective manner. It also monitored the movement of ships so as to be able to locate the company's fleet at any given time.

2.2.3 Technical Department

Responsible for the maintenance of the company's ships. They were also expected to be an embodiment of good technical competence and general awareness in matters relating to national and international regulations on pollution, port health and safety matters.

2.2.4 Finance Department

Maintained a systematic record of financial transactions, assessed the company's liquidity level and was charged with the responsibility of ensuring that the company was solvent at all times. It also monitored the foreign exchange market taking particular note of fluctuations in the market. Besides, it had two other basic functions;

- Budgeting- Co-ordinated the plan of action drawn up by all the departments for the coming year, highlighting expected revenues and expenditures. Projects to be embarked upon and general forecast of the pattern of business for the year ahead was also conducted. No doubt this is a necessary tool for control and serves as a useful guide to management if properly carried out.
- Accounting- Charged with the payment of staff salaries and wages, receivables/payments on all ships' disbursements. Preparing voyage estimates and final accounts showing the operational results of voyages.

2.2.5 **Administration Department**

This department dealt with staff matters including recruitment , training, promotion and remuneration, and discipline. As a service department, it provided the necessary manpower requirements in the company. This department comprised of :

- Shore Personnel Division (for shore staff)
- Marine Personnel Division (for sea staff)
- General Services Division- in charge of maintenance of offices, supply of equipment and stationery and also undertaking of repair works and general maintenance of plants and machinery.

2.3 Staffing/crewing/Training and Development

Nigerian National Shipping Line (NNSL) embarked on a commendable policy of training and retraining of its staff over the years for sea and shore services. This was in conformity with the company's policy of fleet expansion. The company recruited and trained university graduates for shore shipping services. In addition, it undertook the nautical training of personnel abroad for shipboard positions. At the height of the company's operations, it could boast of a good number of staff for both off/on-shore positions.

This situation was even to improve further with the establishment of the Maritime Academy of Nigeria (MAN) at Oron. Of 193 graduates at Oron in a period of five years from 1986-1990, 43 graduands or 22.3 per cent were sponsored by Nigerian shipping lines, represented by NNSL and African Ocean Line (AOL). However, NNSL sponsored the majority of them numbering 38 persons or 92.7 per cent, while AOL took care of only 3 or 7.3 per cent.

2.4. Fleet management

At the peak of NNSL's operations, it had 19 sea-going vessels capable of loading containerised/break bulk cargo. They consisted of 10 Combo ships of 16,000 dead weight and 9 Conventional ships of 12,000 dead weight. The approval for the purchase of the vessels was given during the commencement of 1975/1980 Third National Development Plan, and in 1977, a contract was signed at the cost of N176 million with Hyundai, South Korea and Split Yard of Yugoslavia bringing the total fleet of the company to 24 ships.

This major expansion exercise was undertaken and paid for outrightly because the country was deceived by the false boom it was experiencing at the time. Taking delivery of 19 ships within a space of 18 months brought with it myriad problems, most of which were problems of management. There is little wisdom in purchasing 19 ships of the same type at the same time according to Odafe, Omene(1997)

Since they were built at the same time, the first problem faced was that they all began ageing at the same time. Repair/maintenance bills therefore started constituting a big drain on the company's resources which was already suffering under the weight of mismanagement. Planned re- tonnaging exercises had to be quickly shelved while plans were made to sell 5 of the company's 12,000 DWT ships for three main reasons;

1. Need to phase out the small size vessels in view of the fact that they were less competitive whereas their operational costs were high.
2. The company hoped to sell off the ships and replace them with newer ones, and in so doing, stagger the ages of the vessels in the fleet thereby controlling repair costs.
3. By this time, the company's debts started mounting, both to internal and external creditors.

The company felt that by embarking on the sale of the five vessels, it would purchase RO-RO ships and modern container carriers to strengthen the carrying capacity of the shipping line. This was not to be as the fleet kept on depleting and the resources dwindled thus taking the company on a downward slide

2.5 NNSL's performance/Liquidation

NNSL was a liner shipping operator belonging to the cartel of shipping conferences engaged in the West African trade with Europe, America and the Far East. It belonged to the following conferences;

1. UK /West Africa lines conference (UKWAL)
2. Continent/West Africa conference (COWAC)
3. Mediterranean/ West Africa conference (MEWAC)
4. Far East/West Africa conference (FEWAC)
5. America/West Africa conference (AMWAC)
6. Brazil/Nigeria freight conference

NNSL was therefore involved in the carriage of containerised conventional cargoes as well as break bulk or homogeneous items on the above trading routes. NNSL also carried government cargo which enabled it to benefit in the lifting of project cargo for the construction of Nigeria's steel project, Nigerian National Petroleum corporation (NNPC) project material and Completely Knocked Down (CKD) parts for the Peugeot Assembly of Nigeria (PAN) in Kaduna which is a partnership between the French company and the Nigerian government. The period around 1979 appeared to be the peak of the company's performance.

TABLE I

STATUS OF NNSL's FLEET 1980-1990

YEAR	NUMBER OF SHIPS	TOTAL DWT
1980	27	361,030
1981	24	321,040
1982	24	321,040
1983	20	280,000
1984	20	280,000
1985	20	280,000
1986	19	268,000
1987	19	268,000
1988	19	268,000
1989	13	192,000
1990	13	192,000

Source: Survey by the National Maritime Authority, Research, Planning and Statistics Division.

One thing is certain, government project cargoes are like any other seasonal cargo, lasting only as long as the project itself lasts. NNSL's success therefore was short-lived partly because of an over-dependence on government cargoes with which it was spoon-fed thus causing it to loose that competitive edge.

However, one of the biggest blows that brought NNSL to its knees was the scrapping of the UNCTAD Code of Conduct that allowed cargo sharing on a 40, 40, 20 formula in 1992 at Cartegena. Many national lines hoped to prosper by clinging on the life-line offered by the UNCTAD liner code which promised protection from fierce foreign competition for a slice of national cargo (Prescot, J. 1995). When nothing substantial replaced the cargo sharing provisions, a number of state owned shipping companies were in deep trouble, with escalating losses which precipitated quick salvage measures like staff retrenchment. NNSL was invariably over-manned and staff were being owed arrears of salaries and allowances while the economy of the state, which always had to step in with subsidies for the ailing company, was also beginning to be in deep crises.

It Is pertinent to note that NNSL could not participate in the tanker business even though Nigeria is a large producer of oil, ranking about the 7th biggest in the world with earnings of almost 92% of its foreign exchange from crude oil exports (and the percentage of export was expected to rise with the liquified natural gas project in the pipeline). Furthermore, Nigerian crude oil is exported almost on a daily basis out of the country. Yet NNSL was unable to handle this type of cargo because it did not own the right type of ships for the trade. Besides, the best number the largest NNSL container vessels could carry was 500 containers, at a time when its competitors in Europe were using ships that could carry up to 1,500 teus

TABLE II

NIGERIAN CRUDE OIL: PRODUCTION/EXPORT

('000 Barrels)

YEAR	PRODUCTION	EXPORT
1985	547,088	486,580
1986	535,929	486,584
1987	483,269	390,514
1988	529,602	435,797
1989	625,908	522,481
1990	660,559	548,249
1991	689,850	585,838
1992	711,340	604,300
1993	691,400	563,614
1994	696,790	578,044

Sources: Nigeria National Petroleum Corporation (NNPC)

2.6 Liquidation of NNSL

In 1991**,** thirty two years after NNSL was set up, it had become crystal clear that it was more or less a victim of the sentiments that gave it birth, which were-nationalistic sentiments rather than for strictly business reasons as a commercial enterprise should be run.

The shipping line suffered from the same malaise that had eaten deep into the fabric of the country's other state-run enterprises like the Electricity Corporation (NEPA), the Nigerian Airways, the communications agencies (NITEL & NIPOST) and many other companies abandoned or under-utilised all across the nation. They were apparently set up for the wrong reasons and operated the wrong way.

The bane of the shipping line was the overbearing presence of government. The government hired and fired the company's chief executives who had to dance to the tune of the government. Sometimes, military officers were appointed who hadn't the technical know-how to profitably manage a commercial enterprise like shipping.

More-over, during the Nigerian civil war that lasted for thirty months NNSL vessels were deployed for security rather than commercial purposes. Similarly, during the ECOMOG peace keeping operations in Liberia, NNSL vessels were used to ferry troops and other logistic needs instead of engaging in profitable commercial enterprise.

The committee on privatisation of NNSL summed up the dismal picture it sent to the government in a report thus ; " It is regrettable that after three decades of its existence, NNSL has virtually proved incapable of serving the main purposes for which it was set up, and prospects of its very survival without substantial injection of fresh funds by its owners, the Federal government, are very bleak." The report continued, " Evidence of the appalling operational results include; the incessant arrests or threats of arrest of its vessels abroad by creditors for non-payment of its burgeoning debts, the accumulated loss amounting to ₦ 360.7 million at the end of 1988, and its continued dependence on the government subsidies, with virtually all its vessels on sick list"

Five of the companies vessels had already been sold to service its debts. The Technical Committee on Privatisation and Commercialisation (TCPC) recommended that five more of its ships should be sold and the proceeds put into the refurbishing of the remaining eight ships, after which the company should be privatised. However, for the NNSL to become roundly successful, it had to be turned around over a period of two years before being privatised, but the privatisation exercise ran into a hitch even before it took off.

First of all, the government was only prepared to part with 60% shares and this would not interest any private investors since the reasoning in shipping circles was that if the government still held on to 40% shares then investment in the company is a high risk, one not worth taking. It still meant that the company would be under the supervision of the government irrespective of the fact of its being incorporated as a limited liability with its articles and memorandum of association and set objectives.

The point must be made very clear that the bulk of NNSL's problems stemmed from this dominance by the government in the running of the company;

- The introduction of civil service bureaucracy into the shipping company thus making it loose its efficiency and effectiveness which are basic ingredients of a commercial enterprise
- Other government agencies used NNSL as just another government parastatal paying the company freight in local currency whereas the company funded its operations in foreign currency. Worse still, they never paid the freight owed even in the local currency, resulting in huge debts owed to the company by other government agencies
- A bloated staff strength maintained by the government who had to consider them as just another welfare/ social function it was performing to its citizens. By 1989, NNSL had in its employment 1,600 officers/employees, made up of 1,340 permanent staff for both shore and sea staff and 260 ratings who were deployed intermittently on a six monthly basis. This high manpower level could be attributed to the age of the vessels, the technology on the ships and the state of disrepair of the ships. In short, the operation of NNSL vessels was labour intensive. The manning level in the ships as at 1991 was 33 persons on a vessel. Though an improvement on the 44 two years earlier, it was still higher than the maximum 18, most modern/bigger vessels were employing at the time. Even after the sale of 5 of the company's ships in early 1989, the company's staff strength was retained at the same level. It was therefore not surprising that the company's revenue consistently remained lower than its operating expenses
- Indiscipline that is a common feature of the civil service was another fall-out of the bureaucratic environment that prevailed in the company. Sea staff engaged in smuggling, drug-pushing and trading on board, among other unwholesome activities. These vices cost the ships in heavy fines, loss of time as well as landing crews in jail in foreign countries. Many of the ships were arrested and detained in various countries for reasons ranging from un-manifested cargo on board to non-payment of charges and dues.

- Instability and lack of continuity in management and decision-making. Government after government in Nigeria had to remove the chief executive of the company and replace them with their men. This no doubt had a negative effect on the development of the company. Between 1980 to 1991, the company had recorded a number of 5 managing directors.

The implication of this scenario presented above was very clear for the company's operational efficiency. In fact the problems of the company were so huge that the general consensus in the industry was that the only way to save the situation would be to start a new shipping company with new ships, a new structure – both organisational and financial structure. It is not clear whether the pundits who proposed such an option had even thought of the problems the new shipping line would inherit from the NNSL as 'children' of the same parents. One thing was however obvious, with the dismal performance exhibited by NNSL, the official liquidation of the company in July 1995 was a mere formality.

2.7 Establishment of Nigeria Unity Line (NUL)

Established in January 1995, the Nigeria Unity Line (NUL) was incorporated by the National Maritime Authority (NMA) as an indigenous shipping company to take the place of NNSL. NMA being the regulatory authority saddled with the responsibility of improving shipping activities in Nigeria through the implementation of the national shipping policy as contained in the enabling Decree 10 of 1987, was also charged with the task of nurturing NUL through its teething period before it becomes mature enough for full privatisation. NUL is a child of circumstances, borne out of the ashes of the demise of NNSL. As the bells tolled for the 'nunc dimittis' of NNSL, the Federal government, as represented by the supervising agency for the shipping industry in Nigeria-NMA -decided to float a new shipping line. Thus the NUL took control of a new building purchased at the Gdansk shipyard in Poland. This was in fact a shipbuilding contract entered into by NNSL in its dying days and taken over by the NUL.

The container ship, MV Abuja cost $18 million to build and was rescued from the old shipping line. The acquisition of this vessel was funded by a loan from NMA's Ship

Acquisition and Ship Building Fund. As an only vessel for the new line, the progressive development of the line is expected to be built on that foundation.

2.7.1 Objectives of NUL

The company was set up with the following objectives:

1. To enhance Nigeria's carrying rights with a view to ensuring the implementation of Nigerian National Shipping Policy.
2. To improve Nigeria's balance of payment position through increased foreign earnings, especially from the maritime sector.
3. To assist in the provision of employment opportunities to hundreds of trained indigenous seafarers who hitherto had in most cases been unemployed.
4. To assist in attracting direct foreign investment into the Nigerian economy, via the maritime sector.
5. To ensure greater involvement of NUL Plc in liner conferences through active participation in the activities and decision making process of such liner conferences serving Nigerian sea-borne trade.

2.7.2 Scope of services offered

At the moment, NUL provides the following services

- Complete agency services.
- Freight forwarding
- Customs clearance

In the near future when it has firmly found its feet, it hopes to extend this services to cover

- Deep sea transportation of wet cargo.
- Ocean transportation of dry bulk cargo.
- Coastal tanker services
- Stevedoring services.
- Storage and warehousing.

2.8 Ownership structure

The NUL right from the onset was structured in such a way as to avoid the mistakes of NNSL. In that way, the government is not allowed to control its operations. Firstly, it is not allowed to have more than 20 per cent shares in the company. Secondly, it will not have a hand in selecting the management team for the company.

In fact, the structure of the company is such that the National Maritime Authority, representing the Federal government's interest, holds 10% equity shares while the remaining 90% is open for sale to indigenous as well as foreign investors. In fact the ownership structure would look as follows;

National Maritime Authority- 10%

Nigerian Institutional Investors-47%

Foreign Investors-40%

NUL Staff-3%

This should be an encouraging departure from the NNSL that was wholly owned by the government. By not getting involved in the day-to-day running of the company, it is expected to run as a commercial and not a government enterprise. To prove this point, each member of the inaugural team was interviewed and selected by a consultant who was appointed and charged with the responsibility of choosing the best management team for the NUL. The company is therefore expected to be a complete departure from NNSL, but whether this can be sustained is what the company has to work tirelessly for.

2.8.1 Technical partnership/shipping alliance

NUL recognises the fact that "shipping is an international business that thrives on the output of the global economy and the resultant international trade between countries and regions of the world." It realises also that a critical success factor will be the ability of the management of shipping companies to convert global economic out- put into cargo for affreightment by their respective companies. It is for that reason that the Board of Directors of NUL decided that 40% of the proposed share capital of the company should be reserved for foreign investors with proven competence and experience in shipping, who will come in as technical managers for NUL. It is expected that NUL will gain from the technical expertise of these foreign investors. They will also bring in international exposure and contacts with their network of connections.

2.9 Problems

At the moment, it does not appear that the NUL can completely break away from the shadows of NNSL just yet. For example, while on its delivery voyage in December, 1995, the first ship owned by the company- “MV Abuja”, got arrested at Antwerp, Belgium, reportedly for financial reasons and taken alongside an NNSL ship-the “River Oji”, also held at Antwerp, for unpaid bills and safety violations. (Shaw, J. 1996). It does appear that NNSL’s creditors could not be convinced that NUL is a different entity from NNSL since the NUL was floated by the initiative of an agency which belongs to the same government. NUL will have to break away from these shackles and halt the circle of arrests and assert itself as an independent company if it hopes to be successful as a liner shipping company.

Chapter 3

Model shipping Companies in the Scandinavia

Shipping has become something of a tradition in Scandinavia as it is in Greece to the extent that the region is full of companies with success stories for all to see. A classic example is Danish shipping, the merchant fleet of which is a major service provider within the world market for maritime transport. Danish ship owners offer their services in almost every aspect of modern shipping, mainly in international cross trades between foreign ports, but also in domestic European waters. According to the Danish ship owners Association, Danish flagged fleet consists of almost 600 vessels boasting the world's lowest average age. The carrying capacity amounts to almost 7million tonnes while the fleet ranks third largest in Europe. These companies are involved in a wide spectrum of activities from advanced door-to-door liner services, specialised tanker trades, reefer carriers and traditional bulk activities and passenger services to salvage and off-shore operations. Danish ship owners are also involved in maritime related areas, such as shipbuilding, off-shore drilling, inland transport by rail or truck, distribution logistics and the sale and purchase of ships The Danish maritime activities further comprise nautical schools at a high educational level, research and development institutes, international brokerage, coastal and ferry services, maritime financing and insurance etc, all with roots in Danish maritime tradition.

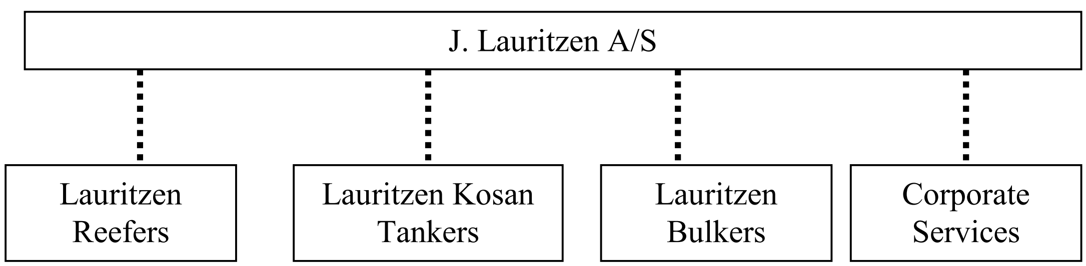
3. 1 **Comparison**

A comparison of the Nigerian state-owned shipping line(s), their management, organisation and profitability reveals a marked difference from what obtains in the Scandinavia, Greece and other developed countries where shipping has become a way of life. Some of these shipping lines, like the Greek shipping companies have been around for over 100 years but they keep waxing stronger, consolidating and growing in leaps and bounds. What then could be the secret behind such success stories. Why do they succeed , whereas most shipping lines , particularly those owned by governments only have tales of woe to tell. A few examples of how some of these companies are run will give an insight into what is instrumental to their success.

3.1.1 **J. Lauritzen A/S**

Known more by the acronym JL, this Danish shipping company operates more-or-less on a global basis. Founded in 1884 as a one man business, it has now crystalised into J Lauritzen Holding A/S. This company today has three main Divisions which also represent the three core business areas as follows; Lauritzen Reefers, Lauritzen Kosan Tankers and Lauritzen Bulkers. These three divisions are supported by a Corporate Services Division which provides various service functions enabling the divisions to offer competitive sea transport and flexible services geared towards meeting customers demands. The organisational chart below illustrates the establishment's set-up at JL..

Figure 1



Besides the above activities, JL is also engaged in the sale and purchase of vessels, a function which strengthens the three core business areas earlier mentioned.

From the above organisational chart, one can see a loose connection between the three core divisions and the Holding Company. Each of the divisions is headed by a president apart from the Corporate Services Division which is headed by a Senior Vice President, Finance. The idea is to encourage to a large extent a good degree of independence while at the same time encouraging competitiveness among the divisions thus bringing out the best in them. For example, each of the divisions measures its performance at the end of the year and keeps accounts of the separate fleet distinct from the other divisions. Apart from this contributing to the main figures/accounts for the group, they are also tested based on their separate performance.

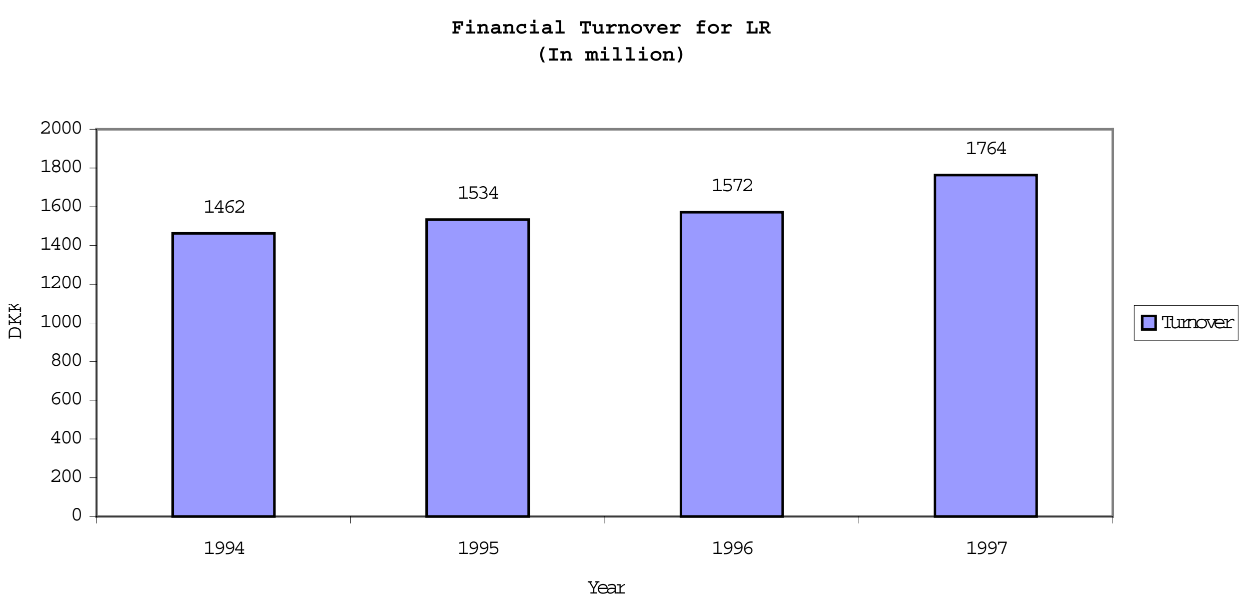
3.2 **Lauritzen Reefers**

The main business activity of this division is the transportation by sea of perishable commodities such as fruits, vegetables, meat, fish and diary products . This are products which require precise temperature for preservation throughout the duration of transportation.

Though operating on a global basis, Lauritzen Reefers prefers to concentrate its trading routes around South America, the US West Coast, New Zealand, the Pacific Rim, Europe and the Middle East. To run its trade effectively in this region, the company gets commercial and operational assistance from JL's offices in USA, Chile, Brazil, New Zealand and Japan.

Lauritzen Reefers has attempted to gain a strong hold on the South America-North America and the Far East by establishing a liner trade in the Pacific under the name of Lauritzen Pacific Line. Three container vessels were chartered specifically for this trade as well as a slot charter-arrangement with the Hong Kong-based container

Figure 2



transportation company OOCL, a member of "The Grand Alliance".

3.2.1 The fleet

Lauritzen Reefers has a modern fleet configuration. As at 1997, it controlled a fleet of 45 vessels out of which 12 were owned while 33 were chartered and this was expected to continue improving every year. For instance by the beginning of 1999, two Japanese buildings were to be taken on time charter.

It is interesting to note that of the twelve owned vessels in the fleet, only two were more than 10 years old, having been built in 1982. The rest were buildings done between 1990 and 1992. One thing is very clear, Lauritzen group has a policy of constantly renewing their fleet, selling off older vessels and acquiring them back on long-term charter arrangements.

The reefer trade is a seasonal one and the off-season could be difficult. Lauritzen Reefers tackles this situation by employing its reefers in the lifting of different types of general goods and packed dry cargo. For instance, the global glut in the dry cargo market which affected the reefer market in the second half of 1997 was off-set by shipments of automobiles, mainly from the Far East to South America, Africa and the Middle East. This is thus one of the advantages of a modern fleet, that it allows for flexibility in the services offered.

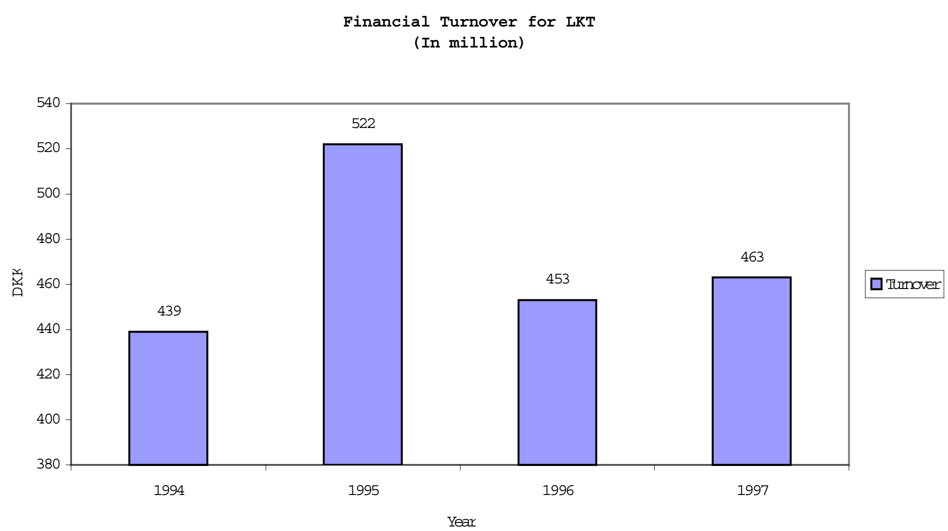
To crown it all, for effective transportation, the company ventured into inter-modal transportation arrangements, investing in terminals and land transportation companies in South America, a measure which underlines the importance of inter-modal transport in the fast delivery of cargo. Other features that ensure efficiency is that LR has its own port and terminal facilities as well as cold stores at various strategic locations.

3.3 **Lauritzen Kosan Tankers**

This division is principally engaged in the regional distribution of Liquified Petroleum Gasses (LPG) products like propane and butane, which are used for heating and other household purposes. In addition, Lauritzen Kosan Tankers also transports petrochemical products such as propylene, butadiene, vinyl chloride monomer (VCM), raffinates and isobutane between oil refineries and other processing facilities. They also transport ammonia which is primarily used for fertilizer within the agricultural sector. These are products which require specialised handling as they are transported under pressure in a liquid state or semi-refrigerated state (a combination of pressure and refrigeration) They also require very high safety standards in their handling and all through the period of transportation. For the company to get and keep its customers shows that they have been able to satisfy them over the years.

The main area of coverage in the distribution of this cargo are in the North Western Europe and the Mediterranean but its global activities often take the vessels outside this area to places as far as the Gulf of Mexico, the Caribbean, South America, South East Asia and West Africa (Mainly for reasons of profitability)

Figure 3



3.3.1 **The Fleet**

By the end of 1997 the total number of vessels on the fleet stood at 21 gas carriers, having sold 1 or 2 of the older ones. With a fleet of such high number covering six different size segments, Lauritzen Kosan Tankers, by this high degree of diversity is able to offer its customers optimum services. The fleet is constantly undergoing renewal, development and expansion with old vessels disposed of and replaced with new ones. As in the other divisions, Lauritzen Kosan Tankers, in addition to its fleet charters vessels on a long-term time charter arrangement to complement its own fleet. In early 1990's, LKT acquired Gasnaval SA, a Spanish gas –shipping company thus increasing its fleet by three new buildings. Thus JL encourages its divisions to expand through acquisitions.

With the above performance, it is little wonder that this division has in its portfolio all the major international oil, gas and petrochemical companies as well as national and local utility companies.

3.3.2 **Safety**

L.K.T places a very high premium on safety. This is evident not only by the acquisition of the necessary Safety Management certificates/document of compliance. It is also reflected in the

- Company policy objectives
- Management quality policy statement
- Management safety policy statement
- Management environment policy statement

There are also designated persons for the SMS as well as for safety and pollution prevention. Finally the ships are ISM certified and also have the ISO 9002.

This has its advantages as most shippers would be happier to deal with a company they see to be adhering strictly to safety and good quality standards.

3.4 **Lauritzen Bulkers**

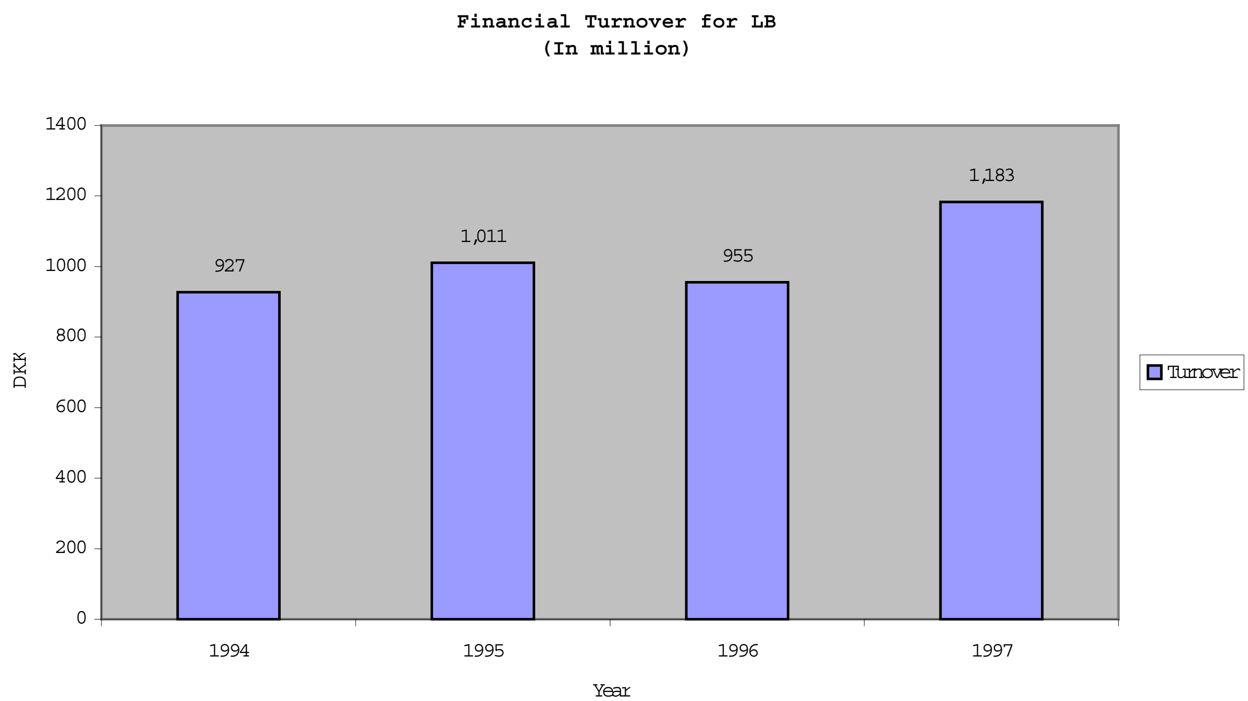
LB is engaged in the deep sea bulk trade as an operator and owner of bulk vessels within the handy size and handy max ranges (25,000 to 50,000 dwt). Most of the ships in this division are chartered either on a long or short term basis.

Majority of the vessels in this division are equipped with grabs which enable them to perform loading/ off loading activities to and from other vessels and in ports where such facilities do not exist or are in short supply.

LB operates on both the spot and COA (Contract of Affreightment markets, and through optimum scheduling of its fleet, makes every effort to ensure that the ballast days are kept to the minimum and the best possible financial results are achieved. LB is chiefly engaged by major industrial companies and the main products they handle are cement clinkers, coal, alumina, mineral sands, logs, grain and steel.

For a very long time, the scope of LB activities was concentrated in the Atlantic Basin, but by 1993 an office was opened in Melbourne, thus by 1997, a sizeable volume of trade was carried out in the Pacific and between countries in the Atlantic and the Pacific.

Figure 4



3.4.1**. Fleet.**

At any given time, LB operators and controls a fleet of between 35 and 45 bulk carriers belonging to the handy max/handy size segment. LB's business area however is the handy size segment (25,000-37,000) and this part of the fleet comprises a total of 35 chartered handy size bulk carriers, of these numbers, 20 constitute the base fleet and are equipped with grabs for self loading and self discharging. Additional criteria demanded of the vessels in the base fleet are a certain maximum age and crane capacity as well as a certain minimum duration of the time charter arrangement. The fleet consists of long term chartered vessels, pool vessels, short-term chartered vessels and others taken in just for single voyages (voyage charter). This versatile composition makes it easier for the company to

- Offer flexible services to its customers meeting both short term and long term commitments.
- Optimise its earnings through efficient scheduling to minimise ballast time.

Within LB's there are three other divisions, Fleet, East and West:

Fleet- In charge of the constant monitoring of the composition of the LB fleet as being the driving force behind the company's long term charter, pool and investment arrangements.

East- Handles the eastern area comprising the Baltic/UK/Continent/Mediterranean/West Africa

West- Responsible for activities within the western area comprising the America, including Canada and the Great lakes.

There are also two offices abroad: JLMEL&JLNC

JLMEL- Handles activities within the Pacific Rim region with special emphasis on Australia and in the areas bordering up to East and West. JLMEL takes care of scouting and harnessing possible business opportunities in this region

JLNYC- In conjunction with the other divisions, East-West and JLMEL scouts for cargo opportunities in the America. Within that region it performs the role of a mini head office handling matters for the other business segments within J Lauritzen A/S.

J. Lauritzen's critical success factors include:

- Vast versatile fleet fitted with grabs for cargo handling gear which enables it to minimise time wasted
- Good management
- Encouraging a reasonable level of independence and thereby engendering a spirit of competition amongst its various divisions thus bringing about profitability
- Constant renewal of vessels- average age of vessels 8 years
- High safety standards . The company maintains high safety standards
- Identifying and concentrating on niche markets
- Attracting, training and retaining talented people

- We can also see from the analysis above a company with a manageable staff strength as against the bloated staff strength which is usually a characteristic of state owned shipping companies

Strategic alliances are becoming more and more the vogue among mega- carriers as they are able to reap both economic gains and benefits from technical co-operation.

3.5 **Scandlines**

Another company in Scandinavia which shows persistent development is Scandlines Ferry Services. This company is owned by the Danish government and previously comprised the railways and ferry division and was established in 1872. Later the ferry division was separated from the railways but it was still very much under the control of the government as it was brought under the ministry of transport, before finally incorporating it into a limited liability company.

After a SWOT analysis (to determine the company's strengths, weaknesses, opportunities and threats), the company discovered the following;

1. 1997-1998-The bridge built to link the two parts of Denmark affected the ferry services.
2. Year 2000-The link over the Oresund expected to be commissioned in July 2000 is expected to significantly affect the operations of the company.
3. Also to affect the traffic is the completion of the Fehman belt in year 2005.

In summary, the SWOT analysis came up with ;

1. Substitutive products
2. Legislative effects
3. Technological effects

As a result of the above, the company decided to develop an organisation based on profit-oriented standards and not to run as an arm of government. The decided that it would be better to find a niche by concentrating on a core business as well as finding and maintaining good relations with customers.

What we see is a company that realises the need to break away from government control and work towards development by constantly innovating.

3.6 **Maersk Line**

The story of Scandinavian,(or world shipping for that matter), is not complete if mention is not made of Maersk Line. Maersk Line is part of the A. P. Moller Group with headquarters in Copenhagen, Denmark. This company has been involved in liner transportation since 1928 when the first regular cargo liner service linking USA and the Far East was established. Since then the company has grown from just a liner company into one of the world's biggest mega-carriers. In fact this company is today the world's largest provider of containerised transport solutions with its service network spanning six continents in over 95 countries where it has subsidiaries. The Maersk Line subsidiary organisations report to Maersk Line head offices in the following regions;

- Europe
- North America
- South America
- Asia
- Africa

Each of the regions in turn reports to the corporate headquarters based in Copenhagen. Maersk Line activities cover the areas of container vessels, tankers reefers, bulk and special vessels. The company's strength lies not only in the services offered in this divisions but also in its ability to arrange multi-modal transport to inland points besides logistics handling made simpler by the fact that the company owns a container manufacturing industry which is constantly developing and building new container types. This ensures that their fleet of over 350,000 containers are about the youngest in the world with the age of, at the most, five years. With extensive research programmes, Maersk Lines' reefer containers are constructed to the most advanced specifications and standards.

Perhaps the biggest hallmark of Maersk Lines success lies in its ability to constantly innovate and develop particularly in the area of container modifications to suit the global trade. It should be noted that Maersk Line owns a container manufacturing industry, as a result, the company has over 350,000 containers which it deploys to its trade as well as renting them out. Besides, their new innovations apart from sophisticated reefer containers are what they call “Hangertainers”. The hangertainer is a container, 20´or 40´, equipped with hangerbeams. There are ropes for the hangers on each beam so that the various types of garments can be transported right from the factory to the store. This means of transporting garments offers the buyer an opportunity to save the cost of packaging and time.

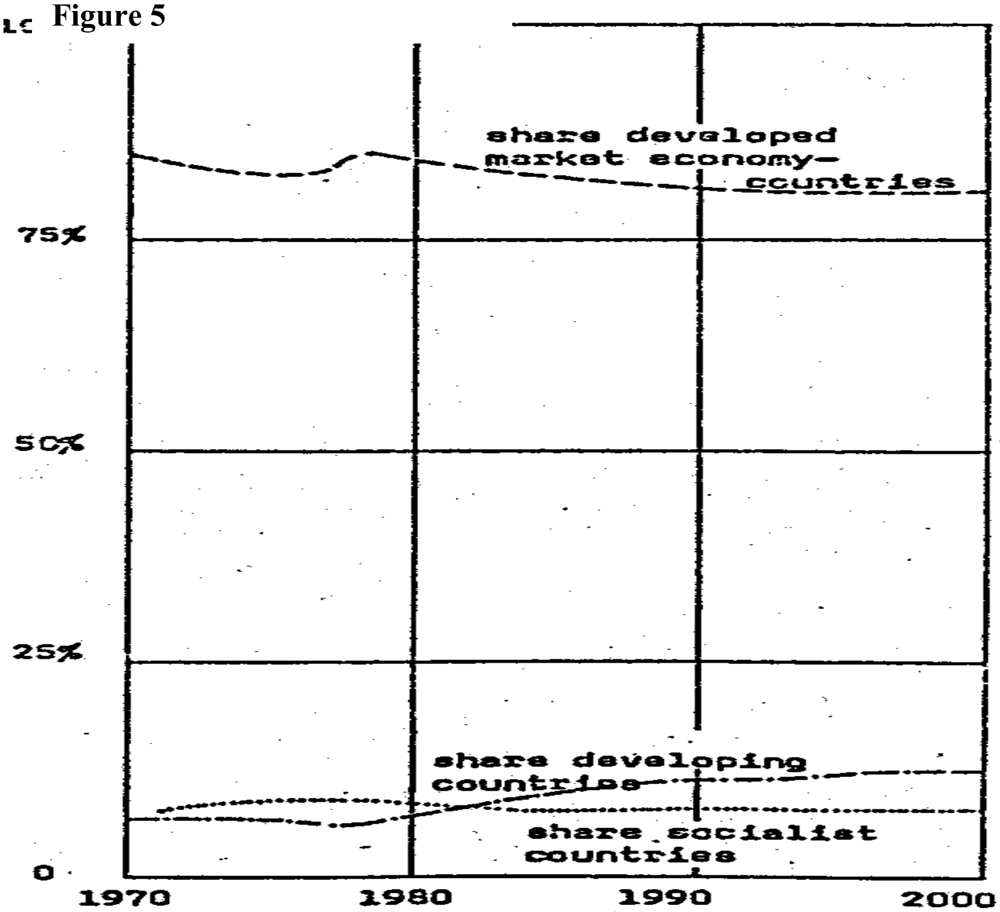
Add these innovations to the fact the company owns some of the biggest cellular vessels in the market today-the 6,000 and 6600 teu vessels which are fully geared to load and off-load and you have a very efficient company performing in a highly competitive manner. Maersk Line vessels have about the fastest turn around time than any shipping company usually maximum 48 hours. It is a measure of this huge success and development that the company recently announced on July 22, 1999, that A. P. Moller-Maersk Line will acquire Sea-Land Service, Inc.’s container operations. Sea-Land is one of the world leading container operators. Maersk Line is also acquiring some related container terminals to consolidate its strangle hold on the trade, and certain lease obligations from Richmond, Va.-based CSX corp.- to enhance Maersk Line’s position as the world leader in the container trade. The agreed purchase price is $800 million.

3.7 **Shipping in developing/ developed countries**

Since the declaration by UNCTAD of the 40/40/20 Code of conduct for liner shipping, developing nations geared up to handle up to their own share of the 40%. However, it is clear that developing nations have never had as much as 10% of the world’s shipping tonnage (Norwegian shipping News no 17D)

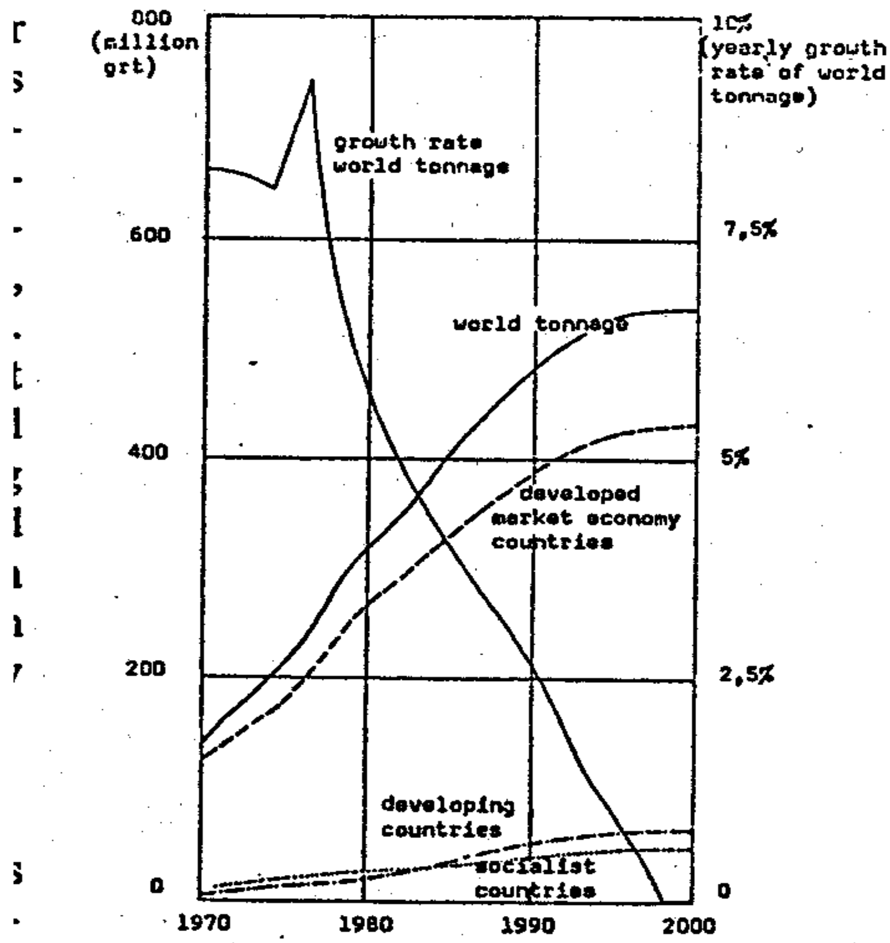
Fig. 1

Figure 5



During the stages of conception of the code and especially when it came into force, the expectation was that it would help remarkably in improving the participation of the developing countries. That was not to be so though of course some lines from developing countries who wished to gain participation in liner conferences did so on the basis of the 40/40/20 principle. Nigeria is known to have cashed in on this principle quite a great deal through the cargo sharing/control, and participation in liner conferences as mentioned in chapter two. However, Nigeria and so many other third world countries were found wanting as regards the required tonnage to handle their share of the 40%. In Nigeria, the result of this lack of tonnage led to open trading of the allocation documents. As soon as the shipping companies were allocated cargo, they turned around and sold it to companies (normally foreign), who had the capacity

Figure 6



to handle it.

According to Bruce Farthing (1997), participation in the bulk trade grew a little but not to the kind of targets which UNCTAD secretariat had projected. One must hasten to state that the stiff opposition brought against this principle from European Nations who are basically cross-traders did not help matters much.(cross trading countries are those who neither originate nor terminate the cargo).

In spite of the above, it does appear however that the key to running a successful merchant marine (an aspect that is usually conspicuously missing in developing nations) is sound management plus training. John L. Eyre (1975). The bane of third world shipping is mismanagement, an apparent lack of training and generally unmotivated staff which creates a sick atmosphere. Frankel, E.G. is of the opinion that the main problem with most LDC (least developed countries) shipping for several years is not lack of capital or skilled crews nor is it the market dominance of entrenched Western shipping companies, but mismanagement, government over-regulation, protectionism, corruption, favouritism, and patronage. Managing a shipping company is not difficult for someone who has been raised in the business. Greek shipping is a testimony to this fact. Most of the Greek shipping companies are family businesses which have been passed down through generations of family members. To them therefore, managing a shipping company is an easy task. However, a formal naval officer, political leader or even a successful business executive has little or no chance of surviving if it comes to the shipping business without experience or training in shipping. The developing world has a lot to learn in this regard.

Chapter 4

Conclusion/Recommendations

It is clear from the fore-going that NNSL suffered the fate that befell it, leading to its liquidation because of myriad problems, some of which were peculiar to NNSL, while others are a common feature of government-run shipping companies. The question always arises on the relative merits of government versus private enterprise management. A look at the successful shipping nations points to the suggestion that private or semi-private shipping organisations have proven more successful than those run directly by government agencies.

4.1 **Reasons for public sector failure in Nigeria**.

NNSL like most other public sector agencies in Nigeria failed because of the following reasons;

1. Governments meddlesomeness in the management of the enterprise
2. High turn-over rate of chief executives. Between 1980-1990, a period of ten years, NNSL had 5 (five) managing directors, all of them hired and fired as usual by the military as it deemed fit, (this was an average of one MD every two years. In this way, before each one of them got an opportunity to understand the trade, he was gone and a new person brought in.
3. Inability to cut off the labyrinth of bureaucratic bottlenecks (an essential ingredient for success in business)
4. Research and Planning was not given prominence as in most government companies in Nigeria. With the department under the MD's office, it was reduced to a very minor influence as the head of research could not take independent decisions.

4.2 **Economic problems**

NNSL ran at a loss for most of the time due to lack of competitiveness. In Nigeria, like in most developing nations who attempt to run merchant marines or any other private enterprise for that matter, it appears mismanagement gives rise to serious financial/debt crises both internally (debts owed employees) and externally to service providers, a situation which most often leads to bankruptcy. For example, by the time it was officially declared bankrupt at the end of 1997, NNSL had compiled debts in excess of US$32million owed to overseas interests and considerably more to businesses within Nigeria, not to talk of debts owed to its employees in emoluments.

4.3 **Obsolete fleet**

Moreover, the company was operating mostly old vessels. These were outmoded vessels, incapable of trading competitively. At the start of 1990s NNSL was operating a total of 16 multi-purpose vessels, the majority of which were completed as new buildings in Japan and South Korea during the 1970s and early 1980s. While the design of the ships-about 16,600 dwt with five holds and a capacity of 262 containers on deck may have been suitable for the requirements of West African coastal trade at the time, it was definitely inadequate when it faced stiff competition from round-the-world mega carriers like Sea- Land and Maersk who are efficient and have wider coverage.

4.4 **Over-manning of fleets**

Most state-owned fleets are regarded by their owners as an avenue for employment opportunities for their citizens. The tendency therefore is the companies to be overstaffed both for sea and shore positions. For example 33 persons on a vessel at a time when modern, and bigger vessels were employing 18 was anything but productive and profitable. The situation was worse up till the late 1980s when as many as 44 personnel were employed on a vessel. A study carried out with a sample of 10 African government owned shipping companies found that they had on average, shore side staff and shipboard crewing (including replacement, standby, etc.) of 3.2 and 2.8 times as large as comparable privately owned shipping companies (in size and fleet composition) serving similar trades. This is anything but profitable. With the new shipping company (NUL), the government should note that shipping is no longer a provider of jobs. With vessels costing as much as US$80 million or more, and employing in some cases a maximum of 13 sea men (as a result of automation and sophistication), it is highly a capital intensive business which does not create the required amount of employment..

4.5 **Difficulties in accessing loans**

Financial institutions are usually reluctant to lend money to government-owned shipping companies, knowing that they have a track record of financial mismanagement. They would rather deal with companies that have shareholders.

4.6 **Technical problems**

- Ships have moved from general purpose to specialist ships which places high requirements on the shipping companies for the training of seafarers and shore support staff to make them capable of operating the ships. NNSL owned ships which were obsolete and incapable of competing in today's maritime transport business against fleets owned by mega-carriers like Maersk. Vessels built in the 1970s like those owned by NNSL had no chance against cellular vessels.
- *Lack of technical know-how*. In Africa like in most other under-developed countries, the biggest problems faced by state-owned shipping companies is lack of trained manpower to effectively run the enterprise. Consequently, poor shipboard management and lack of proper maintenance have often contributed to fallen standards resulting most often to disastrous consequences. NNSL lost part of its fleets as a result of this.
- *The inability to maintain safety standards* very often leads to safety violations and consequently arrests. NNSL had some its ships arrested for unpaid bills and safety violations. The lack of technical know-how has a somewhat chain reaction that culminates into serious technical inefficiency. This in the developing nations is the bane of shipping.

4.7 **Commercial problems**

From observations, certain factors are responsible for difficulties experienced by state fleets, some of which are;

- *Trade liberalisation and increased competition*. As a result of political factors involved in establishing this state-owned companies in developing nations, the fleets often lack profit-oriented policies or drive and focus. Consequently, when faced with stiff competition as is typical with trade liberalisation, they are usually at the loosing end.

- *Removal of cargo reservation.* This has sounded the death knell for most state-owned shipping lines who had hoped to prosper via the UNCTAD liner code with its protectionism, using the 40 40 20 cargo sharing formula. When in 1992 it was abolished, and the shield of protectionism removed, trouble started for most of them. In fact, its scrapping was just a ritual of nailing the coffin.

- *Risks and market fluctuation*. Shipping is generally considered a risky business that is subject to frequent fluctuations in demand which results in wide fluctuations in fortunes . In bulk shipping, fluctuations in demand are also accompanied by wide changes in freight rates. This volatility of shipping can not be handled by faint-hearted or half-baked managers.

- *Unprofitability leading to ships being laid up.* The absence of profit-oriented policies and the cushion of protection from competing forces created an apparent lack of market research techniques such as forecasting and target setting. No efforts were made at being competitive on profitable routes because losses were absorbed by state subsidies.. The absence of marketing strategies to boost traffic flow such as vigorous promotional campaigns featuring new innovations were also evident. Frankel believes that the major strategic development in LDC shipping will be the privatisation of government owned and /or controlled shipping. The major reason being to induce private sector discipline in finance, personnel, operations and marketing to these companies. Most developing countrys' government owned or controlled shipping companies operate either as government departments or government enterprises, without profit objectives, with ready access to government financing and subsidies, subject to political and personal pressures, and as a result as un-businesslike enterprises accountable only to the political system

4.8 **Recommendations**

One of the biggest problems of third world shipping as was noticed earlier on is government control which has an effect of stiffling development. The floating of NUL shares to indigenous/foreign investors is commendable as it will restore confidence in the minds of the international shipping community about the commitment of NUL to do real business. This will make it attractive to investors as well as shipping alliances. If eventually the government decides to relinquish its 10%, it will even be better for the company, but if not, like Scandlines, it can gradually allow the company autonomy to operate with little or no interference at all. This will allow the company to be flexible in its operations.

- For a company to succeed, it has to be constantly carrying out a SWOT analysis to find its strengths, weaknesses, opportunities and threats. Only then can it be constantly in touch with the Business, political Economic and Technical environment in which it operates.
- The company must operate first and foremost as a business enterprise with profit oriented motives at the back of their minds.

- The company will have to concentrate on a trade. Find a niche market, concentrate on the core business-this has always turned out to be the single most important factor for success in business. When it has gained a strong footing, it can then start diversifying.

- Invest in modern versatile fleet comprising cellular/RO RO vessels.

- Explore possibilities of ship financing-like borrowing, without recourse to outright purchase.
- Be competitive and offer flexible services. That is the hallmark for success.
- Constant renewal of vessels to ensure optimum performance

- Investment in fully geared vessels which ensure a quick turn-around since they are able to load or discharge where such facilities are inadequate.
- In a situation where inadequate resources exist to go into full stream liner shipping, the only hope for a nation desiring to participate in maritime transport lies in some sort of consortium organisation with some other powerful and well grounded shipping line or even a number of neighbouring countries can come together to produce enough combined tonnage to enter into some trade. The Ministerial Conference of West and Central African Countries on Maritime

Transport (MINCOMAR) is by the way about trade facilitation in the West And Central African sub-region. It could also extend its scope to cover the establishment of a joint shipping company for the sub-region's trade.

- Closely linked to the above are shipping alliances which offer commercial and technical benefits to members.
- Furthermore, as a typical liner shipping company, without a very sound footing, getting involved in too many activities is nothing but a distraction from the core activity which the company should be concentrating to consolidate. NNSL for instance should have concentrated in shifting cargo rather than dealing in Agency matters. At the formative stages, a company should sub-contract certain economic activities to third parties while concentrating on its core activity. When it has gained a strong foot-hold, it can then expand.
- Another alternative may lie in forgetting about long-haul liner trade and concentrating on short-haul coastal or feeder service operation until such a time the company can be weaned and embark on scale liner shipping.
- A trim and manageable work force is adviceable.
- Maintenance of high safety standards both for shipboard and shore staff. Compliance with safety regulations is imperative for successful operations. Adherence to Safety Management Systems (SMS), ISM, ISM and training standards as stipulated in STCW will keep a company operating safely and away from the kind of safety violations that got some of NNSL ships into trouble and undue delays.
- Adoption of a good quality reporting system. Most customers would like to see that a company acts in conformity with quality and safety standards, because they are sure that their goods are "travelling in style" to their destination.
- The company has to invest in research into logistics. This enhances profitability.
- There must be sound financial and administrative management. This has to touch on the areas of budgeting and control.
- Communication must be given prominence. The company must be willing to embrace Electronic Data Interchange (EDI) and reap the benefits of its fast communications both within and outside the company.
- Training is vital to the success of any organisation. Training in any successful organisation is not only what a school can offer. *What is recommended therefore*

is critical mass and consistency in training. It is important to reach critical mass quickly , i.e. the point at which sufficient officers have been through a training programme to make substantial difference. This will immediately tackle a change in programme or tackle a short term problem. Thereafter, the training and re-training programmes should be sustained as a means of staff development and motivation.

- Finally, good salaries/working conditions must be offered. This will attract well trained personnel who would have fled elsewhere for greener pastures.
- Good salaries are necessary for a second and more vital reason-to keep the operations honest. There is probably no business in the world in which so much money flows in such a free and unsupervised manner. It is easy for the executive or manager to be tempted to siphon this money if his remuneration is not attractive. A single voyage of a packaged freight ship can involve millions of Dollars in payment to agents throughout the world, charter hire, stevedoring contracts, payments to brokers and a variety of other unsupervised transactions. If senior executives are lining their pockets, the company is bound to sink. Furthermore, others including the officers and crews on the ships, may be tempted to follow suit. Wherever the shipping trade is practised, the efficiency of the shipping company depends on the purity, commitment and transparent honesty of its senior executives.

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