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WORLD MARITIME UNIVERSITY

Malmö, Sweden

**PRIVATE OWNERSHIP OF SHIPPING LINES IN
GHANA: THE CHALLENGES AND THE WAY
FORWARD**

By

PRISCILLA AKUA AFFUL

Ghana

A dissertation proposal submitted to the World Maritime University in partial

Fulfillment of the requirements for the award of the degree of

MASTER OF SCIENCE

In

MARITIME AFFAIRS

(SHIPPING MANAGEMENT AND LOGISTICS)

2016

Declaration

I certify that all materials in this dissertation 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 dissertation reflect my own personal views, and are not necessarily endorsed by the university.

(Signature) 

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“Giving thanks always for all things unto God and the Father in the name of our Lord Jesus Christ” (Ephesians 5:20).

I thank the Almighty God for His grace and goodness in my life and assisting me to complete this dissertation. It would not have been possible without Him. My journey here at the World Maritime University has not been easy but with the support of my family and loved ones I have been able to get this far.

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*“I will bless the LORD at all times: His praise shall continually be in my mouth”
(Psalms 34:1).*

Abstract

Title of Dissertation: **Private Ownership of Shipping Lines in Ghana: The Challenges and Way Forward**

Degree: **MSc**

Private Shipping Line is a business venture in the shipping industry that Ghana cannot boast of as compared to the ports in the country and as such the research seeks to delineate the challenges associated with private ownership of shipping lines in Ghana and the way forward towards the future.

An account is given on the challenges of private ownership of shipping lines which takes into consideration the challenges faced by the national shipping line which led to its demise. Policies made by government are assessed and examined to determine their effects on private entities. A number of solutions are investigated to help minimize the challenges identified.

From the research, it was discovered that the government of Ghana does not financially assist its indigenes with the acquisition of vessels. In addition, the accessibility of funds was proven to be very challenging for potential ship owning investors in the shipping business, as the local banks are either unwilling or unable to grant loans.

The research revealed that a majority of Ghanaian seafarers is employed by foreign shipping lines as a result of the unavailability of private shipping lines owned by nationals. Interestingly, a national shipping line was preferred over a private shipping line for the country.

The results attained are analyzed in the concluding chapter which discusses the challenges faced by private ownership of shipping lines and solutions necessary to curb them and hence outlines recommendations for the encouragement of the private individuals of Ghana to engage in private shipping line.

KEYWORDS: Private ownership, Challenges, Policy, Ghana, Shipping lines

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List of Abbreviations

ABS	American Bureau of Shipping
ADB	Agricultural Development Bank
AOS	A.O. Shipping
BBC	British Broadcasting Corporation
BIMCO	Baltic and International Maritime Council
Bps	Basic points
BSL	Black Star Line
COC	Certificate of Competence
Dwt	Deadweight tonnage
EBIT	Earnings Before Interest and Taxes
ECOWAS	Economic Community of West African States
et al	And others
etc.	Etcetera
GCB	Ghana Commercial Bank
GDP	Gross Domestic Product
GETFUND	Ghana Education Trust Fund
GMA	Ghana Maritime Authority
GNA	Ghana News Agency
GPHA	Ghana Ports and Harbor Authority

GRT	Gross Registered Tonnage
GSA	Ghana Shippers' Authority
GSS	Ghana Statistical Service
IMF	International Monetary Fund
IMO	International Maritime Organization
ISM	International Safety Management
ISPS	International Ship and Port Facility Security
KNSL	Kenyan National Shipping Line
Ltd	Limited
MoU	Memorandum of Understanding
MSC	Mediterranean Shipping Company
n.d.	No date
NISA	Nigerian Ship Owners Association
PPP	Public Private Partnership
RMU	Regional Maritime University
SASBF	Ship Acquisition and Ship Building Fund
SCI	Shipping Corporation of India
SOAAG	Shipowners and Agents Association of Ghana
SPC	Special Purpose Company
sq km	Square kilometers

STCW	International Convention for Standards of Training, Certification and Watchkeeping for Seafarers
U.S.	United States
UK	United Kingdom
UNCTAD	United Nations Conference on Trade and Development
USD	United States Dollar
UT Bank	Unique Trust Bank

Chapter One

Introduction to the Study

1.1 Introduction

This chapter introduces the problem under study by eliciting the background of the research, statement of problem, aims and objective, scope and organization of the research.

1.2 Background to the Study

Ghana, formerly known as Gold Coast, is a West African country bordered by Togo to the East, to the West by Ivory Coast (Cote d'Ivoire), North by Burkina Faso and South, the Gulf of Guinea. The country's total landmass is 239,460 square kilometers (sq km) of which approximately 50% is arable (Oxford Business Group, 2014). In view of this, Ghana is recognized as the second-largest cocoa and gold producer in Africa since most of its people engage in farming and mining activities on a large scale (Economic Freedom, n.d.). The country is also rich in natural resources such as diamonds, manganese ore, bauxite and oil and other agricultural products which include grains, yam, oil palms, Kola nuts, Shea nuts, timber and many others that form the basis of Ghana's economy. Most of these products are exported to the different parts of the world so as to generate revenue for the country.

In 2014, \$10.2 billion worth of products were exported by Ghana, comprising of 23% of gold, 22% cocoa beans, 26% crude petroleum, manganese ore approximately 2% and many others to countries like Switzerland, the Netherlands, France, China, South Africa and United Kingdom (UK). The imports which amounted to \$14.8 billion were mostly of goods, refined petroleum (15%), rice (approximated 2%), crude petroleum (4%), gold

(4%) and others from China, United States (U.S.), Nigeria, Belgium, India and the Netherlands (OEC, n.d.).

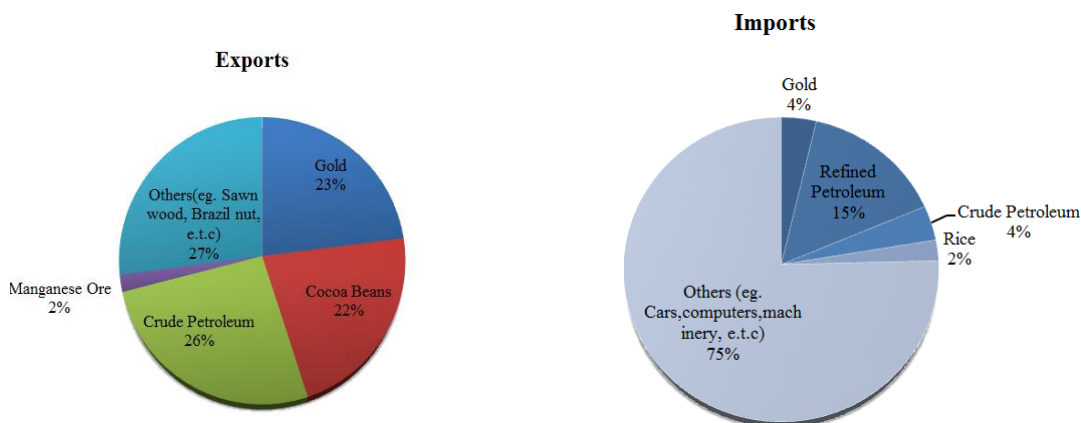


Figure 1: Exports and Imports of Ghana

Source: Author

Figure 1 illustrates the quantity of products which are being shipped in and out of the country signifying the demand in trade. Geographically, it may be impossible for trading activities to be carried out between countries but for shipping lines, which have made it possible by bridging the gap between them with the use of ships which transport these products by sea.

Due to Ghana's strategic positioning along the coast of the Gulf of Guinea, as shown in Figure 2, the country established a national shipping line called the 'Black Star Line' (BSL) in order to optimize the benefits of the maritime transport sector. The shipping line was a maritime corporate institution completely owned by the state, whose aim was to explore extensively trading activities within the West African sub-region and the world at large. The BSL was established to sustain the economy of the country in times of crisis and to create job opportunities for the teeming maritime professionals and seafarers in the country. However, the BSL collapsed as a result of poor leadership coupled with corruption and poor corporate governance (Effah-Nkyi, 2013). Since the

collapse of BSL, the national shipping line, unemployment of seafarers has increased, even though some are being employed by foreign shipping companies. Presumably, BSL would have still been in existence and optimized to its fullest potential, if it had been owned by a private entity.



Figure 2: An African map showing the strategic position of Ghana

Source: Google image

The number of seafarers being produced in Ghana is increasing by leaps and bounds due to the vibrant nature of the maritime institution which is continuously training seafarers. Table 1 shows the number of students graduating from the Regional Maritime University (RMU) in Ghana on a yearly basis. These students graduate with the expectation of getting immediate employment onboard vessels but their dreams and aspirations are shattered as a result of their inability to obtain employment. This has indirectly led to increased number of unemployed seafarers in the country.

Table 1:

Students Graduating from Regional Maritime University

Year	Nautical Science	Marine Engineering
2011	27	52
2012	10	21
2013	23	43
2014	22	38
2015	37	74
2016	22	69
Total	141	297

Source: Regional Maritime University

Private ownership means a situation in which a company is owned by private individuals ("Private Ownership," n.d.). A shipping line is; a form of trade, which uses ships in its operation that is either owned by it or not ("Shipping Line," n.d.). From the two definitions, private ownership of shipping lines is a business which operates ships owned by private individuals. The private ownership of a shipping line administers discipline, efficiency and effectiveness which will result in high productivity, optimization of resources and profit maximization.

In Ghana, private ownership of shipping lines is rare, as with the case of Nigeria and in other parts of the world. There is the need for local private individuals to venture into private shipping lines which will absorb some of these seafarers to minimize the rate of unemployment. Currently, the economic power of the country is dwindling; the development of private ownership of shipping lines will help improve the economy. Ghana News Agency (GNA) (2013) reported on the very first Ghanaian owned ship (MV Adobia) being launched which employed about 40 Ghanaian seafarers onboard the ship.

1.3 Statement of problem

Ghana is growing significantly in the shipping industry through transportation of oil, exportation and importation of goods like foodstuff, timber, cocoa, gold and others. However, the country lacks the ownership of shipping lines and ships being either private or public for the transportation and carriage of these products.

This research seeks to identify the challenges which prevent individuals from venturing into private ownership of shipping lines and ascertain the solutions in minimizing the challenges identified. Furthermore, to assess the existing policies of government in the establishment and operation of shipping lines and examine the possibility of developing private ownership shipping lines in Ghana.

1.4 Aims and objectives

The aim of this study is to provide data useful for the individual citizens of Ghana in considering the possibility of owning ships or shipping lines as participants in Ghana's shipping industry.

The objectives of the study are:

- a) To critically identify and evaluate the challenges facing indigenes of Ghana in the establishment of shipping lines
- b) To assess and examine the policies of government which either motivate or discourage private individuals in the setting up of private shipping lines.
- c) To examine the feasibility of private ownership of ships in Ghana.

1.5 Research questions

- a) What are the challenges in setting up a private shipping line?
- b) What are government policies that could influence the establishment and operation of private shipping lines?
- c) What can be done to resolve the challenges and take advantage of opportunities?

1.6 Scope of the Study

The scope of the study is limited specifically to the shipping industry in Ghana and government policy and private sector opportunities.

1.7 Justification of the Study

The expected result of this research will provide data that will

- a) help increase knowledge of the potential of private sector investment in shipping
- b) serve as a tool for government and stakeholders to guide policy about ship ownership in Ghana.

1.8 Organization of the Research

The study consists of six chapters which are described below

Chapter one is the introduction of the study comprising of the background, statement of problem, objectives and scope of the study.

Chapter two describes the concept of shipping lines and private ownership of shipping lines in other countries such as Nigeria and Greece. It also discusses the factors that led to the collapse of the national shipping line (BSL) and the challenges of its absence on the maritime sector and the economy of the country.

Chapter three examines the methodology used in obtaining data from the respondents.

Chapter four looks at the data analysis of the findings relating to the challenges of establishing private ownership of shipping lines in Ghana and assesses the impact of the maritime administration in terms of regulations and policies on private shipping lines.

Chapter five provides the summary of analysis by discussing the findings into detail and answering the research questions.

Chapter six provides the conclusions and recommendations of the study.

Chapter Two

Literature Review

2.1 Introduction

This chapter talks about the literature review of the study which includes the concept of private shipping lines, private ownership of shipping lines in other countries like Nigeria, Greece and others as well as the factors that led to the collapse of the national shipping line Black Star Line (BSL) and the challenges of its absence on the maritime sector and the economy of the country.

2.2 National Shipping Line - Black Star Line

2.2.1 Background of the Black Star Line

The Black Star Line (BSL) was set up in 1957 as the national shipping line of Ghana with the financial and managerial assistance of the Israeli ZIM Shipping. BSL was to trade between Ghana and North West Europe as well as Ghana and North America. ZIM Shipping was bought out of its interest in the BSL in 1960 thereby making the company to be wholly owned by the government with the aim of the company attaining 40% of ocean traffic in the country's international seaborne trade (Couper, 2015). The BSL was, however, established to prevent the British shipping firms from attaining all the profits through the transportation of import and export cargoes to and from the country. The establishment of National Shipping Lines in African countries brought about the reduction of charges for exports and passenger services to a considerable degree and the profits accrued were used for financing other economic development projects and the expansion of the shipping lines (Barrow, 1969). In addition, BSL was established to provide the economic stability of the country in the event of financial crisis and to provide job opportunities for the indigenous of the country. BSL was in possession of

many vessels including MV Keta, Tano, Sissili, Volta, Lake Bosomtwe and others engaging in several international regular sailing schedules. The company owned some of the large vessels at the time with tonnage of about 16,000 that gathered export commodities such as cocoa, manganese, timber and others to be transported to other countries (Ghana Shipping Guide, 2014).

2.2.2 Factors that led to the fall of the BSL

The BSL brought the development of a maritime academy to train seafarers and dry docks for ship repairs, which became the lifeblood of the country. However, the BSL faced some challenges that led to its fall or collapse as a result of the following factors indicated by Adjetei (2005):-

Imbalanced trade

The trading vessels of the BSL were unable to obtain enough cargo on their return leg as a result of the Western African market dominating the shipping industry which posed a problem to the BSL due to the retaliation of the foreign ports. This affected the earnings of the company, but increased the operational cost of the vessels.

Reluctance of staff

The productivity and competitiveness of the BSL with other shipping lines reduced due to the reluctance of the staff in performing their duties even though their jobs were secured. This also led to a drop in operational standards of the BSL vessels since inspections of the vessels were not regularly carried out in order to address any deficiencies found.

Poor Performance

The inability of the management to address issues in the company led to industrial action such as strikes by the officers and ratings working onboard the vessels who were seeking

to attain better working conditions and higher remuneration. This significantly affected the performance of the company as it resulted in the dismissal of most of the competent seafarers in the company. The company, however, contracted foreign seafarers from the Philippines and indigenous naval officers who required high remuneration which resulted in high operational cost and unemployment of Ghanaian seafarers.

Difficulty in handling growth

In 1978, the company expanded its fleet by ordering four new multipurpose general cargo vessels from South Korea. However, the management was unable to handle the growth and expansion of the company due to the weakness in its internal systems.

Poor supervision

The supervision of the BSL by the government was inadequate which resulted in the compounded issues facing the company as well as showing complacency in the increment of the operational cost of management. In addition, the government seemed not to be interested in addressing the issues of communication and compensation between the management and the seafarers.

2.2.3 Impact of the fall of BSL on the economy of Ghana

The fall of the national shipping line had a significant impact on the economy of the country and some of these impacts are described in the following sections:-

High Price of Imported Products

Ghana imports a majority of the goods and services utilized in the country and exports a greater percentage as well of its commodities like cocoa, bauxite, manganese, timber and others. With the nonexistence of the national shipping line, the services of private shipping lines are engaged for the carriage of these goods. However, in order for these shipping lines to maximize utilization and profit they call many ports before the goods

bound for Ghana are delivered. Sometimes, these goods are transhipped thereby exposing the goods to damages as a result of the re-stowing or re-handling of the goods. Subsequently, the re-handling of these goods incurs extra charges which are incorporated in the transportation costs resulting in high prices of the final product in Ghana (Ghana Shipping Guide, 2014).

Unemployment of Seafarers

A report made by the Minister of Ports, Harbour and Railways indicated with reference to ratings that since the sale of the BSL vessels due to poor performance of the company, Ghanaian seafarers have been unemployed for the past 20 years and their search for jobs have proved futile (GNA, 2003). This has resulted in the increment of unemployed seafarers in the country, especially cadets after their graduation from the maritime academy. A statement made by the Ghana Maritime Authority indicated that approximately 4000 Ghanaian seafarers who are mostly graduates from the maritime academy are currently unemployed as a result of the unavailability of deep sea vessels owned by the country (Ajarfor, 2016).

2.3 The Economic Environment of Ghana

For over two decades, the political situation in Ghana has been stable since its inception as a democratic country, thus, returning to the multi-party system (World Bank, 2016). Ghana's economy saw significant expansion during this period and the re-denomination of the Ghana Cedi in 2007. Despite the fact that the economy has been growing sluggishly, coupled with high inflation resulting in the costly living standards of its citizenry, it is ranked 5th and 72nd, in Africa and the world respectively (Economic Freedom, n.d.).

Ghana is constantly faced with high inflation rate, though efforts are being made to tauten monetary policy in the country. The inflation rate increased from 17.7% in February 2015 to 18.5% in February 2016, even though the central bank put in place 500

basic points (bps) policy rate, which is a common measuring unit for interest rate and other percentages in finance (World Bank, 2016). However, the inflation rate declined from the 18.5% in February 2016 to 16.7% in July 2016 even with the increase recorded in March 2016 as shown in Figure 3.

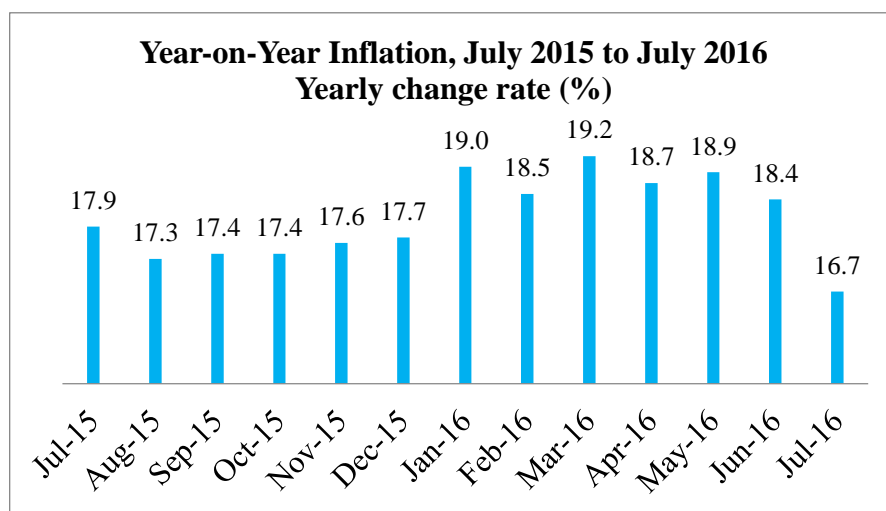


Figure 3: A graph depicting inflation rate in Ghana

Source: Ghana Statistical Service (GSS)

According to the World Bank (2016), Ghana's real gross domestic product (GDP) is anticipated to grow from 3.4% in 2015 to 5.2% in 2016 due to the stability of energy supply and the tremendous contribution from the oil and gas and agriculture industries which have affected the GDP positively. The African Development Bank Group (2015) also pointed out that the growth in the country's economy in 2016 will be as a result of an upsurge in the production of oil and gas, private sector investment, improved public infrastructure and the political stability of the country. Nevertheless, the predominant fall in international prices of oil may slow down the growth of the economy in the near future. In 2015, oil and gold, which account for 50% of Ghana's export, dropped by 47% and 8% respectively in the international market (World Bank, 2016), which in turn affected the trade of these commodities.

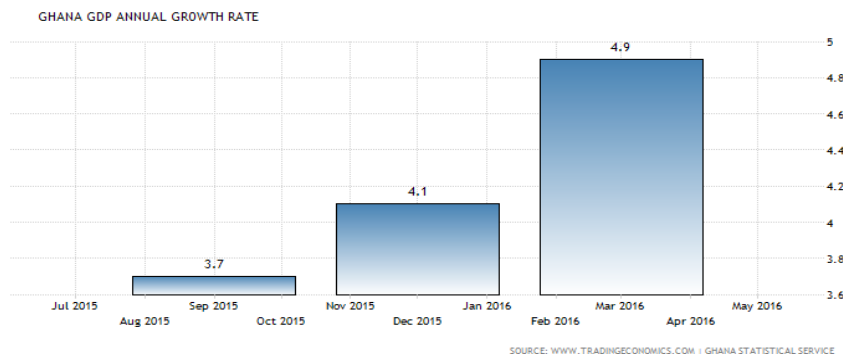


Figure 4: Annual GDP growth rate of Ghana

Source: TradingEconomics/GSS

Figure 4 indicates that Ghana's economy has increased by 4.9% in the three month to March 2016 as compared to the slower growth in the previous three months which was 4.1%. The growth was contributed to by the expansion of the major drivers of the economy including the service sector, which constitutes 50.2% of the economy, agriculture and industry at 19.9% and 28.4% respectively (African Development Bank Group, 2015). As a result, it can be agreed that the economy of the country is gradually picking up even with the power rationing, high inflation and high public debt.

The current economic crisis in the country resulted from the poor management of public finance by the government, which has given rise to an escalating deficit and the continual growth of public debt, although the majority of the country's debt was cancelled in 2005 (Economic Freedom, n.d.). As a result of, the World Bank indicated that the current account deficit of Ghana has decreased significantly from 9.6% of GDP in 2014 to 7.8% of GDP in 2015 resulting from the increase in private transfers with remittances included and other services exports compensating for the growth in trade deficit (2016). In order for the government to address this issue, a negotiation was carried out with the International Monetary Fund (IMF) to obtain a credit facility worth 920 million USD.

The re-denomination of the Ghana Cedi in 2007 was undertaken to strengthen the value of the currency against other foreign currencies, however, this objective was achieved for a short period. This is because, in 2015, it lost 18% of its value against the USD but was relatively stable against the Euro due to an Eurobond issuance (\$1 billion) and payment of the cocoa syndicate loan of USD 1.8 billion in October as stated by the World Bank (2016).

2.4 Concept of Shipping Companies

A shipping company is defined as “a legal organization which owns ships” (Stopford, 2009). Dolgoplov (2010) also gave a similar definition in the context of a shipping company being a commercial company, which engages in the transportation of cargo and passengers by ship. Stopford (2009) indicated that a shipping company may either be a legal partnership or company or corporation situated in an area with obligatory law of corporate governance and has a controlling interest in the ship which it operates. The controlling interest of the vessel may sometimes be owned by an individual known as the shipowner. The day –to-day operation of the ship is the responsibility of the personnel within the company.

Wijnolst and Wergeland (2009) explained in their work that a shipowner is required to manage the commercial utilization of the vessel as well as the operational part which includes technical management, crew management and the different administrative functions such as organizing insurance, purchasing equipment and others. Stopford, however, discussed that the shipowner usually maintains the ownership of the vessels and contracts a management company to run the daily activities of the vessels (2009). This management company is termed as a ship management company and Willingale defined it as “the professional supply of a single or range of services by a management company, separate from the vessel’s ownership in support of the primary objectives of the shipowner” (1998). In this regard, the ship manager operates the vessel on behalf of

the shipowner taking into consideration the primary objective of the shipowner in terms of profit making through the employment of the vessel.

2.4.1 Services of a Shipping Company or Ship Management Company

The services provided by shipping companies or ship management companies include some or all of the following services: crewing, insurance (crew and vessel), quality and safety services including certification of the vessel (ISM and ISPS), purchasing (spare parts, lubricants, victuals, chemicals, etc.), employment of the vessel (chartering) and others (Willingale, 1998). These services are categorized into the following as indicated through the works of Willingale (1998) and Wijnolst and Wergeland (2009):

Technical Management

This type of management deals with technical operation of vessel with the main aim of operating the vessel in a safe, pollution free and cost efficient manner in accordance with international rules and regulations as well as giving protection to the asset value. Technical management includes vessel inspection, purchasing and supplying (spare parts, victuals, stores, lubricants, chemicals, etc.), vessel drydocking, reporting, budgeting, repair and maintenance and certification of the vessel.

Crew Management

Crew management involves the recruitment of well qualified and trained seafarers as per the required nationality of the shipowner onboard the vessel in order to ensure that the vessel operates in safe and efficient condition in accordance with international regulations. In addition to recruitment, this kind of management includes performance appraisal of crew, training, certification control, welfare, crew relief planning and anything related to seafarers.

Commercial Management

This deals with the commercial activities of the vessel in relation to its employment in the market as well as attaining information from the market concerning the trade routes

and patterns in order for the appropriate decision to be made regarding the chartering of the vessel. Commercial management also includes the post fixture services such as receipt of freight income, maintaining the vessel account, monitoring invoices, appointment of agents and others.

2.4.2 Types of shipping company ownership

Shipping companies may be owned and operated privately, publicly (government) or a combination of both in the form of partnership (BIMCO, 2013).

2.4.2.1 Private Ownership

Private ownership as defined by InvestorWords (n.d.) is “a situation in which a company is owned by private shareholders”. In the shipping industry, privately owned shipping companies are usually owned by private individuals or families who engage in the operation of vessels (owned or not owned) without any interference from the government as compared to the publicly owned. Examples include Mediterranean Shipping Company, Maersk Line of A.P. Moller- Maersk Group, CMA CGM Group and others (MoverDB.com, n.d.).

2.4.2.1.1 Pros of Private Ownership

Lack of Government Interference

One of the most significant characteristics of private ownership is the independence of the company without any interference from the government though it is governed by the laws of the country where the company is established. In addition, the company is less vulnerable to political changes as well as potential electoral cycles (Holzwarth & Kraemer, 2000).

Efficiency

Privately owned companies are known to be efficient in the discharge of their services as a result of the need to satisfy their shareholders and stakeholders. The staff of a private organization is well trained in their respective line of duties which enables them to work effectively and efficiently resulting in high productivity for the company.

Control

Owners of private companies have full control over every aspect of the business resulting in their protection from the sale of their companies by third parties. They have authority over the operational decisions of the organization and are therefore not pressured by shareholders or stakeholders unless the company is listed on a stock exchange. Also, private owners attain high revenues since they often retain all the profits.

2.4.2.1.2 Cons of Private Ownership

Lack of Competition

Most private companies are monopolistic in nature, as seen in liner shipping, thereby making them less competitive in the market and hence, their inability to provide quality products and services to meet clients' expectations. Due to their monopolistic nature, they increase prices of products or services to cover up any cost incurred in the company.

Lack of Government Subsidy

The proprietor of a private company is solely responsible for raising funds (capital) for the establishment and operation of the organization, which is often high, especially in the shipping industry. Privately owned companies are usually not entitled to subsidies from government and as a result bear all the costs related to the business.

Personal Interest

Profit making is primarily the source of existence of some private companies resulting in the fall of the organization if profit is lost consistently. In this effect, privately owned companies disregard public welfare for their own personal interest by utilizing all available means to obtain profit so as to sustain their businesses as indicated already by Thompson (1917). The company does not take into consideration the pollution of environment which affects the health and living conditions of the public as a result of their daily operations.

2.4.2.2 Public Ownership

Public ownership (government or state ownership) is defined as the circumstance in which the government or state owns a company, an industry or property (Cambridge Dictionaries Online, n.d. (b)). Shipping companies owned by the government are often termed as national shipping lines. In this regard, the operation and management of the companies are carried out by the government as well as the ownership of the vessels. Examples of government owned shipping companies include the Kenyan National Shipping Line (KNSL) established in 1988 by the Kenyan Government (KNSL, n.d.) and others.

2.4.2.2.1 Pros of Public Ownership

Upfront Capital

Companies owned by government are able to attain upfront capital unlike the privately owned companies which have to raise funds by themselves. This results in the immediate development and establishment of the company as well as vessel acquisition so as to obtain profits in the market.

Job Opportunities

Employment opportunities are also created which reduces the rate of unemployment in the country and improving the livelihood of the citizens of the country (Roe, Grieg-Gran & Schalken, 2001). As a result, citizens are beneficiary of job opportunities, either onshore and/or offshore.

Government Regulations

As a result of the government controlling the managerial and administrative matters of the corporation, regulations governing public corporation are often flexible which lessens the burden of taxes and policies associated with the business.

2.4.2.2.2 Cons of Public Ownership

Corruption

Corruption and fraud may seep into publicly owned companies rendering them inefficient and ineffective. This is because those with top managerial positions tend to recruit people, specifically family members, who are unqualified and inexperienced in the duties assigned to them. Also, they award projects to unqualified contractors in order to return a favor offered by them in the past.

Poor Management

The improper management by government regarding the corporation often results in the collapse of the organization as seen in the case of the national shipping lines of many countries including Ghana. The poor management of national organizations emanates from the inability of the government to supervise the operational performance of the staff as well as their misconduct within the organization.

Lack of control

The government can lose control over facilities, employees and rates when there is no adequate supervision (Roe et al, 2001). In addition, public resources are either misused

or over exploited due to improper handling which leads to the country not attaining any benefits from these resources.

Bureaucracy

The bureaucratic nature of governmental corporations tends to delay and hinder development due to the slowdown in decision making by officials. As result, large and profitable investment opportunities are lost in the process.

2.4.2.3 Public Private Partnership (PPP)

Public Private Partnership is defined as a risk and profit sharing relationship between the public sector and one or more partners from the private sector to improve performance through mutual goals or to attain a publicly agreed outcome or service (Building Better Partnerships as cited in Geddes, 2005). In the shipping industry, this type of partnership identifies the public sector, which is the central government of a country, as the shipowners and the daily administration and operations of the vessel are carried out by the private sector which may be the shipping company.

2.4.2.3.1 Pros of PPP

Infrastructural development

The advantages of PPP can be seen in the significant role it plays in the development and improvement of infrastructure as well as in the maintenance, management and operation of existing transport infrastructural facilities, including ships, terminals, roads and others (World Bank Group, n.d.).

Retention of Ownership and employees

The government retains the ownership of the asset which may be the vessel and remains the regulatory body of the company while it delegates the managerial and administrative responsibilities to the private sector. This enables the company to be effective and efficient in its operation resulting in higher rates of return for the government and

country as a whole. In addition, the public also enjoys some benefits in the form of retaining their jobs and also, flexibilities in rates and charges regarding services offered to them.

Accessibility of Capital

Financing of the company is easily attainable due to the involvement of the government. Also, with the government as the regulatory body, the company may enjoy tax exemptions as well as subsidies from the government.

2.4.2.3.2 Cons of PPP

Conflict of Interest

PPP may have some limitations which include conflict of interest resulting from the difference in interest between the public and company. Generally, the organization's main objective is to gain profit while the public demands for low prices for services provided (Thompson, 1917).

Liability

Confusion tends to arise when liabilities occur in terms of the responsibilities of the parties, especially if it is not included in the contractual agreement (Holzwarth & Kraemer, 2000). These liabilities relate to damages to public property, legal matters arising from claims made by clients resulting from non-performance of contract and many more.

Government Interference

The government may interfere with the administration and running of the business, which in turn may affect the performance of the organization. When the performance of the organization is affected, most of the employees will be laid off as a result of low returns and high cost for the organization.

2.5 Ship Finance

Financing in the shipping industry is very essential due to the high capital intensity of the business. This requires shipowners or investors in the shipping business to raise funds in order for them to pursue their investment goals in the form of purchasing or building vessels or establishing a shipping company.

Stopford (2009) discussed the ways in which a shipowner can finance a shipping company or purchase a ship. The ways include private funds, bank loans, capital markets and Special Purpose Company (SPC) as indicated in Figure 5.

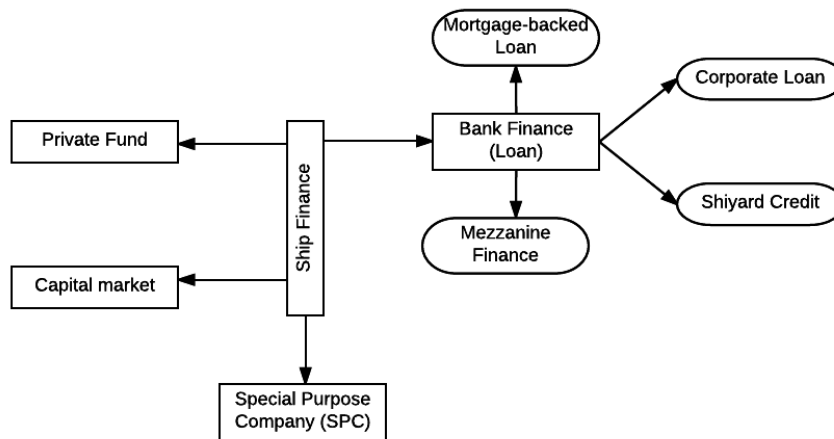


Figure 5: Types of ship finance

Source: Author

2.5.1 Private Fund

This fund is described by Stopford (2009) as the method whereby a shipowner or shipping company is financed by the private resources of the owner or an investment or loan from family or friends. This type of financing has always been the main capital start up for most business thereby resulting in family ownership in the shipping business

being common in some countries such as Denmark, Greece, Norway, Sweden and many others.

2.5.2 Bank Finance (Loan)

This type of ship finance is the traditional method most shipping companies and shipowners use in attaining capital for their business (Drewry Shipping Consultants, 1996). As indicated by Stopford (2009), bank loan is the main source of finance for operators (shipowners, charterers, shipping companies) in the shipping business due to its flexibility in refinancing when there is a change in circumstances. Shipowners and shipping companies have the option of accessing any of the three major sources of loans available which are mortgage-backed loans, corporate loans, shipyard credit loans and sometimes mezzanine finance may be organized by the bank.

A mortgage-backed loan is a type of loan offered on the basis of securing the loan with the vessel as collateral. In the event of default, the bank can foreclose and take possession of the vessel in order to recover the loan (Stopford, 2009).

A corporate loan is defined as “a loan given to a company, rather than a government organization or an individual person” (Cambridge Dictionaries Online, n.d.(a)). This type of loan is usually preferred by large shipping companies with well-established financial structure since it requires the use of their corporate balance sheet as collateral instead of one of their vessels (Stopford, 2009).

Shipyard credit loans are loans offered by governments or agencies to aid local shipyards in attaining orders (Stopford, 2009).

Mezzanine finance is a type of finance which consists of equity and debt and is often referred to as high yielding debt (Stopford, 2009). In this type of financing, the

shipowner or borrower provides a certain percentage of the capital through preference shares known as equity and the remaining percentage is offered by the bank or financial institution.

2.5.3 Capital Market

The capital market, as described by Stopford (2009), is often accessed by large shipping companies to acquire funds either by issuing bonds (also known as a note which is a debt security redeemed on a specified date with an interest paid by the issuer) or by providing a public offering of shares (trading shares of the company on the stock exchange). This type of ship finance provides comprehensive finance which is fast and quite an inexpensive method of obtaining a lump sum of money.

2.5.4 Special Purpose Company (SPC)

Investopedia defined SPC as a company whose main operations are to acquire and finance specific assets (n.d.). This method is used in raising funds to purchase vessels which are either leased or chartered out. The funds are usually obtained from equity investors and possibly a supplement from banks (Stopford, 2009). The SPC is different from the parent corporation and as a result protects either of them from being affected in the event of bankruptcy or a default.

2.6 Risks in the Shipping Industry/Companies

The shipping industry is cyclical and volatile in nature due to the fluctuations in the market rates and prices. In line with this, the industry is susceptible to risks which significantly affect the revenues of the investors (ship owners, charterers, etc.) involved in its operations. These risks, as identified by Kavussanos and Visvikis (2006), can be generally grouped into the following described types below:

2.6.1 Business Risk

The main cause of this risk is Earnings Before Interest and Taxes (EBIT) which indicates the profit of a company (difference between revenue and expenses) excluding tax and interest. Investors in the shipping industry face this risk as a result of the variability of the under listed factors;

2.6.1.1 Freight Rates

Freight rate, as defined by Stopford, is “the amount of money paid to a shipowner or shipping line for the carriage of each unit of cargo (tonne, cubic meter or container load) between named ports” (2009). This money is negotiable and often paid by the shipper to the shipowner. According to Stopford (2009), shipowners and shippers establish freight rates through negotiations which show the balance between availability of vessels and cargoes in the market. Freight rates are low when there is oversupply of ships and high when there are few ships available in the freight market.

Ma (2015) highlighted that the volatility of the freight rate depends on the fluctuation of the market as a result of supply and demand. Freight rate is the main earnings of the shipowner which is usually used to offset the operating expenses (costs) of the vessel. The fluctuation of the freight rate may either cause cash surplus or deficit for the shipowner. This is based on the fact that the cash flow of the shipowner is affected tremendously by the volatility of the freight rate.

2.6.1.2 Bunker (Fuel) Prices

Fuel prices are considered to be one of the most critical costs for shipowners with regards to the operation of vessels. Shipowners have faced large increases in fuel prices over a long period which affects their business considerably (Zuskin, Grubisic & Sumner, 2015). Stopford (2009) indicated that 47% of voyage cost is fuel cost whereas voyage cost constitutes 40% of the total cost of the shipowner; however, in the past

couple of years there has been a general reduction in the prices of fuels. According to Ma (2015), bunker (fuel) costs are directly dependant on the international oil market. In this regard, fuel prices are affected by the fluctuation of the oil prices in the international market thereby resulting in the volatility of the fuel prices. The volatility of the bunker prices pose a risk to the shipowners due to the effect it has on their cash-flow. Shipowners tend to forget about this risk when the freight market is strong and earnings are high, however, if the bunker cost is controlled, it results in a better management of the cash-flow (Kavussanos & Visvikis, 2006).

2.6.1.3 Foreign Exchange Rates

The shipping industry requires the use of different currencies in its daily business transactions. Kavussanos and Visvikis (2006) explained that the global nature of the shipping industry exposes the shipowner's cash-flow transactions to involve different foreign currencies. As discussed in Akatsuka and Leggate (2001), the main revenue of the shipowner in this international business is the US dollars (USD) and a majority of the operating expenses of the vessel is usually in other denominations which require the conversion of the USD. The conversion of USD to the other foreign currency has an impact on the cost and revenue of the shipowner thereby affecting the profit margin of the shipowner (Kavussanos & Visvikis, 2006).

In the 1970s, the fall of the fixed exchange rate regime led to the volatility of currencies in the shipping industry. The fluctuations of the exchange rates between these currencies have a tremendous impact on the business performance of the shipowner in terms of the effect on the cash-flow (Akatsuka & Leggate, 2001). Foreign exchange rates are prone to changes in the market which may result in the appreciation or depreciation of the total cost.

2.6.1.4 Interest Rate

The capital intensive nature of the shipping industry creates the need for shipping companies to attain financial assistance from banks or directly from the public or through bond issues so as to carry out their investment plans (Kavussanos & Visvikis, 2006). These loans are usually interest bearing which has to be repaid by the shipping companies. The interest rate may either be floating or fixed depending on the terms and conditions of the loan. Batrinca and Burca (2011) indicated that the financing of the acquisition of vessels through loans is priced on the basis of floating interest rates in which the unexpected fluctuations in the interest rate may have adverse consequences on the assets and liabilities of the companies. A fixed interest rate, however, does not have an adverse impact on the shipping companies due to the uniformity of the rate until the maturity of the loan. The changes in the interest rate as a result of the changes in the world economy cause fluctuations in the cash-flow of the shipping companies (Kavussanos & Visvikis, 2006). In line with this, the shipping companies are exposed to business risk due to the volatility of the interest rate.

2.6.2 Liquidity Risk

The Supervisory Policy and Guidance of the Federal Reserve (n.d.) indicates liquidity risk as the risk to the financial condition of an organization as a result of its inability to meet a contractual obligation. The definition obtained from Kavussanos and Visvikis (2006) refers to the inability of a shipping company to sell its asset within a short term period.

2.6.3. Credit or Default Risk

Kavussanos and Visvikis (2006) described credit risk as the risk whereby counterparties in the shipping business are unable to meet their contractual obligations in terms of the payment loans or freight rates. This risk is often faced by financial institutions and other operators in the shipping industry. According to Grammenos (2015), the credit or default

risk faced by financial institutions is as a result of the volatility of the vessel's income and fluctuation of the vessel value since they serve as the main source of repayment and security of the loan respectively. The cyclical nature of the shipping industry exposes all parties involved in any form of business transaction within the industry to this risk.

2.6.4. Market Risk

Stopford (2009) identified market risk as the risk that emanates from the instability of the shipping industry. Due to the long term and severity of the freight market, the ability of the shipping company to meet its contractual obligations is affected. Kavussanos & Visvikis (2006), however, identified this risk as the risk faced by a shipping company listed in the stock exchange resulting from the changes in the stock price due to the volatility in the stock market. This type of risk affects the capital cost of the company as well as the probability of a company with low market value being overtaken.

2.6.5. Political Risk

This risk occurs as a result of political decisions or events such as wars, closure of a canal and others which may affect shipping businesses (Kavussanos & Visvikis, 2006). The cash-flow and balance sheets of a shipping company are often the most affected when there is any form of political unrest in any part of the world due to the global nature of the shipping industry.

2.6.6. Technical and Physical Risk

The technical and physical risks are related to the sudden breakdown of the vessel which may include engine or steering failure, accident and others, which the shipping company may be susceptible to. The effect of these risks on the shipping company may be loss of revenue and reputation as well as the loss or damage of the vessel (Kavussanos & Visvikis, 2006).

2.7 Ship Registration

Nationality of ships has become the fundamental principle in the shipping domain and as a result stateless ships are denied entry into ports, not entitled to engage in trade as well as not being protected by the international law (Ready, 1998). The aforementioned results in the vitality of ship registration in the shipping industry since it enables ships to be identified and governed by the jurisdiction of the State whose flag they fly. As indicated in Article 5 of the Convention on the High Seas (1958), a State can confer its nationality on a ship provided the ship was registered in its territory and permits it to fly its flag. Ship registration primarily consists of two types of registry systems which are open and closed.

2.7.1 Open Registry

Open registry, also known as the Flag of Convenience, is the type of registry that allows the registration of foreign owned vessels. This system of registration is characterized by its easy access of entry; limited charges which include registration fee, tonnage based annual fee as well as low or no revenue taxes (Romero, 2015). In addition, it allows the employment of non-nationals on its vessels. This helps the shipowner in reducing costs as he can recruit seafarers from low or minimum wage countries such as the Philippines (BBC NEWS, 2014).

Whilst the open registry helps in minimizing costs for the shipowner it can also be disadvantageous as often shipowners choose to register their vessels under less stringent flags since their vessels may be detained due to safety reasons which may render them unseaworthy. These Flag States sometimes lack the resources to conduct periodical inspections on vessels and their maintenances.

Open registry is a business and it is stated that all businesses aim to make profit. So without thinking of what might be at stake, states register vessels with very low standards so as to attract more vessels.

Countries that engage in the open registry system are Panama, Liberia, Marshall Islands, Malta and others, but it must be noted that, these named countries are considered to uphold safety standards, while some others do not.

2.7.2 Closed Registry

According to Mukherjee & Brownrigg (2013), closed registry refers to the conferring of nationality on ships only owned by the citizens of that state. This implies that ships owned by foreigners are not entitled to enter the registry. Maritime States who are involved in closed registry system, put in place stringent requirements relating to crewing, ownership, management and administration so as to allow the entry of a ship into their registry (Romero, 2015). This suggests that the crew must be nationals of that State including their license and certificates, the class of the vessel must be carried out by a classification society recognized by the State as well as having the company established within the Flag State as indicated by Mukherjee & Brownrigg (2013).

The stringent requirements associated with closed registries positively affect States involved with them by producing job opportunities for their citizens. In addition, vessels registered under the closed registry system maintain a higher level of standards regarding safety, maintenance, security and others. This, in turn, protects the marine environment and prevents the vessels from being detained.

Some examples of countries engaged in this system include Russia, United States of America, Ghana and many more.

2.8 Private Ownership of Shipping Lines in Other Countries

2.8.1 Greece

Greece is known as the largest and most significant maritime country in the world since it controls approximately 16.11% of the world fleet (United Nations Conference on Trade and Development (UNCTAD), 2015) and 43% of the capacity of the European Union fleet in 2014 based on a report made by the Oxford Economics (2014). The activities of the shipping industry are usually carried out by privately owned shipping companies such as Thenamaris, Tsakos, Anangel and many more engaged in the different shipping markets, which may include container, tanker or dry bulk shipping. Most of these companies own and/or manage vessels of various types and sizes which enables the transportation of goods worldwide. According to UNCTAD (2014, 2015), more than 16% of the world's deadweight tonnage of vessels is owned and controlled by the private citizens of Greece. These companies contribute tremendously to the economy of the country as well as to the employment of its citizens. For instance, in 2014, the industry contributed 66 billion Euros to the Gross Domestic Product (GDP) of the country and employed about 6,000 people and now, the country has about 192,000 people working in the shipping industry.

2.8.2 Nigeria

Nigeria is a Western African country situated along the coast of the Gulf of Guinea. The country is endowed in natural resources like oil and gas. In line with this, the privately owned shipping companies such as the Morlap Shipping Company Ltd, Starzs Investment Company Ltd and others engage in the tanker shipping market due to the large quantity of oil exported by the country. As indicated by the Premium Times (2015), approximately 10% of the 600 vessels operating in the oil and gas industry in Nigeria are owned by its citizens. In order to complement this capacity, the Nigerian Ship Owners Association (NISA) entered into a partnership agreement with Greek ship

owners to provide 40 vessels which will create a platform for the young and future generations to attain employment when they graduate from the maritime academy. The indigenous ship owners are not participating in the transportation of the crude oil thereby making the country to lose revenue of about N10 billion (USD 50 million) as well as losing job opportunities for the seafarers in the country. The government, however, supports the shipowners with funds known as the Ship Acquisition and Ship Building Fund (SASBF) in 1995 (Cole, 2015). This fund is to aid them in acquiring new ships for the country's shipping industry.

2.8.3 Germany

Germany is noted to be a leading exporter in the world and serves as a hub for national and international trade. A report from the Federal Ministry of Transport and Digital Infrastructure (2015) indicates that the German shipping industry generates revenues of about 50 billion Euros annually and the government also provides about 60 million Euros yearly to promote training and employment onboard German flagged vessels. In addition, the government is minimizing the labour cost burden on ship owners by a total of 13 million Euros a year. This indicates the support and interest of the government in the shipping industry of the country. Most of the German shipping companies are privately owned by the indigenous who are also sometimes the shipowners. These companies are mainly engaged in the container and dry bulk shipping markets. Not only do these companies provide employment for the seafarers, they also provide jobs for shore personnel such as stevedores, truck drivers, office personnel and others. They contribute to the society by providing funds for educational development as well as the economy of the country as a whole. For instance, A.O. Shipping (AOS) is a private ship owning company based in Germany which trades in the dry bulk shipping markets. The company has 6 bulk carriers and employs approximately 25 crew members per each vessel which may include Germans. As an example, A.O. Shipping gives back to society through the funding of educational activities (A.O. Shipping, n.d.).

2.8.4 India

India is an Asian country whose shipping industry plays a vital role in its economy since 90% of the country's trade by volume is carried out by sea and it is noted to have the largest merchant shipping fleet among the developing countries. The shipping industry of this country has become the 15th largest fleet in the world in terms of deadweight tonnage (dwt). The shipping fleet consists of approximately 1200 vessels with 10.31 million gross registered tonnage (GRT) and dwt of 11.5 million as of 2014 (International Shipping News, 2016). The Indian shipping industry has about 55 shipping companies; 19 of which deal with the coastal trade, 29 in international trade and the remaining 7 in both trades. The industry was basically developed to cater for the domestic trading, however, private shipping companies like Great Eastern Shipping Company (37 vessels), Mercator Lines Limited (32 vessels); Varun Shipping (20 vessels) and Essar Shipping (21 vessels) are expanding into the international cross trades. The transportation of wet and dry bulk cargo such as crude oil, petroleum products, iron ore and others are the main businesses of the private shipping companies in the country (Indian mirror, n.d.). Although, the government owns the largest shipping line, the Shipping Corporation of India (SCI), the private sector, which are mainly ship owners as well as offering chartering services, are doing their quota by employing Indian seafarers and contributing to the economy of the country as a whole. The government, however, supports the industry by motivating and encouraging the companies to work diligently through the awarding of the best company each year. For example, in 2006, the National Maritime Day Celebration Committee set up by the Directorate General of Shipping (Government of India) honoured Varun Shipping Company Limited with an award of "The Fastest Expanding Indian Shipping Company" (Varun Shipping Company Limited, n.d.).

Chapter Three

Research Methodology

3.1 Introduction

This chapter describes the methods used in the collection and analysis of data relevant to the research. The research methodology consists of the research design, data collection methods, sampling of the study, research participants, ethical issues and limitation of the research. These procedures were undertaken to obtain the relevant information for this research.

3.2 Research Design

This deals with how the research was conducted which resulted in the outcome of the study. Generally, there are two methods used in carrying out a research, which are qualitative and quantitative methods. The method used usually depends on the type of data to be collected.

The qualitative research method was used in gathering information in this research. It requires the use of methods such as participant observation, direct observation, interviews, case studies, focus groups and questionnaires with open-ended questions to obtain data as seen in the works of Trochim (2006). This method often involves the use of non-numerical representation of data (words, images, etc.) in order to have an in-depth knowledge and understanding of human behaviors and perceptions, but may sometimes require some quantitative analysis in the form of descriptive statistics.

Nowadays, both methods are frequently being incorporated into the same research by researchers and as a result expanding, especially in researches related to social and human sciences (Creswell, 2003). The combination of these methods has been claimed by researchers as a third method of investigation and has been assigned different names by authors which include multi-strategy by Bryman (2004), multiple methods (Brannen, 1992) or mixed methods (Creswell, 2003; Tsahakkori & Teddlie, 1998).

The nature of this research necessitated the choice of the qualitative method of research to be utilized for both data collection and analysis. The research required the use of qualitative data to describe the challenges facing Ghanaians concerning the establishment of shipping lines and acquiring vessels as well. This method enabled the researcher to express the feelings and perceptions of Ghanaians, specifically seafarers in their quest to gain employment onboard vessels. In addition, this method was selected as a result of its ability to provide a great detailed description of the phenomenon under study.

3.3 Data Collection Methods

Sources of Data

Data is defined as “a number or word or letter without context” (Uriarte, 2008). The data is translated into information when it is sorted, grouped, analyzed and interpreted which results in giving meaning to the data collected and impacting knowledge. Data was collected using both primary and secondary sources as shown in Figure 6.

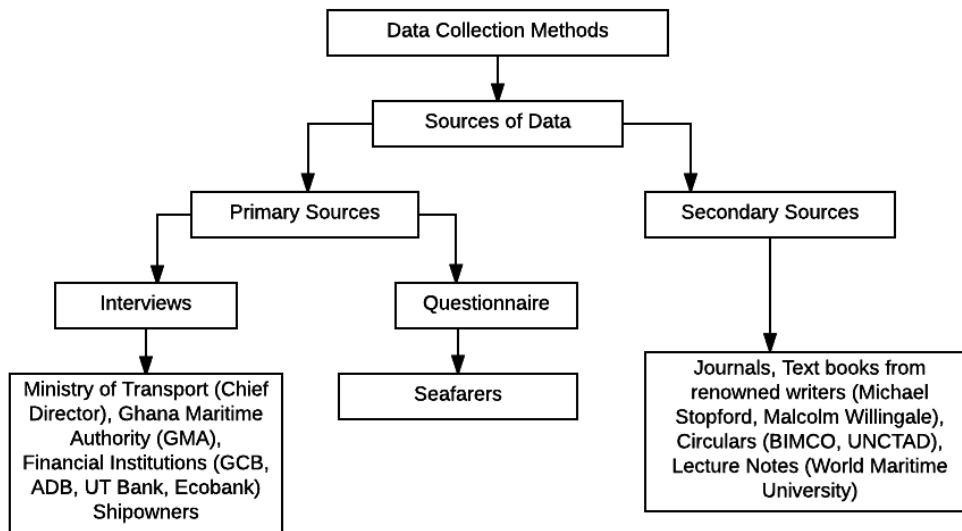


Figure 6: Data Collection Process

Source: Author

3.3.1 Primary Data

Primary data is collected directly from the respondents who are experts in the field. Primary data, as indicated by Currie (2005), is the data that have been obtained directly and initially unknown by the researcher for the particular research under study. ACAPS (2012) also described primary data as data collected from the information source, which has not been analyzed before being included in the research and obtained directly from the affected respondents. The primary data can be collected by means of interviews, questionnaires and direct observation (Currie, 2005).

3.3.1.1 Interview

An interview is often conducted through face to face interaction with the respondent and can include telephone communication, email and others. A semi-structured interview guide was developed to conduct a face to face interview with the selected respondents

from the Ministry of Transport, financial institutions such as Ghana Commercial Bank (GCB), Agricultural Development Bank (ADB), Unique Trust Bank (UT Bank) and others as well as former and current shipowners in the country.

This data collection instrument was used due to its ability to provide detailed information relating to the respondents' experience, expertise and opinions of the research, as indicated by Turner (2010), as well as the opportunity to seek clarification and understanding of the respondents' answer. The semi-structured interview guide gives the researcher the option to ask follow-up questions based on the respondent's answer or body language (Malcolm, 2012). In addition, interviews provide immediate feedback and it is convenient for both the respondents due to their busy schedule and the researcher as well.

3.3.1.2 Questionnaire

Trochim (2006) indicated that questionnaires are often known to be paper and pencil instruments that respondents complete. Questionnaires were distributed to Ghanaian seafarers to obtain additional data for the purpose of attaining their views on private shipping lines in Ghana. The questionnaires were used to identify the period it takes for a Ghanaian seafarer to attain employment onboard a vessel as well as their input in finding possible solutions to the challenges facing Ghanaians related to the establishment of shipping lines.

The questionnaires administered were both open-ended and close-ended and as a result required descriptive statistical presentation methods in the form of tables, graphs and others and words as well. Open-ended questions were included to give the respondents the opportunity to explore their views or expertise in detail as identified by Malcolm (2012).

3.3.2 Secondary Data

Secondary data are data obtained from journals, published research, textbooks, internet materials, media reports, existing literature from experts in the field, papers presented at seminars and data that has been filtered, analyzed and gathered for the purpose of the research (ACAPS, 2012). Information obtained from secondary sources enables the researcher to access historical data related to that particular research. The secondary sources of data used by the researcher to write the literature review of the research include reports from both Ghana and international shipping news, books written by renowned authors (such as Martin Stopford, Ilias Visvikis, Malcolm Willingale and others), lectures notes from professors at the World Maritime University, Circulars (UNCTAD, BIMCO), dictionaries and many others.

3.4 Sampling Technique

Sampling involves the selection of units, usually people from a population of interest, which enables the generalization of results to the population from which the units were selected (Trochim, Donnelly & Arora, 2016). The participants of this research were sampled from the maritime industry with particular attention to the shipping sector. These participants are directly or indirectly involved with the maritime industry which includes seafarers, financial institutions, government agencies like the Ministry of Transport, shipowners and others.

The choice of population depends on the type of sampling technique used. With regards to this study, the non-probability sampling was used in drawing the participants. This sampling technique was used because of the technical nature of the study which required information from the respondents who are knowledgeable and their views considered to have some level of authority and acceptability.

Purposive sampling which is a type of non-probability sampling entails the careful selection of respondents who are directly related to the subject matter of the study. These respondents are often knowledgeable, experienced and have responsibilities related to the problem being studied. This implies that the participants were not randomly selected by the researcher but were chosen with a purpose in mind as well as easy accessibility to the targeted population due to the limited time frame for the research (Trochim et al, 2016).

3.5 Research Participants

Research participants are people or group of people who actually partook in the research. They provided the necessary information relevant to this study in their best capabilities. The following people were selected based on their expertise and experience in the study being undertaken.

3.5.1 Ministry of Transport, Ghana

The Ministry of Transport is a governmental body which was formed from two government ministries in 2001. The ministry is responsible for the formulation of policies governing the transport sector of the country which includes the maritime industry. The Chief Director of the Ministry of Transport was interviewed due to his exposure in the shipping industry as a result of being a representative of the country at several local and international meetings. In line with this, he is experienced and well knowledgeable in the area of policies regarding the shipping industry related to the country as well as at the international level.

3.5.2 Financial Institutions

Financial institutions such as Ghana Commercial Bank, Agricultural Development Bank and others were chosen to partake in this research as a result of the need to raise funds for the acquisition of vessels and establishment of shipping lines. These institutions were interviewed to ascertain their capacity in financing such a high capital intensive project.

3.5.3 Shipowners

Both current and former shipowners in Ghana were obvious choices to be interviewed as a result of their experience in the shipping industry and probably having encountered some challenges in their quest to acquire and operate vessels. In addition, former shipowners were included in the sample in order to ascertain the reasons for their exit from the shipping industry.

3.5.4 Seafarers

Ghanaian seafarers were chosen to participate in the research due to their need for vessels to train on in order to progress in their profession. Questionnaires were distributed to these seafarers to obtain their views on the subject matter pertaining to this research since they are directly affected when they are unable to gain employment onboard vessels.

3.5.5 Ghana Maritime Authority (GMA)

Ghana Maritime Authority is a governmental agency responsible for the monitoring, regulating and coordinating of the activities in the maritime sector of the country. The authority is to ensure that policies and regulations implemented in the country are in accordance with the international maritime conventions adopted by the International Maritime Organization (IMO). In addition, the authority is required to take an initiative

action in the promotion; establishment and development of private shipping lines in Ghana. The Maritime Administrative Officer of the authority, who has eight (8) years of experience in the maritime sector, was interviewed to ascertain the policies regarding owning and managing ships in Ghana as well as the number of Ghanaian seafarers registered under the authority.

3.6 Ethical Issues

Ethical issues are of great concern for all researchers. The principles of ethics in research work seek to safeguard the participants, environments and communities involved in the research from any kind of harm, manipulation and misconduct ("Introduction to Research," n.d.). The ethics required from the research include seeking informed consent from the participants, confidentiality of acquired data, avoiding deception and harm. The uses of other people's work were duly acknowledged with regard to this research. Trochim et al (2016) indicated that a good research must be carried out in such a way that it respects and cares for the respondents with integrity adequately maintained in the process and results in honestly reported research. This was taken into consideration by the researcher and as a result sought the consent of the participants before being interviewed or offered a questionnaire to answer.

3.7 Limitation of the Research

- The sampling technique used was a constraint to the study because it targets a particular sample and not the whole population resulting in the findings not being able to be generalized.
- The small size of the sample posed a limitation to the research since a larger sample could have been drawn but the nature of the research required participants who are directly linked to the subject being researched.

- Accessibility of the participants by the researcher was difficult since the research was being undertaken in Malmo which is far from the area of study (Ghana). Moreover, the reluctance of the participants to give out information due to their busy schedules and the possibility of not being honest in their responses to data collection methods used, had to be considered in the analysis of the data.
- The time used in conducting this research was inadequate resulting in the inability to gather enough information needed for this study.

Chapter Four

Presentation and Analysis of Data

4.1 Introduction

This chapter shows how the data collected are presented and analyzed in the quest to identify the challenges and solutions in the establishment of privately owned shipping lines in Ghana. It also explores issues of employment of seafarers in the country and especially the time lag for gaining employment on vessels after school. The data presentation and analysis are based on the responses received from the questionnaires that were administered and interviews conducted by the researcher.

4.2 Findings and Analysis of Questionnaires

The questionnaires were distributed to Ghanaian seafarers to obtain their opinions and understanding whether a private shipping line would be able to reduce the rate of unemployment of seafarers in the country. Out of the 40 questionnaires distributed only 36 of them were received from the respondents. Below is the analysis of the findings.

4.2.1 Demographical analysis of Respondents

The age and rank of the respondents were obtained in order to ascertain their degree of experience and expertise in the shipping industry, even though they are only involved in the transportation of the goods.

From the 36 respondents, 61% of them were between the ages of 20-30, 19% 31-40, 3% 41-50 and 17% 61 and above. None of the respondents were between the ages of 51-60 as shown in Table 2.

Table 2:

Ages of respondents

Age	No. of respondents	Percentage (%) share
20 – 30	22	61
31 – 40	7	19
41 – 50	1	3
51 – 60	0	0
61+	6	17

Figure 7 indicates the rank of the seafarers who responded to the questionnaires. 58% of the respondents were officers, 31% cadets, 3% ratings, and 8% others who are a junior technician, lecturer, and operational manager.

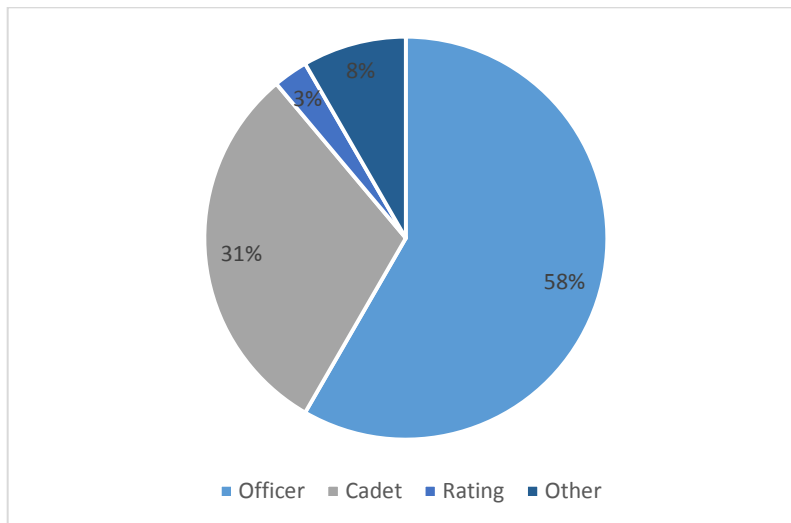


Figure 7: Ranks of Seafarers

4.2.2 Period of waiting before employment

A Ghanaian seafarer who graduates from the maritime university tends to spend a number of years at home before being employed by a foreign company or diverting from this profession to one with jobs readily available resulting from the unavailability of shipping lines for the country. In addition, foreign shipping lines prefer to employ other nationals with low labour cost which includes travel arrangement cost hence making Ghanaian seafarers their second option.

Twenty-nine (29) of the respondents expressed that it took them between 0-2 years to obtain employment onboard vessels while five (5) of them indicated 3-5 years and one (1), 6-8 years. However, one (1) person did not respond to this question. Figure 8 portrays the responses collected.

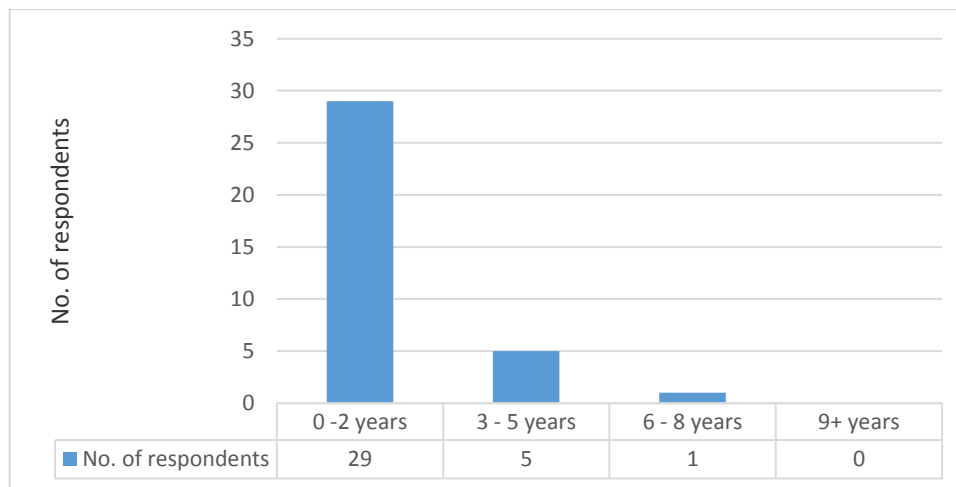


Figure 8: Responses on how long it took to obtain employment

4.2.3 Employed by a Foreign Shipping Company or Ghanaian Shipping Company

The employment of the respondents was obtained to establish the fact that the Ghanaian community owns a limited number or no shipping lines or vessels to employ its citizens.

With the employment of the respondents, 88% of them were employed by foreign shipping companies, whereas 12% expressed otherwise. This can be seen in Figure 9.

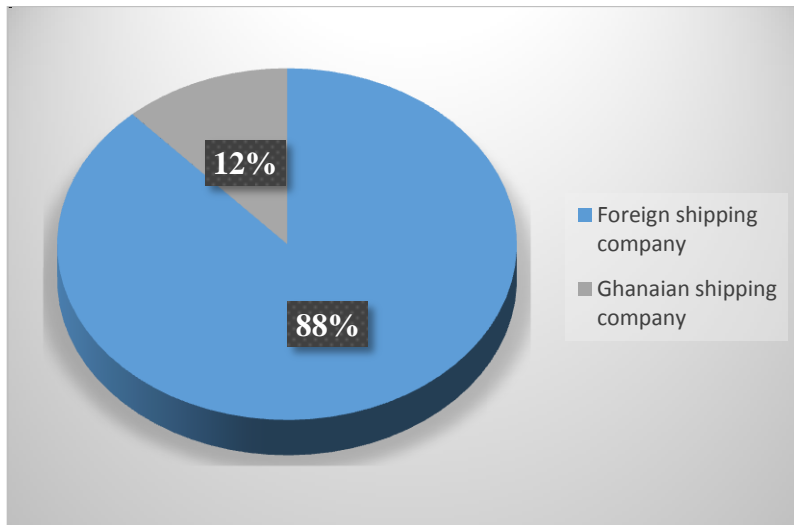


Figure 9: Responses on which shipping company respondents work for

4.2.4 Preferred Shipping Line for Ghana

Ghana previously owned a national shipping line which improved the economy and employment of seafarers in the country, however, it collapsed as a result of poor management and other related issues. Therefore, a shipping line is required for the country to actively participate in the shipping industry being either private or national or both.

In expressing their opinions about the choice of shipping line for the country as represented in Table 3, 13 of the respondents chose private shipping line as the best option for the country. However, 19 of them proposed national shipping line while 3 thought either private and national shipping line or probably public private partnership will be appropriate for the country. Unfortunately, one of the respondents did not reply

to this section. The respondents were required to give an explanation for the preferred shipping line chosen for the country.

Table 3:

Response on the preferred shipping line

Preferred shipping line	No. of respondents
Private shipping	13
National shipping	19
Both	3

As noted above, the respondents indicated the following explanations for their choice of shipping line for the country:

National Shipping line

- A national shipping line for the country will reduce freight cost as well as prices on imported materials resulting in the possibility of indigenous engaging in international trade activities.
- Job opportunities will be created for both seafarers and shore personnel thereby reducing the rate of unemployment in the maritime sector of the country. Also, priority will be given to Ghanaians in terms of employment in comparison with private shipping lines.
- An avenue will be created for practical oriented training for both the graduate and undergraduate from the maritime university in the country producing a better understanding of the theory being studied in class.

- Language barrier will be eliminated since only nationals will be working onboard the state-owned vessels making communication onboard very easy.

Private Shipping Line

- Some preferred the private shipping line due to the corruption, mismanagement, political interference and bureaucracy associated with state-owned companies.
- The work output of privately owned companies by their staff is very productive as a result of their efficiency and effectiveness. In addition, performance target of the company will be met and on time.
- The wages obtained from private companies are very lucrative as compared to state companies.
- The operations of the private shipping line will not be subjected to government interference and appointments of personnel for the managerial position will not be based on political lines and cronyism.

Both

- For corruption and mismanagement to be eliminated, some of the respondents suggested public private partnership which should be managed by the private sector but owned by the state
- Some also indicated that both national and private shipping lines will readily increase the employment of seafarers and improve the economy of the country as well.

4.2.5 Ghanaian-owned shipping line will increase the number of indigenous seafarers

The majority of the respondents (86%) replied that a Ghanaian-owned shipping line will increase the number of indigenous seafarers while the remaining 14% were of the view that it will not as depicted in Table 4. This question was a Yes or No answer with reasons. Below are some of the reasons given by those in favor of the increment:

The cost of employing foreign workforce will be more expensive and as such preference will be given to the locals.

- The availability of job placement will motivate many Ghanaian youths to pursue studies at the maritime university in order to become seafarers.

Those who thought otherwise indicated that

- Seafarers will begin to be complacent in the discharge of their duties since they feel their jobs are secured.
- The owners of the shipping lines may not be transparent and loyal in the employment of Ghanaian seafarers on board their vessels.
- The Flag State of the vessel will determine whether the owner is obliged to employ indigenous seafarers or other nationals.

Table 4:

Responses on the number of indigenous seafarers increasing if there is a Ghanaian-owned shipping line

Responses	No. of respondents	Percentage share (%)
Yes	31	86
No	5	14

4.2.6 Challenges Preventing Private Ship owning in Ghana

The respondents pointed out some of the challenges that prevent the indigenes of Ghana from owning shipping lines or purchasing ships which include the following:

- Accessibility of capital has proved futile which has resulted in the difficulty of Ghanaians to own shipping lines or ships.
- Corruption emanating from government officials receiving shipping levies from foreign shipping lines which are unaccounted for to the state.
- People who are interested in owning ships or shipping lines often lack knowledge pertaining to the risks in terms of the cyclicity of the shipping industry and cost of management related to ship owning and its operation.
- The government has not provided any form of support for ship owning which is evident from the fact that no private shipping company has been established in the country.
- Ghanaians prefer to patronize foreign goods which in turn make shipping lines no exception. As a result, the indigenous shipowners may be unable to employ the vessel commercially.
- Competition in the international market will make it very challenging for Ghanaians to manage and own shipping lines.
- The economic environment of the country tends to be cumbersome and punitive for the nationals as compared to foreigners

4.2.6 Solutions to minimize the challenges identified

The respondents provided some possible solutions to the challenges identified which may either eliminate or minimize them. Some of these solutions are as follows:

- Funds should be readily made available by financial institutions (banks) enabling potential shipowners to gain access to them.
- The citizens of Ghana should be trained and educated on issues concerning the maritime industry.
- The government should provide support (funds or policies) for people who are interested in owning ships as well as establishing shipping lines.
- Ghanaians should change their attitudes toward the patronage of goods and services provided by their fellow countrymen as this will motivate them to venture into ship owning.
- Ghanaians should concentrate in the oil and gas industry by investing in offshore supply vessels and other utility vessels since the country is into the production of oil and gas. Moreover, this type of business has its initial capital very low, especially now when the offshore vessel sector is really in the doldrums. On the other hand, in this economic situation it is cheap to charter. This type of investment yields a high profit.

4.3 Findings and analysis from the interview conducted

Interviews were conducted by the researcher to attain views from the bodies that are essential in the acquisition and operation of vessels in the maritime industry as well as governmental agencies like the Ghana Maritime Authority who are involved in the development of policies related to the country's shipping industry. The analysis of the findings obtained from the interviews is described below.

4.3.1 Financial Institutions

Globally, financial institutions are essential for the sustenance of businesses as they provide monetary assistance to the owners of these businesses. The shipping industry is

no exception as a result of its capital intensiveness relating to the acquisition and operation of the vessel. As a result, the views of some financial institutions in Ghana were obtained and below are their responses from the interviews conducted. The financial institutions interviewed are as follows:

- Ghana Commercial Bank (GCB)
- Agricultural Development Bank (ADB)
- Ecobank Ghana
- UT Bank Ghana Ltd

4.3.1.1 Knowledge of the shipping industry

The managers of these banks indicated that they have no knowledge pertaining to the shipping industry, specifically vessel acquisition and operation, which has resulted in the inability of their banks to invest in the industry since they do not understand the benefits and risks associated with it. However, they provide financial assistance to cargo owners in matters relating to cargo clearance emanating from customs charges such as import duties, taxes, and others.

4.3.1.2 Financial capacity to invest in the shipping industry or ship purchasing

In responding to the above subject, the managers claimed that they do not have the financial capacity to invest in the shipping industry due to the huge sum of money involved and as such they do not grant loans regarding such amounts. They also expressed that even if they could invest in such a capital intensive project, they lack personnel who are experts in the shipping industry capable of monitoring the operations of the shipping company or investor in order for them to be able to protect their interest concerning the repayment of the loan and the accrued interest as well.

4.3.1.3 Terms and Conditions for Issuing Loans

According to the bank managers, Bank of Ghana, which is the central bank of the country, does not allow them to issue loans involving millions or billions of dollars as required in the shipping business. Nevertheless, if the need arises, the terms and conditions with reference to the issuance of loans must be in accordance with the guidelines of this central bank since they are licensed by it. These terms and conditions include the following:

- The government must be part or involved in the project to be undertaken as it will guarantee the repayment of the loan.
- A meeting must be held by the board of directors of the bank to determine whether the bank can issue such an amount of money without the bank being exposed to bankruptcy.
- The borrower must provide collateral of an equivalent value to the amount of money being requested.

4.3.1.4 Other ways of raising funds for ship acquisition

The bank managers recommended that private citizens who are interested in acquiring vessels must either seek for funds from foreign banks or be in partnership with the government of the country.

4.3.2 Governing Bodies (Ministry of Transport and Ghana Maritime Authority (GMA))

The transport sector in the different parts of the world is regulated and spearheaded by a governmental body known as the Ministry of Transport, responsible for the formulation of policies and development of the transport sector. The ministry is required to ensure that the policies enacted both locally and internationally are implemented in the country. The maritime authorities in these countries have been given the mandate to implement

maritime related policies in their respective countries. In view of this, the maritime authority (Ghana Maritime Authority) and Ministry of Transport in Ghana were interviewed to obtain their views concerning the private ownership of shipping lines in Ghana.

4.3.2.1 Registration of Ghanaian Seafarers

In addressing the question related to the registration of the indigenous seafarers, they indicated that the authority registers and issues certificates to seafarers from different countries including Nigeria, Ethiopia, Liberia and others. However, about five thousand (5000) Ghanaian seafarers have been registered under the authority with some/majority of them on retirement and others engaged in administrative work ashore. With the employment rate of seafarers, the ministry referred the researcher to GMA, where the respondent expressed that about 70% of the seafarers holding a Ghanaian Certificate of Competence (COC) are employed which indicates that approximately 30% of them are unemployed.

4.3.2.2 Governmental Policies and Funds

Both respondents from the maritime authority and ministry respectively, stated that there are no governmental policies that encourage or deter the indigenes of Ghana from venturing into ship owning or establishing shipping companies; however, there is a National Transport Policy which describes the policies related to the various transport sectors in the country. In addition, the government has not allocated any funds to support the private citizens of Ghana who are seeking to acquire and manage ships. The government also has not put in place any law that protects the indigenous shipowners in the country from foreign competitors.

4.3.2.3 Challenges Preventing Ghanaians from owning ships

According to the respondents, one of the most dominant challenges that prevent Ghanaians from owning or operating ships is the capital intensity of the business. This is because of the large sum of money involved in the acquisition of the ships, even if they are secondhand ships, which cannot be easily accessed in Ghana coupled with the lack of governmental support in terms of funding.

4.3.2.4 Solution to the identified challenge

In providing a possible solution to the above challenge, the respondents suggested that, foreigners who wish to own ships flying Ghanaian flags are required to have a Ghanaian as a partner as stipulated in Article 2(d) of the Ghana Shipping Act, 2003. As a result, the government can take an advantage of this by encouraging its citizens to engage in such partnership since it will create an opportunity for them to be co-owners of the ships in question as it may result in them acquiring their own ships in the long term.

4.3.2.5 Choice of shipping line for Ghana

In expressing their views regarding the choice of shipping line for the country, they pointed out that a national shipping line will serve the best interest of the country since it will create employment for both seafarers and shore personnel as well as generate revenue for the country and improve the standards of living of its citizenry. Although a private shipping line can bring about these benefits, it will primarily serve its personal interest of profit making instead of the welfare of the country as a whole.

4.3.2.6 Legal Requirements

In response to the question related to the legal requirements for the establishment of shipping lines, the officers at these governing bodies claimed that there are no specific requirements associated with the management and operation of shipping lines in Ghana.

Nevertheless, the general legal requirements for the registration of new businesses in Ghana involve the following:

- The business should be registered at the Register General's Department and tax revenue office.
- The application should be submitted at the ministry for the assessment and processing of the documentations.
- Surveys should be conducted on the vessels to be used for the operation of the business by GMA to ensure that the vessels meet the requirements by the State and IMO before the vessels are flagged, licensed and certificates issued to the operator.

4.3.3 Shipowners

Shipowners are recognized internationally for their efforts in bringing goods from far and beyond to the doorsteps of their clients in the various part of the world resulting in their importance in the international trade by sea. For this reason, some shipowners in Ghana were interviewed to obtain their views and experience with respect to the acquisition and operation of vessels.

4.3.3.1 Period of investing in the shipping industry

Most of the shipowners replied that they have been investing in the shipping industry in terms of owning and operating ships for the past eight (8) years and are still participating in the business; whereas others indicated ten (10) years of experience in the shipping business which indicates their level of knowledge in the industry. Fishing vessels are the main vessels owned by these shipowners.

4.3.3.2 Challenges faced with the establishment and operation of shipping lines

Some of the shipowners indicated that the registration process regarding the ships and shipping lines is very challenging due to the cost and requirements embedded in it. Besides the registration process, the shipowners find it difficult to access finance from banks since they are unwilling to provide them with loans. The shipowners have made strenuous efforts to overcome this challenge since they would like to acquire more vessels but that seems impossible to achieve. Others also indicated that obtaining competent and experienced management team as well as cargo was difficult.

4.3.3.3 Solutions to minimize the challenges

The shipowners recommended that the government should create awareness pertaining to the maritime industry in order to attract more investors into the shipping business. They also proposed that the task and registration cost incorporated in the registration process should be reviewed which in turn will reduce the capital cost related to owning and operating ships. This will inevitably motivate more Ghanaians to explore their entrepreneurial skills by purchasing ships for trading activities.

4.3.3.4 Governmental policies and support

In answering the above subject, the shipowners expressed that the government has not provided any form of support or interest to invest in ship owning despite the discovery of oil in the country. Furthermore, there are no policies or laws protecting them as shipowners in the country from foreign competitors in terms of cargo acquisition. This has resulted in the discouragement of many Ghanaians who have the interest to invest in the shipping business.

4.3.3.5 Finance

The shipowners claimed that they really found it very difficult to attain funds for the acquisition of the vessels; they currently have in their possession. Some explained that they financed part of the capital while they sought for the remaining funds from both local and foreign banks. Others also revealed that they financed the acquisition and operation of their vessels from their earnings during the period of working as seafarers.

4.3.3.6 Employment of Ghanaian seafarers

The employment of Ghanaian seafarers has been their major concern due to the high rate of unemployment among them. Therefore, the majority of their crew members onboard their vessels are indigenous seafarers which have resulted in the reduction of the unemployment rate. Not only do they employ seafarers but shore personnel as well.

Chapter Five

Summary of Findings

5.1 Introduction

The chapter captures and discusses the summary of the findings into detail which takes into account the research questions.

5.2 Employment of Seafarers

The search for employment onboard vessels can be very hectic and problematic for Ghanaian seafarers due to the absence of indigenous shipping lines in the country. In this regard, the maritime university in the country has signed Memorandum of Understanding (MoU) with some foreign shipping lines such as Bernhard Schulte Shipmanagement (BSM), Pacific International Lines (PIL) and many others, to employ seafarers who graduate from the university. In addition, some of these seafarers are recommended by families and friends who are already established in these foreign companies for employment. These foreign shipping lines also prefer to employ Ghanaian seafarers due to their hard work and dedication toward the duties assigned to them including their tolerance and easy adaptation to other nationals or culture. As a result, it has accounted for the large percentage of the employment of Ghanaian seafarers by foreign shipping lines as illustrated in Figure 9 of the previous chapter.

On the other hand, the few Ghanaian-owned shipping lines in the country employ the indigenous seafarers especially those who are ratings (ordinary seaman, able bodied seaman, bosun, etc.) since most of their vessels are not ocean-going due to the fact that the vessels are mostly fishing and utility vessels which navigate within the coastal waters of Ghana and other neighboring countries. As a result, only few Ghanaian seafarers who are officers opt to work on these coastal vessels since it enables them to

be close to their families. This has created employment for both offshore and onshore personnel but not on a higher scale since most of these personnel prefer to work for foreign companies for better incentives and working conditions.

5.3 Shipping Line for Ghana

Ghanaian seafarers prefer a national shipping line to privately owned shipping line though the national shipping line has its own disadvantages with regards to its management by the government. It creates employment opportunities for them as well as practical training onboard for the undergraduate students studying at the maritime university. As a result of this training, the students are able to understand and visualize what they are being taught in class. Moreover, the number of indigenous seafarers will increase resulting from the State-owned vessels being automatically registered under the Ghanaian flag which is a closed registry.

Furthermore, the existence of a national shipping line reduces the waiting period of seafarers thereby preventing their delay in taking the examination for the Certificate of Competence (COC) as per the Standards of Training Certification and Watchkeeping for Seafarers 1978 (STCW 1978) which provides them with the license to progress in their profession. This will enable the country to boast of many young seafarers who may probably be officers such as masters, chief officers among others as observed in other well developed maritime countries.

Not only seafarers enjoy the benefits of a national shipping line but the whole country as well. This is because it could reduce the cost of freight on imported goods, which results in lower prices of goods imported into the country making the livelihood of its citizens better provided the national shipping line operates competitively and the line is not politicized by the government.

Even though private shipping lines may offer similar advantages as the public owned shipping lines, there is a possibility that the owners may prefer to employ foreign

seafarers and may refuse the training of undergraduates onboard their vessels. As a result of the high cost of transportation coupled with the high profit margin of privately owned shipping companies, freight shipped by these companies is relatively high when brought into the market thereby making the cost of living very high for the indigenes of the country since these companies would like to recover any expenses incurred during the shipment of the goods. In addition, private shipping lines may lack competition in the country because majority of the citizens are not investing in shipping business which may result in the reluctance of the lines to provide of quality services.

A Ghanaian-owned shipping line may prefer to register its vessels under the open registry which allows it to employ any national of its choice and this might not mandate the company to employ Ghanaian seafarers. Consequently, the rate of employment of local seafarers may not increase unless the government imposes a law requiring the indigenous owners to do otherwise. Apart from the decrease in the rate of employment of the local seafarers, the economy of the country may not be enhanced as the government may lose the annual tax payable by shipping lines with their ships registered under its flag and the registration fee as well.

5.4 What are the challenges in setting up a private shipping line?

The establishment of new businesses often faces challenges arising from the initial capital to the operation of the business and the shipping business is no exception since it is a very expensive venture. Some of the challenges embedded in the starting-up of shipping line and its sustenance include the following:

5.4.1 Finance

In Ghana, accessing an initial capital for a new business is very challenging, especially when it is capital intensive and the banks, on the other hand, do not have the resources to partake in such an investment. Moreover, the stringent conditions laid down by the

central bank of Ghana, have inevitably made it extremely difficult for loans to be attained by shipping investors. In brief, this has made it impossible for citizens who are interested in owning shipping companies since they are unable to access loans for the acquisition of vessels, which are the basic assets required for the operation of a shipping company unless it is a ship management company. Apart from the funds required for the vessel acquisition, funding is also needed for the classification process of the vessel in terms of the inspection and surveys carried out by the classification societies such as American Bureau of Shipping (ABS), Lloyd's Register and others in order for the vessel to be classed by a reputable institution. Apart from the class of the vessel, the operation of the vessel in terms of bunkers, maintenance, provision of stores, wages and welfare of the crew and the daily operation of the shipping company as a whole depends on money, which is, however, not easy to access in Ghana, thereby making it arduous for the potential shipowners in the country to invest in the shipping business.

5.4.2 Lack of Knowledge

The maritime industry in Ghana is mainly concerned with activities related to the port, and for this reason, the shipping sector has been forsaken resulting in the ignorance of the locals and the banks as well. Consequently, it has prevented the indigenes from venturing into ship owning and its operations as they cannot comprehend the risks associated with the cyclicity of the business. The banks, moreover, do not have staffs that are knowledgeable about the shipping business hence their reluctance or inability to issue loans with reference to vessel acquisition. Besides the lack of expertise of the banks, most of the natives of Ghana are involved in agricultural activities such as farming, mining, fishing and others and therefore they lack of knowledge in the shipping business. These farming and mining activities are often carried out by the people living in the hinterlands and as such they might have never encountered a ship before and to think of owning one, which has resulted in their naivety in the shipping industry. Fishing, on the other hand, is undertaken by those living along the coast that might have

obviously seen a ship before as well as making use of boats or canoes in their search for fish in the sea. However, they may not understand the commercial activities of these large ships they cross on the sea as they engage in their quest for fish. The shipping illiteracy of these people has made it impossible for them to venture into owning and managing ships even though some of them may own their boats or canoes.

5.4.3 Attitude of Ghanaians

Ghanaians have this attitude of not patronizing what is being manufactured by the locals in the country because they doubt the quality of the products and as such prefer foreign products. In line with this, the importers and exporters in the country prefer the services provided by foreign shipping companies to ship their goods to and from the country other than those of the indigenous shipping companies as they do not trust the safety of their cargo in the care of these companies. This has consequently deterred the indigenous people of Ghana from being owners of ventures like shipping lines and as a result their vessels are being laid up in port due to the unemployability of their vessels commercially. However, these indigenous shipping companies can have contractual agreements with foreign companies for the employment of their vessels. The producers of local goods or owners of local companies are sometimes reluctant to address issues concerning the quality of their goods or services offered which has in turn prevented their fellow Ghanaians from doing business with them as they prefer to have business transactions with foreign companies who are willing to respond promptly to their complaints. In addition, the indigenous investors undermine their skills and capabilities in providing efficient and effective services as well as the fear of failing have resulted in their inability to participate in the shipping business.

5.4.4 Competition

The shipping industry is highly competitive and with the modern trends where vessels are getting bigger and bigger in size in order for shipping lines to benefit from

economies of scale, it has made it very challenging for Ghanaians to venture into it. Competing with giants like Maersk Line, Mediterranean Shipping Company (MSC) amongst others in the shipping industry for cargo will be very difficult since they are well established and connected in the industry. Even with the future scenario where technology is speedily advancing which may result in an unmanned ship, it can be problematic for Ghanaians since they have not been able to catch up with the recent technological development. This has enabled their competitors (foreign shipping lines) to have competitive advantage over them since they are at par with the technology as it develops. Furthermore, these shipping companies have dominated the major trade routes like the North Atlantic, Cape of Good Hope, Mediterranean Suez Asiatic routes and many others resulting from their strategic alliance (emergence) with other well-known shipping companies. The collaboration and cooperation between these shipping lines has made it very difficult and competitive for new shipping lines that are entering into the market of these routes of which a Ghanaian-owned shipping line is no exception. Some of the alliances formed include 2M which comprises of Maersk line and MSC, Ocean Alliance consisting of CMA CGM, COSCO Container Line, Evergreen line and Orient Overseas Container Line and other alliances. Even though these shipping lines are involved with container shipping they still pose a threat to the other types of shipping since a majority of the goods (liquid or solid) are being containerized.

5.4.5 Business environment

The business environment in the country makes it difficult for Ghanaians to actively participate in the maritime industry as perceived from the fluctuation of the economy in terms of inflation, GDP, foreign exchange reserves and others. The most significant cause of the economic crisis is the poor management of public finance by the government, which emanates from overspending by government officials, thereby exhibiting a deficit in the budget and accounts of the country. For this reason, starting a new business will be very challenging and will require substantial capital which may not

be easily attainable. Though the government in collaboration with the central bank is putting in efforts to make the economy conducive for business investments, the fall of international prices of oil has made it impossible to improve. In addition, the frequent power rationing in the country has contributed to the inconducive nature of the business environment, which has caused many businesses to collapse as well as damage to properties resulting from fire outbreaks. The inconsistency in the power supply may have a tremendous effect on the operations of a shipping line since it needs to be in constant communication (through emails, telephone calls, fax, etc.) with the personnel onboard and ashore and the equipment used in this communication require power to run them. As a result, the profit margin of the shipping line will be affected due to the additional cost arising from the purchase of generator and fuel (which may be needed on a daily basis) for the operation of the business so as to meet the demand of their clients.

5.4.6 Registration Process

The registration process of ships and shipping lines can be very tedious due to the amount of paperwork involved. The documents required for the registration of the vessel ranges from a document of ownership to the mortgage of the vessel as indicated in Part One of the Ghana Shipping Act, 2003. Most of the Ghanaian owned vessels are registered in the country since they are trading within the inland waters of Ghana. The requirements for the registration of the shipping line can very strenuous since they require the owner to move from one governmental office to the other and the bureaucracy involved as well. Furthermore, these governmental agencies may not apply the concept of “first come first serve” in the registration of the companies since they may give preference to their friends and families as well as accepting bribery from people who require the registration of their companies to be expedited. This often causes the delay of the registration process for those who might have come before the others. Moreover, the cost of the registration is very expensive resulting in a high capital cost of which the cost incurred from the delay of the registration is not included.

5.4.7 Lack of Governmental Support

The majority of the respondents indicated that the government of Ghana does not provide support in terms of funds to potential shipowners in the country resulting in their incapability to purchase ships. This problem can be observed in other industrial sectors in the country as well, which has in turn reduced the number of entrepreneurs affecting the employment of the youth. The government not being supportive is evident in the fact that there are no private shipping lines in the country. The government of Ghana provides support for the agricultural sector specifically the farmers by celebrating them for their hard work throughout the year of which an award is given to the best farmer thus the farmer who produced the largest quantities of farm products. In connection to this, the government has dedicated the first Friday of every last month of the year to commemorate these farmers and this day is declared a national holiday. This motivates the farmers to continue with their hard work and dedicate their time to producing quality agricultural products in order to improve the economy of the country through export. The maritime industry, however, does not receive this kind of support from the government though there is a day set aside by IMO exclusively for the maritime industry worldwide, known as the “World Maritime Day”. The indigenous investors involved in the maritime industry are neither recognized nor encouraged by the government which might result in the expansion and sustainability of their businesses in the industry.

5.5 What can be done to resolve the challenges and take advantage of opportunities?

To curtail the above challenges, training and education with reference to the shipping industry must be provided for individuals or institutions that may be involved in the industry. This will broaden their knowledge and understanding of the shipping business which will enable them to explore the different opportunities in the shipping industry including chartering, brokering, container repairs, ship construction and building, naval architects and many others. Furthermore, they should be educated on the risks such as

business (freight, exchange rate, interest rate, etc.), political and credit risks, among others as indicated in the literature review of this research.

The government of Ghana should provide support for potential shipowners by assisting them to attain funds as well as considering enacting laws or putting in place some other forms of support that will provide them with advantages in comparison with foreign competitors in terms of the carriage of cargo. In view of this, a certain percentage of cargo should be allocated to Ghanaian shipowners for shipment either export or import, hence, enabling them to have a fair competition with foreign competitors already engaged in the shipping business. For instance, in Nigeria, the government has set aside a fund specifically for the acquisition of ships by the indigenous who are interested in acquiring ships. Today, the country can boast of a number of private shipping lines which have employed most of its seafarers produced in the country.

The regulatory authority of the indigenous banks in Ghana should make the terms and conditions for issuing loans for capital intensive projects flexible, in order for it to be easily accessed by Ghanaian shipping investors who are interested in acquiring and operating ships. Alternatively, the banks in the country can finance part of the investment while the borrower or investor provides the remaining through preference shares known as equity. Subsequently, a mortgage-backed loan which requires vessels to be used as collateral for the loans can be proposed by the local banks to shipowners. This type of financing will minimize the risks of the banks in the event of any default by the ship investor or owner. The citizens of Ghana can invest in ship management, which is basically managing the ships of shipowners, who are unable to commercially employ their ships or other shipping companies, instead of operating shipping lines using their own vessels, due to the inaccessibility of finance for ship acquisition.

Ghanaians should be patriotic by supporting and engaging the services offered by Ghanaian-owned shipping companies so as to encourage the locals to participate in the shipping business by owning vessels or shipping lines. In this perspective, the potential

shipowners can also earn the trust of the importers and exporters in the country by providing quality services which are in line with the foreign shipping lines and even better, if possible, as this will encourage them to seek their services in the shipment of their goods.

The discovery and production of oil in the country has created an avenue for Ghanaians to partake in the shipping business. For this reason, the citizenry of Ghana can start an investment in the oil industry by purchasing offshore supply vessels which are less expensive to supply the Floating Production, Storage and Offloading (FPSO) platform with stores, tools, equipment, and personnel. The profit accrued from this venture can be used to purchase larger vessels in the long term.

Ghana Maritime Authority (GMA) and other governmental agencies, responsible for the registration of ships and shipping lines in the country, should review and expedite the registration process and its associated cost in order to attract more foreign investors as well as Ghanaians to register their vessels in Ghana, even though they might not trade within the confines of Ghana waters. The governmental institutions responsible for the registration of the shipping lines should develop software which will enable the owners of these shipping lines to register their companies online as it will reduce human errors and corruption on the part of the government officials as well as the delay of the registration process. In effect, the economy of the country will improve which will bring about national development through the growth of ship owning and management.

5.6 What are government policies that could influence the establishment and operation of private shipping lines?

The findings of the research attest to the fact that there are no governmental policies that could influence the establishment and operation of private shipping lines in Ghana. This proves that the government has no interest in the shipping industry with the exception of the importers, exporters, freight forwarders and others who are involved in the shipment

of goods in and out of the country. The Port of Tema and Takoradi serve as the lifeblood of the country and as such the government has a keen interest in them which has resulted in the recent expansion of these ports. In this case, the government has laid down policies to govern the activities of these ports which include their development and growth. Ghana Shippers' Authority (GSA) and Ghana Ports and Harbor Authority (GPHA) are the two dedicated authorities responsible for the resolution of complaints and concerns emanating from the operations of the shippers and ports in the country respectively. They also liaise with the government on behalf of these operators. This cannot be related to shipping lines and ship owning in the country by private citizens because there is no recognized governmental agency to address their concerns pertaining to port charges, terms and conditions for obtaining loans from the local banks, registration issues and many more. In general, GMA is responsible for the monitoring of activities in the maritime industry but its primary concern is the registration of seafarers and providing them with the relevant documents in accordance with the STCW and ship registration as well, therefore, its inability to give a discourse to the issues facing the local shipping lines and their owners in the country.

Furthermore, the Shipowners and Agents Association of Ghana (SOAAG) which was formed to incorporate both shipowners and agents in Ghana, does not have any Ghanaian shipowner as its member, only some of the agents who are the representatives of foreign shipping lines are Ghanaians. Most of the shipowners are foreigners who have agencies operating in the country. In addition, the association does not have knowledge about Ghanaian shipowners who may exist in the country which shows that these shipowners have no voice to speak on their behalf.

The Ghana Shipping Act, 2003, on the other hand, which has four hundred and eighty-two (482) sections, contains regulations concerning ship registration, manning, certification, crew welfare, navigational safety, marine casualties and many others but none of these sections outline any regulation or policy relating to private shipping lines

in the country, though, it defines the qualifications for owning a Ghanaian ship. The National Transport Policy also does not stipulate any policy related to the establishment of shipping lines since it only focuses on policies that will aid in the strategizing of the transport sector for the economic improvement of the country.

Ghanaian shipowners, therefore, have the liberty to establish shipping lines but they must take into consideration the laws governing the operations of private companies in the country as there are no policies peculiar to the establishment and operations of shipping lines in Ghana. Meanwhile, the legal requirements pertaining to the registration of the shipping lines which include registering the business at the Register General's and tax revenue offices, submission of application to the Ministry of Transport for approval and surveys of the vessels to be conducted by GMA must be adhered to the last detail by the potential ship owners in the country.

Chapter Six

Conclusion and Recommendations

6.1 Introduction

This chapter portrays the conclusion and recommendation of the study.

6.2 Conclusion

Private shipping lines have contributed immensely to the economy of countries that have encouraged their establishment, which has resulted in these countries having a spotlight in the shipping industry. For Ghana to be a part of these recognized maritime nations, it must consider the possibility of motivating its private citizens to venture into the shipping business.

The study was aimed at promoting the possibility of the indigenes in Ghana to own and manage ships by identifying the challenges, resolution of these challenges and governmental policies that may either encourage or deter them from pursuing this course. However, the outcome of the research suggests that a national shipping line will be appropriate for the country since it will result in national development including improvement of the economy, cost of living of its citizens and reduction of unemployment as well. Moreover, Ghanaian seafarers will attain an immediate employment since there is a readily available ship for their training onboard.

The following are the challenges identified that hinder potential shipowners in Ghana from pursuing the course of owning and operating ships as well as establishing shipping lines: lack of knowledge; attitude of Ghanaians; competition; business environment; registration process, however, the most critical one is the inaccessibility of funds, combined with the lack of support from the government. It was discovered that some of the financial institutions and indigenes of the country are ignorant of the shipping

industry and hence, are unable to understand the concept of the shipping business including the risks and opportunities related to it. As a result, these financial institutions are adamant about granting loans for such a capital intensive business since they cannot ascertain whether the loan can be repaid including the interest payable by the borrower.

Most of the solutions obtained to minimize challenges identified indicate that governmental support is essential in the development and growth of private shipping lines in the country. This is because, without the backing of the government it may be impossible for funds to be accessed, awareness being created about the shipping industry may not be recognized and other related issues by the private individuals. The government can, however, take an advantage of this to commune with the private sector to establish shipping lines for the country. In addition, the natives of the country require an intensive training and education since most of them are “illiterates” when it comes to matters regarding the maritime industry, specifically the shipping business apart from the exports and imports of goods.

In assessing the policies put in place by the government regarding the establishment of shipping lines, it was observed that there are no policies governing private shipping lines in the country even the Ghana Shipping Act, 2003, and the National Transport Policy has no such provisions. However, this does not mean that private shipping lines cannot be owned, established and operated in the country, but there is no positive encouragement of such ventures. Surprisingly, there are requirements for the registration of shipping lines in the country due to the establishment of shipping agencies that are operating in Ghana, which are owned by foreign shipping companies. These requirements include registering the shipping line at the Register General’s and tax revenue offices, the application should be submitted to the Ministry of Transport for approval and surveys of the vessels should be undertaken by GMA.

To sum up, the establishment and operation of private shipping lines by the indigenous can be feasible provided the government of Ghana will show interest by initiating and

promoting its development in the country as well as enacting policies particularly for shipping lines owned by Ghanaians. Furthermore, the delay and cost emanating from the registration should be reviewed by the government and if possible offer discount to its citizenry, who are interested in establishing shipping lines in the country. As a result, its citizens will be encouraged and motivated to partake in this potentially lucrative business which will in turn position Ghana among the ship owning countries like Greece.

6.3 Recommendations

The analysis of the findings of the study clearly points out that there are some challenges facing the private individuals in Ghana relating to the ownership and management of shipping lines. Although some possible solutions have been identified to mitigate these challenges, they do not guarantee the establishment of shipping lines in Ghana. For this to be possible some recommendations have been outlined by the researcher and they include the following:

6.3.1 Feeder Services

The indigenous of Ghana should consider establishing shipping lines which offer feeder services with the use of smaller (feeder) vessels that can transport both cargo and passengers across the Volta Lake to landlocked countries like Burkina Faso or the Northern part of Ghana. These feeder vessels have low drafts that can enable them to navigate through the lake without any damage to their rudders or propellers since the lake contains tree stumps. The government, however, can dredge or remove the tree stumps from the lake to ensure the safe navigation of these vessels. Not only will this reduce unemployment among the youth, but also it will ease the traffic and accidents caused by the big cargo trucks that ply the roads in Ghana. In addition, congestion at the port, especially the Port of Tema, will be minimized since it is often caused by these trucks. An example of these feeder vessels has been illustrated in Figure 10.



Figure 10: An image of a feeder vessel with its particulars

Source: Horizon Brokers

Furthermore, in the long perspective, both the Port of Tema and Takoradi can be used as transshipment hub and spoke centers (shown in Figure 11) as in the case of the Port of Singapore and other major ports in the world. Feeder vessels can be utilized to distribute the cargo brought in by the larger vessels to their various destinations including the sub region. This will inevitably increase the cargo throughput of the ports and position Ghana among the reputable maritime countries in the world. The shipping lines will also benefit from this in terms of cost and time saving and other benefits.

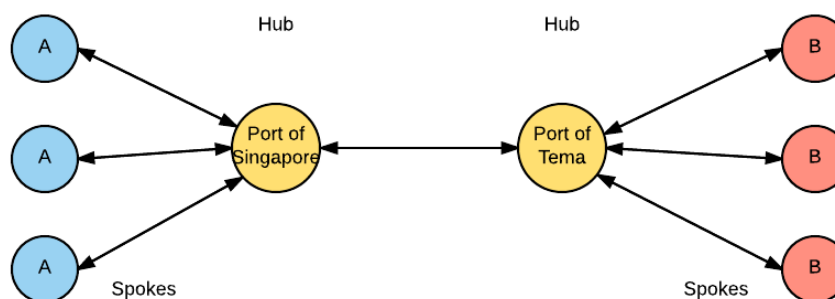


Figure 11: Hub and spoke system

Source: Author

6.3.2 Regional Integration

The Economic Community of West African States (ECOWAS), which is the economic association of the sub-region, should be able to cooperate and collaborate to purchase and manage vessels that can train their members' seafarers as well as perform the carriage of goods between them and the continent as a whole. This kind of integration will be translated to the whole region even the landlocked States amongst them as it may create state of the art inland transport systems like rails, roads and rivers connecting these countries to the coastal States as seen in the developed countries for the transportation of their goods. Besides the development of transport system, the cost for the shipment of the goods being exported or imported by the member States will be reduced since the association may provide discounts to its members for the shipment of their goods. The economy of these States will be improved and the association will also achieve its main objective of promoting economic integration among its members.

6.3.3 Partnership

Ghanaians can participate in the shipping business by acquiring shares in the local agencies of foreign shipping lines in the country. This will enable them to familiarize themselves with the activities of the shipping industry. The government can as well engage in a joint venture with the private sector while maintaining the majority of shares. Furthermore, the indigenous can be agents for other shipping lines by specializing in crew management, an aspect of operating a shipping line, as this will enable them to supply the quality seafarers trained by the maritime university in the country to these shipping lines. This may result in the increase of the employment of the seafarers produced in the country as well as enlighten the indigenous agents on the risks associated with shipping business.

6.3.4 Training and Education

Indigenous banks and potential shipowners in Ghana should be trained and educated intensively on the matters related to the maritime industry. Maritime education and training should be initiated at the senior high level in order for the students to be abreast with the shipping industry resulting in their interest in the maritime university after school. The banks should be able to employ at least one person who is an expert in matters concerned with shipping. In addition, the banks and potential ship investors in the country should be enlightened on the various types of ship finance available which include mezzanine finance, mortgage-backed loans and others. On the other hand, the maritime university and authority in the country can organize seminars for the other various institutions which include financial institutions (banks, microfinance and others) agricultural sector (fishermen, farmers, etc.) that are not involved in the maritime industry since they are exposed to the maritime field more than any other institution.

6.3.5 Renaissance of the National Shipping Line

The government of Ghana should revamp the national shipping line to create an avenue for the training of both graduates and students of the maritime university. The government can take an advantage of this to develop and improve the economy and manpower requirements of the country just like the national shipping line of Ethiopia. In the event of the renaissance of the Black Star Line, the government of Ghana should put in place a proper managerial structure which clearly defines the job description of each member of the top management as well as the rest of the staff. In addition, the governmental agent responsible for the monitoring of the company's operations must ensure to supervise the activities of the line closely, which in turn, will enable the staff to be efficient and effective in the discharge of their duties, and corruption, may be mitigated as well. The government must ensure that the operations of the line is not politically influenced, in other words, the managerial positions should not be occupied by their party members, or any other party for that matter, since it may affect the

performance as well as revenues of the line due to the change in management whenever there is a transition of government.

6.3.6 Further Research

Further research should be conducted by researchers who are interested in the shipping industry of Ghana in order to elaborate more on the aspects that might have been overlooked by earlier research. Research can be undertaken on the importance of private shipping lines and its potential impact, which may be either positive or negative on the country since the researcher was limited by time and therefore, could not cover these other areas.

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Appendix 1 (Questionnaire)

This research is in partial fulfillment of the award of the degree of Master of Science in Maritime Affairs specializing in Shipping Management and Logistics at the World Maritime University. The research is about the challenges facing the private citizens of Ghana in the establishment of shipping companies in Ghana as well as to propose possible solutions in minimizing these challenges.

Kindly take approximately 30 minutes of your time to answer the questions below and provide your contact information for any additional clarification and explanation of your response. Any information obtained from the respondent would be strictly confidential and use only for the purposes of this research.

Please fill all the fields.

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PART A

1. Please kindly indicate your age

- a. 20 – 30 []
- b. 31 – 40 []
- c. 41 – 50 []
- d. 51 - 60 []
- e. 61 + []

2. Please indicate your gender Male [] Female []

3. Please what is your rank on the ship?

- a. Officer []
- b. Cadet []
- c. Rating []
- d. Other []

Please specify.....

PART B

4. How long did it take you to get employed onboard the ship after graduating from the maritime academy?
 - a. 0-2 []
 - b. 3-5 []
 - c. 6-8 []
 - d. 9+ []
5. Are you employed by a foreign shipping company or a Ghanaian shipping company?
 - a. Foreign Shipping Company []
 - b. Ghanaian Shipping Company []
6. In your opinion, do you recommend a private shipping company or national shipping for the country?
 - a. Private Shipping Company []
 - b. National Shipping Company []

Please explain your answer

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7. In your opinion, do you think a shipping line owned by a Ghanaian can increase the number of indigenous seafarers?

- a. Yes []
- b. No []

If yes, why

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8. What do you envisage are the challenges preventing the indigenes of Ghana from establishing private shipping companies?

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9. What are some of the possible solutions that can be used to minimize the challenges identified above?

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THANK YOU!!!

Appendix 2 (Interview Questions)

Financial Institutions

1. What is your understanding of the maritime industry, specifically the shipping industry?
2. Has your bank ever financed or invested in the maritime sector?
3. Do you think your bank has the financial capacity to invest in the shipping industry in relation to ship purchasing or establishment of shipping lines?
4. What are the terms and conditions in applying for a loan for such as a capital intensive project and are your interest rates fixed or depend on the market?
5. What are the other possible ways do you think a person interested in owning a ship or shipping company can utilize to raise funds?

Ministry of transport

1. What is the current employment rate of seafarers in the country?
2. What are the policies put in place by the government with regards to establishing shipping companies?
3. What do you think are the challenges preventing Ghanaians from owning ships?
4. Kindly identify some of the solutions that can minimize the challenges indicated above.
5. Are there any legal requirements concerning the establishment of the shipping companies?
6. Is there any fund set aside by the government to support shipowners in the acquisition of ships?
7. Are there any laws protecting indigenous shipowners in the country?
8. In your view, do you think the country require a national shipping line or private shipping line? Kindly explain your answer

Ghana Maritime Authority (GMA)

1. How long have you been serving in the Ghana Maritime Authority and what is your position at GMA?
2. How many Ghanaian seafarers do you register?
3. How many seafarers are employed with respect to those who have registered or attained their COC?
4. What are the governmental policies that prevent or encourage the indigenes of Ghana to own ships or shipping lines?
5. What do you think are the challenges preventing Ghanaians from owning ships or establishing shipping companies?
6. Kindly identify some of the solutions that can minimize the challenges indicated above.
7. In your view, do you think the country require a national shipping line or private shipping line? Kindly explain your answer
8. Are there any legal requirements concerning the establishment of shipping companies? Please can you state some?
9. Is there any fund set aside by the government to support shipowners in the acquisition of ships? Please explain your answer
10. Are there any laws protecting the indigenous shipowners in the country? Kindly indicate those laws

Ship owners

1. How long have you been a shipowner?
2. Are you still investing in the shipping industry? Please explain your answer
3. What were the challenges you faced when establishing your shipping line as well as when you were operating it?
4. What do you think are some of the solutions to minimize the challenges identified above?

5. Did you receive any support from the government? Kindly explain your answer.
6. How did you finance your shipping company in terms of ship acquisition and operation?
7. Did your company employ any Ghanaian seafarers onboard any of your vessels and what was the percentage?
8. Are there any governmental policies that encouraged or prevented you from owning a ship or establishing a shipping company? Please state these policies.