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**WORLD MARITIME UNIVERSITY**

Malmö, Sweden

**CRITICAL EVALUATION OF THE COMPLIANCE LEVEL  
OF CABOTAGE ACT IN NIGERIA**

By

**GRACE KINGSLEY OKIKE  
NIGERIA**

A dissertation submitted to the World Maritime University in partial  
fulfilment of the requirements for the award of the degree of

**MASTER OF SCIENCE  
in  
MARITIME AFFAIRS  
(MARITIME LAW AND POLICY)**

**2022**

## Declaration

I certify that all the material 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.



**GRACE KINGSLEY OKIKE**

20 September 2022

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## Abstract

Title of Dissertation: **Critical Evaluation of the Compliance Level of Cabotage Act in Nigeria**

Degree: **Master of Science**

Nineteen years after the coastal and inland shipping (Cabotage) Act 2003 bill was enacted to strictly reserve the rights of carriage of cargo and passengers from part within the Nigerian coastal, territorial, and inland waters including Islands within Nigeria waters or any point within the water of the Exclusive Economic Zone (EEZ) (that is 200 nautical miles from the baselines) and any carriage in a or under or on water or indigenous shipping companies or ship owners, there have been assertions by the coastal trade in Nigeria is still being dominated by the stakeholders and other concerned parties that the coastal trade in Nigeria is still being dominated by foreigners on all pillars; these assertions spawned their doubts on the actualization of full compliance with the four pillars of the Cabotage Act 2003.

This study was aimed at evaluating the compliance level of the cabotage Act in Nigeria, with specific attention to the four pillars of cabotage. Secondary data obtained from the datasheet through documents sourced from NIMASA have use analyzed.

The study revealed that Nigeria has only 24 shipyards in which some are not functioning to capacity this number is inadequate if she is to meet the aim of wholly Nigeria-built vessels. There has been slow growth and fluctuations in the trend of Nigeria's wholly-owned vessels. This number is inadequate if she is to meet the aim of Nigeria's wholly built vessels.

Compliance with the 2% surcharge of contract sum revenue collection for CVFF has been inconsistent. There has also been inconsistency in the growth and participation of Nigerian seafarers in the cabotage trade with foreigners still dominating the trade. A greater percentage of Nigerian seafarers are crew (ratings) members while a lesser

percentage is officers but NIMASA is really doing a lot in trying to eliminate this by declaring Zero tolerances to foreign seafarers.

The level of compliance with the cabotage Act in Nigeria is low as such the aim of the Act is yet to be achieved. Based on the findings, the study recommended adequate public-private partnership (PPP) arrangement to revamp and established standards shipyards to remedy 97% of vessels operating cabotage trade in Nigeria being foreign-built. Government should introduce a custom duty-free system to shipbuilding companies on imported shipbuilding materials and there is a need for regular inspection of shipyards by NIMASA to ensure compliance with the required standard of operation. NIMASA should ensure that revenue collected for CVFF is properly utilized to achieve the purpose of its generation among others.

**KEYWORDS:** Assessment, Competence, Performance, Ship-handling, Simulation, Training

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## Abbreviations

COC	Certificate of Competence
CCS	Cabotage Compliance Strategy
NIMASA	Nigerian Maritime Administration and Safety Agency
ROS	Register of Ship
NSDP	Nigeria Seafarers Development Programme
CVFF	Cabotage Vessel Financing Fund
ISAN	Indigenous Shippers Association of Nigeria
DSBL	Domestic Shipping Licensing Board
NSCA	Nigeria Ship Chandelling Association
NNSL	Nigerian National Shipping Line
SASBF	Ship Acquisition and Ship Building Fund
UNCTAD	United Nations Conference on Trade and Development
NSPA	National Shipping Policy Act
NCMDLCA	National Council of Managing Directors of Licensed Custom Agents

## CHAPTER ONE

### 1.0 INTRODUCTION

#### 1.1 Background to the Study

Nigeria is physically organised into 774 Local Government Areas (LGAs) and 36 states, including the Federal Capital Territory. Its population is estimated to number about 167 million people, and its entire land area is 923,768 square kilometres (National Population Commission, 2012). The Benin Republic, Niger Republic, Chad Republic, Republic of Cameroon, Republic of Equatorial Guinea, Democratic Republic of Sao Tome and Principe, and Ghana are among the countries that border Nigeria's maritime zone. The geography changes from tropical rain forest and grassland in the north to mangrove swampland towards the coast (National Planning Commission, 2004). Nigeria has the second-longest length of waterways in Africa and her natural endowment in inland water transport (IWT) system is over 10,000km of navigable waterways. This water wealth comprises rivers, lagoons, lakes, and intra-coastal waters. The main rivers are the Niger and Benue, with a confluence at Lokoja, in the Kogi state of Nigeria. With inland navigable waterways of about 3,000 km and an extensive coastland of about 853 km, Nigeria has great potential for the movement of goods from the coast to the hinterlands by water transport (National Inland Waterway Authority). The country's waterways centre on the two rivers that dissect Nigeria into east, west, and north sections. The two rivers run into each other at Lokoja and flow into the Atlantic Ocean. The coastal waterway extends from Badagry through Warri to Calabar. In essence, an efficient coastal and inland waterway operation and system generally can minimise the pressure on a country's rail and road transport infrastructure. Inland water transport operations are advantageous in terms of moving heavy traffic, especially where speed is not put more into consideration than cost. (Cabotage Implementation Guidelines, 2007). Currently six major ports are in Nigeria (Tincan Island, Apapa, Warri, Port Harcourt, Onne, and Calabar Ports) and ten crude oil terminals (Escravos, Bonny, Sapele Forcados, Tuma, Okirika, FOT).

The word "cabotage" originated from the French word "caboter", which means coastal trade or navigating along the coast between the ports thereof. Coastwise transportation takes place when merchandise or people are loaded onto a vessel at one location and unloaded at another location. The coastwise laws encompass both locations, regardless of the origin or ultimate destination of the people and merchandise. Cabotage refers generally to the transport of passengers and goods. Originally, it referred specifically to shipping, but cabotage also applies to airlines, trucking, and rail. Many nations have Cabotage laws that dictate the terms that carriers must follow when transporting people or materials within their borders. In most countries, it dictates how carriers are allowed to transport people and goods from a point of origin to a destination and promotes domestic (indigenous) trade while discouraging foreign trade. Thus, cabotage regimes are laws regulating the transportation of people and merchandise from one point to another along the coastal waters of a nation. Worldwide, there are approximately fifty (50) cabotage laws that dictate the pace of domestic waterborne commerce. Nigeria is not an exception. (Ndikom, 2005).

The Nigerian Cabotage bill was enacted by the National Assembly and signed into law by the former President Olusegun Obasanjo on April 30<sup>th</sup>, 2003. The law came into force on May 1<sup>st</sup>, 2004 under the regulation of NIMASA and the supervision of the Minister of Transport. This legislation, like every other cabotage regime, aims to stimulate the growth of indigenous tonnage, limit the employment of foreign vessels in coastal trade, and establish a cabotage vessel financing fund (CVFF) and other similar initiatives. The Nigeria Cabotage Act, for instance, was fashioned after the Jones Act of the United States of America, which has since its enactment developed an enviable fleet of vessels and generated considerable employment for its citizens. (Ndikom, 2011).

The Coastal and Inland Shipping (Cabotage) Act, which was passed in 2003, has four main parts.

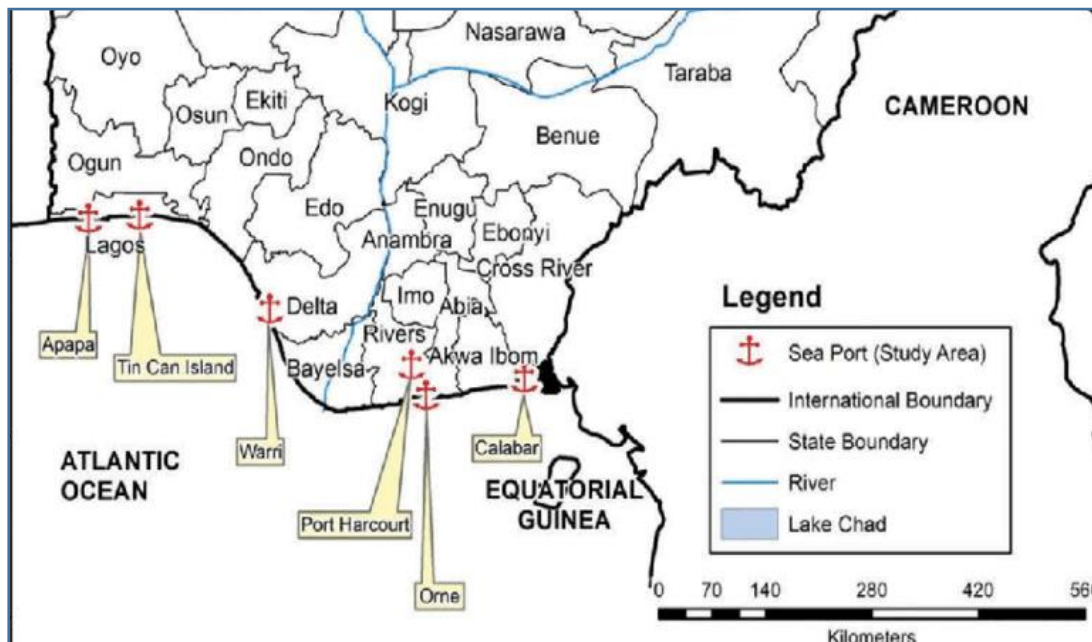
- **Ownership;** vessels must be wholly owned by Nigerians;
- **Building** says vessels must be built in Nigeria.
- **Manning implies that the vessel must be manned by Nigerians, and**
- **Registration:** the vessels must be registered in Nigeria.

Foreign-owned ships must get a limited licence from the minister of transport. An agent who lives in Nigeria must submit an application to the registrar of ships so that the ships can be registered in the Special Cabotage Register of NIMASA (Cabotage, 2003).



*Figure 1: map of Nigeria showing the location where Cabotage Trade takes place*

*Source: Adopted and modified from Administrative Map of Nigeria.*



baseline) and any carriage in or under or on Nigerian waters to indigenous shipping companies or ship owners. (Igbokwe, 2006).

This is to meet stakeholders' desire for government intervention in order for them to participate in domestic coastal trade as well as serve as a springboard for them to compete favourably with their foreign counterparts in the competitive international shipping trade, having acquired the necessary tonnage through vessel acquisition (Jimoh, 2011).

Nineteen years (19) into the implementation of this act, however, there have been assertions by the stakeholders and other concerned parties that the coastal trade in Nigeria is still being dominated by foreigners on all pillars (ISAN, 2013). These assertions cast doubt on the realisation of full compliance with the four pillars of the 2003 cabotage act. Thus, there exists the need to evaluate the degree of the compliance level of the Cabotage Act in Nigeria, taking cognizance of the four pillars. (Ajiye, 2013).

There are a lot of hindrances in the implementation of the cabotage trade in line with the Act. Its objective is to restrict foreigners from participating in domestic trade. Some of the hindrances are the lack of qualified seafarers for manning specialised ships. This has led to the provision of windows for foreign seafarers to participate in the cabotage trade through the waiver. However, the Cabotage Law gave the Minister of Transport the right to grant waivers for joint venture participation under which 60% Nigerian and 40% foreign ownership in the vessel and company. The Bareboat window provides temporal ownership of the vessels by the indigenous stakeholder at list for the period of 60 months (Nweze, 200).

In Nigeria, it has not been easy to collect a 2% surcharge on all contracts performed by vessels within the Nigerian coastal waters, in line with the Cabotage Act, Section 42, which authorised the establishment of the Cabotage Vessel Financing Fund. It then becomes imperative to proffer ways of deducting this 2% surcharge, which is used to fund the tonnage capacity of indigenous vessels as well as the development of local content, and financial assistance with the sole aim of increasing indigenous ship acquisition capacity (Cabotage Vessel Financing Fund, 2007).

The development of Nigerian seafarers has posed serious challenges since indigenous participation has oftentimes been compromised by granting that the development of Nigerian seafarers enhances indigenous participation through training and increases high-skilled manpower in the maritime industry. The law states that every coastal vessel must be manned by Nigerians; therefore, there is a need to strictly implement the law.

### 1.3 Aim and Objectives

This study is aimed at critically evaluating the compliance level of the Cabotage act in Nigeria. With specific attention to the four pillars of Cabotage. The specific objectives of this study are as follows:

- I. To identify shipbuilding and repair yards in Nigeria and examine their capacity to build ships for Cabotage Trade in Nigeria.

- II. To access the compliance status of ships' registration in the special cabotage register in line with the provision of the Act.
- III. To determine the level of actualization of the wholly Nigeria ownership vessels engages in cabotage trade in line with the provision of the Cabotage Act 2003.
- IV. To examine the compliance level of Cabotage vessels in respect of 2% surcharge payment.
- V. To evaluate the level of participation of Nigerian seafarers in the cabotage trade compared to foreigners.

#### 1.4 Research question

1. What are the effects of the Cabotage Act implementation on the indigenous vessel ownership in the last 10 years?
2. How has the Cabotage Act intervention affected the placement of Nigerian seafarers on board vessels in the Cabotage trade in Nigeria?
3. How has cabotage affected indigenous fleet registration in Nigeria?
4. What are the effects of the cabotage act on shipyard development in Nigeria?

#### 1.5 Significance of the study

The significance of this study is as follows:

It will serve as a wake-up call for authorities on the need to dialogue with stakeholders before policies are formulated or adopted and for re-evaluation of policies according to the change in trend of the economy. It will also show the benefits to be derived from the better implementation of the cabotage act, as this could bring about revenue generation and manpower development.

This study will enhance the capacity of indigenous shipping operations with the "full implementation of Cabotage, facilitating tonnage volume, and positioning the maritime industry as a major contributor to federal revenue and national development administration." As such, it is essential to create value and the right impact.



For indigenous ship operators, this study will highlight the importance of collaboration with the regulatory body (NIMASA), as well as a self-assessment of their level of compliance with the Cabotage Act.

For Nigerian seafarers, this study will serve as a reminder of the need for improved training in relevant areas in order to comfortably compete with foreign seafarers in crew or manning selection.

This study will also add to the existing literature on this subject, thereby serving as reference material to students in the maritime transport-related fields of study, as well count as a valuable addition to the study materials in the libraries of relevant institutions.

## 1.6 Scope of Study

This study critically covered the compliance evaluation of the cabotage trade in Nigeria from its inception to 2022. Therefore, the study focuses on the cabotage law, the implementation of the act, and the roles of NIMASA and ship operators/stakeholders. Attention was mainly focused on the four pillars of the Cabotage Act 2003 in Nigeria.

## 1.7 Limitation of the Study

The limitations of the study include the lack of comprehensive information on cabotage in Nigeria and the difficulty of acquiring information from stakeholders in different departments and agencies involved in maritime activities.

## 1.8 Research Methodology

This study focuses on a critical evaluation of the compliance level of the Cabotage Act in Nigeria. This chapter briefly describes the various methods and procedures used in carrying out the study. It contains information regarding the sources of data for this

research and the methods of data collection. The procedure for the analysis of data will be systematically illustrated and explained in order to give the reader a clear picture of how the result of this research is arrived at.

#### 1.8.1 The population of the study

The population of this study includes the Cabotage Services Department, Maritime Labour Services Department, ship Registry, and Shipping Department of NIMASA.

#### 1.8.2 Sources of Data

In order to attain the objectives of this study, data relating to the location and capacity of shipbuilding yards in Nigeria; cabotage ship registration; ownership of vessels engaged in cabotage activities in Nigeria; 2% surcharge revenue collection from cabotage vessels for CVFF; and population strength of registered Nigerian (indigenous) seafarers have been deployed:

#### 1.8.3 Methods of Data

Secondary data for this study were sourced from NIMASA, the Internet, and Published materials such as journals, Articles, etc., and the Primary Data were sourced from the interviews with the Stakeholders (ISAN), Seafarers, Officers from NIMASA, Shipyards, etc. The data collected from various sources was presented and analysed with a combination of descriptive comparative and simple analytical techniques.

## CHAPTER TWO

This chapter consists of an examination of cabotage policies; the vessel must be Nigerian Owned; Increase Indigenous Participation in Vessel Ownership; Reduction of foreign participation in cabotage trade; Enhance Indigenous Fleet Expansion and effectiveness; benefits; and challenges in the Nigerian Maritime Sector.

### 2.0 An Overview of Cabotage ACT 2003

Nigeria, by divine providence, is a coastal state with a rich maritime endowment and the indices for potential growth as a leading maritime nation abound. The country has a coastline of about 853sq km and 3000sq km of inland waterways housing resources including deposits of hydrocarbons oil, liquefied petroleum gas, and liquefied natural gas (LNG), and different species of fishery resources, which happen to be one of the richest in the world. The scenario clearly presents enormous trade and investment opportunities for Nigerian shipping communities and investors, but they have faced cut-throat competition over time with foreigners (Okeke & Aniche, 2012).

Historically, though Nigeria's economic nationalism launched the Indigenization Policy started between 1970-74, it was without cognizance of the maritime sector even as Nigeria's coastal trade dates back to the discovery and exploration by the colonial masters and "the evolution of merchant shipping, which is traced to the three British companies; Elder Dempster, United African Company, and John Holt Liverpool Company, who were mostly trading and utilising the abundant maritime transport to the benefit of their home country" (Davies, 2000). This explains the fact that coastal trade in Nigeria has long been dominated by foreigners before now. Successive governments, however, have made efforts through policy formulations and the enactment of relevant legislation to promote and encourage the sector. A significant advancement in this case was the passage of the Coastal and Inland Shipping (Cabotage) Act in 2003. The primary objective of the Act is to develop indigenous capacity in the maritime industry through the restriction of foreign participation.

The Act was passed into law on April 30<sup>th</sup>, 2003 but became enforceable on May 1<sup>st</sup>, 2004 after a year-long period of moratorium, or transition. The Act was fashioned after the Jones Act of 1920 of the United States, which sought to encourage indigenous capacity development through the restriction of foreign participation over time (hence the Cabotage Regime (Ahmodu et al., 2015).

Cabotage, according to the Black Law Dictionary, is defined as the "carriage of trade along a country's coast, the transport of goods and passengers from one port or place to another in the same country" (Black Law Dictionary 1999:230). "Cabotage simply means trade or transport in coastal waters or airspace or between two points within a country." According to the Oxford dictionary, "Cabotage is the right to operate sea, air, or other transport services within a particular territory; restriction of the operation of the sea, air, or other transport services within or into a particular country to that country's own transport services". The business dictionary defined "cabotage as the carriage of cargo between two points within a country by a vessel or vehicle registered in another country".

"Cabotage" is defined as "nautical coastal navigation or shipping, especially within the borders of one country; reservation to a country's carriers of its internal traffic, especially air traffic." Cabotage is defined as "a nautical term from the Spanish denoting strictly navigation from cape to cape along the coast without going out into the open sea" (Glanson et al., 2008). "Cabotage is identified with coasting trade so that it is navigating and traveling along the coast between the ports thereof" (Igbokwe, 2001).

Cabotage or coastal trade was defined in Section 2 a-d of the Act to mean as below:

- (a) "The carriage of goods by vessel or any other means of transport, from one place in Nigeria or above Nigeria waters to any other place in Nigeria or above Nigeria waters, either directly or via a place outside Nigeria, and including the carriage of goods in relation to the exploration, exploitation, or transportation

of mineral or non-living natural resources of Nigeria, whether in or under Nigerian waters";

- (b) "The engaging by vessel in any other marine transportation activity of a commercial nature in Nigerian waters and the carriage of any goods or substances, whether or not of commercial value, within the waters of Nigeria".
- (c) "Cabotage is the carriage of goods and passengers originating from one coastal or inland point, which could be ports, terminals, jetties, piers, mid-stream discharge, etc., to another point located within Nigeria."
- (d) "The carriage of goods and passengers by sea in relation to the exploration, exploitation, or transport of mineral and non-natural resources, whether offshore or within the inland and coastal waters";
- (e) "Carriage of goods and passengers on water or underwater (sub-sea installations). based on the above definitions, Cabotage is defined as the transportation of goods by a vessel from one location in Nigeria or above Nigerian waters, either directly or through a location outside of Nigeria".

Cabotage Law, as defined by the aforementioned definitions, is the regulation that limits a nation's coastal and inland water trade to boats flying its national flag. In essence, it is a protective statute that protects local shipping interests when transporting the locally produced product. This includes the transportation of goods related to the exploration and exploitation of, or the transportation of, mineral or non-natural resources in or under Nigerian waters. (Onyearu, 2003). According to Akabogu and Onyuike (2004) "Cabotage is the carrying on of trade along a country's coast; the transport of goods or passengers from one port or place to another in the same country".

The word "cabotage" originated from the French word "caboter", meaning "to sail along the coast". Cabotage has, however, come to be known as "coastal trade" or "coasting trade" or even "coastwise shipping", meaning the carriage of goods and people by ships between ports or along the same coast or between ports within the

same country and the exclusive right of a country to operate sea traffic within its coasts or to operate air traffic or rail traffic within its territory. In this regard, cabotage can exist in different modes of transportation, namely maritime cabotage, air (line) cabotage, road cabotage, rail cabotage, or even trade union cabotage. When cabotage trade is limited to the coasts of a single country, it is called national or domestic cabotage. When it is regional or sub-regional, it is called short sea shipping, but both national and regional cabotage are part of maritime cabotage (Igbokwe, 2001).

## 2.1 Objectives of the Cabotage Law Globally

There are protectionist regulations that are meant to safeguard commerce between two sites in a single nation. Cabotage laws are widespread across the world. The primary goals of cabotage law are to limit the use of foreign ships in domestic coastal trade, to improve human capacity building in order to promote the development of indigenous tonnage, and to enhance indigenous fleet expansion by restricting domestic coastal trade to vessels built and registered in the country, wholly owned and manned by citizens of that country. However, various maritime countries have their own cabotage laws slightly distinct from those of other countries in order to suit Nigeria's maritime policy and indigenous needs. Nevertheless, most cabotage laws are enacted for the same major objective of human capacity building, promoting the development of indigenous tonnage, and enhancing the fleet expansion of the nation (Houston Journal of International Law 2012).

## 2.2 Cabotage Trade in Other Maritime Nations of the World

Cabotage law exists in about 50 nations of the world. Most countries have laws regulating the coastal and inland waters of their lands. Each time a vessel enters a foreign country's coastal area, the vessel operator must comply with that country's regulations affecting maritime operations. Various maritime countries have rigid limitations on how and who does coastal trade operations within their borders, and

cabotage regulations are not uniform or necessarily consistent from one country to another (Ndikom, 2013).

Domestic maritime cabotage law can be in single legislation, or in a combination of two or more of its shipping legislations. Cabotage is restricted to ships built, owned, registered, and operated by citizens of a country. There are two types of cabotage - strict or strong and liberalized or relaxed or modified. If those four requirements are not strictly followed or enforced, and there is some foreign involvement in the ownership (or construction) of the ships used, in the nationality of the operators involved, or where there is a waiver to allow foreign-registered ships to participate in a country's cabotage trade, then maritime cabotage laws are said to be relaxed (The United Black's Law Dictionary, p. 202).

The United States of America has a strict cabotage regime in place. All commodities and people transported by sea between US ports are transported on vessels with US flags, manufactured in the USA, and crewed entirely by US nationals. US laws currently apply to exceptions and relaxations in specific circumstances (Oyedemi, 2012).

Cabotage laws in India, the Philippines, the UK, Australia, Malaysia, and the UAE are being relaxed. The Philippines allows for clearance of foreign vessels to take cargo and passengers at any port to foreign ports. Australian legislation on cabotage provides shippers with access to the movement of coastal cargo irrespective of a vessel's flag (Igbokwe, 2001).

Therefore, the cabotage regime in Nigeria is a liberal-protectionist regime that seeks to protect indigenous investors and stakeholders from external pressure and the overall intention of human and material capacity development. However, cabotage is one of the many protectionist measures that a state may employ to safeguard its domestic fleet when carrying out cargo operations in its coastal waters. It's considered to be a kind of limitation intended to encourage the formation and growth of national merchant

marines in a certain trading area through assured supply and demand. In keeping foreign-flagged vessels out of coastal waters and so excluding foreign competitors, it is discriminatory to this extent (Ademuni-adeke, 1984).

But also liberal in the condition of being given a waiver licence from the Minister of Transport, for instance, due to the current shortage of the Nigerian fleet needed to support Nigerian Cabotage shipping. So, putting in a waiver makes the Cabotage Act useless and, at the same time, goes against what the Act was supposed to do from the start by putting most of the obligations on foreign ship owners (Igbokwe, 2003)

### 2.3 The Challenges of the Cabotage Law:

Numerous challenges have arisen since Nigeria's Cabotage Regulation took effect on May 1, 2004. A lot of things have been making it difficult to effectively execute and enforce the law. The Nigerian cabotage regime's hazards, flaws, and limitations He stated that it is more possible that more foreign ships would be granted exemptions to participate in cabotage in Nigeria since the requirements laid down for getting a waiver by foreign enterprises are less difficult. (Okeke et al. 2012). Due to the shortage of the Nigerian fleet needed to support the Nigerian Cabotage shipping, the waiver was introduced. So, putting in a waiver makes the Cabotage Act useless and, at the same time, goes against what the Act was meant to do from the start by putting most of the responsibilities on foreign ship owners (Igbokwe, 2003).

The traps, flaws, and vulnerabilities of the cabotage system in Nigeria are highlighted by Okeke et al. (2012). He also stated that the omission of the Indigenous Ship-owners Association of Nigeria (ISAN) from the ministerial consultation process is a significant concern, according to Igbokwe (2003). He noted that one of the shortcomings of the Act is that an organisation representing Nigerian ship-owners and operators, such as ISAN, which the Minister should consult to confirm that there isn't a fully-owned Nigerian vessel suitable and available to carry out the activity(s) or



service(s) specified in the application, is excluded. He also noted that a major difficulty is the high cost of enforcement and monitoring. The facilities and tools used to monitor the Act's enforcement are costly. For instance, NIMASA needs patrol boats and amphibious aircraft specifically for off-shore traffic zones. NIMASA did buy several patrol boats, but they are woefully insufficient (Igbokwe, 2013).

Enforcement has been identified as one of the fundamental challenges, which must be properly executed for effective implementation of the cabotage law. Effective enforcement has been the curse of much good legislation in Nigeria. There are extensive and practical enforcement provisions in the Act in order for the cabotage to achieve its laudable objectives. It has provisions to limit, if not totally eliminate, subversive practises by stakeholders. The criteria for ownership are very important, and the Act makes it illegal to break these rules (Ndikom, 2004).

The exclusion of chandelier businesses from the cabotage act, as observed by the president of the Nigerian Ship Chandelling Association (NSCA), is one of the challenges. He is of the opinion that the Act does not give them the right to supply and/or sell items on the ship like their counterparts from other nations (Aghanenu, 2008).

Also, concerns over the exclusion of the freight industry from the Cabotage Act were noted by the president of the National Council of Managing Directors of Licensed Customs Agents (NCMDLCA). Mr. Lucky Aminero said that he was concerned over the absence of the freight forwarding industry from the Cabotage Act and warned that this would have a negative impact on the industry (Aminero, 2008).

Lack of vessels has continued to give an ample opportunity to foreign carriers to lift a greater proportion of the cargoes leaving Nigerian shores. NUL has only one multipurpose vessel, the MV Abuja. In terms of modernity, the vessel cannot be described as modern. For instance, although it may be hard to imagine, the nation's

shipping company, NUL, only owns one multifunctional vessel, the MV Abuja. The ship is not contemporary in the sense that it can be accepted. The lack of sufficient vessels is a persistent issue, and as a result, shipping in Nigeria has not had enough effects (Damachi & Zhaosheng, 2005).

Lack of political will and determination is another major challenge, because they have a strong interest in maintaining the status quo. Several stakeholders claim that the Minister and NIMASA lack the political will and tenacity required to execute the Act and force NNPC/NAPIMS/DPR to do so. The Act was said to be taken for granted because none of the numerous foreign violators had received fines or other sanctions to dissuade others. According to Bivbere (2008), fewer than five years after the Cabotage Law, which was intended to provide local ship-owners a foothold in the shipping industry, went into force, business as usual had returned as foreign ship-owners had taken control of the country's coastal waters.

The very poor reception the marine sector has received from the investing public may be attributed to a lack of understanding of the industry (Agidee, 2001). According to Agidee (2001), the operators in the maritime industry are not knowledgeable enough about the industry itself, let alone be in control of the maritime sector. Another setback to the Cabotage Act is the unionisation of the main European nations under the International Association of Classification Societies (IACS). Together with the other eleven classification societies, the IACS oversees ships throughout Europe and holds around 95% of the global fleet. According to the argument, IACS members' ships operate locally in Nigeria notwithstanding the Cabotage Act because of their power, capability, and influence. Thus, the IACS has profited from the issue of draught limits in Nigerian ports. Due to inadequate funding, the IACS declines to classify indigenous vessels since they lack adequate safety, insurance, and fire protection requirements. These local ships find it difficult to compete with other foreign ships, undermining attempts to maintain and boost local participation in the business. (Okeke et al. 2012).

Another significant obstacle for Cabotage is piracy. According to reports, an armed gang terrorised ships in Nigeria's territorial seas and injured crew members. According to Mukulan (2008), there were 60 pirate assaults in 2008, down from 263 in 2007. In 2006, there were 236 assaults, compared to 276 in 2005, 329 in 2004, and 444 in 2003. He said that in 2007, there were three times as many pirate assaults in Nigeria, with militants in the Niger Delta mostly targeting oil rigs. The recent increase in piracy and armed robberies in the country's territorial seas has concerned the Navy (Aminero, 2008). Finally, the fact that Nigerian ports are seen as being below international standards, commercially hostile, charging excessive fees, and providing subpar service is also taken into account (Akinjide & Balogun, 2008). They continued by lamenting the numerous difficulties, which include a lack of crafts and plants; a complicated documentation process; a crumbling port infrastructure; low labour productivity; unstable dock labour, corruption; vandalism; and a multiplicity of damaged government and security agencies. According to Uya (2004) noted one of the biggest problems with the cabotage Act is financing. He points out that the shipping industry requires adequate funding. Given how important shipping is to Nigeria's economy, the government needs to help or encourage the process by giving money to people in the industry so they can buy ships and become self-sufficient and independent.

## 2.4 Benefits of the Cabotage Act

Nigeria's cabotage regime has the primary intention of reserving commercial transportation of goods and services within Nigerian coastal and inland waters to Nigerian vessels and seafarers. This invariably means the restriction of foreign vessels and seafarers. There are numerous benefits associated with Cabotage 2003, such as an increased GDP of the country (Muhammed Lawal et al., 2006) noted that the achievement of the Millennium goals by 2015 may potentially be jeopardised if much attention is not given to the people and material resources of the nation. However, the considerable contributions that these natural resources would make to Nigeria's

revenues in the global market are strongly correlated with the activity in the maritime industry.

The proper implementation of the cabotage policy and activities in maritime operations will pave the way for the transportation of freight and people to oil and gas firms' offshore exploration and production (E&P) activities in the interior and coastal seas. In terms of ship ownership, Nigerian-owned vessels will carry the majority of the cargo in the Nigerian seas.

It also reduces youth unemployment; About 95% of coastal and inland shipping in Nigeria is made up of the oil and gas sector, which is the country's largest industry. The remaining 5% is made up of freighters, fishing trawlers, chandlers, charterers, and other carriers, which represents enormous business opportunities for the shipping sector as well as numerous employment opportunities for unemployed seafarers and Nigerian youths, which will help to lower the rate of youth unemployment to achieve GDP goals. (Okeke et al., 2012). Protectionist and liberalisation policies. The former is provided for in Sections 15–21, which provide for rules, terms, regulations, duration, guidelines, and everything else regarding licences to foreign vessels, while the latter is stated in Sections 9–14 of the Act, which clarifies the grant of licence to foreign vessels, terms and conditions, and vessels eligible for registration in the Cabotage trade (Cabotage Act, 2003).

According to Akabogu & Onyuike (2004) anti-cabotage law is successfully enacted and enforced, Nigerians will gain from it. These advantages are categorised under Nigeria's status as an oil-producing nation and include ship ownership, chartering, insurance, brokerage, shipbuilding, trade, and fishing. Nigeria, which ranks sixth in the world for oil production, has 21 ports along its 800-plus nautical mile coastline, in addition to rivers, ports, and private jetties. This is a chance for a well-implemented Cabotage program. Activities in maritime operations will pave the way for the transportation of freight and people to oil and gas firms' offshore exploration and

production (E&P) activities in the interior and coastal seas. In terms of ship ownership, Nigerian-owned vessels will carry the majority of the cargo on Nigerian seas. Both the economy and the involvement of native peoples will grow. The Charterer can either rent the ship for a certain period of time or for a specific journey. Prior to allowing international vessels to compete, preference will be given to local vessels (Agu, 2004). The marine insurance industry in Nigeria will grow. Under the Cabotage system, the ship, insurance, and freight brokerage industries will prosper (Akabogu & Onyuike 2004).

## 2.5 The Four Pillars of Cabotage

Nigeria adopted a liberalised and protectionist cabotage similar to Malaysia's cabotage regime. Nigeria lacked adequate infrastructure for effective implementation of a strict cabotage regime which would demand that all vessels to be licenced must be built in Nigeria. It is expected that the policy will give room for Nigerian shipyards to develop with time if given encouragement and incentives (Ndikom, 2013). The relaxed cabotage also allows the use of foreign facilities and resources where such cannot be found within the indigenous profile by the grant of waivers and/or licensing (Agoha, 2008).

To achieve this onerous task, the Act stipulated in sections 3-6 the restriction of the vessels in domestic trade in relation to towage, carriage of petroleum products, ancillary services, and navigation in Nigeria's inland waterways and seafaring except they are:

1. Vessel must be wholly owned by Nigerian
2. Vessel must be wholly built in Nigeria.
3. Vessel must be manned by Nigerians
4. Vessel must be registered in Nigeria.

## 2.6 Overview of wholly owned by Nigerian

The Nigerian Cabotage Act (enacted in 2003) aims to limit domestic coastal trade, also known as cabotage trade, to vessels built, registered, and entirely owned and manned by Nigerian nationals. However, foreign-owned vessels and businesses are permitted to engage in cabotage trade within Nigerian waters, provided they get a waiver licence from the Federal Ministry of Transport if Nigeria lacks the same vessel with the same specifications and capacity. The Cabotage Law is primarily motivated by economic considerations (liberalization). Its goal is to increase domestic marine tonnage, infrastructure, and labour capability. The Nigerian Cabotage Law is the second direct government intervention, carried out by the Nigerian Maritime Administration and Safety Agency (NIMASA), to end foreign domination in Nigeria's maritime sector and save indigenous businesses from impending extinction. (Ndikom, 2013).

The difficulty of natives making investments in the marine transportation industry was blamed for this lack of participative capacity. The situation has become so bad that foreigners are now providing transport services for workers and equipment needed for deep-sea oil exploration, costing the nation dearly. Due to a lack of domestic capacity in local marine transportation, the country has been losing up to \$4 billion USD each year to foreign ship owners. (Lazarus & Ukpere, 2011).

The first was Decree 10, 1987, which adopted the UNCTAD 40:40:20 freight sharing mechanism (Cabotage Act, 2003). The first was Decree 10, 1987, which adopted the UNCTAD 40:40:20 freight sharing mechanism (Cabotage Act, 2003). According to the United Nations Conference on Trade and Development's study of maritime transport (UNCTAD, 2018) on the evaluation of maritime trade. It is predicted that 10.7 billion tonnes, or 90% of worldwide traffic, will be transported by water in 2017. The Cabotage Act provides that a vessel wholly owned and manned by a Nigerian citizen, built and registered in Nigeria, shall not engage in the domestic coastal carriage of cargo and passengers within the coastal territorial, inland waters, islands, or any point within the waters of the Exclusive Economic Zone of Nigeria. This is very bold

and implies a number of inescapable assumptions, such as vessel and manpower availability. The UNCTAD Code and the National Shipping Policy provide that:

1. The Nigeria National carriers shall have the carrying rights of at least 40 percent of the freight in revenue and volume generated to and from Nigeria.
2. The shipping line or group of shipping lines being the recognized national lines of the cargo originating and destination countries that trade with Nigeria shall have the carrying rights of 40 percent of the freight in revenue and volume.
3. All recognized third flag carriers across trade shall be entitled to the remaining 20 percent of the freight and volume.
4. All importers and exporters whose business is registered in Nigeria shall reserve the carriage of their sea freight to Nigerian national carriers and recognised conferences for the purpose of allocation.
5. Nigeria's share of 40 percent on each trade route will be allocated to recognised Nigeria nationale according to a sharing scheme to be worked out by the implementation committee on the national policy.

The Cabotage Act is expected to create a new idea of shipping business and market opportunity for indigenous Nigerian shipping owning and management interest

## [2.7 Increase Indigenous Participation in Vessel Ownership](#)

The Coastal and Inland Shipping (Cabotage) Act 2003 was a recent development. The Act was part of the policy of the government of Nigeria to give opportunities for indigenous participation in all sectors of the economy. The enactment of the cabotage Act was a result of the thirst of indigenous stakeholders within the maritime sector, together with the public and private sectors, for legislative intervention to encourage the participation of Nigerians in its local coastal trade.

The vessel and company, however, are 100% beneficially owned by Nigerian citizens. The vessel flies a Nigerian flag. The Cabotage Act is an act enacted by the National Assembly of the Federal Republic of Nigeria to restrict the use of foreign vessels in domestic coastal trade in order to promote the development of indigenous tonnage and

the establishment of the Cabotage Vessel Financing Fund (CVFF), among other things. Nigerian vessels are based on similar vessels to those that operate in some advanced countries, such as the United States of America. However, the operational modalities of US cabotage are quite distinct from those of Nigeria. There are wholly Nigerian-owned vessel categories such as Joint Venture and Bareboat Charter and Foreign categories.

#### 2.7.1 Joint Venture

As the name suggests, this category covers joint venture agreements involving Nigerians and foreign nationals. The equity investment of the Nigerian partner(s) in the ship and/or the shipping firm shall be held free of any trust or obligation in favour of non-Nigerians at least to the extent of 60%. (Cabotage, 2003).

#### 2.7.2 Bareboat Category:

This happens where the full control and management (bunkering, crewing, etc.) of foreign chartered vessels is vested in Nigerian citizens and the shipping company is 100% beneficially owned by Nigerian citizens. The vessel suspends its foreign flag and flags Nigeria during the charter period, which should not be less than 60 months. It is also called a demised charter because it usually comes with a purchase option for the Nigerian charterer.

#### 2.7.3 Foreign Category:

Protectionism in international shipping in general and the various aspects of protectionist measures taken at various points in time by various nations as they establish and develop their national fleets, among these practises were: cargo reserve, cargo preference, cargo sharing, cabotage limitations, flag discrimination, marine subsidies, and governmental interference (Ademuni-Odeke, 1984).



## 2.8 Enhancing Indigenous Fleet Expansion

Generally speaking, over time, different countries have tried to protect their citizens by limiting citizen participation in important economic sectors, usually through restrictive or protectionist policies. Despite the fact that shipping is an international industry, some countries' maritime industries have not been immune from such policies. One example of this is the cabotage practice, which limits participation in the coastal freight transportation of a maritime nation to its residents alone (Agidee, 2003). The expansion of Nigeria's marine economy would be expedited by the creation of a strong national maritime infrastructure, which would also facilitate productive interactions and the transfer of technology with other maritime states across the world. Because of all the benefits it would undoubtedly bring to the maritime sector and the country as a whole, the establishment of a cabotage system in Nigeria is extremely desired (Iheanacho, 2005).

The Nigerian Investment Promotion Commission Act of 1995, which permits non-Nigerians to invest and participate in the operation of any enterprise in Nigeria, is not in conflict with the Cabotage Act. The Act's sections 15 to 21 provide for rules regulations, duration, guidelines, and everything else regarding licences to foreign vessels.

## CHAPTER THREE

### 3.0 Registration of Ships

This Chapter Will Analyse, that the Vessel Must Be Registered in Nigeria, e.g. Increase Tonnage Capacity, Make the Flag Attractive because of the Cabotage Business

#### 3.1 Overview of Cabotage Registration

Section 22 of the Cabotage Act states that cabotage vessels must be owned, crewed, registered, and built by Nigerians. The Act adopted a permissive cabotage policy that waives three of the four standards if local capacity is lacking (NIMASA, 2003).

The Corporate Affairs Commission must incorporate maritime firms in accordance with CAMA, LFN, 2004, according to the Act. The Cabotage Act creates a Special Register for Cabotage (Fully Foreign Owned Vessel) for Foreign-owned ships engaged in Cabotage trade, preserving the rights of foreign investors under the Nigerian Investment Promotion Commission Act, Cap N17, LFN 2004. (NIMASA, 2007).

There is no doubt that shipping has a big impact on a country's economic growth. As a result, shipping has been labelled the utmost mercenary of global trade. There are two parts to the Nigerian Cabotage Policy: Policy that is both protectionist and liberal. The former is covered by Sections 15–21 of the Act, which set forth the rules, conditions, regulations, duration, guidelines, and everything else pertaining to the granting of licenses to foreign vessels, whereas the latter is covered by Sections 9–14 of the Act, which define the granting of licenses to foreign vessels, their eligibility for registration in the cabotage trade, and their terms and conditions (Cabotage Act, 2003).

Section 22 of the cabotage Act 2003, defines “The process of entering a ship into a separate registry for cabotage ships and ship-owner firms is known as cabotage.”.

The Nigerian Ship Registry (NSR) is housed with the NIMASA and typically permitted only Nigerian citizens, corporations, partnerships, or other legal entities subject to Nigerian law. Dual registration is not allowed since a ship may only fly the flag of one nation. Vessels registered under a foreign flag must deregister from their present port or state registry. NSR allows a vessel to enter Nigeria with a provisional registration for six months before completing registration. (Adedoyin, 2022)

The following were the conditions:

- (1) The shipping company is registered in Nigeria by Corporate Affairs Commission
- (2). The shipping firm is registered in accordance with Section 22 of the Cabotage Act, which states that NIMASA, through the Ship Registry unit, works with the Trade and Development unit of the Cabotage department to register ships intended for use in cabotage operations.

A valid certificate from an acknowledged international classification association is one of the prerequisites for Nigerian ship registration. (Adedoyin, 2022)

NIMASA has collaborated with the world's top classification societies, including American Bureau of Shipping, Bureau Veritas, Det Norske Veritas, Lloyd's Register, the International Naval Survey Bureau, and the International Register of Shipping, by signing memorandums of understanding and publishing marine notices to this effect. (Adedoyin, 2022)

The marine transportation industry plays a significant role in the Nigerian economy. The structure and very character of Nigeria's international trade help to emphasize its significance. It is accurate to state that Nigeria's economy depends very much on how well international trade and commerce function. Consequently, it becomes imperative to improve marine transport capacities for her economic existence ([NIMASA, 2009).

The EEZ extends up to 200 nautical miles inland. By making the maritime industry a significant employer of labour and a significant source of revenue for the Nigerian economy, Cabotage aims to provide a strong foundation for the indigenous maritime industry and stimulate the blue economy; It aims to stimulate indigenous capacity growth in composite industrial subsectors like shipbuilding, fleet acquisition, shipping operations, ship management, shore, and on-board manpower development, etc. It also aims to create a captive market in the domestic shipping trade for Nigerian indigenous shipping companies, encourage the deliberate and gradual construction of essential domestic infrastructure in the marine industry; aid in the sustained expansion of the marine industry in Nigeria; To prevent socio-economic disruption of the domestic shipping trade by foreigners, and provide a progressive and methodical withdrawal of foreign interest. (section 15-21 of cabotage Act, 2003).

### 3.2 The Cabotage Vessel Registration

All ships wishing to engage in cabotage trade must be registered with NIMASA's registry of ships in cabotage. The merchant shipping Act (chap. 224 of the Law of Nigeria 1990) stipulates that vessels seeking registration to engage in the cabotage trade must also receive all other necessary licences and permits from relevant government bodies, such as the National Inland Waterways Authority.

### 3.3 Cabotage vessels

According to the Act and the regulations, the following vessels are classified as cabotage vessels. These include Passenger Vessels, Crew Boats, Fishing Trawlers, Tugs, Offshore Services Vessels, Anchor Handling Tugs and Supply Vessels, Floating Petroleum Storage, Dredgers, Tankers, Carriers, and any craft or vessels for transportation of people, property, or any other type of substance on, through, or underwater (Guideline on Implementation of Cabotage Acts, 2007).

Types of Vessels registered in the special Cabotage Registry

<b>S/N</b>	<b>Types of Vessels</b>	<b>Number</b>
1	Anchor Handling Tug Boat	1
2	Backfill Pontoon	1
3	Barges	799
4	Cargo Vessel	2
5	Crane Barge	1
6	Crew Boat	93
7	Deck Ship	1
8	Diving Support Vessel	5
9	Dredgers	65
10	Fishing Vessels	181
11	FPSO/FSO	10
12	Gas Carrier	1
13	Generator Barge	1
14	House Boats	16
15	Hover Craft	1
16	Lift Boats	3
17	Merchant Ships	574
18	Multicat	7
19	Multipurpose Vessels	10
20	Muster Barges	10
21	Mustering Pontoons	2
22	Offshore Support Vessel	23
23	Passengers Vessels	4
24	Patrol Boats	14
25	Pleasure Craft/Small Ships under 24m	3
26	Power Pontoons	1

27	Services Boats	1
28	Supply Vessels	10
29	Tankers	174
30	Tug Boats	402
31	Crew /Supply Vessel	5
Total		2421

*Source: NIMASA, Ship Registry, 2022*

The Act and the guidelines do not address the specific status of Barge Rigs, Seismic Vessels, and other similar vessels which may, in the course of their operations, be involved in the carriage of persons, and the primary purpose and activity of such vessels is not the carriage of persons and property. On a literal interpretation of the Act, these vessels may be caught by the provision of the cabotage Act (Biobaku, 2008).

### 3.3 Types of Cabotage Vessel Registration and Increased Tonnage Capacity

The first stage of sample selection involved the objective selection of local shipping companies that were actively supporting the goal of local shippers to possess their own ships. In accordance with Section 22 of the Cabotage Act, the Agency registers vessels made for cabotage operations through the Ship Registry unit in collaboration with the Trade and Development unit of the cabotage department. For instance, 368 boats were registered for cabotage operations in 2010.

The circumstances were as follows:

- The Corporate Affairs Commission in Nigeria has the shipping company's registration.
- According to Section 22 of the Cabotage Act, the shipping firm is registered requiring that NIMASA register ships used for cabotage operations through the Ship Registry unit in coordination with the cabotage trade and development unit department. The guidelines issued by the Minister of Transport provide

for five categories of registration. Which enhanced the tonnage capacity in Nigeria, these are as follows:

#### 3.3.1 Registration of wholly owned Nigerian vessels:

For the vessel to be registered under this category, all 64 of its shares must be held fully and beneficially by Nigerians, or by a corporation founded in Nigeria, with all of its capital held entirely and beneficially by Nigerians. Every single share of the ship or the company that owns it must be held free from any obligation or trust to anyone who is not a Nigerian citizen (Biobuaku, 2008).

#### 3.3.2 Registration of Joint Venture Owned Vessels

As the name suggests, this category pertains to the registration of vessels owned through a joint venture between citizens of Nigeria and foreign nationals. The equity shareholding of the Nigerian partner(s) in the ship and/or the shipping firm shall be held free from any trust or obligation in favour of non-Nigerians to the extent of at least 60% (NIMASA, 2003).

#### 3.3.3 Registration of Bareboat Chartered vessels

The bareboat chartered vessel must be completely under the supervision and administration of Nigerian people, or be owned entirely and beneficially by Nigerian citizens, free from any trust or obligation in favour of non-Nigerians, in order to qualify for registration in this category.

#### 3.3.4 Registration of Foreign-Owned Vessels

Foreign-owned ships must receive a waiver and a licence for involvement in coastal trade (cabotage) from the minister of transportation in order to be eligible for registration in the cabotage register.

### 3.3.5 Temporary Registration of Cabotage Vessels

Under the provisions of Section 27 of the Cabotage Act, foreign-owned vessels presently engaged in cabotage commerce may be given a temporary registration in the cabotage for the duration of the contract for which the vessels are employed. However, if the contract's remaining term exceeds one year as of May 1, 2004, a foreign vessel will only be permitted temporary registration for one year and not for the duration of the contract for which the vessel is engaged. The ship must next register as a foreign-owned vessel and get a permit from the transportation ministry. This would seem to be at conflict with the Act, which specifies that a temporary registration would be granted for the duration of the contract.

## 3.4 Requirements for Cabotage Vessel Registration

The prerequisites for registration are the same for all five categories, with the exception that a foreign-owned vessel must first get a licence from the Federal Ministry of Transport and a bareboat chartered vessel must provide a copy of the bareboat charter party agreement. According to the requirements, the completely filled application form must be sent to the registrar of ships together with the applicant's corporate papers and the statutory certifications for the vessel (Cabotage Act, 2003).

### 3.4.1 Vessels above 15 years old

Subject to the vessel having a certificate of registry and a certificate of seaworthiness from a recognised classification authority, vessels registered in the Nigerian Ship Registry at the time of the Act's enforcement (i.e., 1 May 2004), that are older than 15 years, shall continue to be eligible for participation in cabotage for a period of 5 years after the enforcement date. According to these requirements, boats older than 15 years old will not be permitted to register for cabotage trade participation five years from the enforcement date, or on May 1, 2009. Unfortunately, the minister of transportation's directive explains this matter. Indigenous business owners have



expressed opposition to this clause on the grounds that it may exclude the majority of them from engaging in cabotage business. The indigenous operators began urging the government to revise the relevant laws and regulations (ISAN, 2004).

### 3.4.2 Nigerian National Shipping Lines Limited (NNSL)

Nigeria's National Shipping Line (NSL) was founded by the Federal Government of Nigeria, which controlled 51% of the company's share capital, and two technical partners Elder Dempster Lines Limited and Palm Line Limited. As a significant source of foreign exchange earnings for the nation, NNSL significantly decreased the net outflow of hard currency through foreign shipping lines. It became a fully owned Federal Government corporation in 1961 when it adopted the name Nigerian National Equity Shares of the Technical Partners.

When the last of the 19 all-purpose combo vessels were delivered in 1980, the company had a fleet of 27, making it the largest in the West African sun region and the largest shipping company south of the Sahara. In 1977, the Federal Government began an expansion of the company's fleet by purchasing nine 12, 000 tonnes' deadweight (dwt) and ten 16, 000 tonnes' deadweight, respectively (Agoha, 2008).

Many Nigerian seafarers were given jobs by NNSL, which also spent millions of Naira in the creation of training programmes for qualified Nigerians. A World Bank study compared findings to the advantages that the United Nations conference on trade and development had predicted would arise from Nigeria's participation into the maritime industry. The research revealed that the investment had not significantly impacted the GDP, employment, balance of payments, national security, or reputation of the nation (Ezem, 2013).

The National Unity Line took over the NNSL's assets when it was abolished in September 1995. (NUL). The NUL, which is entirely owned by the Nigerian Maritime

Authority, started operating as Nigeria's national flag carrier in July 1969 with only one ship, the MV Abuja. In August 2005, it was placed up for sale. NIMASA replaced NMA as Nigeria's premier maritime regulatory, administrative, and promotional agency in 2006.

The cabotage restrictions, which restrict foreign-flagged ships' access to the domestic maritime market and limit the whole of the domestic commerce to national flagged ships, hinder international competition. As part of the economic objective of cabotage limits, the development and expansion of the national merchant marine is encouraged. The nautical word "cabotage," which is a Spanish borrowing, refers to travelling from one cape to another along the coast or in navigable rivers (Ademuni-Odeke, 1984; Stopford, 1988;).

## CHAPTER FOUR

This chapter focuses on the third pillar of cabotage which said that the vessel must be manned by Nigerians e.g. Increase Capacity Building in seafarers, Make Viable Nigeria Maritime Institution, and Opportunity for sea time for Nigerian cadets.

### 4.1 An Overview of Cabotage Manning

Manning is defined as “the process of providing people to do a job or the number of people who are available to do a job”. Building and manning boats remained specialist occupations throughout the nineteenth century, just as they had been before 1800 (Cambridge English dictionary).

The Cabotage Act of 2003 is the result of several efforts by interested parties, government organisations, and legislators to create enabling legislation that would establish a rule that will encourage and improve Nigerian coastal trade, additionally, it is to guarantee that the domestic shipping businesses' interests are effectively safeguarded and to give Nigerian seafarers the opportunity to actively engage in the national shipping sector. Since the cabotage Act took effect in 2004, the domestic fleets have expanded, which has also limited local waterborne trade to Nigerian-owned vessels. Over time, foreign-owned companies took over the majority of the coastal trade in Nigeria, to the point where 90% of the ships that participate in domestic operations are both owned and crewed by foreigners.

However, the policy that was designed to encourage the full involvement of Nigerian ship owners as well as to provide positions for competent and prospective Nigerian cadets came into effect. As the custodian and primary maritime regulatory body in Nigeria, the NIMASA comply with this policy and initiated and established the Nigerian Seafarers Development Programme (NSDP), a programme with the specific goal of motivating and educating young Nigerians interested in a career in shipping at

various maritime institutions around the world, in order to strengthen the nation's seafaring capabilities and to increase its participation in shipping activities in Nigeria and around the world (NIMASA, 2009). After every other initiative that would have showcase the Nigerian seafarers to the world failed.

The Cabotage Act of 2003 was passed to help the growth and development of the Nigerian economy by reducing the dominance of foreign ships in Nigerian waters and encouraging the rise of native shipping companies involved in coastal trade. According to Nwekeaku and Atteh (2016), the cabotage legislation was implemented to encourage, amplify, and reposition domestic shipping lines for active involvement in the sub-Saharan maritime industry (NIMASA, 2009).

It is impossible to overstate how important safe, secure, and efficient marine transportation is to the globe. This, in turn, depends on a plentiful supply of seafarers to man or manage the vessels that carry the critical commodities. Therefore, the development of skilled and excellent human resources is crucial for the security of the transportation environment and its safety (O'Neil, 2003).

Alhaji Inua Musa Mohammed, a former minister of transportation, postulated that the cabotage act was passed to encourage domestic companies to participate in shipping, boost capacity building, and create jobs for Nigerian seafarers. He added that the aforementioned is in line with the Federal Government and Development Scheme for Seafarers. (NSDP) Technique (Vanguard, 2003:21).

The international shipping industry is crucial to international trade and business, thus the IMO, the body that oversees maritime safety globally, stated in 2008 that there has been a global decline in the supply of seafarers, notably the officer cadre. Additionally, it was said that as of 2008, the supply and demand for global officers were at 464,000 and 34,000, respectively. The IMO 2008 started the "Go to sea" campaign in response

to the report's caution that, if action wasn't taken to halt this trend, the gap might widen (IMO, 2008).

Therefore, NSDP is a strategic intervention programme that primarily aims to address this short- to medium-term manpower need for the Nigerian maritime industry. It also attempts to break into the international market for seafarers, similar to the Republic of the Philippines, which provides about 30% of the world's seafarers by exporting over 300,000 seafarers to the global shipping labour market each year, from which it earns about 5.0 billion dollars. Developing a pool of surveyors to make it easier for NIMASA to carry out its duties under flag and port state authority is one of the program's additional goals and objectives, as is enhancing Nigeria's general skill base and fostering the development of human capacity in the shipping sector. By involving the growing number of people in the country, it is also anticipated to lower unemployment (Ezem,2013).

NIMASA launched the Nigerian Seafarers Development Programme (NSDP) in 2008 to address the lack of Nigerian seafarers on board oceangoing vessels and the requirement to meet indigenous manning requirements of the coastal and inland shipping (Cabotage) Act 2003. (Toritseju, 2022). The NSDP is an intervention programme created to train Nigerian seafarers in order to solve the lack of competent seafarers by attempting to build a sizable pool of Nigerian seafarers to fulfil the local demand and also to contribute to international shipping (NIMASA, 2013).

The international shipping industry is crucial to international trade and business, thus the IMO, the body that oversees maritime safety globally, stated in 2008 that there has been a global decline in the supply of seafarers, notably the officer cadre. Additionally, it was said that as of 2008, the supply and demand for global officers were at 464,000 and 34,000, respectively. The IMO 2008 started the "Go to sea" campaign in response to the report's caution that, if action wasn't taken to halt this trend, the gap might widen (Ukele, 2013).

When it comes to funding, the NSDP has two parts. The first is the 60–40% counterpart funding structure, under which the agency covers the remaining 40% of the training costs and the participating state governments provide 60% of the cost. According to NIMASA records that are now available, the programme is currently being used by 20 different states. They include 36 students from Kaduna, 25 from Niger, 25 from Kogi, 25 from Lagos, 25 from Benue, 15 from Ebonyi, 11 from Ondo, and 4 from Ekiti. Federal Capital Territory, Abuja, Jigawa, Borno, Yobe, Akwa Ibom, Katsina, Gombe, Anambra, and Rivers States are among the others (NIMASA, 2013).

Although it appears that the states are only partially participating in the programme, the Agency's current management (NIMASA) is not happy and has added a second window when it will fully support some cadets. The first batch of 1,000 cadets under the Agency's full sponsorship programme, who have already earned degrees in marine engineering, nautical sciences, and naval architecture, among other fields, was sent abroad in December 2012. NIMASA recently sent another 625 cadets, making up the second batch of the agency's completely financed programme. According to recent records, there are 2,241 Nigerian cadets enrolled in seafarer training programmes abroad, including in the Philippines, India, Sweden, and the UK. (Ezem, 2013). Today the Agency has trained more than 2,241 Nigerian seafarers and just this month August 11<sup>th</sup> 2022, the Agency reviewed the direct sponsorship of Nigerian Cadets undergoing foreign training under the Nigerian Seafarers Development Programme (NSDP). allowances of the cadet on foreign training. The Director General of NIMASA Dr Bashir Jamoh noted that the review of the ongoing direct sponsorship was necessary due to the global inflationary trends. He disclosed that immediate and long-term arrangement has been put in place to affect the living standard of the cadets. The management of the Agency then approved the sum of 2,000 dollars for each cadet in addition to what they already have (Daily Trend, 2022. 22).

## 4.2 Increase Capacity Building in Seafaring

Igbokwe (2006) argued that the government should not limit itself to oil and gas at the expense of commercial shipping because the oil and gas sector only uses a very small portion of the maritime industry for its logistics and that it frequently takes more than 20 years to master the art of shipbuilding. (Nkoro 2012) continued by noting that the government's urge to keep promoting foreign shipping firms in Nigeria and its casual attitude toward the nation's maritime sector self-sufficiency are detrimental to the achievement of the Act's objectives. Foreign shipping companies believe foreign-owned ships are needed to manage the Nigerian economy due to the government's instability. As Nigeria builds its maritime capacity, foreign-owned, -built, and -crewed ships will become a thing of the past. Former NIMASA Director-General Patrick Akpobolokemi says indigenous ship owners have more than 200 ocean-going vessels and 700 offshore supply vessels. 90% of these vessels are not contractually engaged, while the remaining 10% acquire short-term contracts. Indigenous investors cannot easily recoup their losses. According to him, Nigeria must train more than 50,000 seafarers to handle coastwise ships to bridge a capacity deficit and offer jobs for jobless youth (Daily Independent, 2011).

According to Olukoju, (2004) stated from a report that just \$25 million, a pitiful sum when compared to Nigeria's population, was granted for shipping growth after the Cabotage Act was passed in 2003. This implies that NMA and indigenous business people solely served as rent collectors. Successive administrations and their representatives are diverting and/or embezzling NMA money rather than using them to promote the sector. The Marine Academy of Nigeria Oron (MAN) gets 5% of yearly profits under the NIMASA Act, and 35% of income would be used to construct maritime infrastructure. The organisation gave MAN cash for a jetty and boat project (Ibid). As opined by (Ali, 2009). A talented, knowledgeable, highly qualified, and

motivated human resource is absolutely necessary for the marine business to succeed at all levels. Additionally, there is a dire need for skilled and competent workers in the marine sector, which necessitates the development of the sector's capacity.

#### 4.3 Make Viable Nigeria Maritime Institution and Sea Time Opportunity Nigeria Cadets

Building one's capacity entails enhancing one's capabilities, potential, and skill sets. In response to organisational demands, effective management, and competitive advantage in the global society, it is developing and strengthening current knowledge and ability (Johnson, 2014). The discovery of crude oil in Nigeria in 1958 and the country's independence from Great Britain in 1960 are two significant milestones that might be linked to the commencement of MET in Nigeria.

There are a lot of problems associated with maritime education in Nigeria, it has been isolated from other academic education. The qualifications are not recognised within the education system, and in most cases, seafarers are forced to start from scratch if they wish to further their qualifications or re-train for other jobs. Considering this problem in light of the fact that the trend all over the world is that people joining the seafaring career in recent years want to make it a short one, and the result is that many young Nigerians are no longer attracted to or interested in the seafaring career. The maritime institutions being isolated from other institutions of high learning is not good because it makes maritime education cumbersome (Anarah,1985).

Additionally, STCW requires sea time, it is difficult to get in Nigeria may be owing to a lack of boats or a shortage of room on the few available vessels. According to their answers to the questions below, the respondents discussed the difficulties of staying on board for training (sea time) after their training programme was complete.



## CHAPTER FIVE

This chapter is focused on ship building which is the final pillar of the Cabotage Act which says that vessel must be built in Nigeria: The importance of vessel tonnage to Nigeria, Industrial development, Employment opportunities for Nigerians, Iron and Steel Utilization, Remodelling of technical Colleges to reflect manpower and other maritime institutions.

### 5.1 Overview of Ship Building

A shipyard is where most ships are constructed. The availability of timber, iron, flax, and rubber determined the industrial techniques used at European shipyards throughout the 16th and 18th centuries. There are factories where a sizable workforce of ash workers builds, assembles, and outfits ships.

The idea that shipping is vital to Nigeria's economic development is overused. The oil and gas sector, which also significantly contributes to Nigeria's GDP, is the driving force behind infrastructural, socio-political, and economic growth in the country. A crucial part of this sector is shipping.

Nigerians must thus actively engage in both the marine industry and other areas if cabotage is to be established in Nigeria. This study's primary objective is to increase the participation of indigenous people in inland and coastal waterways transportation in Nigeria by critically analysing the cabotage regime in the country through the prisms of ship building and acquisition.

Lack of investment and insufficient money are key factors that prevent Nigeria from developing its shipbuilding industry and supporting cabotage. This essay argues that the Nigerian legal framework for cabotage is fundamentally flawed because it contains waivers that do not provide safeguards to protect local ship operators. For example, in section 9-13 grants all foreign vessels a window to participate in cabotage trade after

giving Nigerian-owned vessels and seafarers the right of first refusal. The above is necessary because there limited ship building and repairing yards in Nigeria, the number of ships yard Nigeria are about twenty in which only six are functional.

### The importance of vessel tonnage to Nigeria, Industrial Development

The waiver system does not encourage the transfer of technology, however. The paper reaffirms the significance of allocating appropriate finances and investments in the development of shipping and human infrastructure, as well as the necessity of amending the Cabotage Act to reflect the elimination of surcharges and other safeguards to the waivers. Sections 9-13 provided a window given to allow foreign vessels and seafarers to participate in Cabotage trade after the option of first refusal has been given to Nigerian owned vessels and seafarers. This window is referred to as waiver which is solely granted by the Minister of Transportation, and has a lifespan of one year (Caboatge, 2003)

All applicants who desire to extend their license for Cabotage trade vessels must provide proof of their increased level of compliance with the following criteria of the Cabotage Act, ownership, Manning and ship building standards.

- i. Proof of sponsorship of training for Nigerian seafarers/ cadets
- ii. Evidence of dry-docking and ship maintenance in Nigeria
- iii. Evidence of waiver certificate renewal which must be on yearly bases

Nigeria has only 20 ship building yards in which some are not functioning to capacity. This number is inadequate if she is to meet the aim of Nigeria wholly built vessels. The number of Nigerian owned vessels is not enough to dominate cabotage operation in Nigeria this has given rise to strong competition from fully foreign owned, joint venture and bareboat vessels leading to slow growth and fluctuation in the trend of Nigerian vessels ownership participation (Nigeria Maritime Administration and safety Agency, 2003).

### 5.3 Employment Opportunities for Nigerians

Ship building if properly implemented will create job opportunities for Nigerians. the government should not limit itself to commercial shipping for oil and gas only uses a small percentage of the marine industry for logistics, and it takes 20 years to perfect ship building. (Igbokwe, 2006). As a result of the Act's requirements, Nigerian shipyards and dry dock yards were anticipated to grow as a result of the increased business from several domestic maritime firms that would need to have their coastal ships constructed or repaired there. This increased requirement for ships to be built, repaired, and maintained at Nigerian shipyards and dry dockyards would strengthen and expand local shipbuilding and repair capabilities, resulting in more business and money for the Nigerian government and shipyards (Nworo, 2012).

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### 5.4 Iron and Steel Utilization, Remodelling of Technical Colleges to Reflect Manpower and other maritime institutions

The Cabotage Act is the most important legal provision for altering Nigeria's advancement in marine technology. Construction, upkeep, ownership, and the possibility for human development of ships are all localised. More than 19 years after the coastal and inland shipping (cabotage) Act 2003 was implemented, there hasn't been any technological improvement. Nigeria is not the only country that uses legal

measures to protect the expansion of domestic industry. The development of commerce, technology, and human capabilities are all covered by The Home of Trade, as it is called in the UK. The Jones Act was established in the USA to preserve the status quo and pave the way for future growth in the marine industry. These tools demand expertise in marine technical development for efficient implementation. Two good laws that apply to Nigeria are the Local Content Act and the Cabotage Act (Vijay, 2012).

The Cabotage Vessel Financing Fund, a significant and crucial feature of the cabotage act, is an independent fund for marine development (CVFF). Given the main reasons for its founding, it therefore possesses all the necessary components for the construction of a sustainable marine development.

The CVFF's disbursement should be done in a way that will promote shipbuilding in Nigeria, improve ship maintenance there, buy new ships tailored for cabotage, help a lot of businesses, and change the Nigerian maritime sector. The accomplishment of these objectives can help to eradicate poverty, create jobs, and meet the unique needs of Africa. These, however, have not yet been accomplished because the government, and consequently NIMASA, is unable to disburse the cabotage CVFF. If correctly implemented, the Cabotage Act can support the national transformation programme and achieve the maritime component of the MDG and SDG goals (Airahuobhor, 2013).

## CHAPTER SIX

### 6.1 Findings

This chapter presents the findings and discussion to answer the research questions, it will also include Conclusion Limitations and Recommendations.

S/N	Interviewee	Expertise	Date of Interview	Years of Experience	Time
1	Cabotage 1	Cabotage Officer	24/08/2022	16 years	42 minutes
2	Cabotage 2	Ship Registry Officer	26/08/2022	18years	45 minutes
3	Cabotage 3	Seafarer (Captain)	28/08/2022	30 years	50 minutes
4	Cabotage 4	Assistant Director (ROS)	30/08/2022	26 years	40 minutes
5	Cabotage 5	Maritime Labour Officer	04/09/2022	17years	43 minutes
6	Cabotage 6	Ship Operator (ISAN)	12/09/2022	14 years	35 minutes
7	Cabotage 7	Seafarer (chief Engineer)	06/09/2022	19 years	30 minutes
8	Cabotage 8	Ship Building Officer	07/09/2022	8 years	41 minutes

**Table 1**

Research Questions	Findings
Effect of the Cabotage Act implementation on the indigenous vessel Ownership in the last 10 years in Nigeria?	Reduction in foreign vessels (C1, C2) Lack of political will (C1,C7)

How has the cabotage Act intervention affected the placement of Nigerian seafarers on board vessels in the Cabotage trade in Nigeria?	Lack of capacity (C1, C2, C3, C4). Nigerian seafarer pool (C1, C2,). The Certificate of Competence to be acquired by the cadets (C1, C2, C3) NIMASA Seafarers Pool (C1, C2) Technology development for the cadet embrace the new technology
How has cabotage affected indigenous fleet registration in Nigeria?	Improvement in registration (C1, C2, C3 C6) Opportunity for registration (C1, C2, C7)
What are the effects of the cabotage act on shipyard development in Nigeria?	Limited ship building yard (C1,C2, C3, C4 C5,C6) Lack of infrastructure (C1, C2, C3, C8)

**Table 2**

## 6.2 Discussion

In investigating this question, the findings reveal that there are many obstacles in the way of Nigeria's cabotage policy's implementation. However, recent years have seen considerable progress. According to the literature the essence of cabotage is to reserve domestic shipping to the indigenes. Reputable stakeholders affirm that cabotage is a liberal / protectionist policy. According to the research data, it is believed that the cabotage in the area of registration of ownership is a success, because implementation of cabotage has taken a new shape whereby Nigerian vessels and vessels flying Nigerian flag under wholly Nigerian owned, Bareboat Chartered, Joint Ventures and other has taken over the shipping businesses in Nigeria. Further to this the four pillars states that vessel must be owned, crewed, built and registered in Nigeria which is based on the level of implementation of cabotage Act 2003.

Further findings reveal that the implementation of Cabotage is high because it has encouraged indigenous participation and as well discouraged foreign participation in domestic trade, this line with the interviewee's opinion "Cabotage can no-longer be regarded as a failure because the number of vessels flying Nigeria flag has outnumbered the vessels flying Foreign flag in Nigeria". On an average of ten to hundred, the scores reveal that the implementation of ownership in the past ten years is more than 60%. All the interviewees claimed that there is a drastic reduction of foreign domination in domestic trade through the enforcement of the cabotage Act 2003 and also the introduction of electronic software for vessel monitoring, and compliance. It is also in line with the literature (Ndikom, 2004) who opined that proper enforcement is the key to achieving cabotage objectives.

Depending on the degree of conformity In terms of manning, it was found that Nigerians are now interested in a career in the maritime industry because of the NSDP strategy programme, which has trained more than 2000 cadets abroad. In 2022, about 500 young people left for enrolment in foreign schools to earn the Certificate of Competence (COC). Another Cabotage Compliance Strategy (CCS) has a zero-tolerance policy for foreign seafarers on Cabotage vessels in this case. Only very specialised vessels are given waivers, and in those cases, three seafarers—the captain, chief mate, and chief Engineer—are included (Nigeria Maritime Administration and Safety Agency Compliance Strategy 2019). Additionally, it was revealed that proof of cadet training on board the ship was required for any licence in Nigeria to be renewed, notwithstanding their inexperience. The results demonstrate that Nigeria has adequately trained seafarers, and there are enough employment for them if they have the necessary expertise to Mann vessels.

The findings disclosed that the Cabotage Act has been reviewed and forwarded to the House of Assembly for full approval, and some of the major issues like chandelling, freight forwarding, and rigs are now considered in the newly reviewed Act. Based on the claims in these findings, if the revised Act is approved by the House of Assembly,

implementation will exceed 80%. This is in line with the literature in (Aghanenu, 2008) (Aminero, 2008). identified that the freight industry, which was previously excluded from the Act, has now been included and is awaiting approval

Furthermore, to ensure that foreign vessels comply with the cabotage Act 2003, vessels with foreign flags coming to operate within the Nigerian coastal waters must obtain a licence or special permit from the honourable Minister of Transport before operating in Nigerian waters; if not, the vessel will be detained in accordance with the Cabotage Act 2003. Compliance level was based more on the stakeholders' personal assessments and experiences.

Additionally, findings regarding ship building and repair yards, in Nigeria it was discovered that there are 20 ship building and repairing yards in Nigeria but only 6 are functional in which was affirmed by the interviewees, that if the CVFF was disbursed is capable of improving ship building yards which was not enough due to insufficient fund, considering the population of the country's traffic of vessel at the port and cost of building a ship.

It is deemed to be too expensive, and Nigeria lacks the capacity to build ships because the raw materials needed are not easily accessible in the country and must be imported. The findings showed that what Nigeria is doing in respect to ship Building and Repairing is facilitating foreign partnership. This would encourage foreigners to come and upgrade existing shipyards or establishment new ones in Nigeria. It was proven that there is lack of patronage in operators which prefer to dry-dock their vessel outside the country. Investigation showed that implementation of cabotage Act is a journey which have not gotten to 100% but has marked a milestone achievement.

The interviewees showed that the level of cabotage compliance or implementation has also been successful due to the number and categories of vessels that call at the port that are acquired by the Nigerians. Findings showed that cabotage implementation



under ownership is a 100% because in the past years' shipping was dominated by foreigners in line with literature on It was not easy to get an indigenous vessel to work on before now based on the fact that there are many challenges which were associated with domestic vessels.

To ensure that foreign vessels comply with the cabotage Act, vessels with foreign flags coming to operate within the Nigerian coastal waters must obtain a licence or special permit from the honourable Minister of Transport before operating in Nigerian waters; if not, the vessel will be detained in accordance with the Cabotage Act 2003. He based his compliance level once more on his personal assessments and experiences. The finding complements earlier findings regarding crewing.

The findings disclosed that there is Lack of Patronage, the functioning shipyards are not patronised by the operators in the areas of dry docking their ships, most persons prefer to go to the nearby countries instead of dry docking their vessel in the Nigeria. this contravenes the cabotage Act which stipulates that cabotage vessel should be dry dock and maintained in Nigeria. They seem to be a lack of trust for the local content according to the research. Additionally, the research maintained that the Nigerian Customs charge a lot of money on importation duty on the raw materials for shipbuilding and are supposed to collect 15% of the entire cost of building a ship. Which does not encourage capacity building.

According to the interviewee the cabotage Act on the four pillars which says vessel must be owned, crewed, built and registered in Nigeria as above. Cabotage implementation in respect to ownership have reached an advance stage although there is no score on the level of implantation but it is a success. There is a believe that compliance cannot be complete if the CVFF money is disbursed it is in line with the literature

The findings further reveal that NIMASA as a regulatory Agency trying to implement cabotage Act 2003 in Nigeria successfully is not possible without first of all disbursing the CVFF money. In the past ten years they have been a tremendous success in the area of registration, ownership, manning, and even building compared to what it used to be in the past when they are always struggling with the foreigners to get a single job. The compliance level of the Cabotage Act 2003 cannot be total, if the right stakeholders could not access the CVFF money to procure new vessels in relation to disbursement. This is in agreement with the literature.

“The CVFF was established by the cabotage act as an intervention fund to assist indigenous shipping businesses in their efforts to acquire new vessels with the goal of bolstering capacity building within the indigenous shipping industry. But so far, no one has benefited from the cash. The Acts may have been unsuccessful because the native owners were unable to retrieve their wealth. Local ship owners and operators are either turning to banks for short-term loans at high interest rates or foreign loans with strict conditions, or folding up, because their foreign competitors participate in the Nigerian cabotage with foreign ships, financed by long-term favourable interest rates and supported by the guarantees of their home governments. (Igbokwe, 2006).

Furthermore, the compliance level of cabotage in respect to ownership lack the infrastructure to implement cabotage Act. Such as the patrol boats for day today surveillance enforcement is not there, this is based on the level of implementation of cabotage Act 2003 on the four pillars of cabotage, there are not adequate ship building or repairing yards in Nigeria.

The findings noted that in terms of Manning, the regulatory Agency (NIMASA) has done very well in seafaring improvement and job creation for the seafarers and the Nigerian youths at large in line with literature (Okeke et.al, 2012) that proper implementation of cabotage will reduce youth unemployment although some still lack experienced to Mann specialised vessel due to problem of adequate sea time. Also it

was proven that Nigeria lack capacity development in the area of training and certification of seafarers. Additionally, cabotage has not been fully successful because Nigeria still create opportunity for granting waiver. The regulatory Agency herself need to be Audited from time to time to ascertain level of implementation. Nigerian Owned and Registered vessel with similar capacity and Specification are giving priority to execute contracts rather than the foreign dependence.

### 6.3 Challenges of Findings

Some of the challenges associated with the implementation of Cabotage Act 2003 as identified by the interviewed are as follows

- i. There is no adequate enforcement of the Act because Nigeria lacked capacity to enforced the law.
- ii. **The problem of waiver:** The issue of waiver has distorted the essence of cabotage which is to reserve domestic shipping to the indigenes, but by issuing waiver to the foreigners has paved a way for the foreigner to still be competing with Nigerians.
- iii. **Cabotage lacked the infrastructure to implement the cabotage Act.**  
In this case, cabotage lack the capacity, both in human and infrastructure to implement cabotage Act because they lack experience seafarers even many youths have been trained as seafarers, and the patrol boat for proper enforcement is not available. Nigeria has patrol boats to enforce deep blue sea project but no vessel to enforce cabotage Act for proper implementation.
- iv. **The problem of not disbursing the CVFF for acquiring vessel.** The issue of not disbursing the Cabotage Vessel Financing Fund has been identified to be a very big challenge, the essence of CVFF is to assist indigenous operator in acquiring ship but since 2004 till date CVFF fund is yet to be disbursed to the

operators, that is why they cannot buy ships that compete favourably with their foreign counterparts.

- v. **Lack of Patronage**, there is lack of trust by the shipping companies or operator in regards to dry docking their ships in Nigerian. They prefer to take the vessel to a nearby countries or abroad such as European, Asia, America and so on to dry dock their vessels instead of drying ducking in Nigeria that is why NIMASA recently acquired floating duck to help to easy that problem.

#### 6.4 Summary of findings

The execution of Nigeria's cabotage regulation has several problems, however recent progress has been made with a new compliance strategy.

Following NIMASA's 2017 release of the new cabotage compliance plan for successful coastal and inland shipping, waiver applications for certain officers on board cabotage vessels were no longer considered (Alayaki, 2019). Some interviewees agreed that at the start of 2008, multinational oil corporations operating in Nigeria were told that any vessel with a foreigner on board should have a succession plan for a Nigerian to take over under the veteran foreigner's command and direction.

In order to strategically handle the issue of the cabotage act's relaxation of the manning requirement, this directive was issued. In order to strategically handle the issue of the cabotage act's relaxation of the manning requirement, this directive was issued. However, as a result, the percentage of Nigerians aboard cabotage ships quickly increased. According to (Nigeria's Maritime Industry Forecast, 2019), the number of vessels flying the Nigerian flag has increased significantly, nearly doubling in size from 262 in 2015 with a total tonnage of just over 232,000 metric tonnes to 370 in 2016 with a total tonnage of close to 420,000 metric tonnes. The total tonnage of vessels registered in 2017 was 415,638. A major reduction in foreign domination has been achieved through the implementation of the 2003 Cabotage Act and the

installation of computerised software for vessel monitoring compliance and investigations.

In domestic trade, Nigerian-owned and -registered boats with comparable capacities and specifications are given preference over foreign dependence when it comes to contract execution.

## 6.5 Recommendations

Following the Finding made in this study, the following recommendation are hereby proffered:

- i. There is need for government through public private partnership arrangement to revamp and establish standard shipyard in all the port location of Nigeria. This will agreeably remedy the challenge of having 97% of vessels operating cabotage trade in Nigeria being foreign built thereby given rise to increase in revenue generation, capital inflow and fleet expansion.
- ii. There is also a need for the government to introduce a custom duty free system to ship building companies on imported ship building materials; this will reduce the cost of indigenous ship building.
- iii. There is need for regular inspection of shipyards by NIMASA to ensure compliance to required standard of operation.
- iv. NIMASA should ensure that revenue collected for CVFF is properly utilized to achieve the purpose of its generation which is for indigenous fleet expansion. This measure in addition to increasing the number of Nigerian wholly owned vessels registered in special register for cabotage ship registration and of course in the Nigeria ship registry.
- v. The provision of the Cabotage Act, 2003 on waivers according to part III, section 9-14 should be strictly adhered to by NIMASA. This will check the level of foreign participation in the Nigeria Cabotage trade.

- vi. Cabotage law that has been reviewed and sent to National Assembly for approval should include the aspect of ship building to accommodate the current Nigeria position in ship as it is obvious that Nigeria does not presently have the capacity to build vessel
- vii. NIMASA should create adequate awareness in other to sensitize the stakeholders on what cabotage is all about because at the course of my interview I noticed that some stakeholders do not even what cabotage is all about.
- viii. Since finances have been a key issue, the different implementing Agencies should be adequately financed and outfitted to enforce the Act. A marine bank should be established with the purpose of funding local shipowners and other participants in the maritime sector.
- ix. Before issuing a waiver, the Minister is advised to speak with ISAN which is in the best position to know whether a suitable ship owned by one of its members is available for the activity or service. ISAN is the Indigenous Ship-owners Association of Nigeria. Alternately, the Minister should get from ISAN the specifics of the ships owned by Nigerians and utilise those details in conjunction with ISAN before evaluating whether or not exemptions should be given.
- x. NIMASA and the indigenous Ship Owners Association of Nigeria (ISAN) should work to ensure only genuine ship owners and operators acquire these loans, not briefcase-carrying ones.

## 6.6 Conclusion

The implementation of the cabotage legislation had been beneficial in that it had aided in the growth of regional shipping companies and enhanced the employment of Nigerian seafarers. One of the challenges that local marine firms still face is their inability to access the cabotage Vessel Funding Fund (CVFF) and other financing options that would help them expand their operations.

It was also noted that the Cabotage Act's tenet that "vessels must be built in Nigeria" is one of its cornerstones. Given that Nigeria's shipbuilding sector lacks the capacity to meet the cabotage trade market's demands, this goal appears improbable and impossible. Additionally, the implementation of the cabotage act was effective in increasing the number of Nigerian crew members, but the working conditions and welfare of Nigerian seafarers aboard cabotage vessels have declined.

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## Appendices

### INTERVIEW QUESTIONS

#### SECTION 1

- 1) What is your name?
- 2) Which institution do you represent?
- 3) For how long have you been in the institution?

#### SECTION 2

- 1) What is the level of implementation of the Cabotage Act 2003 in Nigeria?
- 2) Are you aware of the Cabotage Vessel Financing Fund (CVFF)? (if yes please explain), To what extent has its objective been achieved, for the benefit of the stakeholders?
- 3) Shipbuilding may be considered one of the pillars of the Cabotage regime in Nigeria. Do you think there are enough shipbuilding and ship-repairing yards in Nigeria?
- 4) Do you think there are enough jobs for the seafarers in the Cabotage sector?
- 5) What do you think can be done to improve the working standards of seafarers?
- 6) What are the comparisons between the Cabotage regime in Nigeria and other Maritime Nations of the world?
- 7) How many vessels are registered in the Special Cabotage register from the Ship Registry of Nigeria?

#### Definition of Terms

**Cabotage Act:** Act to restrict the use of foreign vessels in domestic coastal trade to promote. The development of indigenous tonnage and the establishment of a Cabotage Vessel Financing Fund (CVFF) and for related matters, enacted by the National Assembly of the Federal Republic of Nigeria.

**Cabotage:** A term used in maritime, aviation, and ground transportation law. It simply means coastal trade or navigation along a coast. It dictates how carriers are allowed to transport people and goods from a point of origin to a destination and promotes domestic trade.

**Cargo:** Goods carried in or on a vessel whether or not of commercial value and include livestock.

**Mid-Stream:** This is the operation of loading and unloading cargo containers at the container ship while at the sea, with barges or dumb steel lighters performing the transfer, distribution, or landing of containers to piers nearby.

**Seaport:** A seaport is a geographical nodal point along a given shoreline where the mode of transportation changes from land to sea or water, or vice versa and involves