

# Private sector participation in maritime industry

[Business](#), [Industries](#)



CHAPTER ONE INTRODUCTION 1. Background of the Study Today's highly fierce and dynamic global economy requires nations of the world to thoroughly harness their human and natural resources so as to remain competitive within the scheme of things. The proper identification of available resources (both human and material), exploration, efficient utilization and proper maximization of such resources through competent modes are critical success factors in the quest for relevance in the new millennium.

Beside human population which readily provides seemingly cheap labour for effective productivity in a given space and time, other factors of production such as capital and land (water and coaster resources inclusive) represent veritable platforms for achieving national growth and socio-economic development. Nigeria, with an estimated population of over 140 million (NPC, 2000) and no doubt the most populous country in Africa, occupies a strategic location within the West and Central African sub-region.

The country has a coastline of over 850km and four major port zones of Lagos, Port Harcourt, Calabar and Warri (NIMASA, 2008). This vantage position enables her easy access to the neighboring countries hence goods meant for other ports of the sub-region are being transshipped from Nigerian major seaports. Also, a larger part of goods meant for Nigeria's land locked neighbors are being freighted through Nigerian seaports. Even historically, Nigerian coastal and riverine communities were engaged in shipping and fishing using dugout canoes.

They were quite versed in the art of shipping to the extent that regattas and other traditional maritime rituals were developed. The importance of the maritime industry to Nigerian's socio-economic wellbeing cannot be overemphasized as cargo throughput to and from Nigeria accounts for more than 65% of the total volume of cargo generated by the entire West African Sub-Region. The sector remains critical to the realization of the projections of the oil and gas sector, which accounted for 40 percent of the GDP, 90 percent of export as well as 80 percent of total government revenue in 2008 (Dosunmu, 2009).

The industry is projected to provide well over 10, 000 jobs for Nigerian on yearly basis including seafarers, terminal managers etc. Though Nigeria is richly endowed with great petroleum and maritime resources, the country has over the years not been able to tap these great potentials to the benefit of the people of the country. According to Abulsallam (2004), with an average daily crude oil production estimated at two million barrels per day at an average freight rate of \$2. per barrel per day, Nigeria generates in excess of \$5 million per day, most of which go to foreign operators and therefore spent outside the nation's economy. Experience has further shown that over the years, before an investment decision is made, the prospective investor considers the regime of laws and efficiency of the courts in terms of resolving disputes, safety of such investments, return on investment, which is quite high and the availability of infrastructure. The rating by the International Maritime Bureau (IMB) of Nigeria as a high risk area in terms of pirate attacks does not engender investment inflow.

At the dawn the new democratic dispensation in 1999, the Government hosted the Port Restructuring and Concessioneering Team from the World Bank and started championing port reforms. Before this time, the Nigerian Ports Authority regulates all major ports in Nigeria, including the Apapa Port. The privatization of the agency and subsequent concessioneering of the ports to private sector organizations willing to develop and manage their own ports and those wishing to contribute to the up-grading and standardization of existing equipment and facilities at the ports and the country's extensive onshore and off-shore terminals and jetties.

This approach became necessary in order to reposition the entire maritime industry to contribute to national economy and well-being through efficient management of port operations, optimal allocation and use of resources, diversification of revenue sources, and maintaining adequate returns on investments. Thus, foreign and local private companies took advantage of the ample opportunities in the nation's maritime industry and concessioneering of the ports including the Port of Apapa that contains an important container terminal owned and operated by the Nigerian Government until sold to a Danish firm, AP Moller-Maersk Group in 2005. APM Terminals commenced operations in Nigeria in March, 2006 at Nigeria's largest port located in Apapa. APM Terminals has been a major part of the development of the container shipping industry. APM Terminals is one of the largest container terminal operators in the world. Its diverse portfolio includes substantial interests in more than 40 ports around the globe. Originating as Maersk Line's terminal operating arm, APM Terminals was established as an

independent division within the A. P. Moller-Maersk Group in 2001, moving its corporate offices from Copenhagen to The Hague in 2004.

The Port of Apapa is the port for the City of Lagos in the Rivers Province of Nigeria and is located west of Lagos Island across the harbor from the city. The Port of Apapa Quay is the primary outlet for the country's exports. The Port of Apapa is the country's biggest port, handling a wide range of commodities. Apapa port contains facilities specialized in handling wheat, oil, cement, fish, dry cargo, and containers. The Port of Apapa Container Terminal covers 44 hectares and can handle up to 22 thousand TEUs of containerized cargo.

With six berths alongside depth of 10.5 meters and total quay length of 950 meters, the Port of Apapa Container Terminal also contains 6.4 thousand square meters of covered storage. The container yard has capacity for 19.5 thousand TEUs, and it contains 298 reefer plugs. And in line with the objectives of the privatization and port reforms, this study thus aptly evaluates the operational impact of APM Terminal on activities at Apapa Port, Lagos and by extension, the nation's maritime Industry.

### 1. 2Statement of Problems

That the country is a major player in the sub-Saharan African economy remains undisputed fact as the nation accounts for more than 60 percent of total seaborne traffic in volume and value for the entire West African sub-region. This development makes the Nigerian maritime sector exact significant impact on the entire sub-region. Through the port operations - a sub-sector of the industry - the Nigerian economy is a paramount gateway to

the global markets. However, the Nigerian maritime industry for upward of three decades depicts a dichotomy of disastrous downturn and development.

The failure of the industry in attracting the required local and foreign investment inflow that is proportionate to its contribution both to the Nigerian and West African economies despite its great potential and enormous investment opportunities remain a sorry case. To upturn this trend, government decided to technically hands off the direct management of the ports and resorted to port reforms which saw the coming on stream of private terminal operators to facilitate efficient cargo handling and release, reduction in cost of operation as well as increment in cargo tonnage.

Today, government concessioning programme of the ports that allowed for private sector participation in the management of the ports is under serious scrutiny in terms of the operational efficiency, revenue generation, capacity development and participation in international maritime operations. With this concern, will the country's goal of becoming one of the twenty virile economies in the world as articulated in Vision20: 2020 a reality in view of the dwindling fortune of the maritime industry which is supposed to leapfrog the nation into the league of wealthiest nations going by its vast potentials.

### 1. 3 Aim and Objectives of the Study

The aim of this dissertation is to undertake a thorough assessment of the contributions of the private sector participation in the nation's maritime industry adjudged the second largest revenue earner after the petroleum industry. With special focus on the operational activities of APM Terminal Limited on the efficiency and productivity of Apapa Port, Lagos, this study

intends to achieve the following objectives: ? Provide an overview of the Nigerian maritime potentials and resources vis-a-vis the challenges that have over the years militated against the industry from achieving its full potentials for economic growth. Determine various strategies and approaches taken by the government and other relevant stakeholders in fully harnessing the nation's maritime potentials and industry with emphasis on the ports. ? Identify private sector companies involved in ports management and assess their operational performances on the nation's maritime industry with emphasis on port efficiency, employment generation, contribution to national treasury, national security/safety and integration into the global market. 1. Scope of the Study (Delimitation) In view of the vastness of the maritime industry which obviously has many sub-sectors in any economy within a particular geographical space, this study will be limited to port operations in Nigeria with special focus on the activities of APMT APAPA LTD at Apapa Port, Lagos. This will be considered in line with the federal government concessioning programmes embarked upon in 2004 when the government technically transferred the management of the nation's ports to private companies.

It is instructive to note that the need to have holistic and thorough assessment of the research study for better generalization of research findings and implementation of recommendations informed this delimitation. The choice of APMT and Apapa Port are both strategic and well informed. The seeming and self-acclaimed business profile of APMT in the management of ports across global boundaries as garnered over the years will be the subject of evaluation with respect to its operations in Nigeria.

Also, Apapa Port remains the biggest port in the country and unarguably wedging enormous maritime activities in the West Africa Coast. Hence any critical evaluation at determining its operational efficiency will serve as baseline for other ports in the country. 1. 5Significance of the Study Public shelves and school libraries are obviously lined up with books, journals and research thesis describing various issues in the Nigerian maritime industry and port management in broader and specific contexts.

But very few access the operational performance and overall contributions of private sector involvement in the local maritime industry with special focus on emerging business environments such as Nigeria. Given the significance and contribution of the shipping sector to the viability and competitiveness of the nation's economy within the global marketplace, it is surprising however, how little attention has been paid to the assessment of the operational performance of private companies saddled with the responsibility of managing the Nigeria ports. This study is thus highly relevant in that it will dissect the managerial dispositions of APM Terminal - operator of the nation's largest port in terms of port productivity, contribution to national treasury, employment creation and the overall efficiency of government concessioning programmes/port reforms.

In comprehensible and unambiguous terms, necessary precautionary measures and/or approaches to checkmate the ugly consequences of APMT managerial capability on the operational efficiency of the Apapa port and the entire maritime industry will be outlined. Thus, this study will benefit the management of APMT as they would be better informed on the strategies



needed to manage a viable organization in the fierce business environment and innovative global marketplace as this would go a long way in enhancing public confidence in the company, government policy and the industry.

Government, policymakers and regulatory bodies will also benefit from this study as necessary frameworks on sustainable development of the maritime industry will be articulated for proper implementation and monitoring to checkmate industrial collapse. The field of academia can leverage on the information contained in this write up to avail itself of the useful information and spur further study and research endeavors in the topic area. 1. 6

### Research Questions

To have holistic view of this study, the following research questions are put forward to guide study: Q1: What are the remote and immediate factors responsible for the advocacy and eventual involvement of private sector participation in the Nigeria Maritime Industry? Q2: How has the existing regulatory frameworks and existing infrastructure impacted on the operational efficiency and performances of the private sector organizations in the Nigerian's business environment, especially the maritime sector of the economy?

Q3: Since its practical engagement, has the private sector, especially, operators of Apapa Port Terminal justify its involvement in the nation's maritime industry in terms of revenue generation, employment creation, capacity development and overall competitiveness of the local economy in the world global marketplace? Q4: Using the performance of APMT, can it be inferred that the involvement of the private sector in the running of the

nation's maritime sector and overall management of the country's vast human and capital resources a veritable model and platform towards the quest of achieving Vision2020: 20? . 7Research Hypothesis The following hypothetical constructs are tested and validated: H1: Federal government initiative at engaging the private sector companies in the management of the country's ports has positive impact on revenue generation for socio-economic development. H2: Private sector participation in the maritime industry has positively enhanced human capacity and infrastructural development of the nation's ports and the entire maritime industry.

H3: The involvement of private sector in the management of the county's ports and associated sector has boost employment creation with attendant positive impact on the livelihood of an average Nigerian. 1. 8Research Methodology The method adopted is random sampling technique which is a probabilistic sampling method and is believed to be adequate in carrying out this study. During the course of the study, data were collected and categorized as Primary data and Secondary data.

Primary data comprised of freshly generated information through administration of structured questionnaires to the respondents who expressed their opinions in a free manner within the framework of the research aim, objectives and questions. Where possible, interviews were conducted using midgets/camcorders to record sessions and personal observation. Secondary (historic) data were generated through published and unpublished works and these included relevant textbooks,

academic journals, thesis, relevant term papers, seminar presentation and web-based publications.

Historic data covered from 1999-2010 and 5-year forecasts to end-2013 for key industry and macroeconomic indicators, supported by analysis including: major port freight throughput (tonnes/teu); overall freight throughput (teu); Freight value (US\$bn); Contribution to GDP (%); Sector employment ('000); Nominal GDP (US\$bn); Real GDP growth (%); Total imports (US\$bn) and exports (US\$bn); real import and export growth (%); Current account (US\$bn).

1. 9Definitions of Terms Maritime Industry: | The aggregate of businesses, investments, goods and services, regulators, academia, professionals of | | | varying degrees and social status involved in the formal and informal operations and programmes | | | derivable from the sea and associated (physical) water bodies and resources including shipping, | | | coastal trade, marine transport, fishery and other sundry activities. | Port Reforms: | The changing institutional structure of the port business that allows for much greater involvement of | | | the private sector in the exploitation and financing of port facilities, terminals and/or services | | | (Sarumi, 2006). | | Concessioning: | A business practice that allows for the strategic transfer of operational and investment costs from | | | the concessioner (government) to the concessionaire (private sector). | Private Sector: | A segment of the (local) economy that is largely operated, managed and controlled by individuals | | |(entrepreneurs) and/or group of individuals (corporate bodies) undertaking production and/or business | | | transaction with the prime purpose of making profits. | CHAPTER TWO LITERATURE REVIEW 1. Overview of the World Shipping Industry and Maritime Sector The <https://assignbuster.com/private-sector-participation-in-maritime-industry/>

shipping industry is a truly global community. It is intrinsically international; indeed it was the very first global industry.

The world shipping industry is transporting 90% of the world's trade. Most ships move from country to country as part of their normal trading pattern. The safety record of shipping is the envy of shore-based transport sectors, and shipping is the most environmentally friendly form of transport. The 50,000 ships that make up the international trading fleet are technically sophisticated, high value assets. The cost of a new ship can easily exceed US \$100 million. Merchant ships generate an estimated annual income of over US \$200 billion in freight rates within the global economy.

It goes therefore to say that, the harnessing of available maritime resources and facilities such as the sea and ports remain the lifeblood of any country – and indeed of any continent. The importance, for example, of maritime trade to the economies of African states and its potential contribution to economic development through the potential for employment opportunities, can be demonstrated by the simple statistic that almost 91 per cent of continental trade by volume went by sea in 2008 (TBF, 2010).

Of the fifty-four countries of Africa, thirty-nine are either littoral states or islands; therefore it is confidently expected that the continent is acutely aware of the impact of the maritime domain. After Asia, Africa is the second largest landmass on earth; it is also the largest island on the planet, with the Suez Canal separating Africa from the Middle East. In excess of 90 per cent of Africa's imports go through ports before being forwarded to their final destinations via air, road and rail networks. Apart from being the provider of

trade routes, the sea provides food, commodities, income from tourism and even moderates the climate.

Africa's fisheries play vital roles in trade, economic development and food security across the continent. Nor is Africa's sustainable development and security purely dependent on the continent's maritime waterways; inland waterways - lakes, dams and rivers - are equally important in providing for the livelihood of the continent's 700 million-plus people. Protecting Africa's water resources, waterborne trade and citizenry is vital, but it is clear that limited resources and perhaps a lack of recognition of the importance of this sector, have constrained the continent's ability to effectively protect its waterways from a variety of threats.

The cost of meeting the required responsibilities is the reason most regularly used to argue against doing what needs to be done. Any investment, however small, can be justified if compared to the cost of resource losses that Africa is experiencing; when the cost of reversing the continuous damage inflicted on the marine environment is determined, and the challenge of providing alternative food resources for those who depend on their food from the sea and inland waters is considered. Once these resources are protected and exploited in a sustainable manner, downstream savings will justify any upstream investment (TBF, 2010).

By geographical location and size of the market, Nigeria - formally established under British colonial rule which lasted from 1861 to 1960 - is a natural hub of the West and Central African sub-region and the second largest economy in Africa. Twice the size of California with a population

equal to that of Russia, where one in five Africans is a Nigeria (NPC, 2006), possessing the second largest Gross Domestic Product (GDP) of over \$0 billion in sub Saharan Africa and touted as one of the world's fastest growing economies, Nigeria offers a stark dichotomy of wealth and poverty.

Nigeria is the one of the largest oil producers in the world, with 32 billion barrels of oil reserves (sufficient for 37 years) and gas reserves that is expected to last 110 years at current rates of usage. Nigeria's oil and gas combined, according to United Kingdom Government Development Magazine, is worth about 50 cents (about N65) per person a day. Suffice to note that the maritime sector of any economy is the orbit around which the country's wellbeing revolves. Even land locked countries cannot progress too far in their developmental programmes without collaborative understanding with countries having seaport access.

Latest estimates posit that Nigeria accounts for about 65% of the sub-region's maritime trade (NSC, 2010). The country is blessed with vast coastline of about 850 kilometers and an Exclusive Economic Zone (EEZ) of well over 300, 000 square kilometers with a navigable inland waterways of 3, 000 kilometers; eight (8) major seaports; 11 oil terminals; and over 170 private jetties as well as four (4) Inland Container Depots (ICDs) including two (2) Inland Freight Stations (IFS). A larger part of goods meant for the country's land locked neighbours are being freighted through Nigerian seaports.

The foregoing potentials have opened up various professional, commercial and investment opportunities for the citizenry and foreigners as well.

Unfortunately, Nigerian maritime industry contributes a meager 0. 05 per

cent of the nation's GDP, whereas countries like Greece enjoys a significant contribution of about 4.5 per cent to their economy from their respective maritime sectors, employing 4 per cent of the workforce. Notable, the maritime industry contribute about ? 5 billion to the UK's GDP, providing 40,000 direct employments with a little less than one per cent contribution to that country's GDP.

It is now generally recognised that the maritime sector could, if properly harnessed, play a critical role in the development of regional, national and global economies. This is in view of the growth-pole potentials of ports and ancillary industries (Hanappe and Savy, 1980). Thus, there is a desire for 'good order at sea'; this 'good order', which requires the creation of collaborative maritime architecture, would allow the conduct of free trade, i. e. in a safe and secure environment. It will require the enforcement of maritime legislation to remove those factors that would negatively affect the free flow of goods.

Maritime legislation would, in turn, strengthen the maritime institutions which are crucial for a maritime strategy. The combination of strengthened and coherent legislation and institutions would better regulate the maritime industry; it would enhance the policing of, and prosecution for, illegal acts, e. g. piracy, and the dumping of waste materials; pollution will be policed; smuggling and illicit trade could be countered; transnational or cross-border crime would be better monitored and reduced; and the safe navigation of shipping guaranteed.

In the past, governments have intervened, often massively, in the maritime sector to fulfill different goals such as economic development, national defense, prestige, balance of payments, and the protection of the national industry. To reach those goals, governments relied on methods such as regulations, subsidies, national fleets, preference of cargo and ports of entry. Cabotage regulations have been one of the privileged measures to protect the national maritime transportation industry.

## 2. Maritime Development and Port Administration in Nigeria

Maritime economies and societies are closely associated with the sea. In this connection, the length and nature of a nation's coastline, the magnitude of its mercantile marine and port-related industries, the level of development of internal communications and the political and economic framework in which these developments take place determine to a large extent the growth and development of its maritime sector. But truly speaking, the challenges facing shipping and the world's ports today are not only related to the quantity but also the quality of services.

The continuous progress of globalization of shipping and trade business is resulting in increasing pressures on ports cost and improve operational efficiency. Seaports constitute the hub of the maritime sector of a nation's economy. For one thing, they are generally regarded as gateways between their hinterlands and forelands—the overseas territories to which they are linked by commerce and other elements. They thus serve as conduits in the exchange of merchandise between opposite ends of the intervening oceans.



Moreover, without them, shipping and shipbuilding cannot exist and it is the capacity of a port that determines the volume and regularity of its shipping. The development of the maritime sector and, indeed, of the wider economy, reflects the degree of the harnessing together of technological, political, economic, physical and other factors. However, what can hardly be controverted is that human agency can reverse or ameliorate the natural disadvantages of a port or initiate developments in its hinterland or foreland to the advantage or disadvantage of the port (Olukoju, 1996).

This is most clearly manifest in the formulation and implementation of policies which achieve port (re)development and foster shipping and industrial growth. Government is more suited to this sort of intervention because it has the capital that such large-scale works entail and it also has the capacity to absorb the impact of the long gestation of such low-return investments. It is capable of formulating policies reversing the natural disadvantages suffered by certain ports and regions.

The beginning of modern port development in Nigeria may be traced to the British occupation of Lagos, a notorious centre of the trans-Atlantic slave trade, in 1861, and the subsequent colonisation of the Nigerian hinterland. Lagos and Port Harcourt eventually emerged as the leading ports following extensive and expensive harbour works. At Lagos, the most extensive works carried out during the colonial period (1861-1960) took place before the Second World War, while Port Harcourt was created from scratch in the immediate aftermath of the First World War (Olukoju, 1996).

Port development policy oscillated during this period from concentration to diffusion (Ogundana 1970, 1972). The former refers to a policy of concentrating investment in, and developing, a few ports, at the expense of the rest while the latter involved developing a multiplicity of seaport outlets. Such contraction and expansion reflected the prevailing global and local economic conditions which dictated the demand for shipping and port facilities. In terms of the administration of Nigerian ports, policy was characterised, up to the mid-1950s, by a combination of duality of control and multiplicity of authorities.

First, the duality of control meant that private interests such as the United African Company and the foreign shipping lines, specifically, Elder Dempster Shipping Line, controlled certain activities such as lighterage and controlled certain ports such as Burutu (Olukoju, 2002). Second, there was a multiplicity of authorities in the ports, especially the major ones like Lagos and Port Harcourt. Among these were the Railways, Customs, Port Engineering and Marine, each handling specific aspects of port operations, such as tariff collection, transport, pilotage and harbour works.

These government departments were embroiled in an acrimonious inter-departmental rivalry which impeded the effective coordination of services and port operations (Olukoju, 1992). The management of the crisis entailed a series of investigations and administrative reorganisation but it was not until the Nigerian Ports Authority was established in the mid-1950s that a semblance of order was established. Paradoxically, maritime administration in Nigeria has since degenerated into a jungle of competing authorities

hindering and meddling with the efficient operation and administration of the ports.

By virtue of the Ports Act 1954 (Cap 55) of the Laws of the Federation of Nigeria, the Nigerian Ports Authority was established as the sole authority in control of Nigeria's ports in place of eight government departments. The NPA came into being with jurisdiction over the operation of cargo-handling; maintenance, improvement and regulation of harbours and approaches; dredging, pilotage services, lighting and navigational aids, and related services. The NPA embarked on indigenisation ('Nigerianisation') of its staff and the construction of a wharf extension at Apapa and harbour works at Port Harcourt.

Yet, within a decade, its activities had come under the scrutiny of a commission of inquiry. The Justice Beckley Tribunal found out that the NPA had engaged in redundancy and jobbery in its appointments, and its operations had been bedevilled by ethnicity, corruption and inefficiency. The civil war caused the enforced contraction of Nigerian maritime operations following the closure of eastern Nigerian ports such as Port Harcourt and Lagos became the only functional seaport. In 1969, the military government formally placed the ports of Warri, Burutu and Calabar, hitherto under private control, under the control of the NPA.

The civil war was followed by the requirements of reconstruction and the oil boom in the aftermath of the Arab-Israeli war of 1973. Massive imports engendered by these developments resulted in unprecedented port congestion, characterised by the infamous cement armada whereby ships

carrying cement stayed outside the ports in a long queue of vessels waiting to berth and offload their cargo. The country incurred huge losses in demurrage and damaged cargo, in addition to the unscrupulous dealings of some Nigerians and foreigners.

The government then embarked on massive port development not only to cope with that exigency but in anticipation of increasing demand. But the slump of the 1980s forestalled the latter and left the country with under-utilised facilities. Meanwhile, port administration was undergoing certain changes which worked against efficiency and motivation of staff. First, the appointment of a military Port Commandant in the face of the port congestion of the 1970s eroded the influence and efficiency of the NPA Board, and breached the norms of due process and accountability.

Second, the public sector reforms of the 1970s dampened the morale of NPA staff, who were now made to work under civil service conditions of service, especially pay. Third, certain powers of the NPA were transferred to the Minister of Transport, who became the supervisory authority for the Authority. The consequence of these developments was that the NPA ' moved from an autonomous status to that of a department of the Federal Ministry of Transport with its centralised control, no user representation advisory board and all the trappings of civil service bureaucracy (Ovbude, 1991).

A related policy thrust was the ' commercialisation' of port administration in Nigeria in the late 1980s. By Decree 25 of 1988, the NPA was listed among thirty-five state-owned enterprises slated for commercialisation. Ninety-two

others were to be privatised. The aim was to make the NPA make profits on its operations. Such a policy implied that the government would give the operators a free hand not only in day-to-day administration but in the setting of port charges and the collection of revenue.

Unfortunately, the professed aim was never achieved, although the NPA (then renamed Ports PLC) was finally weaned off its dependence on state subventions as it succeeded in earning enough and making profits from its services to shipping and other port-users. However, the government never gave its officials a free hand at least to the extent of appointing the Authority's Board of Directors and interfering in other ways. In all, port development in Nigeria has had a measurable impact on city and regional development though the extent varies with each port.

To be sure, the export processing zone developed around Calabar port in eastern Nigeria has yet to make the expected impact. A recurring factor in the decline of the port is that its natural hinterland is in the Republic of Cameroon. This has robbed it of a critical factor in its development, unlike the case at Lagos and Port Harcourt. That said, the most profound case of port-induced urban and regional development has been that of Lagos, which generated a huge population concentration in an adjoining metropolitan area that extends inland up to Ota, some forty-five kilometres to the north.

Major developments at Apapa have also fostered an industrial zone that has grown in depth since the 1960s. Industrial zones have also sprouted at Ilupeju, Yaba and Ikeja as the port exerts its direct and indirect impact on its immediate hinterland. By 1971, the Lagos metropolitan area was dotted with

six industrial estates. By 2000, functional estates included those at Apapa, Agidingbi, Amuwo Odofin, Gbagada, Iganmu, Ijora, Ikeja CBD, Ilupeju, Kirikiri, Matori, Ogba, Oregun, Oshodi/Isolo/Illasamaja and Surulere (Light Industrial) (Akintola-Arikawe, 1987). The industrial estates at Ikeja and Mushin had owed their existence to the industrial policies of the Western Region government since the late 1950s but others too had developed since the 1970s. The extent of the impact of port development at Lagos may be judged by the rise and development of the Agbara and Ota-Ifo industrial estates in the ' metropolitan shadow' some twenty to forty kilometres away (Akintola-Arikawe, 1987). As well, the western railway linking Lagos with Ibadan and Kano, major urban, commercial and industrial centres, has also spread the impact of the port several hundred kilometres into the Nigerian hinterland.

The same process has been replicated, though on a smaller scale, at Port Harcourt, the terminus of the eastern railway. The port literally created the city following its development in the inter-war years (Anyanwu 1971; Olukoju 1996). There, as in Lagos, the port serves as an industrial and commercial hub, and its hinterland extends to the administrative and commercial centres on the railway, like Aba and Umuahia.

## 2. 3Port Reforms, Concessioning and Privatization in Nigeria

The growing trends in trade liberalization and global economic restructuring have led to initiative for private sector participation in the ports operations. Ports as a gateway to economies have become more competitive as port charges can hamper international trade if significant in product cost line. The

manufacturers now seek the least cost-input ratio worldwide where they can produce and assemble products at biggest advantages in terms of labour capacity and access to market. This explains why states world over are very particular in port productivity and efficiency as it directly affects import and export trade.

Succinctly put, globalization phenomenon has come with some which include the emergence of very large vessels with greater cost effectiveness, speed, improved cargo-handling technology and reduced unit freight cost. Also, emergency of international terminal operators with specialized technical efficiency in cargo handling; high mobility of factors of production; fluid movement of goods across international borders; off-shore manufacturing, and electronic business transactions are some of the value proposition for private-partnership model being championed and entrenched within the local maritime sector of emerging and even developed nations.

To play meaningful role in the global economy, nations have to aggregate the impacts of all these developments as they affect their links with international supply chain. It is with this understanding that the federal government of Nigeria, at the inception of the new democratic dispensation of the Olusegun Obasanjo led- administration between 1999 and 2003, inaugurated the National Council on Privatization (NCP) in demonstration of the commitment to institutional reforms. Government believes that there is a linkage between efficient functioning of utilities and propensity to attract foreign investment to the country.

In this respect, Nigerian Ports Authority (NPA) was identified and selected, as a prime candidate for an in-depth reform as contained in governments' privatization programme implemented by the Nigeria Council for Privatization (NCP) and its implementing agency, the Bureau of Public Enterprises (BPE) and concessioning is one of the reform options that are needed to make ports internationally competitive and to integrate the economy to the mainstream of world economic order.

Consequently, the concessioning of the port was an issue, which agitated the mind of workers and dominated several discussions. The Management, Officers and staff of NPA being conscious of their responsibilities and aware of the need for successful implementation of the ports reform initiatives of the Federal Government held a retreat at Calabar from 14th - 16th August, 2003. After widespread consensus-building and consultations with various stakeholders, government came up with the option of Concessioning and Landlord Port model as a tool for process of institutional reform.

Put succinctly, a Port Concession agreement is a contract in which a government transfers operating rights to private enterprise, which then engages in an activity contingent on government approval and subject to the terms of the contract. The Landlord port model in port sector reform is identified by a clear separation of the roles of public and private sector in two parts namely: Public sector is responsible for port planning and development, regulatory tasks related to safety, security and environment, owner of port land and nautical management.



Also the granting and administration of concessions for the use of land and infrastructure to the private sector, and Private sector is responsible for terminal operations including investment in the provision and maintenance of superstructure and equipment. Essentially, the term “ port reform” connotes the changing institutional structure of the port business and much greater involvement of the private sector in the exploitation and financing of port facilities, terminals and/or services (Sarumi, 2006).

Port reform therefore sets to re-define relationship between public and private sectors. More often than not, the concept of Privatization is often used interchangeably in error to port reform. It should be made clear at this juncture that privatization only refers to one aspect of port reform tools. Other spectrum of port reform tools include: Management Contract, Outsourcing and Concessioning etc.

The proponents of port reforms and concessioning programmes noted that the benefits accruable to the country include better and more efficient port management especially operations as handled by Terminal Operators; the application of private capital to socially and economically desirable projects, freeing up government funds for other priority projects; creation of new revenue streams for government; the attraction and use of foreign investment and technology, and increase in private sector participation in the regional or national economy.

The review of the major milestones in NPA concession programme revealed the following procedures, guidelines and timelines which included the Appointment of Concession Advisers, CPCS Transcom of Canada (3rd

December, 2003; Advertisement for Expression of Interest - EOIs (5th December, 2003); Evaluation of Expression of Interests carried out on 24th February to 3rd March, 2004; Request for Proposals (RFP) and other bidding documents sent to prequalified bidders; Pre-bid conference and commencement of Physical Due Diligence and Data - Room visit for Apapa Terminals (19th October, 2004); inauguration of Presidential Task Force on Port Reforms (1st December, 2004); Opening of Technical Bids for Apapa Terminals (26th January to 3rd February, 2005); Pre-bid conference for Port-Harcourt Terminal and commencement of Due Diligence and Data Room Visitation (7th February to 22nd February, 2005), and the Opening of Financial Bids for Apapa and selection of preferred bidders, 10th March, 2005. The primary objective of concession agreement is to transfer investment costs from the government to the private sector. It is further envisaged to inject private sector efficiency, independence and discipline into the loading and off - loading of ships at our terminals, while ports perform marine and technical oversight functions. The ultimate goal is to make the port system extremely efficient and cost effective.

These led to the invitation of bidders in December 2003 and 110 applications were received while 94 of the applicants were pre -qualified and issued bid documents. Most of the terminals were handed over in 2006 with NPA expectedly playing the following roles: port planning, licensing and control, port development, technical regulations, marine services and channel management. Within the context of concessioning is the role of Terminal Operator defined as port operations and services (carrying out terminal operations and marine services as agreed except pilotage), port labour

(employing and paying port labour, providing training, clothing, Medicare and social security, safety and pension) and investment and maintenance in superstructure and equipment.

The Terminal Operators are large independent companies with concessions from the Port Authority for a period sufficient to pay back the investments (at least 10 yrs). Terminal Operators are selected on the basis of transparent international bidders. The Terminal Operators pay a concession fee to the Port Authority based on the use of the land and infrastructure and the volume of operations. The Concessionaires are responsible for all terminal operations such as; stevedoring, shore handling etc. They maintain direct contacts with the shipping lines without interference from the Port Authority, but operate within the ambit of extant registration. They are equally responsible for the security, liability, insurance and safety in the concessioned area. TABLE 1: LIST OF TERMINAL OPERATORS S/N |

Company's Name (Operator) | Location | | 1 | APM Terminal Limited, | Apapa, Lagos | | 2 | ENL | Lagos | | 3 | Five Star | Lagos | | 4 | TICT | Lagos | | 5 | J/DAM | Lagos | | 6 | PTML | Lagos | | 7 | ABTL | Lagos | | 8 | P.

CARGO | Lagos | | 9 | GDNL | Lagos | | 10 | BOP | Lagos | | 11 | IBAFON | Lagos | | 12 | LISTER | Lagos | | 13 | F/W | Lagos | | 14 | CAPITAL | Lagos | | 15 | FATGBEM | Lagos | | 16 | RAJ | Lagos | | 17 | EKO SUP | Lagos | | 18 | NOJ | Lagos | | 19 | IJORA | Lagos | | 20 | EML | Lagos | | 21\*\* | Including 15 other companies operating outside Lagos namely Calabar, Port-Harcourt, Warri, Onne etc. | Source: NPA 2009 2. 4Performance Evaluation of Private Sector Participation in Maritime Industry However, ports do not exist for their own

sake or as mere conduits of trade, but are expected to exert a developmental impact especially on their hinterlands. To be sure, a port has several hinterlands stretching from the port itself to as far as transport links and competing outlets permit.

While the proximate hinterlands are likely to be captive to it, other areas may be contested by other ports depending on their differential access to transport facilities. Specifically, port and regional development has been pursued through 'developer ports', created in depressed regions as a catalyst of industrial and urban development (Olukoju, 2004). A critical issue that is germane to this study is the potential of ports as growth poles. Do ports really generate development in their immediate or remote hinterlands? If so, what accounts for this or under what conditions can this be achieved? If such condition(s) is/are known, how can the developmental impact be optimised? In any case, what criteria should be employed to measure the developmental impact of ports and how reliable are they?

With regard to the measurement of the economic impact of ports, the Canada Ports Corporation once developed a computerised Economic Impact Model, which supposedly 'measures the economic benefits of the freight handling activities of Canadian ports on the local, provincial and national economies and provides a realistic and defensible assessment of the economic contributions of the ports' (Tessier, 1991). This assertion was based on certain observable results. Canadian ports were reported to have generated jobs (direct and indirect), revenue, and personal income quantified in billions of dollars, which derived from port and related activities.

Barely four years and some months, perhaps to all believers' dismay of the port reforms and concessioning programmes, the ports are in chaos, throwing up a nightmarish pains, losses as well as rip-off that is crippling the national economy. Today, the concessionaires are in quandary as the raised issues of hope and prospects are nowhere near.

Congestion, high cost inefficiency and chaos are now the order of the day which constitutes a great setback. There is a heavy problem of discharge of container while cargo diversion to neighbouring ports in West Africa region has taken the shine off Nigerian ports, which its supposedly aim of being the hub for international trade and freight is yet to materialised. Investigation shows that many factors are responsible for the debacle which is most noticed in Lagos ports which account for over 65 per cent of total imports into Nigeria and others in the eastern part of the country especially the Onne base ports mostly under the management of Intels Nigeria Limited.

Apart from poor and ill-equipped cargo handling plants, the much desired quick release of cargoes at the private terminals is yet to be actualised dream to operators and port users, the problems are too much that Nigerians on the street have started questioning the rationale for concessioning or dashing of the ports to the private operators or monopolists. Since the year of independence in 1960, there has always been a tug-of-war between policy of pre-shipment inspection and that of destination. As at January 2006 and the time the concessionaires took over the management of port operations as private terminal operators destination inspection as a policy was re-introduced for the third time.

Following agitations and complaints by the freight forwarders about operational lapses, inefficiency and unfair business practices which grew to the point of an ultimatum of withdrawal of services at the ports, the Ministry of Transport was forced to set up a committee to address the grievances and operational challenges. The committee or task force was given six point terms of reference that include: to ascertain the inadequacies and availability of plant and equipment at the terminals, examine the clearing and port documentation process, identify and abrogate excessive/duplicated charges. Others are to ensure the suitability of the working environment; ensure the implementation of world best practices in the Nigerian ports and tackle any other issues that may arise in the course of the sub-committee assignment.

The committee in its interim report observed that there are many port operational constraints that exist in many facilities and at different levels. The issue of stacking pattern for containers was observed not to be done in accordance with internationally accepted standards for ease of operation. Putting APMT on the spotlight of performance evaluation, study shows that there are too many empty containers found to be stacked at the quay apron for more than eight (8) days and that the terminal operator have a weekly stacks of up to 4, 800teus and weekly evacuation of about 1800teus. This is wholly responsible for the long queue of trailers that caused traffic jams in Apapa and to the port entry point.

The on and off stories of congestion which have characterised the concessioned ports since inception are observed to be caused by the greed

of the concessionaires as it alleged that they make more money when cargoes are delayed in their terminals. According to the Manufacturers' Association of Nigeria (MAN), many Nigerian importers and manufacturers are closing shop in protest against the country's port system, as they cannot continue to import wares through the ports with debts overtaken their business, they therefore have sought relief, time and cost saving opportunities offered at the ports in the other west African countries of Benin Republic, Togo, Ghana and Cote d'Ivoire.

Study reveals that rather than saving \$2.5 billion from mere coming on stream of the port concession arrangements as well as experiencing an operating cost cut down of between \$65 million to \$80 million and port users saving some \$70 million to \$100 million yearly, Nigeria as at today lost quantifiable billions of dollar which translates to over N20 trillion (Chigbue Irene, 2010). Though the industry is projected to provide well over 10,000 jobs yearly with the capacity of employing 50,000 Nigerians (Omatseye, 2010), the promised job opportunities have turned to job doom as many importer and agents as well as dockworkers have lost their jobs and businesses as the case maybe.

These loads of problems as being experienced within the concessioned port sector hinged on lack of legal frameworks backing the port concession exercise which regrettably made the concessionaires to take advantage of implementing the illegality of exploiting importers. The era of port concessioning has further thrown security issues capable of threatening national defense and safety of lives (Abati, 2010). In the Apapa port, it has

been made clear that the arms cargo arrived at the port in July 2010. The frequency with which suspicious materials are now being reported along Nigerian routes and in many of the cities is frightening. Given Nigeria's weak national security infrastructure the situation could be worse and the evidence is writ large in spread of criminality and violence in the country and the seeming ineffectiveness of the concerned state agencies.

Granted that the administration has often tried to address the challenge but what is exposed in every instance is the absence of a well thought-out and managed national security framework, unfortunately, security is one of the original concerns of government, and where this fails, there are serious implications for national stability. CHAPTER THREE RESEARCH

METHODOLOGY 3. 1Introduction This section is directed at defining the research design, characteristics of the population, sample size and sampling techniques, sources of data, design and administration of questionnaires, techniques for data analysis, and limitation of the research methodology. The research method used in this study is as relevant as the research work because it forms the basis upon which the research is written.

This chapter goes together to describe the method used in the data collection and classification of questions for data analysis. 3. 2Re-Statement of Research Hypotheses For emphasis, and to have holistic view of the research's objectives vis-a-vis the methods and techniques used in analyzing acquired data, the research hypotheses earlier set are herewith restated: H1: Federal government initiative at engaging the private sector companies in the management of the country's ports has positive impact on revenue



generation for socio-economic development. H2: Private sector participation in the maritime industry has positively enhanced human capacity and infrastructural development of the nation's ports and the entire maritime industry.

H3: The involvement of private sector in the management of the county's ports and associated sector has boost employment creation with attendant positive impact on the livelihood of an average Nigerian.

3. 3Research Design The research design chosen for this study is the non-experimental (personal) survey and correlation design because the study focuses on the respondents' attitudes to the research problem while attempting to establish the degree of relationships between independent variable in this case maritime industry performance and the dependent variables operational efficiency of the terminal operators.

3. 4Population of Study and Sample Size The population for this research study comprises of various but carefully selected practitioners/operators in the industry.

The core practitioners include officials/staff (civil servants) working in various Ministries, Departments and Agencies/Parastatals (MDAs) of government overseeing and regulating the activities of the terminal operators and the ports in general. These include; NIMASA, Nigeria Port Authority, Nigeria Shippers' Council, Nigeria Custom Service and Nigeria Navy. Thereto, independent (private) sector operators such as freight forwarders, ship owning firms, legal practitioners (maritime lawyers), journalists, and importers/exported drawn from different associations and corporate organizations viz: Nigerian Association of Government Approved Freight

Forwarders (NAGAFF), Indigenous Shipowners Association of Nigeria (ISAN), the Nigerian Chamber of Shipping (NCS), Maritime Reporters Association of Nigeria (MARAN), Maritime Lawyers and Arbitrators of Nigeria (MLAN).

In view of the vastness of the population for this study, a sample size of 150 respondents consisting of people that were randomly selected from the above organizations/bodies was served questionnaires. Only 100 returned questionnaires were considered valid for use/analysis as fifty (50) were either badly filled or not returned. However, the size represented and the returned questionnaires represent fair percentage of the total population of the study to whom questionnaires were distributed for the purpose of data collection which could allow for better generalization of results after necessary analysis.

### 3.5 Sampling Techniques

The sampling technique used for this research work was random sampling for different respondents of the selected organizations/bodies in the study area.

This technique prevented any form of biases, and provided for fair and equal opportunity to all respondents identified for this research study to freely express their views of the foregoing subject matter. The survey research design was used to investigate the respondents' opinions on the research problem.

### 3.6 Sources of Data Collection

The information required for the successful execution of this project was obtained from two sources viz: primary and secondary sources. The primary sources included the use of structured questionnaires and oral interviews/personal observations as made by the researcher while secondary sources included data and information

collected from textbooks, journals, magazines, newspapers, white papers, the Internet and unpublished works. 3. 7Questionnaire Design

This research employed the use of structured questionnaire to gather primary data from respondents. The questionnaires consist of two (2) sections. Section A contained six (6) items which emphasized on the characteristics of the respondents (' bio-data' or ' personal profile'). Section B of the research instrument has twelve (12) items which were designed to provide answers to the questions raised in the study and to test the formulated hypotheses. And consistent with Hamilton (1997) and Patry et al. (1999), a 5-point Likert scale, was used to measure the extent to which each respondent agrees and/or disagrees with any statement as contained in the questionnaire.

The statements were concise and comprehensive enough to drive home the points of the research aim and objectives in simple and understandable language and also allowed for good responses from the respondents with the view of capturing the essence of the topic. 3. 8Standardization of Research Instrument The research instrument was tested for content validity to determine if it could measure what it was intended to test. In order to achieve this procedure, the questionnaire was reviewed by the an independent research outfit with bias in maritime policy development and operations, and other seasoned professionals in industry to assess technical terms, clarify ambiguous statement and comment on the obvious validity of each item.

The internal consistency of the items as contained in Section B of the questionnaire was tested for reliability using Cronbach Alpha method with other available functionalities of the SPSS software package. The overall result of the 12 items on the research instrument clearly shows that the designed questionnaire was valid for the conduct of this study as the reliability coefficient of 0.8636 was obtained which tends to 1.0.

**Questionnaire Administration** The questionnaires were distributed to all the respondents identified for this study in all the selected organizations who expectedly conveyed their opinions by providing fair and unbiased responses to the statement.

A total of 150 questionnaires were administered through personal efforts by hand delivery of hard copies and through the internet as attached file sent to the recipients/respondents' e-mail addresses followed by phone calls to confirm receipt of same. The cost of mailing was financially irrational as retrieving answered questionnaires may be difficult to achieve while the needed thoroughness in the analysis and presentation of data may be compromised and jeopardized. Of the total 150 questionnaires distributed, 124 were returned filled while 26 were not returned by the respondents. Upon careful examination of the returned questionnaires, only 100 were considered useful and adequate for thorough analysis as 24 were either badly filled as represented in the following graphical (pie chart) illustration.

[pic] 3.10 Techniques for Data Analysis

For the purpose of thorough analysis of the data collected for this study a conventional reliability rate of 95.0% with a sample error of 5.0% was

allowed using version 10.0 of the Statistical Package for Social Sciences (SPSS) program and Microsoft Excel in processing the data. Inferential statistical method was used to present data in Frequency Table and Simple Percentage. The use of chi-square ( $\chi^2$ ) was adopted to test formulated hypotheses.

### 3.11 Limitations of Research Methodology

The research of this scope cannot be carried out without facing one or two constraints. Time posed a serious challenge as research appointments in most cases coincided with academic lectures and work demands at office.

The seemingly reluctance of some respondents in filling the research instrument designed to collate data posed yet another challenge especially among top-ranking officers of NIMASA, NPA, Customs and APMT staff. Resource materials needed for necessary deskwork were not readily available. Handling the SPSS package posed yet a great challenge in terms of analyzing and interpreting the data as there was no firsthand experience of its usage. Financing this project in terms of logistics associated with this research work almost marred this academic pursuit. However, efforts were made to put these challenges under control through effective and prudent use of available, nay limited funds, thus the emergence of this work in its present form.

As regards the intellectual and theoretical arguments, critics have expressed doubts about the reliability and propriety of this kind of performance evaluation. Some contend that 'port impact' studies of this kind were designed by port authorities to justify or attract port investment. Others argue that it is misleading to attribute regional development to the ports,

which are 'only one element in a large number of producing and distributing systems' which generate economic changes in a given region (Goss, 1990). It may also be noted that accurate quantification of the regional impact of ports is difficult to achieve in the face of the diffusion (that is, of origins and destinations) of port traffic beyond the narrow confines of a region or nation (ibid: 216).

Whatever reservations that one may have about the reliability of the quantification of the social and economic impact of ports and their allied industries on the adjoining cities and regions, it is hardly debatable that port activities and shipping generate employment, and induce industrialisation and overall economic growth. The striking example of Maritime Industrial Developments Areas (MIDAs) in post-Second World War Europe aptly illustrates the immense growth-pole potentials of ports. Even so, it must be conceded that there is a symbiotic relationship between the port itself, on the one hand, and the port-city and port-induced industries, on the other. Economic boom or depression in either a port's forelands or hinterlands immediately affects the port and the silting of the port or the loss of its comparative advantage to rival ports would be reflected in the fortunes of its hinterlands, particularly those that are dependent on it. CHAPTER FOUR

#### DATA PRESENTATION, ANALYSIS AND INTERPRETATION 4. 1INTRODUCTION

This section is designed to present and analyze data used for this research study. With the aid of computer based application software packages - Statistical Package for Social Science (SPSS) version 10.0 and Microsoft Excel (2007), data generated through the administered research instrument

(questionnaire) were analyzed at the conventional 95% level of confidence.  
To further validat