



## CRITICAL ASSESSMENT OF NIGERIAN SEAPORTS AS POTENTIAL GROWTH-POLES: CHALLENGES AND PROSPECTS OF ACHIEVING TRANSSHIPMENT HUB STATUS

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### ABSTRACT

*The paper reviewed the numerous challenges bedeviling the port sector in Nigeria, which have combined to hinder it from emerging as growth pole despite the country's huge market of over 200 million, making her to handle over 65 per cent of maritime traffic in the West and Central African sub region. Poor management and inadequate regulatory framework have combined to rob the country's ports of the opportunity to become preferred destinations thereby leading to revenue loss. This is despite having gone through series of reforms to facilitate efficiency for the ultimate benefit of customers and improvement in revenue generation. The Apapa gridlock, the issues leading to the idleness of Eastern ports, and the security challenges in the maritime space, are among the challenges affecting Nigeria's potential as a transshipment hub. This paper summarizes the main challenges from literature review, media reports and port stakeholders. The paper found that recent measures like the Electronic Call-up system (Eto App), the Nigerian Port Process Manual and the Deep Blue Project are some recent policy initiatives that stakeholders hope would enhance the country's bid to attain transshipment hub in the sub region. The paper submits that the Government should enforce the regulations guiding port operations and provide functional maritime and inland transport infrastructure.*

**Keywords:** *Growth Pole, transshipment, hub, policy, idleness of Eastern ports challenges and prospects*

### INTRODUCTION

International trade, which is impossible without transportation, is playing an increasing significance in global economic integration. Thus, efficient transport is a key global trade facilitator, particularly maritime transport, since over 80% by volume of the international cargo is carried by maritime shipping. And this volume of cargoes must pass through seaports (UNCTAD, 2016).

Seaports increase in importance as more emphasis is placed on their efficiency as an aid to develop international trade (Branch, 1986). Thus, beyond being mere interface between land and water, a port is a source of national wealth, pride and concern (Palmers, 1999), equipped with terminal facilities that provide services to enhance both domestic and international trade. Ports are vital nodes in the world trade network and they operate as trade facilitators in the global economy. This is because ports handle over 80% by volume and over 70% by monetary value of exports and imports of goods (UNCTAD, 2016).

Ports play crucial role in global economy as they form connectivity between various modes of transport, provide infrastructure, facilities and cargo handling equipment in order to have the desired impact on the production and transportation processes (Chapapría, 2017).

As gateways between their hinterlands and forelands—the overseas territories to which they are connected by commerce and other elements, seaports are the hub of the maritime sector of a nation's economy (Olukoju, 2006). Nigerian seaports have since their establishment accounted for over 99.27% by volume and 95% by value of the total import and exports of the country's foreign trade Eleagu & Akonye (2018). This confirms the leading role of ports in the supply chain (Chapapría, 2017).

Seaports have been known to act as gateways to their individual hinterlands and their focus is on the issue of productivity and competitiveness as they are intricately connected to the logistics network and supply chain. As a growth pole, the port is experiencing a push for change. The two main engines that are driving these changes are: technological changes and globalization (Chapapría, 2017).

Prior to the port privatization in 2006, Nigerian seaports practiced tools port administration model in which the Nigerian Port Authority (NPA) retained regulatory functions and ownership of basic infrastructure, superstructure and heavy equipment (Eto, 2021). But the concession arrangement under the privatization exercise resulted in landlord model, which has brought about certain changes in which the role of the NPA is confined to that of a regulator and the owner/developer of basic infrastructure on behalf of the government. Yet the resultant changes are not far-reaching enough to unleash the full potential of the seaports that could lead to achieving transshipment hub.

Those who advocate for port privatization maintain that state or municipal ownership and management of port infrastructure invariably results in inadequate maintenance, waste, and the misallocation of costs, resources and price (Palmer, 1999). This was why the Federal Government of Nigeria had to embrace the landlord port administration model in 2006. However, much more is expected for a port to evolve into a growth pole which constitutes a springboard for the development of other industries.

## LITERATURE REVIEW AND CONCEPTUAL FRAMEWORK

### Seaports Development in Nigeria

The Nigerian Ports Authority, which commenced operation on 1<sup>st</sup> April, 1955, was established to provide infrastructure and support services to the seaports. NPA was created as a separate public corporation charged to carry out ports and harbour activities which were hitherto performed by government departments through the Port Act 1954, CAP 155 Laws of the Federation of Nigeria and Lagos (Eto, 2021).

Until the NPA was created, handling of the cargo at the quays in Port Harcourt was undertaken by the following governmental agencies:

- Marine Department was also responsible for maintenance of the harbour channel and the berthing of the vessels.
- Port Engineer in Public Works Department was to maintain the quays.
- The Nigerian Railways Department was entrusted in supervising handling of the cargo at the quays.

The nation's political independence in 1960 ushered in the nigerianization policy that made the Nigerian Ports Authority to embark on manpower development through Cadetship Training Awards. The core of Nigerian professionals who were to man the port industry were trained in Marine Engineering, Accountancy, General Management, Civil, Mechanical and Electrical Engineering. This was the period that the national objectives of the first National Development Plan (1962 –1968) influenced the approach that NPA adopted towards port development (Adelayo, 2007).

#### *Civil war era 1967 –1970*

The vital role of the port industry in Nigeria was amplified during this period. The closure of the Port Harcourt port to foreign traffic was to demonstrate the security implication of seaports to the nation. Lagos port was left to shoulder the burden of handling both import and export operations in the country.

Three private ports, namely Warri, Burutu and Calabar, which had previously been operated by Holts Transport, UAC and five other companies respectively, were acquired by the NPA through a Federal Military Government's enacted decree. These ports were designed to serve the needs of their former owners (Adelayo, 2007; Abiola, 2007).

By the time the war ended in 1970, heavy imports of reconstruction machinery (heavy structures for basic industries, construction materials and consumer goods) had inundated the Lagos Port. The Lagos port had relative infrastructural capacity constraints, and could not cope with the

staggering volume of war time cargoes and other goods coming into Nigeria. This was a defining moment in the history of the nation's port industry, operation and management (Eto, 2019).

#### 1970 – 1974

The Second National Development Plan–1970 –1974 had a major policy thrust of reconstructing and rehabilitating the ravaged national economy. A total sum of N4.1m was set aside for the rehabilitation of port structures and the procurement of necessary mechanical handling equipment. As a result of the push for timely completion, the Port Harcourt, Bonny, Calabar, Koko and Lagos ports were completed within the first two years of the plan (1970 –1972). The full bloom congestion that eventually resulted at the port was preceded by what was a steady and gradual build-up during the civil war, which made the initial post-war port development efforts to appear insignificant in the attempt to avert the inevitable full-scale port congestion that resulted (Adelayo, 2007).

The civil war resulted in massive reconstruction in the port sector following phenomenal international trade, arising from the oil boom in the aftermath of the Arab-Israeli war, which necessitated the expansion of port facilities, because demand led to extraordinary port congestion during the mid-1970s. The civil war led to the closure of the Eastern ports, which brought about a contraction of Nigerian maritime operations. This made the Lagos Port to be the only functional seaport, until 1969 when the military government formally placed the Ports of Warri, Burutu, and Calabar, which had hitherto been under private control, under the ownership and control of the NPA (Abiola, 2007).

The late 1980s witnessed a significant policy thrust in the history of port administration in Nigeria, and it resulted in the reform programme through the Decree No. 25 of 1988, which made the NPA to be listed among the other public enterprises slated for commercialization. Subsequently, in 1991, the Federal Government commercialized the NPA and renamed it Nigeria Ports Plc. This change in name did not last long because, suddenly, the name was reversed and it remains so till date. According to Adelayo (2007), the about-turn was because the Federal Government never gave NPA officials a free hand to run its affairs as an enterprise.

In 1998, the Management of the Nigerian Ports Authority restructured the organization into the following three major divisions:

- a. The Administrative Headquarters
- b. Western Operations for all the ports in Lagos.
- c. Eastern Operations for the Rivers, Delta and Calabar ports.

Nigerian ports are now playing host to industrial activities (linked industries) which confirm that they are increasingly being integrated into the productive frontier as they are currently home to a number of industries. This positions Nigerian ports to serve as value adding centres, thereby qualifying as value nodes in the logistics chain in Nigeria. Furthermore, they provide comprehensive value adding services in real time to provide the needed support for seamless transportation.

The growth pole potential of the ports can only be harnessed if they are properly equipped and regulated with the aim of making them to have the desired impact on the production and transportation processes (Chapapría, 2017; Eto, 2019). The value – added logistics services of Nigerian ports include repacking, warehousing, ship and container repairs.

### **The Seaport as a Growth Pole**

Ports are described as representing complex structure in a country's transportation system in the following three main ways by which they provide a number of interrelated activities: (i) Ship-harbour interface (pilotage, dredging, provision of berths, maintenance of navigational channels etc.), (ii) Ship-port interface (loading and unloading of cargoes) and (iii) Port-land interface (delivering cargo to and from the hinterland) (Draft National Maritime Transport Policy, 2020).

Seaports exert a developmental impact particularly on their hinterlands, thus they serve as conduits in the exchange of merchandise between opposite ends of the intervening oceans (Olukoju, 2006.). However, owing to the capital intensity required to bring about the desired improvements, which lead to efficient performance in the ports, the Nigerian Government was compelled to free ports from the bureaucratic control of public entities (Nigerian Ports Authority) and support private sector operation of a wide range of port-related activities. This was done to position the ports for optimal performance in the national economy (Eto, 2021).

The port industry in Nigeria is considered to be a leading industry that is basic and fundamental to the growth of other complementary, parasitic, peripheral industries such as (a) Banking (b) Insurance (c) Law (d) Manufacturing (e) Supply (chandlers) (f) Haulage (g) Agency (h) Brokerage (i) Logistics etc. Hence as a growth pole, the operations of the port bring about a symbiotic relationship between the port and the peripheral industries.

The following three main categories of ports factors have been identified to influence manufacturing activities (as part of the peripheral industries) in their locational choices and these have different considerations for seaports: manufacturing cluster port, gateway or transshipment port and industrial port (Branch, 1986).

When manufacturing activities are located either within the port or close to it, they are provided easy access to a wide network of suppliers and the market (customers), which means access to global and regional distribution systems with implied comparative advantage. Thus, "manufacturing has become more dependent on logistical capabilities and the flexibility they confer" (Rodrigue, 2019 cited in Eto, 2021).

The direct effects which the port has on its hinterland and host community is through the generation of inbound and outbound cargoes. Indirect effects can involve the employment opportunities offered by the port and linked industries supporting the development and expansion of economic activities in the port, such insurance, banks, haulage, logistics services, etc. (Eto, 2017).

### **Growth Pole Model**

The term 'growth pole' was introduced into economic literature by Francois Perroux in 1949 and this model has since been associated with a wide range of concepts (Darwent, 1969). By growth pole, Perroux meant a centre in abstract economic space from which centrifugal forces emanate and to which centripetal forces are attracted. Though Perroux referred to economic space and not to geographical dimensions, Bouldville in 1966 extended the growth pole theory to geographical space because economic space is tied to the former through functional transformation (Hermansen, 1969 cited in Bajkul College).

The main idea of the growth poles theory is that economic development, or growth, is not evenly spread throughout an entire region, rather it takes place around a specific pole (or cluster). This pole is normally characterized by core (key) industries around which linked industries develop, mainly through direct and indirect effects.

Core industries can involve a wide variety of sectors such as maritime/port, automotive, aeronautical, agribusiness, electronics, steel, petrochemical, etc. By direct effects it means that the core industry is purchasing goods and services from its suppliers (upstream linked industries) or providing goods and services to its customers (downstream linked industries). Indirect effects involve the demand for goods and services by those employed by the core and linked industries, which support the development and expansion of economic activities such as retail.

The growth pole model applies to seaport because the postulates upon which the former (growth pole model) is based find expression in the latter (seaport). Accordingly, the following postulates constitute the framework upon which the growth pole model was formulated: the concept of economic space, concept of a leading industry, concept of the propulsive firm, concept of

polarization, and concept of Agglomeration (Arise Lotus). Therefore, the port is a growth pole that triggers developmental impulses through its value-added services in its jurisdiction (sphere of socioeconomic influence) through its linkage to its immediate vicinity and the hinterland. Hence, from the concept of polarization, which means centralization (concentration) of factors of production, resources- both physical & human, labour- both skilled & unskilled in an area also applies to the ports. The port as a growth pole develops infrastructure, grows in centrality and pulls capital, resources, labours, entrepreneurship from the surrounding area. This is an essential stage for the development of the growth pole (Arise Lotus).

### **Essence of Privatization Preparatory to Harnessing the Potential of the Ports**

Shipping carries enormous volume of cargo, and it is estimated to be four times more than rail and four hundred times higher than air transportation in total (Martin and Stopford, 2009), and containerization is known to optimize this means of transferring goods thereby attracting huge amounts of cargo to shipping (Islam & Olsen, 2011). For this reason, Nigeria had to up her game in port infrastructure investment through port privatization. This is because the advantages that containerization confer on modern sea trade is almost invisible in Nigeria due to maritime access and land access infrastructure collapse, which affect port hinterland connectivity.

Growth pole potential of ports is facilitated when the factors that encourage port infrastructure investment are allowed to find expression in the port administration. Proponents of port privatization posit that when private investors are allowed to inject their private capital along with their managerial skills, the port is better positioned to play a vitally important role in the development of a nation.

When properly developed and maintained in a sustainable fashion, ports facilitate the flow of waterborne trade and commerce, thereby acting as a catalyst for economic growth (Eto, 2019). This was the compelling reason for the privatization of the six major seaports in the country, shown in Table 1.

**Table 1 Nigerian Seaports Profile**

S/N	Seaport	Location
1	Lagos Port Complex	Apapa, Lagos State
2	Tin Can Island	Apapa, Lagos State
3	Rivers Port	Port Harcourt
4	Delta Port Complex	Warri, Burutu, Sapele and all the Petroleum terminals at Escravos and Forcados
5	Calabar Seaport	Calabar
6	Onne Port Complex	Located in Eleme, Bonny, and Ogu-Bolo Local Government Areas of Rivers State

Source: Nigerian Ports Today, September 2018

The overarching reasons for the port sector reform in Nigeria were to enhance the development of Nigerian ports in order to increase efficiency of port operations, decrease cost of port services to port customers, make them competitive, safe and attract private sector participation. These were all aimed at facilitating the development of Nigerian ports towards attaining hub status in the West and Central African sub region (Akinyemi, 2016).

The port sector reform objectives were formulated in recognition of the concept of polarization in order to make the ports growth poles. Given the understanding that the central idea of the growth poles theory is that economic development, or growth, is not evenly distributed over an entire region, but rather takes place around a specific pole (or cluster), the seaport can be considered



as a pole that is characterized as a core (key) industry around which linked industries develop, mainly through direct and indirect effects.

It was in recognition that if Nigerian ports would function optimally and efficiently in a globalized economy, with the continuously growing number of multinational trading blocks and ever-increasingly demanding international markets, they needed to be free from the constraints of an overregulated and overcentralized public sector-driven environment (Cepal, 2021).

The planning, development and provision of seaport services have yet to be at par with our national potential and inherent advantages. Nigerian seaports are still performing below their full potential. The development of multimodal transport infrastructures is needed to enhance hinterland connectivity in order to facilitate cargo evacuation. The poor state of the country's overall transport system is affecting the attainment of high efficiency levels in costs and operation times, and this has driven up the cost of doing business in the ports.

Ports have inexorably been drawn into the mechanisms of the market and are now actively involved in influencing and participating in the production and transportation processes (Chapapria, 2017). In light of this, Nigerian ports have to brace up to the evolution in global economic activities and embrace international best practice and standard in order to hope to attain maritime hub status in the West and Central African Sub region.

#### **Performance Evaluation of Private Port Operators in Nigeria**

Since the ports were privatized based on concession agreement in 2006, the vessel traffic increased and the volume of general cargo throughput reached a peak, rising from under 50,000 tons (from 2001 to 2005 – pre-concession era) (Eto, 2019) to over 85 million tons (2007to 2019 – post concession era) (Ekpo, 2019).

However, despite the apparent increase in volume of cargo/vessel traffic at the seaports, the Federal Government of Nigeria in 2011, through the Federal Ministry of Transport set up a committee to assess the port concession. This was as a result of copious complaints against private terminal operators since they took over the port terminals in 2006. The terms of reference of the committee were to (Eto, 2019):

1. Ascertain the real objectives of the port reforms
2. Determine the extent of implementation of the objectives and evaluate the performance of operators/stakeholders in the concession agreement
3. Determine the level of effectiveness of the current administrative structure of NPA and
4. Suggest areas of improvement in port operations for greater efficiency.

The committee found that

1. Most of the concessionaires were yet to develop the infrastructure at the terminals several years after concession agreement came into effect.
2. Some of the concessionaires deviated from the term and conditions underlying the concession agreement signed with the NPA and the Federal Government. Among the several complaints against the private terminal operators are the following (Ibeke and Anyanwu, 2020 cited in Eto, 2021):
  - a. Use of malfunctioning and substandard cargo handling equipment
  - b. Arbitrary and unregulated storage
  - c. Terminal, container and demurrage charges
  - d. Casualization of workers
  - e. Deliberate delays in stemming containers down for examination in order to earn more demurrage
  - f. Refusal to transfer containers to bonded terminals even in the face of looming congestion, upgrade its terminal

- g. The imposition of stringent guidelines on port users, thereby making the goods clearance process cumbersome
- h. The astronomical tariff increases and cumbersome clearance process
- i. Congestion has surfaced at some terminals and vessels waiting at anchorage for 25 days or more to discharge cargo.

On the other hand, one of the concessionaires advanced the following reasons for the objectionable low level of performance, which industry stakeholders considered as falling below global best practice, standard and the expectations of stakeholders:

- (1) "The congestion and other teething problems" experienced by port users were the result of in-adequate transition period. They claimed that the lessening of the transition period signed in the agreement from six months to a just 19 days affected their company's preparedness when it physically took over, thereby creating a much bigger teething problem for the company. They observed that under the original terms and conditions of the concession agreement between NPA and the private terminal operators, ideally, there should have been six months transition period.
- (2) The slow pace of activities in the port operations was attributed to lack of functional equipment in the terminal. The equipment they inherited were in a state of disrepair, and all efforts to fix them proved abortive because there was shortage of spare parts. Where spare parts were available, they had to be flown from various parts of the world.

### **Nigeria's Aspiration for Transshipment Hub and the Constraints**

About 87% of global seaborne trade by volume was handled by only 20 of the world's seaports in 2017. This is clearly a challenging invitation for Nigeria that has all the variables in its favour to be counted among such numbers of countries with global standard transshipment facilities. The country lacks large-scale deep-water seaports and the speed of port modernization in the country is still low despite the partial privatization and the ports have not been capable of accommodating Very Large and Ultra Large vessels yet (Eto, 2021).

To qualify as a transshipment hub, Nigeria needs ports that offer the best nautical accessibility (deep waters) in the sub region. This will often necessitate multiple calls whereby a very large vessels first call at Nigerian deep-water port to discharge part of the cargo and then proceed to other ports of call with less favorable nautical access to discharge.

Nigeria's population as of 2019, was 211,213,300 people, which amounts to a tremendous size of trade (World Population, 2021), generating over 65% of the cargo coming to the West and Central Africa region (Eto, 2021). Almost two decades ago, the World Bank sponsored experts to carry out a study in West Africa to determine which of the countries in the region qualified as load centre. But in spite of her sheer population size and capacity for trade, Nigeria did not qualify to be named the load centre (trans-shipment base for cargo vessels of all types and sizes) in West Africa (Ugwoke, 2015).

Among the numerous factors that counted against Nigeria being considered as a transshipment centre were: (1) the issue of high cost of doing business (2) High level of corruption in the port system (3) multiplicity of agencies and agents of government (4) extortion of money from importers and ship-owners (5) the size of the ports and facilities, including the shallow level of the draught (draught restrictions) (Ugwoke, 2015).

Another constraint against Nigeria's bid to become a maritime hub in the sub region is the perennial gridlock on the Lagos Ports access roads. For over 10 years, the Lagos ports access roads have been in a deplorable state and successive government administrations have not been

able to resolve the gridlock, but NPA has now devised the electronic call-up system (ETO App) to streamline the access to the Lagos ports, which industry observers see as a short-term measure (Eto, 2021).

The electronic call-up system was deployed in February 27, 2021 to direct truck movement into Lagos ports. All truck owners who have business in Lagos ports are expected to download the ETO App and sign up in order to become part of the new system. While trucks must wait at designated parks, they would be attended to on first come basis (Eto, 2021).

#### Institutional/Legal Framework Lapses

In line with the Federal Government port reform agenda, the Nigerian Shippers' Council was appointed the Port Economic Regulator in February 2014, to create effective regulatory regime at the Nigerian ports for the control of tariff, rates, charges and other economic services (Shippers' Council, 2021)

This was 8 years after port concession that the Federal Government considered it necessary to appoint Nigerian Shippers' Council as the Port Economic Regulator in February 2014. This was part of the recommendation made prior to the concession. The consultant (Royal Haskoning Consultants) that recommended the concession option had stressed the need for government to put in place a regulatory framework before embarking on port concession programme.

The functions of the Nigerian Shippers' Council as Port Economic Regulator are as follows:

1. Provide guidelines on tariff setting in order to guide against arbitrariness;
2. Monitor and enforce standards of service delivery to ensure availability, accessibility, affordability, stability, predictability and adequacy of services;
3. Encourage competition and guard against the abuse of monopoly and dominant market positions;
4. Perform mediatory role among stakeholders;
5. Establish accessible and modern dispute resolution mechanism;
6. Regulate market entry and exit;
7. Promote efficiency in the provision of port services;
8. Minimize high cost of doing business and prevent its inflationary effect on the Nigerian economy;
9. Encourage private sector investment in the port sector;
10. Monitor and ensure compliance by all parties with the provisions of the Port Concession Agreements.

Generally, the Nigerian Shippers' Council is mostly concerned with three factors, and these include:

Port efficiency

Port competitiveness – i.e. inter port and intra port competition

Cost of doing business in Nigerian seaports

The government hurriedly introduced the partial port privatization (concession) without first putting in place a coherent and sustainable legal and regulatory framework. This is why the Ports and Harbours Authority Bill and the National Transport Commission Bill were belatedly introduced to the National Assembly years after the concession regime had commenced (Eto, 2021).

While waiting for the Nigerian Shippers' Council to be officially declared as the Economic Regulator of the port sector in Nigeria, the absence of economic regulatory laws in the sector created loopholes for private terminal operators to impose illegal charges such as service charge,



bank charge, and concessionaire service, tally clerk charge, commission on turnover (COT), port administrative charge and sorting charge.

Ever since it was officially declared the Economic Regulator of the port/shipping sector, the Nigerian Shippers' Council has been having a running battle trying to enforce the agreed regime of charges even as private terminal operators and shipping companies seem determined to continue to exploit port customers. The shipping companies refused to comply with the Council's directives. Instead, the Association of Shipping Lines Agencies (ASLA) resorted to court action in order to stop the Nigerian Shippers' Council. They lost the case in December 2014. Consequently, they then joined forces with Seaport Terminal Operators Association of Nigeria (STOAN) and headed to the Appeal Court, where in June 2017 the Court ruled in favour of Nigeria Shippers' Council, against the shipping lines, agencies and terminal operators on the case involving arbitrary charges (Eto, 2019).

The principal legislation for port development in Nigeria is the NPA Act, 1999 yet it never anticipated port concession programme in its content. It however grants the NPA the power to enter into an agreement for the provision and operation of port facilities in Nigeria. Nonetheless, it does not make provision to take care of events that might crop up in the event of concession of ports in Nigeria.

For the time being, however, the Federal Government has appointed the NPA as the technical regulator of the port sector. Nevertheless, the absence of a substantive regulatory laws in the port industry would affect port operations adversely, discouraging port concessionaires from wholehearted investment on terminal projects (Eto, 2021).

### **The Declining Share of Nigeria's Shipping Tonnage**

Prior to Nigeria's partial port privatization, the ports were characterized by complacency which resulted in the country's captive cargo diminishing and inbound cargo being diverted to ports in neighbouring countries, such as port in Cotonou (Benin Republic). This has exposed port marketing to customer-centric services having realized that with the 21<sup>st</sup> Century paradigm shift in consumers' behavior, the port is now faced with an environment in which port users demand that the port should provide utility and purpose. To that extent, port users now have greater say in the operations of the port.

The following reasons have been given for the declining share of Nigeria's shipping tonnage in the country's international trade:

Poor ship turnaround owing to perennial port congestion,

Poor hinterland connectivity with the ports due to absence of efficient and functional multimodal transport system thereby resulting in slow evacuation from the port. Connectivity of seaports with the hinterland should be augmented in order to ensure smooth flow of traffic at the present level and also to meet the requirements of projected increase in traffic,

Lack of ship financing scheme. The increasing size and sophistication of ships and port facilities require heavy capital investments, and

Lagos port infrastructure alone is insufficient to handle trade flow effectively. Other ports should be made fully functional. The continued decline in the country's overseas trade is in turn causing a drain on foreign exchange in terms of freight charges going to foreign ships (Onyema, et al, 2015).

### **Challenges of Ports in Nigeria**

The challenges faced by existing ports in Nigeria are some of the reasons for embarking on deep seaports construction in Akwa Ibom State (Ibom Deep seaport), Lekki and Badagry in Lagos State, Olokola in Ogun/Ondo states and Ogidigben, near Escravos in Delta State (Eto, 2019). For Nigeria to be the maritime traffic hub in West/Central Africa, the country has to attract larger ships' with deep draught and higher capacity to carry more containers in order to take advantage of economies of scale. This calls for deep water coastal ports.

Some of the challenges facing ports in Nigeria are:

#### **(1) Port Infrastructure Deficit**

The advent of large vessels is a huge challenge to Nigerian ports. It reflects the constraint of inadequate harbor infrastructure that limits the country's ability to accommodate modern generation vessels. Port channels are generally shallow. Lagos ports have channel depth of between 9 and 13.5m. Eastern port channels depth: Onne (8 to 11m), Port Harcourt (7.1 to 9.1m); Warri (6.5 to 7.6m) and Calabar (5.4 to 6.4m), while Ghana (19m) and Republic of Benin (15m).

The poor state of maritime-land access infrastructure has led to the decline of agro-allied commodities export. Hinterland access regime is the responsibility of the port industry. This responsibility is aimed at serving the interest of shipping lines and the hinterland market. According to Abidoye (2009), one of the main features of a friendly port is adequate infrastructure to render efficient services to ship owner, shipper and consignee, which Nigeria lacks. The author describes infrastructure as all facilities required to carry out safe and efficient movement of ships and effective cargo handling within the port system and may be recognized to include the following:

Water access for ships:

- Channels-deep navigational channel that supports full capacity utilization, adequately dredged, and appropriately marked, buoys, lighthouse, and beacons.
- Berths-deep, durable and properly maintained quay walls and apron.
- Hydrographic surveys and charting.
- Efficient Pilotage and towage services/backup crafts.  
Cargo evaluation (road, rail, water)

#### **Hinterland Access**

- Road approaches to the port.
- Intra port road network.
- Supportive rail infrastructure
- Efficient utilization of inland waterways (i.e. exploitation of opportunities offered by the abundant God-given inland waterways).

One of the most daunting challenges that port authorities face in today's seaports is where and how to upgrade the existing port capacity in light of port demands arising from continuous growth in containerized trade and the tendency for bigger ships to visit ports (Samsul and Olsena, 2011). The problem with Nigerian seaport partly centres on port capacity planning and capacity management.

Large vessels have certain operational challenges that warrant some ports, terminals, and entire transport systems to be expanded and upgraded in order to accommodate increased ship size. For example, mega ships with a capacity of 18,154 TEU (twenty-foot equivalent unit) have a draught of 21 m. Yet, the deepest seaport in Nigeria has a draft of 15m. This therefore means capacity shortage in many ports in West and Central Africa. With this type of increasing ship-size, if Nigeria develops deep water coastal ports it could translate to gain in a share of the liner ports (Samsul and Olsena, 2011).

The issue with Lagos seaports' capacity to adapt to the new imperatives brought by the mega container vessels is that they cannot be stretched any further in term of expansion and draught restriction. And the Eastern ports cannot be converted into deep water ports. Hence the need for port investment in Greenfield projects.

It is therefore, against the background of this understanding that deep water ports are being constructed in Nigeria and efforts are ongoing to link Lagos ports to rail transport. Timeline to the commencement of cargo evacuation by rail from Apapa ports has been given (Anagor-Ewuzie, 2019)

#### (2) Poor Inland Transport System

Poor condition of Lagos port access roads is a wake-up calls for investment in port and evacuation infrastructure to facilitate hinterland connectivity. The seaports should be connected with rail transport in order to facilitate access to and from the hinterland and neighbouring landlocked countries.

#### (3) The Lagos Port Access Gridlock

As a result of the perennial Apapa gridlock, the Lagos Chamber of Commerce and Industry (LCCI) revealed that Nigeria loses \$19 billion annually, or about 5% of her gross domestic product from the delays, traffic jams, illegal charges and insecurity that has characterized Lagos ports (LCCI, 2018).

A study conducted by the Organized Private Sector (OPS) reveals that Nigeria lost about N3.06 trillion on non-oil export and about N2.5 trillion earnings annually across the different sectors of the economy owing to the Apapa gridlock (Business & Maritime West Africa, 2019).

(4) The relatively low level of activity at Delta port has been attributed to a number of factors, which include, but not limited to the following (Orubu, 2006):

- a. Low level of economic activity in the non-oil sector-particularly in industry and agriculture.
- b. Crisis in the Niger Delta.
- c. Perceived general insecurity in the Niger Delta region,
- d. Negative publicity about the situation in the Niger Delta.
- e. Allegation of over-investment in ports in the Delta region;
- f. Inadequate marketing of port services by the relevant agencies. To address the situation, the issues raised above must be addressed.

(5) Lagos ports are (faced with capacity shortage) over-burdened in addition to the failed port access roads. It translates to high cost of doing business in Nigerian ports and everything boils down to the final consumer bearing the heavy cost through high prices of manufactured or imported goods in Nigeria.

#### (6) Idle State of Eastern Ports

- ❖ Eastern ports are in less use/demand because of insecurity and draught issues.
- ❖ Eastern ports channels have the problem of being long, narrow and unmarked.

- ❖ Eastern ports are operating below their capacities due to lack of infrastructure to facilitate evacuation of cargoes – also there is no good road network to serve the hinterland, especially the North-Eastern States.
- ❖ Calabar port does not generate enough volume of outbound or inbound cargo to make it economically viable.

#### Other Challenges of Eastern Ports:

(1) Poor and obsolete equipment (2) Heavy/high siltation of port channels (3) poor road infrastructure (4) Lack of stable electricity supply (5) Hostile attitude of host communities (6) Lack of appropriate incentives for port users and total neglect by Federal Government (7) Use of outdated 1903/1974 unreliable nautical charts discourages vessels from plying most eastern port.

#### (7) Security Challenges (Piracy and Sea robbery)

Security challenges constitute one of the main reasons shippers are reluctant to use Nigerian ports as preferred ports of destination. Multiple and evolving maritime threats have led to uncertain threat levels, which deepen conditions that are inimical to peace and security that are necessary for conduct of maritime activities in Nigeria. These maritime security challenges discourage the patronage of seaports in the country and hinder effective exploitation and beneficial use of the maritime resources. And it has brought about the imposition of War Risk Insurance premium on Nigerian-bound vessels that are transiting the Gulf of Guinea, total sum of which was put at \$55.5 million in 2020. Furthermore, 35 per cent of ships transiting the GoG also attract additional kidnap and ransom insurance totaling \$100.7 million (Jamoh, 2021).

#### Prospects of Attaining Transshipment Hub

The Federal Government of Nigeria has set the ball rolling towards turning Nigerian seaports into maritime transshipment hub in the sub region by the introduction of of the following initiatives:

1. The Nigerian Ports Process Manual (NPPM) was introduced in December 2020 in order to reduce corruption at the ports, spell out the duties, responsibilities, Service Level Agreement and Standard Operating Procedure (SOP) of all government agencies operating in the ports in the cargo clearance process right from when a vessel arrives the port. Prior to the introduction of the NPPM, vessels were known to experience delays for prolonged periods before they were boarded for inspection. But, since the implementation of the NPPM, a time limit of 30 minutes within which to complete all inspection is set (Eto, 2021).
2. The ETO APP became effective 27th February, 2021 and it is designed to direct truck movement into Lagos ports to avoid vehicular traffic congestion on the Lagos ports access roads. There four critical reforms that the electronic call-up system is expected to introduce in port operations in Lagos. These include (1) Truck calling must be by electronic means (2) Trucks must wait at designated parks (3) Export Cargo Consolidation. Exporters are expected to consolidate their export cargo prior to being moved to the port (4) Effective management of empty containers. Consignees are to drop empty containers at the holding bay of shipping companies who are to provide holding bay big enough to accommodate 65% of the volume of the container they bring into the country annually.
3. The argument in favour of the current deep seaports under construction in various locations across the nation is that the six major seaports have a combined capacity of about 40 million tonnes annually, while the actual annual cargo throughput is over 100 million tonnes, with prospects for more cargoes as government makes more efforts towards encouraging non-oil exports. The construction of deep seaports would accommodate more cargoes and attract bigger vessels since there would be adequate harbour infrastructure (Eto, 2021).

4. The Federal Government has set up a committee to encourage national fleet development, because by so doing the nation would take advantage of the global trade valued at \$19 trillion. “The National Bureau of Statistics (NBS) figures showed that Nigeria’s total merchandise trade (import and export) for 2019 stood at N36.1 billion out of which the maritime transport component accounted for N33.7 billion (97 per cent). Unfortunately, In spite of this huge potential, no Nigerian flagged vessel carried cargoes of the nation’s merchandise trade in the last 10 years” (Economic Confidential. 2021). The call for the implementation of national fleet should be preceded by the formulation of a policy that provides incentives and schemes such as the Cabotage Vessels Financing Fund to aid indigenous ship operators in vessel acquisition as well as grant tax waivers and zero import duties to indigenous shipping operators.
5. Government could designate ports to handle particular cargoes and assign certain ports for export purposes exclusively as is done in Ghana (Eto, 2021).
6. Efforts to secure the country’s coastal waters such as the Deep Blue Project would inspire the confidence of the international shipping community and encourage Nigeria-bound vessels to visit the ports without the fear of piracy attacks and other forms of maritime criminalities. This is a value-added towards making Nigerian ports transshipment hub in the sub region.

### **Conclusion**

Nigeria possesses immense growth pole potential to constitute a formidable transshipment hub in the West and Central African sub region. But the country has to overcome the above-mentioned institutional and regulatory weaknesses in order to keep improving the capacity of the seaports. This would position the country to key into current wave of industrialization, modernization and international integration.

Port services in Nigeria are one of the several principal maritime activities that provide significant sources of income and employment. And to fully harness the potential of the ports as growth pole, the Government has to effectively enforce the regulations guiding port operations such as contained in the proposed Nigerian Port Process Manual and the Electronic Call-up system introduced by the NPA. And provide functional maritime and inland transport infrastructure.

Since the challenges of Nigerian seaports are mostly related to port calls, terminal operations, and land transport system, complementary investment and development of port facilities, inland terminal services and inland transport infrastructure would encourage greater competition among Nigerian ports. This would further position Nigerian ports to compete favourably with ports in the sub region. This would also contribute to addressing the challenges countering Nigeria’s bid for transshipment hub status. It would enhance Nigeria’s efforts to expand her ports’ cargo base in order to shore up the volume of export.

Furthermore, since port infrastructure investment projects enhance economic development and in Nigeria, they have become critical requirement as the existing active seaports have reached their operational capacity. And worse still, the introduction of inland container depots has not met with conscientious implementation to extend seaport activities to the hinterland. Therefore, given such circumstances, failure to pursue port infrastructure investments will invariably result in further externalities (congestion), which will only weaken the competitiveness of the country.

Investment in port automation and deep-water seaports are needful, and the Nigerian Port Authority needs to focus on better use of existing port assets and revive operations in Eastern ports that have been idle for a while.

The Integrated National Security and Waterways Protection, called Deep Blue Project, launched on 10<sup>th</sup> June, 2021 by the Federal Government of Nigeria, is long overdue to combat maritime crime in Nigerian waterways. Piracy in the Gulf Of Guinea (GoG), in which Nigeria is located, is





casting a shadow on maritime trade in Nigeria. Knowing fully well that the migratory nature of maritime crimes calls for unified response from regional navies through capacity building based on collaboration and cooperation, the Federal Government of Nigeria needs to work closely with the other member states of the GoG Commission.

The Gulf of Guinea (GoG) is an important location to the maritime interest of several countries and contributes significantly to food security of the West and Central African sub region. Therefore, the GoG should be properly secured in order to avert illegal activities that are capable of hindering sustainable shipping operations and food supply in the African region. The security of the Nigerian waters would eliminate the imposition of War Risk Insurance premium on Nigeria-bound commercial ships.

This would enhance the Executive Order on Ease of Doing Business in Nigerian ports, which would also help to avoid the embarrassment of huge numbers of containers departing Nigerian port empty. Nigerian ports must bridge the gap between modes of transport in terms of frequency, capacity and time. This requires efficient port hinterland connectivity (the integration with inland transport modes such as trucks, barges, and trains).

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