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Socio-Economic and Political Implications of the On-Going Port Reform Process in Nigeria

Victor Omoke

Lecturer, Department of Transport Management Technology, Federal University of Technology, Minna, Nigeria

A. O. Adigun

Senior Lecturer, Department of Business Administration, Bells University of Technology, Ota, Ogun State, Nigeria

Ikechukwu Awam

Research Assistant, Department of Maritime Management Technology, Federal University of Technology Owerri, Nigeria

Joshua I. Ahuama

Lecturer, Department of Maritime Management Technology, Federal University of Technology Owerri, Nigeria

Shehu U. Gidado

Assistant Director, Nigerian Institute of Transport Technology, Zaria, Nigeria

Abstract:

This paper attempts to ascertain the socioeconomic and political implications of the on-going port reform in Nigeria. In achieving this, the areas of coverage of the reform were highlighted before presenting the socioeconomic and political implications of the exercise. The positive implications include improvements in the efficiency level of port services and general standard of transparency. Opportunities for effective pricing, competition, consolidation and diversification would be created. It will introduce the flexibility needed to respond to changes in technology and market structures, and at the same time, reposition the port to attain the desired hub status. With ports investments shifted to the private sector, the government can apply her fund to more economically desirable projects. However, some ports' staff has to be retrenched, but the jobs that would be created in the downstream sector justify the reform. A legal framework is required for clarification of notions and settlement of disputes that may arise in the course of implementation, while seminars and symposia are needed to sensitize the public. It is believed that a proper consideration of the implications of the reform and adherence to a series of recommendations of the study will make the whole exercise smooth and attractive. The problems of multiple agencies, arbitrary charges and cargo diversion would be eliminated.

Keywords: Concession, privatization, efficiency and competition

1. Introduction

Almost every port operator is aware of the gradual shifting of the port control from the public sector to private concerns. This shifting is necessitated by myriad of problems associated with the management of public sector and the numerous benefits that are derivable from the privatization of the port operations and services.

People are no longer apprehensive about coming by various notions like port reforms, privatization, deregulation, concession and privatization. They no longer regard them as "neo-colonialism in disguise". The public interest now is to ascertain which model of privatization will serve the nation best and help her to be on a par with the ports of the Western countries.

A Port concession which happens to be the best alternative for Nigerian setting has been a point of focus and analysis by the stakeholder in order to ascertain precisely the socio-economic and political implications it will have on our maritime sector and the Nigerian society at large.

In an attempt to accomplish this task, the second part is devoted to exploring the structures and dimensions of the reform programme; believing that knowing all the areas the reform would touch will help one to come up with the resultant impacts. The third part handles the schematic discussions on the socioeconomic and political implications of the port reform, while the fourth part is a suggested approach to ensure a smooth and complete implementation of the exercise.

2. An Overview of the Structure of Nigerian Port Reform

The Executive Director, Eastern Ports of the Nigerian Ports Authority (NPA) Mr. Felix Ovbude spoke extensively on the structure of government concession and landlord model of the Nigerian port reform. He referred to port concession as a contract agreement in which the government transfers operating rights to the private enterprises which then engages in activity contingent on government approval and subject to the terms of the contract.

He pointed out that the landlord port model is identified by a clear separation of the roles between public and private sectors, adding that whereas the public sector is responsible for port planning and development, regulatory task relating to safety, security and environment the private sector is responsible for terminal operation including investment in the provision and maintenance of superstructures and equipment.

Ovbude further explained that the role of the terminal operators shall include Stevedoring services, shore handling, freight station operation as well as maintenance of cargo handling equipment, adding that the terminal operators shall under the new regime maintain direct contact with the shipping lines without interference from the Port Authority, but operate within the ambit of extant regulations. However, the Ports Authority has been silent in services like pilotage, bunkering, and fresh water supply. One may say that the reform exercise may not affect these areas now, but they may be visited after this first phase.

3. The Socio-Economic and Political Implication of the On-Going Nigerian Port Reform

The ports which are known as the gateways to the nation's economy have much influence on the economy as the prices of fuel. Any attempt to reform the port will set and instantaneous positive or negative "image" on the economy. There is a need to ascertain the actual benefits and gravity of any reform policy on the society before the implementation. This part of the writing therefore focuses on the socio-economic and political implications of the current reform policy.

4. Efficiency of Ports Services

The ultimate objective of the concession programme is to make the nation's port system efficient in all respects. No doubt, there will be an improvement in all the indices used in measuring the ports efficiency owing to the on-going concession exercise (Ofobrukweta, 2001). The time spent by a vessel to obtain customs and ports clearance, the time spent while waiting to be allocated to the berth and the actual time spent in discharging the cargo all add together to form the turn-around time of the vessel. Since the ongoing concession process would cut down on the vessels operation time, it implies that the vessels turn around time and the annual tonnage of the port which are measures of efficiency would be greatly improved.

5. Effective Pricing and Competition

The Nigerian ports are solely controlled by the government through the Ports Authority and this has resulted to monopoly. Because of this, there is no element of competition in the port services. There is little or no effort towards meeting the expectations of the customers, since they do not have any alternative.

With the emerging concession, one can obtain the most effective cost of any of the services rendered, since the evil of monopoly would be completely eliminated. There would also be a healthy competition among the port terminal operators. Each of them would put in their best to improve their service as well as the port facilities so as to appeal to their customers. This element of competition embedded in the concession is very necessary for ports development.

6. Application of Government Fund to Economically Desirable Projects

The primary objective of a concession agreement is to transfer investment cost from the government to the private sector. Government funding is limited and has many alternative uses. It is a relief for the government to concentrate on providing other basic facilities, leaving the huge investment in port services on the shoulder of the private sector which can raise the investment fund from diverse means. There would also be a reduction in the governments administrative cost which can as well be made available for other desirable projects (Ndikom, 2006).

7. Attainment of Hub Status

There is a great need for a transshipment port within the West African sub-region. The location of the Apapa port and the volume of cargo imported through it, qualify it to be upgraded to a transshipment port. The on-going concession exercise should be fully implemented as a necessary step towards the actualization of this feat.

8. Consolidation and Diversification Opportunities

Consolidation is a process where two or more entities that offer similar services can combine effort in order to increase efficiency, improve services and save money. There is no doubt that these three major advantages would be fully harnessed by the shipping sector as a result of the on-going reform exercise. Another great advantage of consolidation is the extent of confidence that would be restored from the customers to the private operators. The confidence and trust we observe in the banking industry today is as a result of consolidation.

There is also a high tendency to diversify in the private sector as they take over the ports. This would create opportunities for employment needed in the economy. There are also opportunities for employing technical expert, foreign partnership, or even contracting of business to other private concerns.

9. Responses to Market Structures and Technological Changes

There is always a shift in demand and supply logistics in the world market. The public sector with its constraints in prompt decision-making cannot keep pace with these inherent shifts and changes in demand and supply logistics. The answer to this problem can only be found in the high level of flexibility found in the private sector (Donald and James, 1996).

The frequent innovation in technology is making most of the port facilities to appear so obsolete. The areas, mostly affected are the cargo handling facilities and information technology. For instance, most of the Western ports are purely computerized, such that with internet facilities, one can track down cargo in the port with only the container number or information connected to the cargo, and would be able to process the necessary documents.

It is, however, regrettable that people are still walking round the staging areas in our port to find where their goods are lying when they can track it down using a computer, with utmost precision. It is therefore believed that our ports would be upgraded to meet the global service standard with the actual take-off of the reform programme (Omoke, 2008)

10. General Standards of Transparency

A port becomes user friendly when it is transparent and sincere in its tariff and billing application. The high level of transparency that would be brought about by this concession exercise will go a long way to curb even cross subsidies.

There is a Nigerian orientation that says "government business is no man's business" So most people in government establishments like the ports are only interested in how much they can cart away with. The worst being that no person comes to bring these dishonest and corrupt individuals to book. Since no private company would like to lose money for whatever reason, all these loopholes that have been a drain on the economy would be closed permanently.

It is also a known fact that the private operators are more transparent, responsible and prompt in their tax payment compared to the statutory bodies. These are also great opportunities of creating additional revenue and taxes from the private operators. All these would add together to boost the government revenue needed to fulfill her basic obligations, leaving the port investment obligation with the private sector.

11. Emergence of Atmosphere for Corporate Goals and Legal Framework

Another great advantage of the reform programme is the freedom of the corporate bodies to define their corporate goals and delimit their priorities so as to meet the goals. The private operator without any interference under this atmosphere would only invest their resources where and when there is a genuine business investment need.

Similarly, the Port Authority can as well set up measurable financial targets and apportion incentives to private operators that meet the targets. The targets and budgets of port authority would be a representation of government's expectations.

The Nigerian Maritime Sector is really lacking adequate legal framework or code to operate. Most of the policies are misguided while the few ones that would have helped the industry are only existing in the paper, without adequate operatives to implement them. The objective and operations of the various agencies and stake holder like Nigerian Maritime Administration and Safety Agency, (NIMASA), Shippers Councils, Customs and of course the Ports Authority need to be revisited by professionals so that the charting of maritime course would be in the right direction (Ndikom, 2006).

12. Impending Retrenchment and Employment Opportunities

Starting with the Ports Authority, a good number of the staff would lose their jobs, since most of the services that make their employment relevant would be taken over by the private hands. The only staff that would be sure of retaining their jobs are those to assist the Authority in performing her oversight functions, as a landlord port. This, however, calls for more specialization. The port staffs that are smart enough are already upgrading their status with the required certificates to protect them from the impending retrenchment.

However, the jobs that would be created in the downstream business sector of the economy by the full implementation of the exercise exceed the ones that would be lost by the port's staff. This is why it is worthwhile to embrace the policy, the impending retrenchment notwithstanding.

13. Conclusion

It is believed that a proper consideration of the socioeconomic and political implications of the on-going privatization process will make the whole exercise more focused, and that the recommendations will serve as a compass to the necessities to make it attractive.

Although not all the implications of the reform are welcome, the overall impact is very positive. The number of government agencies would be trimmed down, arbitrary charges would be checked and documentation procedures streamlined. The diversion of Nigerian bound cargoes to the ports of the neighbouring countries would also be a thing of the past.

14. Recommendation for Effective Port Reform

Below are some necessities that need to be on the ground to make the whole exercise smooth and attractive. Some of the recommendations are needed for the successful taken-off of the programme; some are needed while the programme is on course while others may come in to sustain the reformed system.

1. There is a need for a legal framework which could provide the basis for settlement of disputes and clarification of notion which may arise in the course of reform implementation.

2. Some of the ports need to be dredged and expended so as to admit the vessels of privatizing companies and prevent ports congestion.
3. Port security and safety measures should be improved to guard against cargo losses.
4. Improvements are also needed in dock facilities, bunkering and fresh water supply to satisfy the needs of the calling vessels.
5. Training and retraining of port staff are needed. Seminars and symposia should be organized for port operators like freight forwarders and importers
6. There is also a need for alternative transport modes to ease the demand on the road facilities and reduce the cost of the haulage.

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