SURVIVAL OPPORTUNITIES AND STRATEGIES OF A MARGINAL FIRM IN A CARTELIZED OLIGOPOLY: CASE STUDY OF THE NIGERIAN NATIONAL SHIPPING LINE

Dissertation for the Degree of Ph. D.
MICHIGAN STATE UNIVERSITY
BASSEY UDO EKONG
1974

ABSTRACT

SURVIVAL OPPORTUNITIES AND [illegible]
MARGINAL FIRM IN A CARTEL[illegible]
CASE STUDY OF THE NIGE[illegible]
SHIPPING LINE

By

Bassey Udo [illegible]

This dissertation had the [illegible]
gating the criteria for public investment [illegible]
sources in ocean shipping and specifically [illegible]
Nigerian Government's incorporation of [illegible]
the Nigerian National Shipping Line. Between 19[illegible] and [illegible]
differences of opinions had tended to exist between the
management of the National Line on the one hand and the
Nigerian Government on the other, on the necessity for in-
creased investment of the nation's resources in this ocean
shipping venture. The National Line's management requested
increased government investment in the company's fleet and
operational expansion without prior conditions. Government,
on the other, tended to base further decision to increase
such investment on purely economic criteria. And, since

ABSTRACT

SURVIVAL OPPORTUNITIES AND STRATEGIES OF A MARGINAL FIRM IN A CARTELIZED OLIGOPOLY: CASE STUDY OF THE NIGERIAN NATIONAL SHIPPING LINE

By

Bassey Udo Ekong

This dissertation had the prime purpose of investigating the criteria for public investment of scarce resources in ocean shipping and specifically dealt with the Nigerian Government's incorporation of and investments in the Nigerian National Shipping Line. Between 1959 and 1972, differences of opinions had tended to exist between the management of the National Line on the one hand and the Nigerian Government on the other, on the necessity for increased investment of the nation's resources in this ocean shipping venture. The National Line's management requested increased government investment in the company's fleet and operational expansion without prior conditions. Government, on the other, tended to base further decision to increase such investment on purely economic criteria. And, since

the economic picture of the company was not a sound one, the views of both sides could not easily be reconciled. This study was to examine the bases for such further public investments, taking into account both economic and noneconomic factors, and to suggest lines of actions as a matter of national policy objectives.

The economic hypotheses tested on the operational results of the Nigerian National Shipping Line involved:

i. The company's effective participation in the market and its profitability as a business venture.

ii. The company's service on import substitution and export promotion principles as well as its contribution to the country's balance of payments amounts.

iii. The company's function as freight rate stabilizer and a yardstick for measuring the freight rates charged by other shipping companies--indigenous and foreign.

iv. The company's function in offering employment opportunities for indigenous labor and the acquisition of desired technical skills by Nigerians.

Tests on those hypotheses for judging the performance of the National Line indicated general failures. The public company had, between 1959 and 1972, minimal participation in the market and sustained annual average losses of ₦50,000 during that period of its operations.

The National Shipping Line's operations did not contribute positively to the nation's balance of payments in foreign exchange terms and its role in import substitution and export promotion was doubtful, if not a total failure. As rate stabilizer on the conferences and other shipping lines its role was indirect, due to the patronage it enjoyed from the Nigerian Marketing Company. It maintained no separate rates against which other rates could be measured. While it offered some opportunities for Nigerians to acquire maritime skills and for local labor to replace foreign hands, it was relatively a total failure as an employment generator per se. Thus judged purely as an economic venture by which private firms are normally examined, the National Line did not measure up to expectations.

At this point it was necessary to question whether on the bases of these economic criteria alone and the picture of the company's total failures, further government investments and patronage should be withdrawn and the company allowed to fold up. Notice was taken of other noneconomic reasons by which most, if not all, nations invest in and maintain their national shipping lines. Such reasons as national defense, security and national strategic factors as well as national prestige--all unquantifiable variables--were found to be prime reasons for which all maritime nations support their national flag shipping lines. Most countries have over the years adopted different forms of supports, preferences, and subsidies to achieve their "national shipping policies and objectives." Such reasons were in this study found to be of sufficient national importance to justify the Nigerian Government's increased investment in fleet expansion and operational capacity of the Nigerian National Shipping Line.

From multiple regression analysis it was discovered that operating ratios (efficiency indicator) and share of cargo pool allocated to the National Line, more than other factors were seen to have influenced the profitability of the company. To ensure such future viable operations of the company, it was necessary to run a twenty-year program of investments in the company and other related areas--fleet expansion, port development, dry dock and ship repair facilities and a regional nautical school. Based on the tentative estimates of the projects, a test analysis of costs and benefits indicated positive effects of such a massive program both for the company and the Nigerian economy.

SURVIVAL OPPORTUNITIES AND STRATEGIES OF A MARGINAL FIRM IN A CARTELIZED OLIGOPOLY: CASE STUDY OF THE NIGERIAN NATIONAL SHIPPING LINE

By

Bassey Udo Ekong

A DISSERTATION

Submitted to
Michigan State University
in partial fulfillment of the requirements
for the degree of

DOCTOR OF PHILOSOPHY

Department of Marketing and
Transportation Administration

1974

Dedicated to

MY PARENTS for the inspiration

and

MY WIFE, SISTERS, AND CHILDREN for

unfathomable faith, hope, and love.

ACKNOWLEDGMENTS

I am very grateful to the Central Bank of Nigeria for financially making it possible for me to do my graduate work in the United States. I am especially thankful to Dr. Clement N. Isong, the Governor, and the former Director of Research, Mr. Asumoh E. Ekukinam, for the opportunity offered me, despite all initial difficulties posed from many quarters. I want also to express my special thanks to Mrs. F. A. Onipede, the Senior Administrative Assistant, Research Department, for her unflinching support, helpful cooperation, and good friendship. To the present Director of Research, Dr. Joseph O. Adekunle, I want to offer my warm appreciation of his kind cooperation, understanding, and help whenever I needed same. To all our staff both within the Research Department and the entire Central Bank of Nigeria, I offer my warm feelings for their several and collective cooperation.

My great debt of gratitude also goes to Dr. Edward W. Smykay, Professor of Transportation, my academic adviser and chairman of my dissertation committee, for his confidence in me, continued guidance, and help during my course work and this study. My thanks also go to Dr. Richard Lewis, Professor of Marketing and member of my dissertation committee, for his help which often goes beyond the call of normal duties. To Dr. John L. Hazard, Professor of Transportation and former U.S. Assistant Secretary of Transportation, I express gratitude for his timely advice, helpful suggestions, and willingness to assist this dissertation to this level. My thanks also go to Dr. Frank Mossman, Professor of Transportation, for his willingness to serve on my dissertation committee and for useful suggestions willingly offered at all times. Whatever are the shortcomings in this study are personal and are my responsibility alone.

I want to express also my gratitude to the Chairman of the Marketing and Transportation Department, Dr. Donald Taylor, a great teacher and friend. It also goes to Dr. Paul Strassman, Dr. John P. Henderson, and Dr. Warren Samuels (my former academic adviser)--all of the Department of Economics for their valuable assistance and friendship. My warm gratitude goes to my classmates, especially Lawrence King, Thomas Speh, Mary Higby, Richard

Mathieson, Paul Bankit, and Chuck MacDonald. It was fun to study among them.

I also seize this chance to express my very warm gratitude to members of the Mount Hope Presbyterian Church, Lansing, Michigan, for their close Christian fellowship and fruitful experiences shared together.

I owe a special debt of gratitude to Da Archi Inyang for his sustaining guidance and support throughout my entire study. His assistance, offered at any time, with or without formal request, are too deep for words.

Last, though by no means the least, I express a special thankfulness to my wife, Grace, and to our three kids--Idorenyin, Afiong, and Mary. Their great faith and patience with a struggling and sometimes frustrated man had given me the encouragement to plod on. I thank them for their understanding and love.

TABLE OF CONTENTS

TABLE OF CONTENTS (cont.)

TABLE OF CONTENTS (cont.)

TABLE OF CONTENTS (cont.)

LIST OF TABLES

LIST OF TABLES (cont.)

LIST OF TABLES (cont.)

LIST OF TABLES (cont.)

LIST OF TABLES (cont.)

LIST OF TABLES (cont.)

LIST OF FIGURES

LIST OF APPENDICES

LIST OF ABBREVIATIONS AND NOMENCLATURE

1. N.P.M.C.--Nigerian Produce Marketing Company.

2. N.N.S.L.--Nigerian National Shipping Line; may be referred to in the study as the National Line.

3. COWAC--Continent/West Africa Conference.

4. UKWAL--United Kingdom/West Africa Lines Joint Service.

5. WALCON--West Africa Lines Conference--the predecessor of COWAC and UKWAL.

6. N.I.C.O.N.--Nigerian Indigenous Lines Conference, inaugurated by the Nigerian private lines to compete the then WALCON, dominated by foreign lines which were unwilling to admit the private Nigerian Shipping Lines.

7. O.E.C.D.--Organization for Economic Cooperation and Development.

8. E.C.A.--Economic Commission for Africa.

9. E.C.A.F.E.--Economic Commission for Asia and the Far East.

10. D.W.T.--deadweight tonnage.

11. G.R.T.--gross registered tonnage.

12. N.R.T.--net registered tonnage.

13. E.E.C.--European Economic Community.

LIST OF ABBREVIATIONS
AND NOMENCLATURE (cont.)

14. U.A.C.--United Africa Company

15. N.T.C.--Nigeria Tobacco Company

16. N.B.L.--Nigerian Breweries Limited

17. N.C.C.--Nigerian Cement Company

CHAPTER I

THE PROBLEM

Introduction

> Resolved--that this House is of the opinion that the time has come for the establishment of a Nigerian shipping industry, and desires the government, if possible within the framework of the country's other urgent requirements, to make any financial provision necessary for the development of such an industry in the next five-year economic planning period.[1]

Such was the final resolution of the Federal Nigerian Parliament on the long debate of the private member's motion[2] calling for the setting up of a shipping enterprise by the Federal Government of Nigeria. Much against the feelings and advice of the government,[3] this resolution expressed the wishes of the members of the Federal Parliament. The pressure on the government which continued

---

[1] Federation of Nigeria: House of Representatives Debate: Official Report, Federal Government Printer, Lagos, September 10, 1957, p. 2087.

[2] Rev. E. S. Bens (Brass).

[3] Nigeria House of Representatives Debate, November 1958.

thereafter led to another expression of sentiments in November 1958 in the parliament that indigenous shipping industry be set up for both economic and strategic as well as national prestige reasons. The Federal government was forced to change its attitude and on February 19, 1959, the Minister of Transport announced the incorporation of the Nigerian National Shipping Line.[4] The terms of the agreements between the government and the technical partners were explained as well.

Incorporated with a capital of ₦ 4 million,[5] 51 percent of which was held by the Nigerian Government, while the two British shipping firms--Messrs Elder Dempster Line and Palm Line held 33 and 16 percent, respectively. The company started operations with three ships in 1959, one owned and two chartered. It also became a member of the conference operating the West African-United Kingdom and European routes. In 1961, the Nigerian Government concluded agreements with the other shareholders and technical partners for the sale of their shares to the government.

---

[4] *Ibid.*, February 19, 1959, p. 399.

[5] Equivalent to two million Nigerian pounds (£N2 million).

The cancellation of the six-year agreement between the Nigerian government and the two lines made the Nigerian National Shipping Line completely national as from that year.

Thus the Nigerian National Shipping Line was incorporated to be able to "break through into a field which in yester years used to be the preserve of developed maritime nations."[6] Both government and the national shipping company officials have on occasions supported this investment on several grounds. In fact, one such reason is that in economies where there is usually insufficiency of private capital formation and the technical expertise and entrepreneurship without which meaningful economic activity cannot be successfully generated, government is in duty bound to participate actively in the private sector in selected industries.[7] The shipping industry is one of such areas and the Nigerian National Shipping Line was born of such principles. Participation in the effective carriage of

---

[6] Nigerian National Shipping Line: Memorandum on Problems Facing Indigenous Shipping Lines to Ministry of Transport. September 6, 1966.

[7] The Nigerian National Shipping Line Limited, Information Pamphlet, Nigerian National Press, Apapa, 1966, p. 1.

the nation's trade involves earning and possible conservation of foreign exchange and the breaking into the hitherto monopolistic powers of foreign shipping cartels serving the country were some other reasons behind the investment. Strategic reasons and national security were advanced apart from the knowledge that the "Nigerian flag would proudly fly over the seven seas."

The contrast between the origins of cargo and the ownership of shipping services in the world is reinforced by the fact that developing nations generated, for example, 41 percent of the world's seaborne trade but owned a mere 7.6 percent of the world's shipping in 1969. Of the new tonnage on order in that year, 58 percent was for the developed nations, 25 percent for flags of convenience owners and only 5.2 percent for the developing countries.[8] Many of the latter were in the market for second-hand vessels. The picture was no better before and is not even better today. Despite the contrast and the comparison between a country's trade and size of its merchant fleet, there is no necessary connection, ipso facto, between the trade of a nation and

---

[8]Rochdale Report: Committee of Inquiry into Shipping (Her Majesty's Stationery Office, Cmnd 4337, London, 1970), p. 9.

the ownership of the vessels conducting the trade. Apparently, national shipping lines incorporation have become predictable results of the attainment of independence by countries in most West African maritime areas.

On the other hand, some of the traditional maritime nations have querried the advisability of the operation of national fleets by developing countries on the grounds that capital might be better devoted to infrastructure and other more pressing industrial sectors.[9] Even in Nigeria, academicians and laymen also had joined in the questioning of the investment criteria for the Nigerian National Shipping Line. In some circles, people hardly saw the need for not allowing the foreign carriers to continue to carry the nation's trade without Nigerian participation. In particular, as public corporations had gained the notoriety for inefficiency and unbusinesslike operations, the new venture was hardly counted a worthy investment. The continued division of opinions has not been resolved and such resolution is only possible from a reasoned study and evaluation of the investment criteria behind the venture.

---

[9] UNCTAD, <u>The West African Shipping Range</u> TD/B/C.4/32, 1967, p. 49.

Problem Definition

The Nigerian National Shipping Line authorities have consistently requested for more government support and capital provision for expansion of both the fleet and their operations.[10] At the same time, the Nigerian Federal Government had in its policy statement committed itself to the plan "to study the economic soundness of additional investment in ships with the greatest care."[11] The lack of specific commitment by government to the provision of needed funds for the fleet expansion is a function of lack of specific knowledge of the market and the necessity or otherwise of further investments. Indeed, the policy statement noted that "ocean shipping is normally competitive," and government will rely on competition to provide good service at reasonable rates. Moreover, it notes the "notorious instability of rates and profits in shipping on the high seas."[12] When the current operational results of

---

[10] Nigerian National Shipping Line: Memorandum to the Ministry of Transport, Lagos, August 31, 1967.

[11] Federal Ministry of Information, Federal Republic of Nigeria Statement of Policy on Transport, Sessional Paper No. 1 of 1965, Government Printer, 1965, p. 2.

[12] Ibid., p. 2.

the Nigerian National Shipping Line is considered, government skepticism can be understood.[13]

The government decision to increase investments in tonnage acquisitions and operations of the Nigerian National Shipping Line should benefit from an analysis of the past investment and the extent to which the reasons or the criteria for the venture have been justified. Such an analysis is the prime purpose of this study. It is also anticipated that the study will also provide a framework for assessing the economic efficiency as well as the noneconomic reasons for investing in international shipping when the strategic and security factors of the nation are also taken into account.

Objective

This study is expected to examine the thorny issues of capital allocation and investment criteria in an economy

---

[13] Federal Republic of Nigeria, Second National Development Plan 1970-74, Federal Government Printer, Lagos, 1970, p. 184.

where capital is in short supply.[14] It also will contribute to information available to public decision makers so as to facilitate their efforts to efficiently allocate scarce resources between international shipping and other competing ends, most economic and noneconomic variables being taken into account.

Specifically, the study is aimed at evaluating the criteria for the incorporation and public operation of the Nigerian National Shipping Line to wit:

1. provision of effective instrument for the movement of the nation's increasing export-import trade based on the principles of effective participation and profitability;[15]

2. earning and conserving of much needed foreign exchange through increased participation in the movement of national exports and imports on the

---

[14] H. B. Chenery, "The Application of Investment Criteria," Quarterly Journal of Economic, 47, February 1953, pp. 76-96. Also, ECAFE, "Criteria for Allocating Investment Resources Among Various Fields in Underdeveloped Countries," Economic Bulletin for Asia and the Far East, June 1961, pp. 30-33.

[15] Nigerian National Shipping Line, Information Pamphlet, op. cit., p. 2.

criteria of import substitution and positive contribution to balance of payments;[16]

3. since an economy entirely dependent on foreign shipping can be exploited and held to ransom--indigenous shipping acts as a catalyst by influencing freight rates charged by foreign shipping companies based on the principles of "rate stabilization and yardstick";[17]

4. provision of employment for Nigerians who would also have the opportunity to acquire valuable technical knowledge;[18]

5. assurance of defense and strategic considerations, prestige and the corollaries to political independence.[19]

---

[16] Ibid., pp. 2-3.

[17] Nigerian Produce Marketing Company, Memorandum to Ministry of Transport, Transportation of Cargoes by Indigenous Shipping Companies, C 736/107 of October 6, 1966.

[18] A. D. Couper, "The Geography of Sea Transport," Hutchinson University Library, London, 1972, p. 185.

[19] Ibid., pp. 185-6.

Based on the fulfillment or otherwise of some or all of the above reasons for the incorporation and operations of the Nigerian National Shipping Line, it will be possible to convince the public planners of the desirability or otherwise of further investment in this field. Indeed, when the full factors, economic and noneconomic, are taken account of it may be possible to survey the question of the adquacy of judging the indigenous shipping industry purely on the above grounds. The study should explore the options open to the public planners on further capital investments in the area of ocean shipping industry.

Scope of the Study

1. This study is confined to the capital investments and the operations of the Nigerian National Shipping Line between 1959/60 and 1971/72, within the Conference systems.

2. The study will confine itself to the Nigerian-United Kingdom and Continental European trade route.

3. It will highlight the performances of the national line within the framework of the conferences it has been operating though its incomes and expenditures will not be disaggregated for this purpose.

4. It will attempt to isolate some of the more difficult socio-political factors, like the Nigerian Civil War (1967-70)[20] which might have had some bearings on the performances of the company.

Assumptions and Limitations

The following assumptions were made in the study:

1. It was assumed that the public investment in the shipping industry based on the stated public and private reasons announced or unexpressed from time to time was a sound decision. This is in spite of the absence of any prior verificatory studies and

---

[20] N. U. Akpan, The Struggle for Secession 1966-70: A Personal Account of the Civil War (London: Frank Cass, 1971).

even with the company's appalling management and financial pictures.[21]

2. It was assumed that priority considerations for the investment were based on the wishes of the people as stipulated by the Federal Nigerian legislature. Indeed, given the intent of the Federal Parliament, the study sought to ascertain the extent to which the criteria for the investment had been justified.

3. The market covered by this study was confined to the Nigerian-United Kingdom and Continental European trade routes. The reasons for the choice of this route are discussed below.

4. The shipping market is assumed to be more of a cartelized oligopoly in structure while the Nigerian National Shipping Line is assumed to be a marginal firm in it.[22]

---

[21]Federal Republic of Nigeria Second National Development Plan, 1970-74, op. cit., p. 184.

[22]K. Trace, "Underdeveloped Countries: Shipping Problems and Policies," The World Today, May, 1969.

5. The study was predicated on the lack of full quantitative information which is traditional with shipping industry.[23] Such lack of full available information had tended to mar the quality of discussions on matters relevant to the study and much of the conclusions were based more on inferential judgments.

6. Where the data were obtainable, the emphasis with most statistical reports[24] were with value rather than volume which ought to have been of greater interest from a transportation standpoint. The shipping organizations and institutions were unwilling to supply information regarding cargoes, sailings, load factors and market shares of different firms. Since even full particulars of the rate structures or their implementations were unpublished, data source consisted of official publications on trade, port authorities and information

---

[23]For this phenomenon refer to S. G. Sturmey, British Shipping and World Competition (University of London, The Athlone Press, London, 1962), p. 3.

[24]Federal Office of Statistics, Nigerian Ports Authority, Central Bank of Nigeria.

bulletins of government companies and marketing organizations.

Hypotheses

The general hypotheses investigated in this study was that the criteria underlying the incorporation and investment of public capital in the Nigerian National Shipping Line had been vindicated by its operational results and the strategic services of the company to Nigerian trade. Specifically, the operational hypotheses were:

1. that the incorporation and public investment in the Nigerian National Shipping Line were justified on the principles of profitability and effective participation of that indigenous institution in the carriage of the national seaborne trade;
2. that such incorporation and public investment were justified on the principles of import substitution and balance of payment considerations;

3. that such incorporation and public investment were justified on the principles of rate stabilization and as a yardstick for the measurement of foreign shipping effects elsewhere;

4. that such incorporation and public investment were justified on employment and acquisition of technical skills by indigenous personnel;

5. that such incorporation and public investment were justified on the score of national strategic considerations as well as prestige.

The analytical methods for evaluating the hypotheses will be discussed below under the tools of analysis while the results and conclusions will be the subject matter of Chapters V to VIII.

Why the United Kingdom/Continental European Route was Chosen

This study of the Nigerian National Shipping Line's operational performances was confined to the Nigeria-United

Kingdom and Continental European sea routes. The choice was based on the following facts:

1. That fairly adequate data as are relatively available are up-to-date and complete enough to facilitate analysis.

2. The route is the most important trade route for Nigeria since it controls some 60-70 percent of Nigeria's total export-import trade.[25]

3. It is the one major route where the Nigerian National Shipping Line operates currently within the conference systems.

4. Since the route is the most traditional for Nigeria's trade dating from the pre-colonial and colonial days, it will help the study observe the structural changes within the route and the stages of the National Line's penetration of those markets.

---

[25] Federal Office of Statistics, Review of External Trade, Nigeria, 1971. Lagos, Statements 2 and 3, pp. 5-6. Also Central Bank of Nigeria, Annual Report and Statement of Accounts, 1971, Lagos, Table 52, p. 81.

One of the objectives of the study is to estimate the market share and the effective participation of the Nigerian National Shipping Line in the carriage of trade on the United Kingdom/North Continental European route. Such an estimation taken over time on a particular route will give indication of the degree of participation effectiveness required. In particular, this will be more meaningful when taking the limited tonnage deployed by the National Shipping Line for its services and the confinement of these to the route as a matter of policy into account.

Justification for the Study

From a situation of 100 percent of carriage of national trade by foreign shipping companies to one of some participation by a public indigenous shipping line, Nigeria has come to a stage for evaluating its decision to invest in the area of ocean shipping. As government is hesitant[26] at the moment to expand investment in this area, a study of this nature certainly will provide the decision makers with the facts to base further decisions. If the prior decision

[26] See footnote 13.

on this investment was based on purely intuitive and less objective considerations, this study will either justify that decision or else sound a note that the available capital be no more pumped into the area.

The study will provide a basis for further evaluation of any future intentions to expand capital investments in the Nigerian National Shipping Line. It will also outline a program of actions within the field of international shipping both at the public as well as within the private sectors of the Nigerian economy. Such a program will lay the groundwork for further investigations of capital investment allocation criteria taking the socio-economic considerations of the country into account.

Tools of Analysis

Much of the analysis in this study makes use of tables, graphs, and opinions of experts and the practical people in the field as gathered from the sample surveys and personal interviews. The gaps which exist in the available information have meant that conclusions not supportable by empirical evidence have had to be drawn

from theoretical arguments. Where available, the data have been used to explain the trends noticed in the performance of both the market and the Nigerian National Shipping Line in particular. Deductive analysis has been used in combination with the interpretation of available data and the opinions gathered from standard journals and from interviews. What emerged was a qualitative set of conclusions backed by a minimum of data as was made available during the research.

Plan of the Study

Chapter II examines the structure, development, growth pattern, and overall potentials of the Nigerian economy and its ability to generate external trade on which shipping activities depend.

Chapter III analyses the shipping market serving Nigeria--composition, quantum, and ownership of vessels and the role of the operating conferences and ranges with specific position and powers of Nigeria's indigenous marine.

Chapter IV outlines the historical development of the publicly-owned Nigerian National Shipping Line as a background to Nigeria's participation in the merchant marine services.

Chapter V evaluates the performance of the Nigerian National Shipping Line against the aims of its incorporation on the principles of effective participation (market share) and its profitability.

In Chapter VI, further evaluation is made of the company's performances on the principles of import substitution and net contributor to the balance of payments.

In Chapter VII, the National Shipping Line's performances are assessed on the principles of its acting as freight rate stabilizer and a yardstick for measuring the equity of freight rates charged by foreign shipping lines. In the second section, the principles of employment generation will be used to assess this company's performances.

In Chapter VIII, on the basis of the assessment of the Nigerian National Shipping Line's performances, the survival opportunities of the company will be examined and on the choice of the options, a program and strategy for ensuring its economic survival and a national policy for generating the growth of indigenous marine outlined.

CHAPTER II

THE NIGERIAN ECONOMY AND TRADE

The Nigerian Economy

Nigeria, with a land area of 356,669 square miles and an estimated population of 65 million (Table 1) is a major country on the Gulf of Guinea. The most recent completed census of population was conducted in 1962/63[27] and the distribution by the current twelve states are as enumerated below. The absolute size of the population is for the purpose of making economic projections, of less significance than the rate of population growth, which is currently estimated at 2.7 percent per annum. Population is likely to grow higher in the foreseeable future because

---

[27]Nigeria's census counts have led to conflicting views. See S. A. Aluko, "How Many Nigerians? Analysis of Nigeria's Census Problems, 1901-1963," Journal of Modern African Studies, Vol. III, No. 3 (October 1965). Also, Ifegwu Eke, "Population of Nigeria, 1952-1965," Nigerian Journal of Economic and Social Studies, Vol. VII (July 1966), pp. 289-310. Another national census of population was undertaken in 1973.

of the reduced death rate and increasing or, at least, stable birth rate.

TABLE 1.—Population Distribution by States.

States	Area in Square Miles	Population Distribution (Millions)			
		1963		1973	
		Actual	Density	Actual[a]	Density
North Eastern	193,639	7.8	75.3	8.6	82.9
Western	29,100	9.5	326.5	10.4	357.4
East Central	8,746	6.2	708.9	7.3	834.7
Kano	16,630	5.8	348.8	6.3	378.8
North Western	65,143	5.7	87.5	6.2	95.2
South Eastern	13,730	4.6	335.0	5.2	378.7
North Central	25,954	4.1	157.9	4.9	188.8
Kwara	28,672	2.4	83.7	3.4	118.6
Benue Plateau	41,744	4.0	95.8	5.2	124.6
Rivers	7,008	1.5	214.0	1.9	271.1
Lagos	5,747	1.4	243.6	2.1	365.4
Mid Western	14,922	2.5	167.5	3.5	234.6
Country	356,699	55.6	155.6	65.0	182.2

[a]Estimated.

Source: Federal Census and Statistics Office.

The growth of the Nigerian economy between 1958/59 and 1966/67 (before the civil war[28]) showed steady

[28]N. U. Akpan, ibid. This civil war paralyzed the economic life of the former Eastern region (now East Central, Rivers, and South Eastern States). Some effects were felt in the Midwestern and the Benne-Plateau States,

increases in almost all the sectors (Table 2). The agricultural sector had grown at a modest annual rate of 3.1 percent, slightly above the population growth rate. Non-agricultural incomes rose at 8.1 percent per annum while the overall growth was at the average of 5 percent per annum. The fastest growing sector was the petroleum industry which even in 1973 produces over 2 million barrels of crude oil per day.[29] Its share of the gross domestic product is expected to reach 17 percent by the end of 1974.[30]

Between 1967 and 1971, the gross domestic product accelerated in growth, particularly after 1969. From Table 2, the growth in gross domestic product at 1962 factor prices shows steady increases in almost all the sectors. The disruptive effects of the civil war show themselves in the exclusion of data for the three Eastern States from the overall national data. Directly after the

---

particularly in the former where the theatre of war shifted for some time in 1967/68.

[29] Central Bank of Nigeria, Monthly Reports, January to July 1973.

[30] R. Pearson Scott, "Measurement of the Impact of Petroleum Production on the Nigerian Economy" (Mimeo), April 1969.

TABLE 2.—Gross Domestic Product at 1962 Factor Cost (N Millions)

Sectors	1958/59	1959/60	1960/61	1961/62	1962/63	1963/64	1964/65	1965/66	1966/67	1967/68[a]	1968/69[a]	1969/70[a]	1970/71	1971/72
1. Agriculture, Livestock Forestry and Fishing	1,344	1,410	1,600	1,554	1,610	1,742	1,734	1,742	1,740	1,358	1,356	1,513	1,730	1,810
2. Mining and Quarrying	20	24	32	44	54	46	52	114	186	113	140	295	592	785
3. Manufacturing and Crafts	90	104	114	128	152	154	158	184	186	184	222	274	324	364
4. Electricity and Water	6	8	8	10	12	14	16	18	22	16	18	20	23	27
5. Building and Construction	70	94	110	116	116	132	130	160	162	127	115	122	192	220
6. Distribution	256	272	310	312	322	362	390	406	402	321	328	411	470	520
7. Transport and Communication	82	88	106	118	122	136	134	130	126	112	122	126	149	167
8. General Government	80	96	100	100	102	102	104	104	104	92	136	230	250	260
9. Education	48	56	60	64	72	76	86	88	96	89	96	104	108	116
10 Health	8	10	10	10	14	16	18	20	18	18	20	27	30	32
11 Other Services	44	46	50	56	56	56	62	72	82	69	77	89	96	100
Petroleum Industry[b]	4	6	12	24	32	22	28	86	158	—	—	—	—	—
	2,048	2,206	2,500	2,512	2,630	2,834	2,884	3,034	3,122	2,499	2,631	3,213	3,964	4,401

[a]Excluding the three Eastern States with exception of oil figures.

[b]Estimated by Scott R. Pearson (1958/59-1966/67), "Measurement of Impact of Petroleum Production on the Nigerian Economy," (Mimeo) April, 1969.

Sources: Federal Office of Statistics and Federal Ministry of Economic Development.

war, the growth in the national economy became more positive, particularly in the mining and quarrying, manufacturing and crafts, distribution and transportation and communications sectors. The impact of the peace shows itself in the rallying of the largest total gross domestic product increases between 1970/71 and 1971/72, some 11 percent or ₦438 million. The oil industry contributed the most. The list of sectors demonstrating the phenomenal growth rates were as follows in Table 3.

TABLE 3.—Composition of Growth of the Nigerian Economy.

Sectors	Change in Sector Over 1970/71 ₦ Million	Contribution to Overall Growth Percent
Agriculture	80	2.0
Oil	186	4.7
Manufacturing	40	1.0
Building and Construction	28	0.7
Others	104	2.6
Total	438	11.0

A detailed examination of the economy by major sectors demonstrates that the industrial sector had grown with a minimum of impact from the civil war. Between 1965 and 1971, the industrial growth indices had reached 313.0 (Table 4). The component elements--manufacturing, mining, and utility--had simultaneously moved within the same period to growth indices of 185.1, 480.1, and 172.0, respectively. Such levels of growth rates can only presuppose increased use of resources--human and material and the rising employment could have impacts on the internal market expansion, income generation and increases in demand for resources.

When the manufacturing is taken up by itself (Table 5) the picture of increased positive growth is evident. The growth indices for the manufacture of import substitution articles--footwear, vegetable oil, cigarettes, and cotton textiles which rely more on local raw materials--natural rubber, hides and skins, ground nuts, tobacco, and raw cotton would, in a way, affect the volumes of such raw materials entering the country's export trade. The assembly plants dealing with vehicles, radios, transistors, and televisions depended on imports of semi-finished products

TABLE 4.—Index of Industrial Production (Base: Quarterly Average 1965 = 100)

Period and Weight	Manufacturing	Mining	Utility (Electricity)[1]	Total All Industries
Weight	512.6	435.8	51.6	1,000.0
1963	76.5	34.9	74.8	58.3
1964	92.7	49.6	87.1	73.6
1965	100.0	100.0	100.0	100.0
1966	111.7	145.4	111.9	126.4
1967[2]	114.2	112.4	97.1	112.5
1968	114.0	54.3	94.1	87.0
1969	150.2	181.5	104.9	161.5
1970	167.4	349.3	125.6	244.5
1971[3]	183.0	480.0	159.4	311.2
1966 1st quarter	111.5	125.0	110.9	110.7
2nd "	105.0	121.7	115.1	112.8
3rd "	108.4	156.3	105.0	129.1
4th "	121.4	178.3	117.2	146.0
1967 1st quarter	134.9	189.6	123.0	158.1
2nd "	132.4	194.4	98.7	157.7
3rd "[2]	87.9	38.3	82.0	66.0
4th "	100.5	28.2	84.5	68.2
1968 1st quarter	105.9	26.1	91.6	70.4
2nd "	108.2	36.0	94.6	76.0
3rd "	108.2	44.3	92.5	79.5
4th "	132.6	111.2	98.3	121.5
1969 1st quarter	134.0	179.7	101.7	152.2
2nd "	136.1	178.8	107.9	153.0
3rd "	157.5	161.4	102.5	156.4
4th "	167.1	205.9	113.0	181.2
1970 1st quarter	153.3	261.1	115.5	198.3
2nd "	158.4	310.7	125.1	223.1
3rd "	175.5	386.9	127.6	265.2
4th "	180.9	438.5	234.7	295.9
1971[3] 1st quarter	180.9	465.8	147.7	303.3
2nd "	181.2	501.6	154.8	319.5
3rd "	182.5	472.4	163.6	307.9
4th "	185.1	480.1	172.0	313.0

[1]Consumption

[2]Production figures of establishments located in the Eastern States are not included, from mid-1967 except for petroleum production which resumed in the liberated areas of these states from mid-1968.

[3]Provisional

Note: This index has been revised and the base year changed to 1965; it is linked with the old index (base year 1963) to ensure continuity.

Source: Central Bank of Nigeria. Annual Report, 1971.

TABLE 5.--Index of Manufacturing Production[1] (Base: Quarterly Average 1965 - 100; Weights: 1965 Value Added)

Weight and Period	Aerated Water (Soft Drinks)	Beer (including stout)	Cement	Cigarettes	Cotton Textiles	Footwear	Paints and Allied Products	Radios, changers, TV Assembly, etc	Roofing Sheets	Rubber (Natural)	Soaps and Detergents	Sugar and Confectionery	Tin Metal	Vegetable Oil	Vehicle Assembly	Total
Weight	5.8	72.8	31.5	76.1	47.7	5.1	4.5	4.5	6.4	31.5	38.0	5.1	3.2	31.5	10.9	374.6
1963	64.0	82.4	52.9	n.a.	50.5	100.6	49.5	8.9	165.4	102.4	79.5	n.a.	96.9	73.1	118.9	76.5
1964	78.4	97.2	84.5	n.a.	57.3	130.4	72.5	51.9	276.9	111.9	76.4	n.a.	93.7	89.4	159.5	92.7
1965	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1966	89.1	110.2	102.0	90.0	171.8	186.4	120.4	136.7	196.2	92.9	112.7	150.0	98.0	68.8	113.2	111.7
1967[1]	87.2	105.8	74.7	85.4	226.2	220.7	114.0	155.7	157.7	88.1	103.7	172.5	97.5	67.1	141.6	114.2
1968	84.5	123.7	58.4	90.8	212.6	214.9	102.6	150.6	142.3	85.7	74.2	175.0	104.8	97.3	125.9	114.0
1969	107.9	153.2	57.6	157.8	273.8	291.1	164.4	245.6	142.3	90.5	75.1	273.8	93.7	109.3	189.4	150.2
1970	140.0	192.5	59.5	141.1	314.6	423.1	265.2	340.5	184.6	102.4	81.6	352.5	85.0	105.0	226.4	167.4
1971	197.1	235.1	65.6	155.2	324.3	401.9	279.7	259.5	265.4	102.4	94.3	582.5	78.3	73.4	221.6	183.0
1966																
1st quarter	97.2	99.9	105.8	95.8	159.1	180.8	122.3	110.4	204.8	107.7	116.6	154.8	113.7	71.3	111.5	111.5
2nd "	94.5	113.9	104.1	80.8	148.4	139.9	130.4	138.9	193.6	85.4	113.7	135.3	103.2	63.9	72.3	105.0
3rd "[1]	68.1	111.3	95.5	87.3	169.2	152.1	125.9	149.7	186.7	84.3	98.8	131.8	77.4	84.6	110.0	108.4
4th "	96.4	115.6	102.1	96.1	207.1	225.0	103.6	145.8	202.7	101.7	121.5	177.5	97.8	55.9	158.9	121.4
1967																
1st quarter	119.7	112.5	98.8	89.5	258.0	225.5	151.3	176.7	205.1	150.2	155.9	195.4	92.1	59.5	153.5	134.9
2nd "	103.9	124.5	105.4	95.8	257.4	183.0	140.2	164.7	221.9	90.0	143.8	191.6	95.5	64.9	153.7	132.4
3rd "	48.9	77.7	45.0	78.0	178.8	191.9	71.9	164.5	111.3	51.5	48.6	156.7	101.5	72.0	138.3	87.9
4th "	76.3	108.4	49.2	78.2	107.7	224.2	93.3	116.9	91.0	64.3	66.4	148.9	100.8	72.6	120.7	100.5
1968																
1st quarter	94.6	103.0	65.3	83.3	193.3	186.6	106.3	133.8	128.7	100.8	73.8	148.0	112.1	87.6	120.5	105.9
2nd "	86.1	113.6	64.0	97.7	187.4	178.8	104.5	124.1	136.0	61.1	78.3	172.6	96.7	99.0	124.8	108.2
3rd "	53.5	113.1	47.9	84.1	222.3	200.5	93.3	141.3	132.3	72.3	68.5	177.5	115.5	97.9	120.9	108.2
4th "	103.8	165.0	56.2	98.1	243.5	237.0	106.7	201.3	169.8	109.4	76.1	205.7	94.8	105.7	137.3	132.6
1969																
1st quarter	114.8	130.2	63.2	110.1	268.2	268.9	174.6	159.1	134.1	112.2	70.1	270.9	106.7	106.9	171.2	134.0
2nd "	118.9	149.5	55.8	136.1	261.7	231.5	167.0	158.8	118.7	75.9	71.6	228.6	95.8	79.9	211.7	136.1
3rd "	84.1	147.5	51.7	186.5	276.4	294.2	159.4	374.3	159.4	88.3	83.2	267.8	82.9	135.3	184.6	157.5
4th "	113.9	185.4	59.5	198.7	285.7	293.0	157.6	287.0	162.3	87.4	75.5	328.6	89.2	115.3	190.1	167.1
1970																
1st quarter	162.5	180.5	54.1	112.0	305.5	343.6	209.4	317.5	171.3	103.4	80.9	326.2	87.3	109.7	160.1	153.3
2nd "	168.3	176.1	64.0	149.4	286.5	362.6	286.6	322.0	181.6	94.3	84.3	372.3	93.2	91.1	178.0	158.4
3rd "	111.6	204.6	60.7	152.1	327.5	430.0	279.0	353.9	189.9	104.3	80.1	350.2	76.7	108.1	279.5	175.5
4th "	142.4	173.1	63.6	151.0	353.2	444.8	246.0	368.1	201.9	114.7	80.9	364.0	82.8	111.3	287.8	180.9
1971[2]																
1st quarter	220.1	217.3	59.9	153.7	339.9	370.7	343.3	280.3	248.4	114.8	91.8	345.8	80.8	92.0	235.1	180.9
2nd "	231.0	231.5	68.2	157.4	303.2	356.7	237.5	312.3	267.9	103.9	83.6	706.5	68.7	81.2	208.5	181.2
3rd "	178.9	237.8	67.8	156.9	314.6	386.0	271.6	217.6	273.0	96.4	114.6	630.1	85.4	53.9	225.0	182.5
4th "	158.4	253.7	66.1	152.7	332.7	388.6	267.9	227.4	279.5	96.2	87.4	651.4	78.3	66.5	217.8	185.1

[1] Production figures for establishments in the eastern states are not included from the third quarter of 1967.

[2] Provisional

[3] n.a.--not available

while some fabrications like roofing sheets and most of the steel materials and building construction equipments tended to boost imports. The greatest foreign exchange earners (Table 6) were the natural gas and petroleum crudes which production indices reached an all time levels of 185.6 and 538.6, respectively, on the index scale.

The index of output of agricultural export commodities indicated a mixed picture. Between 1968 and 1971, major increases showed up in respect of cocoa beans, benniseed, coffee, palm oil, and kernels for trade purposes. Some degree of decline in exports was noted for groundnuts, rubber, soya beans, timber, cotton and hides and skins, presumably due to increased domestic processing activities (Table 7). The overall impact of the trend is that either a reduction in quantum terms or a change in composition of the agricultural export items must be expected in the future. The current trend cannot tell the whole story since increased agricultural productions are expected from the state governments' farm estates and plantations[31] and privately expanded farms undertaken in the late 1950's through the 1960's.

[31]The former Eastern, Western, and Northern regional development corporations' estates.

TABLE 6.— Index of Mineral Production[1] (Base: Quarterly Average 1965 = 100)

Period and Weight	Cassiterite (Tin Ore)	Coal	Columbite	Gas (Natural Gas)[1]	Limestone	Petroleum	Total
Weight	36.7	7.8	3.9	1.9	3.9	381.6	435.8
1963	91.5	77.8	73.2	30.8	62.3	27.9	34.9
1964	91.5	94.2	85.1	52.8	76.0	44.0	49.6
1965	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1966	97.5	86.3	80.8	182.8	85.1	152.3	145.4
1967[2]	97.9	13.0	70.0	179.7	64.6	116.4	112.4
1968	101.1	—	41.3	152.4	50.1	50.6	54.3
1969	90.3	1.8	54.3	66.2	54.2	197.1	181.5
1970	82.1	8.2	57.9	115.1	52.7	389.1	349.3
1971[3]	75.7	20.5	47.5	185.6	49.3	538.6	480.0
1966							
1st quarter	103.6	97.8	85.6	163.7	93.2	128.2	125.0
2nd "[2]	91.0	81.4	78.6	164.2	86.4	126.1	121.7
3rd "	101.9	92.3	85.3	175.6	98.5	164.1	156.3
4th "	93.6	72.7	73.8	175.6	61.9	190.9	178.3
1967							
1st quarter	103.5	51.9	70.6	288.5	89.5	202.4	189.6
2nd "	84.0	—	72.6	304.8	70.9	211.0	194.4
3rd "	103.3	—	77.9	33.7	50.7	31.2	38.3
4th "	101.0	—	59.0	91.2	47.4	20.9	28.2
1968							
1st quarter	106.5	—	34.9	93.9	52.3	18.2	26.1
2nd "	94.4	—	33.0	151.2	47.7	30.4	36.0
3rd "	101.6	—	46.1	211.0	47.4	38.4	44.3
4th "	102.1	—	50.9	154.1	52.9	115.4	111.2
1969							
1st quarter	105.2	—	43.8	110.0	52.0	193.6	179.7
2nd "	82.5	1.1	42.1	81.7	54.2	194.9	178.8
3rd "	88.6	2.7	58.7	35.1	47.1	174.5	161.4
4th "	84.8	3.3	72.8	37.8	63.5	225.3	205.9
1970							
1st quarter	92.3	3.8	51.4	51.9	47.4	288.0	261.1
2nd "	79.9	8.7	58.7	109.6	48.6	345.3	310.7
3rd "	76.3	6.6	68.4	123.2	57.0	432.5	386.9
4th "	80.2	13.7	53.1	175.5	57.6	490.8	438.5
1971[3]							
1st quarter	83.0	12.6	42.6	173.8	57.9	521.8	465.8
2nd "	69.3	9.8	43.8	181.2	57.0	564.1	501.6
3rd "	74.7	29.5	56.0	201.5	40.9	529.7	472.4
4th "	75.7	30.1	47.5	185.6	41.2	538.6	480.1

[1]Consumption

[2]Production figures of establishments located in the Eastern States are not included from the third quarter of 1967 through 1969 (war period), but petroleum production from the Rivers State is included as from the third quarter of 1968.

[3]Provisional

Note: This index has been revised and the base year changed to 1965; it is linked with the old index (base year 1963) to ensure continuity. Coverage has been expanded to include limestone.

Source: Central Bank of Nigeria, Annual Report, 1971.

TABLE 7.--Index of Output of Agricultural Export Commodities (Base: 1960 = 100).

Commodity	Weight	1968 (1)	1969 (2)	1970 (3)	1971 (4)	Percentage Change (4) over (2) (5)	Percentage Change (4) over (3) (6)
Aggregate index	--	104.9	88.0	100.9	80.9	- 8.1	- 19.8
Benniseed	1.29	55.8	58.1	7.2	30.3	- 47.8	+ 320.8
Castorseed	0.04	75.1	36.2	26.4	26.4	- 27.1	0
Cocoa	23.29	142.2	127.7	153.3	153.7	+ 20.4	+ 0.3
Coffee	0.33	50.3	103.7	57.8	64.0	- 38.3	+ 10.7
Copra	0.68	58.5	30.1	31.1	16.7	- 44.5	- 46.3
Cotton (seed cotton)	6.45	163.7	69.7	246.3	103.9	+ 49.1	- 57.8
Ginger	0.07	154.1	254.2	297.3	184.2	- 27.5	- 38.0
Groundnuts	24.45	159.0	112.1	90.8	54.8	- 51.1	- 39.6
Hides and skins	3.14	71.3	76.4	49.6	40.4	- 47.1	- 18.5
Palm kernels	15.26	45.8	61.5	69.6	71.4	+ 16.1	+ 2.6
Palm oil	9.28	2.2	7.4	14.6	16.3	- 120.3	- 11.6
Rubber	9.87	89.2	98.3	102.0	87.5	- 11.0	- 14.2
Soybeans	0.29	72.4	41.9	82.6	38.8	- 7.4	- 53.0
Timber	5.56	44.6	47.1	32.6	30.1	- 36.1	- 7.7

Source: Central Bank of Nigeria, Annual Report 1971.

Despite the short term reduction in the agricultural export commodities noticed in the war and post-war years, it is expected that there will be increases in the output of such products. The studied forecasts of experts and consultants[32] have tended to support this optimism. The only fact which is difficult at the moment to quantify is how much raw agricultural products and raw materials will continue to enter the export market in the future in view of the increasing domestic manufacturing activities based on these raw materials. The future trend is not one of decreased production of agricultural raw materials but of increased use in domestic manufacture while mining and quarrying will greatly become the major foreign exchange earner in the years ahead.

---

[32]FAO, Agricultural Development of Nigeria, Rome, 1966 (FAO Report). G. L. Johnson, O. K. Scoville, G. K. Dike, and C. K. Eicher, "Strategies and Recommendations for Nigerian Rural Development 1969-1985," Consortium for the Study of Nigerian Rural Development, East Lansing, Michigan, 1969 (CSNRD 33). Also Economic Associates Limited, Traffic and Development (2 Volumes), London, 1967. NEDECO, Development of the Ports of Nigeria, 1970-1990, The Hague, 1971.

Nigeria's External Trade

The civil conflict between 1967 and 1970 has made the overall analysis of the nation's foreign trade between the 1950's and 1970's through the 1960's an uneasy task. For, the general trend in the growth of Nigeria's external trade was interrupted by the war, and, the post-war growth has been based on a new and different political and economic structure of the country. In this context, the analysis will become meaningful if divided into the pre- and post-war periods. The periodized analysis will be compared with the overall assessment so that appropriate conclusions can be drawn on the effects of the civil war on the country's external trade.

The external trade between 1960 and 1971 showed positive increases in volume terms for all the years except for the period of the civil war--1967 to 1969. The annual averages of the exports and re-exports between 1960 and 1971, overlooking the effects of the civil war, was over 18 million tons (Table 8) while the imports were over 3 million tons. This involved a total trade of over 21 million tons of cargo. Taken separately to illustrate the absence of war effects, the exports and imports between

TABLE 8.—Nigeria's External Trade Volume (1960–71) (Thousand Tons).

Year	Exports[a] and Re-exports	Imports	Total
1960	3,094	3,149	6,243
1961	3,784	2,410	6,194
1962	5,617	2,973	8,590
1963	6,082	2,967	9,049
1964	8,214	3,324	11,538
1965	14,475	3,588	18,063
1966	18,080	3,512	21,592
1967	5,083	2,188	7,271
1968	2,146	2,788	4,934
1969	28,447	3,227	31,674
1970	52,705	3,635	56,340
1971	72,089	4,622	76,711
Annual Averages			
1960–66	8,478	3,132	11,610
1967–71	32,094	3,292	35,386
1960–71	18,318	3,199	21,517

[a]Contains crude oil and natural gas components figures rounded to the nearest unit.

Source: Nigeria Trade Summary.

1960 and 1966 were annually of the magnitude of over 8 and 3 million tons, respectively. The war and post-war periods (1967-1971) came to the unbelievable 32 million tons for exports and re-exports as well as over 3 million tons for imports on annual averages.

The phenomenon of greatly increasing exports volume depicted the oil content which had shortly before and after the civil war gained in importance in the export trade components. It may be noted that in 1967 and 1968 when the war brought a halt to the oil drilling and exports as well as some other exports from the three Eastern States, the total export volume reduced from over 18 million in 1966 through 5 million to a little over 2 million tons in 1968. The surging increased drilling and export of petroleum crude from the Midwest, Rivers, and the South Eastern States as well as the offshore fields added to the agricultural products to swell up the post-war export trades from 1969 to 1971.

In value terms, the increases have been consistent even when analyzing as far back as 1954 (Table 9) to 1971. The annual averages of export values for 1960-71 period were nearly ₦500 million while imports were nearly of the same magnitude. The post-war values (1967-1971) were annually estimated at over ₦700 million for exports and over ₦600 million for imports. The pre-war years' were annually valued at less since oil crudes were not major items in the export trade. One significant fact is that while the

TABLE 9.—Value and Visible Balance of External Trade (N Million).

Year	Imports	Exports and Re-exports	Balance of Trade
1954	228.0	298.8	+ 70.8
1955	272.2	265.0	- 7.2
1956	305.4	269.0	- 36.4
1957	304.8	254.8	- 50.0
1958	332.6	271.0	- 61.6
1959	356.8	327.0	- 29.8
1960	431.6	339.2	- 92.4
1961	445.0	347.2	- 97.8
1962	406.4	337.0	- 69.4
1963	415.2	378.6	- 36.6
1964	508.6	429.2	- 79.4
1965	550.6	536.6	- 14.0
1966	512.8	568.2	- 55.4
1967	447.2	483.6	- 36.4
1968	385.2	422.2	+ 37.0
1969	497.4	636.2	+ 138.8
1970	756.4	885.4	+ 129.0
1971	1079.0	1293.2	+ 214.2

Source: Nigerian Trade Summary.

volumes and values of imports had tended to increase by slight annual degrees, the volume of exports made phenomenal increases with unit values tending to be decreasing over time. This situation is shown in Tables 10 and 11 where quantum and value indices have been illustrated. Indeed the fact is further amplified by the continued imbalance in trade between 1955 and 1964 after which the ensuing favorable balances can be ascribed to crude petroleum factor in the export trade (Table 9).

TABLE 10.—Quantum Indices of Nigeria's External Trade (Volume in Tons).

Year	Imports	Exports and Re-exports	Balance/ Imbalance Ratios
1954	100	100	1.0
1955	124	99	1.3
1956	138	110	1.3
1957	134	106	1.3
1958	151	105	1.4
1959	164	126	1.3
1960	192	124	1.5
1961	195	147	1.3
1962	182	156	1.2
1963	177	162	1.1
1964	213	181	1.2
1965	230	319	1.4
1966	225	398	1.7
1967	140	112	1.3
1968	179	47	3.8
1969	207	627	3.0
1970	233	1,161	5.0
1971	296	1,587	5.4

Source: Based on figures from Nigerian Trade Summary.

TABLE 11.—Price Indices of Nigeria's External Trade (Value in ₦).

Year	Imports	Exports and Re-exports	Terms of Trade
1954	100	100	100
1955	98	88	90
1956	100	83	83
1957	102	84	82
1958	99	85	86
1959	97	89	92
1960	102	90	88
1961	102	84	82
1962	101	80	79
1963	101	84	79
1964	110	86	78
1965	n.a.	n.a.	n.a.
1966	n.a.	n.a.	n.a.
1967	n.a.	n.a.	n.a.
1968	120	89	74
1969	131	100	76
1970	205	89	43

n.a.—not available.

Source: Based on Nigerian Trade Summary figures, Lagos.

Export and Import Trade Classifications

Since the major interest of shipping is mostly trade volumes first before values (though one cannot be divorced from the other) it is pertinent to make an elementary analysis of the principal cargoes involved in the

nation's trade. The principal export cargoes of Nigeria may be classified into three categories:

1. traditional produce (including timber logs)
2. ores and minerals
3. mineral oil

The traditional produce comprise vegetable oils--groundnuts, sheanuts, palm oil and kernels, coffee, cocoa and plants, and timber logs. The major ores and minerals include columbite, limestone, and cessiterite (Table 6). The most important now in volume and value terms are the millions of tons of petroleum crude and liquified gas exports. The Nigerian industries are not yet engaged in export product promotion since they have not saturated the internal market which is currently immense in potentiality. Nonetheless, the trend for the future portrays changes in the export trade in manufactured goods though the present semi-manufactured processes involving groundnut crushing into cakes as well as tanned skins and hides are fast becoming important.

An examination of these major export commodities over the last decade, 1962-1972, indicates that some

vegetable oils are fast declining as export items. Other declining items (by volume and value) include timber logs, plywood, groundnuts, natural rubber, raw cotton, hides and skins. On the other hand, cocoa beans, crude oil, palm kernels and oil are increasing in volume and values on the export list. Cocoa, crude petroleum, palm oil and kernels are continuing to be consistent as items which enjoy foreign exchange earnings (Table 12).

A survey of some selected major export commodities sold during and after the civil war shows that most oil seeds are still declining items. The same is still true of timber and plywood, hides and skins, palm kernel cake and meal and other cocoa products including semi-manufactured cocoa butter. The same trend is indicated by their unit values as well as their total values as percentages of the national export volumes (Table 13). What has emerged is that even when increased agricultural products are expected, a relatively declining quantity of these will be exported as real raw materials. This is due to domestic semi- and total manufacturing activities which mostly thrive on these erstwhile export produce.

When the volumes of total export commodities (agricultural) handled by the Nigerian Produce Marketing Company

TABLE 12.—Nigeria's Selected Major Exports (Quantities and Values) 1962-1971.

Commodity	Quantities ('000 Tons)										Values (₦ Millions)									
	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971
Crude Oil	3,368	3,695	5,783	13,020	18,945	14,774	6,890	26,867	50,883	70,879	33.4	40.4	64.2	136.2	184.0	144.2	74.0	261.8	509.8	951.8
Cocoa	195	175	197	255	190	242	206	171	193	284	66.6	64.8	80.2	85.4	56.6	109.4	103.4	105.2	134.0	143.0
Palm Oil	118	126	134	150	143	16	3	8	8	20	17.8	18.8	21.6	26.8	22.0	2.6	0.2	0.8	2.0	3.4
Palm Kernels	367	398	394	416	394	163	159	176	182	238	33.8	41.8	42.0	53.0	44.8	15.6	20.4	19.6	22.0	26.0
Groundnuts	530	614	544	512	573	520	638	517	287	134	64.8	73.2	68.6	75.6	81.6	70.8	76.0	71.6	44.0	24.2
Groundnut Oil	63	69	80	91	104	71	109	100	89	41	12.2	13.0	16.2	20.0	19.4	14.4	19.0	21.8	24.0	12.6
Groundnut Cake	88	85	139	113	133	131	171	168	160	97	4.8	5.4	9.2	10.4	9.4	8.4	9.8	10.0	12.0	6.8
Raw Cotton	23	40	25	14	23	33	14	14	28	22	11.8	19.0	12.2	6.6	6.8	13.0	6.6	6.8	14.0	11.0
Rubber	60	63	72	68	70	48	52	56	58	50	22.6	23.6	24.4	22.0	23.0	12.6	12.6	19.2	18.0	12.4
Tin Ore and Metal	8	10	11	11	12	11	11	10	11	8	13.9	17.8	25.0	29.8	30.8	26.2	27.4	27.8	34.0	24.0

Source: Federal Office of Statistics. Review of External Trade, 1971.

TABLE 13.—Nigeria's Selected Major Export Commodities: 1962-1971.

Commodity	Average Unit Value (N)										Percentage of Total Exports									
	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971
Crude Oil	9.9	10.9	11.1	10.5	9.7	9.8	10.8	10.0	10.0	13.6	9.9	10.5	15.1	25.9	33.1	30.3	17.9	41.6	58.1	74.4
Cocoa	341.6	370.3	407.1	334.9	297.9	447.8	503.4	615.6	690.2	536.4	19.8	16.7	18.6	16.2	10.1	23.0	25.0	16.7	15.2	11.2
Palm Oil	150.8	149.2	161.2	178.7	153.8	153.0	85.2	108.4	150.8	170.0	5.3	4.9	4.4	5.2	3.9	0.5	0.1	0.1	0.1	0.3
Palm Kernels	92.1	104.8	106.6	98.6	113.7	96.0	102.0	110.8	119.2	109.2	10.0	10.8	9.8	10.1	8.0	3.3	4.9	3.1	2.5	2.0
Groundnuts	122.3	119.2	126.1	147.7	142.4	136.2	119.0	138.4	151.6	180.6	19.2	18.9	16.0	14.3	14.7	14.9	18.4	11.4	4.9	1.9
Groundnut Oil	196.8	191.3	202.5	219.8	186.5	202.4	173.2	219.2	262.2	304.8	3.6	3.4	3.8	3.8	3.9	3.0	4.6	3.5	2.6	1.0
Groundnut Cake	54.4	63.5	66.2	92.0	70.7	64.4	57.4	59.6	69.2	69.4	1.4	1.4	2.1	2.0	1.7	1.8	2.4	1.6	1.3	0.5
Raw Cotton	513.0	475.0	488.0	471.4	440.0	394.6	465.2	478.4	471.6	500.0	3.5	4.9	2.8	1.2	1.2	2.7	1.6	1.1	1.5	0.3
Rubber	400.0	374.6	333.3	320.5	328.6	265.2	243.2	342.0	301.0	248.0	6.7	6.1	5.7	4.1	4.1	2.6	3.1	3.1	2.0	1.0
Tin Ore and Metal	1737.5	1780.0	2727.7	2709.1	2566.7	2510.4	2431.6	2754.0	3094.0	3100.0	4.1	4.6	5.8	5.7	5.5	5.5	6.6	4.4	3.8	1.9

Source: Federal Office of Statistics. Review of External Trade, 1971.

are analyzed (Table 14), a somewhat declining trend is noticed between 1964/65 and 1971/72 produce seasons. When it is noticed that the volume handled by the Nigerian Produce Marketing Company is on the annual average of some 750,000 tons, or 30 percent of the non-oil exports, the significance of the declining trend can be better imagined. And, since the bulk of the N.P.M.C. cargo consists of cocoa, groundnuts, palm oil and kernels and raw cotton, among others, the tendency is once more a confirmation of the declining importance of agricultural raw materials in the composition of Nigeria's exports in the years to come. This trend may, however, not be conclusive in view of the short period involved and also the expectation of increased production of agricultural produce from public and private plantations as the investments of the 1950's and 1960's increase their yields.

The major imports by S.I.T.C. sections (Table 15) indicate a mixed trend. Over the decade (1962-1971) while tonnage volumes are not readily disaggregated, estimates for 1969/70, for example, was at 2.9 million tons.[33] In

---

[33]Nigerian Ports Authority, Annual Report, 1969-70, p. 76.

TABLE 14.--N.P.M.C. Export Commodities (Volumes).

Year	Volumes of Produce Shipped (Tons)
1964/65	985,215
1965/66	1,223,815
1966/67	872,276
1967/68	887,383
1968/69	853,284
1969/70	769,428
1970/71	819,068
1971/72	578,985
Annual Mean	873,681

Source: N.P.M.C., Lagos.

priority terms, machinery and transport equipments, manufactured goods, chemicals and food have been dominant imports. Drink and tobacco, minerals, fuels and lubricants are at the same time declining items due to domestic production substitutes. Capital goods[34] for industries and reconstruction took up to 58 percent of all imports on the average during the period (Table 16). Of the consumer

[34]Central Bank of Nigeria Exchange Control Authorities give priorities in foreign exchange allocation to such items which promote and expand industrialization. This is in accordance with the Federal government's policy. See Federal Government's Statement on Industrial Policy, Sessional Paper No. 6 of 1964, Government Printer, Lagos.

TABLE 15.—Nigeria's Imports 1962-1971 (N Millions).

SITC	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971
0. Food	47.0	43.8	41.2	46.0	51.6	42.6	28.4	41.8	57.6	88.2
1. Drink and Tobacco	9.6	5.8	5.8	4.0	4.6	3.6	2.4	1.6	4.0	4.4
2. Mineral Fuel Lubricants	28.2	31.0	39.0	34.6	7.6	17.6	29.2	31.2	22.0	9.0
3. Crude Materials	4.8	6.2	7.4	13.2	14.4	11.6	10.6	11.4	16.6	20.4
4. Animal and Vegetable Oils	0.2	0.2	0.4	0.4	0.4	0.6	0.6	0.4	0.8	0.8
5. Chemicals	24.6	29.0	34.2	40.4	41.6	42.6	44.8	60.8	88.4	121.0
6. Manufactured goods	146.2	148.4	179.2	180.0	158.6	144.6	109.4	144.0	226.0	319.4
7. Machinery and Transport Equipment	96.6	101.2	149.8	184.8	191.0	143.2	119.8	146.4	282.6	428.8
8. Miscellaneous Manufactured Goods	43.4	42.6	45.0	41.0	37.6	34.8	28.0	26.8	39.6	68.6
9. Miscellaneous Transactions	6.2	7.0	5.8	5.6	5.6	6.0	12.2	33.0	18.6	14.8
Total	406.4	415.2	507.8	550.2	512.8	447.2	385.2	497.4	756.4	1076.4

Source: Federal Office of Statistics, Review of External Trade, 1971.

TABLE 16.--Imports: Analysis by End Use (At Current Prices).

	Value in N Million					Percentage of Total				
	1971	1970	1969	1968	1967	1971	1970	1969	1968	1967
1. Consumer Goods										
a. Nondurable Consumer Goods										
i. Food	93.2	62.2	43.6	32.2	48.0	8.8	8.4	9.4	8.5	10.8
ii. Textiles	58.2	39.0	30.4	32.0	51.0	5.5	5.3	6.5	8.5	11.5
iii. Others	125.6	78.4	54.8	51.8	57.0	11.8	10.6	11.8	13.8	12.8
b. Durable Consumer Goods	43.0	24.4	13.4	9.2	15.4	4.0	3.3	2.9	2.4	3.4
Total	320.0	204.0	142.2	125.2	171.4	30.1	27.6	30.6	33.2	38.5
2. Capital Goods										
a. Capital Equipment	348.2	232.4	126.4	103.0	120.8	33.0	31.5	27.2	27.3	27.2
b. Transport Equipment	109.4	78.8	45.4	30.2	31.4	10.5	10.7	9.8	8.0	7.0
c. Raw Materials	247.6	186.8	114.0	83.4	88.0	23.3	25.3	24.5	22.1	19.8
d. Fuels	9.0	22.0	31.2	29.2	17.6	0.8	3.0	6.7	7.8	4.0
Total	714.2	520.0	317.0	245.8	257.8	67.6	70.5	68.2	65.2	58.0
3. Passenger Cars	25.0	13.8	5.4	5.8	15.8	2.3	1.9	1.2	1.6	3.5
Grand Total	1063.6	737.8	464.6	376.8	445.0	100.0	100.0	100.0	100.0	100.0

Value c.i.f.

Source: Federal Office of Statistics, Review of External Trade, 1971.

goods, the nondurables were averaging 30 percent at the same time. Raw materials for industries which were growing directly after the war are fast stabilizing, possibly indicative of the increased use of domestic materials. The fact that consumer goods are relegated to a third position of priority indicates a policy of industrialization which can only spell increased fabricated materials content of Nigeria's export trade in the future. The intensity of this policy of fast industrialization can be noted in the "Nigerian National Oil Corporation Decree 1971 (Decree No. 18) and the "Nigerian Steel Development Authority Decree 1971 (Decree No. 19) which have the focus of Nigerian activities in the oil and steel areas of production.

Directional Flows and Trends in Nigeria's External Trade

Nigeria, before and immediately after her independence, maintained a typical trade connection with the United Kingdom and the British Commonwealth of Nations, such as the French and Belgian ex-colonies did with their ex-colonial masters (Table 17). The largest fractions of

TABLE 17.—Trade Connection Patterns Between Former West African Colonies and Former Colonial Powers 1965 (Percentages).

Exports From / To	British Ports	French Ports	Belgian Ports
Former British West Africa	44.6		
Former French West Africa		48.6	
Former Belgian Congo			48.8
To / Imports From	**British Ports**	**French Ports**	**Belgian Ports**
Former British West Africa	56.0		
Former French West Africa		67.5	
Former Belgian Congo			73.2

Compiled from data from the West African Shipping Range. U.N. Publication, 1967, pages 12 and 23 (TD/B/C.4/32).

the national external trade were held with Britain up to 1965--56 percent of imports and 45 percent of exports. Directly after the trade agreement with the European Economic Community,[35] Nigeria's external trade broadened such

---

[35] Federal Ministry of Information, Agreement Between the European Economic Community and the Republic of Nigeria, Government Printer, Lagos, July 1966.

that the dominance of United Kingdom as Nigeria's major trading partner started to decline. As a bloc, the E.E.C. steadily increased its lead and is today Nigeria's greatest trading partner, with the United Kingdom as the close second.

Within the E.E.C. which is now enlarged to include the United Kingdom, Nigeria, for example, sold 60 percent of her exports and bought over 57 percent of her imports in 1971 (See Table 18). When the volume of exports handled by the Nigerian Produce Marketing Company[36] are examined (Table 19a) the destinations receiving the greatest magnitude are the United Kingdom, Western European continent, the French ports, the Mediterranean ports, and the Adriatic. Exports sold to the Commonwealth countries as a bloc have shown mixed trends with those of the United Kingdom declining proportionately. The United States is fast increasing her imports from Nigeria from 7.8 percent in 1967 to 28.5 percent (of Nigeria's exports) in 1971. The European Economic Community with or without the United Kingdom

---

[36]The government corporation responsible for the external sales of the major agricultural export produce. For criticisms of the institutional activities, see Peter T. Bauer, West African Trade, Routeledge and Kegan Paul, London, 1963, part 5, pp. 263-343.

TABLE 18a.—Direction of Nigeria's Trade January-December, 1967-1971.

Countries	Imports (c.i.f.)									
	Value in (N Million)					Percentage of Total				
	Total 1971	1970	1969	1968	1967	1971	1970	1969	1968	1967
United Kingdom	344.2	232.0	172.6	119.8	129.2	31.9	30.7	34.7	31.0	28.9
India	13.6	6.0	3.6	3.6	6.4	1.3	0.8	0.7	0.9	1.4
Hong Kong	17.4	10.8	4.8	4.6	5.2	1.6	1.4	1.0	1.2	1.2
Ghana	1.0	0.4	0.6	2.2	0.8	0.1	0.1	0.1	0.6	0.2
Other Countries[g]	19.6	19.8	18.2	13.6	14.4	1.8	2.6	3.7	3.5	3.2
Total Commonwealth Countries	395.8	269.0	199.8	143.8	156.0	36.7	35.6	40.2	37.2	34.9
United States of America	151.4	109.6	58.4	44.6	55.8	14.0	14.5	11.8	11.5	12.5
Japan	91.0	47.4	18.8	14.4	37.6	8.4	6.3	3.8	3.7	8.4
E.E.C. Countries										
Western Germany	131.4	98.8	52.8	42.4	50.4	12.2	13.0	10.6	11.0	11.3
Italy	40.8	36.0	27.0	27.6	21.4	3.8	4.8	5.4	7.2	4.8
France	44.0	25.2	16.0	14.4	18.8	4.1	3.3	3.2	3.7	4.2
Belgium and Luxembourg	18.2	16.2	6.4	6.6	5.8	1.7	2.1	1.3	1.7	1.3
Netherlands	37.2	26.8	23.2	15.6	18.6	3.4	3.5	4.7	4.0	4.2
Total E.E.C. Countries	271.6	202.8	125.4	106.6	115.0	25.2	26.7	25.2	27.6	25.7
Norway	6.6	5.0	2.8	4.2	9.0	0.6	0.7	0.6	1.1	2.1
Iceland	0.2	0.6	0.4	0.2	2.0	. . .	0.1	0.1	0.1	0.4
China (Mainland)	20.2	14.0	10.0	7.4	12.6	1.9	1.8	2.2	1.9	2.8
Eastern Europe[h]	33.6	28.6	17.4	16.2	16.0	3.1	3.8	3.5	4.5	3.6
Israel	4.2	3.0	2.2	1.8	2.2	0.4	0.4	0.4	0.5	0.5
Other Countries	100.6	72.6	57.4	42.2	37.0	9.3	9.6	11.5	10.9	8.3
Total Noncommonwealth Countries	679.4	483.6	293.8	237.6	287.4	62.9	63.9	59.1	61.8	64.3
Parcel Post+	3.8	3.8	3.8	3.8	3.8	0.4	0.5	0.7	1.0	0.8
Total All Countries	1079.0	756.4	497.4	385.2	447.2	100.0	100.0	100.0	100.0	100.0

[g]Excludes South Africa

[h]Comprising Czechoslovakia, Eastern Germany, Finland, Hungary, Poland and U.S.S.R.

*Negligible

+Estimated

TABLE 18b.—Direction of Nigeria's Trade January-December, 1967-1971.

Countries	Domestic Exports (f.o.b.)									
	Value in (N Million)					Percentage of Total				
	1971	1970	1969	1968	1967	1971	1970	1969	1968	1967
United Kingdom	280.3	249.6	173.6	123.8	140.6	21.9	28.4	27.6	30.1	29.5
India	*	*	*	*	0.4	*	*	*	*	0.1
Hong Kong	4.0	1.8	1.0	0.6	0.2	0.3	0.2	0.2	0.1	0.1
Ghana	8.4	0.6	2.6	1.0	1.4	0.7	0.1	0.4	0.2	0.3
Other Countries[g]	72.4	56.8	21.6	13.0	19.6	5.6	6.5	3.4	3.1	4.1
Total Commonwealth Countries	365.4	308.8	198.8	138.4	162.2	28.5	35.2	31.6	33.5	34.1
United States of America	225.6	100.8	77.8	32.0	37.0	17.6	11.8	12.4	7.7	7.8
Japan	17.4	6.8	6.6	7.4	12.2	1.4	0.8	1.1	1.8	2.6
E.E.C. Countries										
Western Germany	70.6	59.2	38.6	35.8	50.4	5.5	6.8	6.1	8.7	10.6
Italy	56.6	38.0	29.0	26.2	28.2	4.4	4.3	4.6	6.3	5.9
France	190.4	33.0	63.6	23.0	44.8	14.9	8.4	10.1	5.6	9.4
Belgium and Luxembourg	6.2	6.8	10.0	11.8	6.4	0.5	0.7	1.6	2.8	1.4
Netherlands	176.0	149.0	84.8	54.0	61.6	13.7	16.9	13.5	13.1	12.9
Total E.E.C. Countries	499.8	327.6	226.0	150.8	191.4	39.0	37.1	35.9	46.0	40.2
Norway	15.8	9.4	4.8	2.0	1.0	1.2	1.1	0.7	0.5	0.2
Iceland		*	*	*	*	*	*	*	*	*
China (Mainland)	0.4	0.8	*	0.4	1.8	*	0.1	*	0.1	0.4
Eastern Europe[h]	36.8	24.8	21.2	18.4	12.4	2.9	2.8	3.4	4.6	2.6
Israel		*	*	*	*	*	*	*	*	*
Other Countries	119.6	98.0	94.0	63.2	58.2	9.4	11.1	14.9	15.3	12.1
Total Noncommonwealth Countries	915.4	568.2	430.4	274.6	314.0	71.5	64.8	68.4	66.5	65.9
Parcel Post[+]	---	---	---	---	---	---	---	---	---	---
Total All Countries	1280.8	877.0	629.2	413.0	476.2	100.0	100.0	100.0	100.0	100.0

[g]Excludes South Africa

[h]Comprising Czechoslovakia, Eastern Germany, Finland, Hungary, Poland and U.S.S.R.
*Negligible
+Estimated

TABLE 19a.—Direction of Shipments—N.P.M.C. (c.i.f.) Cargoes.

Year	Colinav	North Continent	U.K. and Eire	U.S. and Canada	Mediterranean	Far East	Adriactic	Africa	South America	Total
1964/65	133,842	322,393	208,760	99,070	141,677	30,152	42,321	—	—	985,215
1965/66	141,672	392,377	250,862	81,008	211,535	92,287	54,074	—	—	1,223,815
1966/67	125,665	313,053	140,676	73,094	133,365	76,267	10,156	—	—	872,276
1967/68	191,187	303,461	124,009	41,361	120,229	65,960	41,176	—	—	887,383
1968/69	216,510	335,551	104,321	9,156	125,056	27,946	34,735	—	—	853,284
1969/70	127,979	303,585	64,469	9,277	137,129	68,315	55,723	2,951	—	769,428
1970/71	31,522	379,049	86,606	70,608	100,409	125,599	24,275	1,000	—	819,068
1971/72	3,325	301,921	91,603	19,600	71,519	55,652	17,280	1,000	17,085	578,985
Annual Mean	121,463	332,674	133,913	50,397	130,115	64,003	29,677	1,650	17,085	750,530

Source: Nigerian Produce Marketing Company, Lagos. Summary of Monthly Returns of Produce Shipments.

TABLE 19b.—Proportional Direction of Shipments—N.P.M.C. (c.i.f.) Export Cargo.

Year	Colinav	North Continent	U.K. and Eire	U.S. and Canada	Mediterranean	Far East	Adriatic	Africa	South America	Total
1964/65	0.14	0.33	0.22	0.10	0.14	0.03	0.04	—	—	1.00
1965/66	0.12	0.32	0.20	0.07	0.17	0.08	0.04	—	—	1.00
1966/67	0.14	0.36	0.16	0.08	0.15	0.09	0.02	—	—	1.00
1967/68	0.22	0.34	0.14	0.05	0.14	0.08	0.03	—	—	1.00
1968/69	0.25	0.39	0.12	0.02	0.15	0.03	0.04	—	—	1.00
1969/70	0.17	0.39	0.08	0.01	0.18	0.09	0.07	0.01	—	1.00
1970/71	0.04	0.46	0.11	0.09	0.12	0.15	0.03	0.00	—	1.00
1971/72	0.01	0.52	0.16	0.03	0.12	0.10	0.03	0.00	0.03	1.00

Source: Compiled from Table 13a.

TABLE 19c.—Direction of Nigerian Produce Marketing Company's (f.o.b.) Exports. (Tons)

Produce Season	United Kingdom	North Continent	Colinav	U.S. and Canada	Mediterranean	Adriatic	Far East	South America	Africa	Total
1970/71	—	55,090	1,000	—	28,274	8,517	26,682		1,000	120,733
1971/72	4,275	71,895	625	18,800	49,600	4,493	40,834	17,085	—	207,607

Source: Nigerian Produce Marketing Company: Summary of Monthly Returns of Produce Shipments.

is the most important trading partner to Nigeria with Nigeria's exports to that zone rising from 36.5 percent in 1968 to 39.0 percent in 1971. West Germany, Netherlands and France are increasing imports from Nigeria at the same time. The Eastern European countries are also increasing the intake of Nigeria's exports as is also Norway (Table 18).

When the exports of the Nigerian Produce Marketing Company is examined in directional flow trend context, the greatest bulk is shipped to the Northern continent of Europe (Table 19a). On proportional basis, northern European continent took up between 1964/65 and 1971/72 an annual average of 34 percent with a range of between 32 percent in 1965/66 to 52 percent in 1971/72. When the United Kingdom and Eire is included (the E.E.C.) an annual average of 47 percent was taken up during the period. Except the French ports and the Mediterranean countries, the other destinations of these exports were relatively minor (Table 19b). Since most of Nigeria's exports are traded c.i.f., the proportion allowed on f.o.b. basis is relatively very little indeed--some 15 and 35 percent of total exports for 1970/71 and 1971/72 produce seasons, respectively (Table 19c).

The United Kingdom and the British Commonwealth are the greatest suppliers of imports to Nigeria (Table 18). The European Economic Community as constituted before the British entry came a close second in value terms. The United States, Japan, and Mainland China are steadily increasing their exports into Nigeria. Of some significance also are the Eastern European countries which are steadily becoming a force in Nigeria's markets. The major imports are machinery, industrial, and transportation equipments, nondurable consumer items and pharmaceuticals.

The direction of trade from the planning of shipping focus also brings in the problems of traffic balance[37] in both directions. In the absence of volume,[38] of trade in each direction and by countries of origin and destinations, it may be necessary to use aggregate annual figures to estimate the imbalance in traffic. Between 1960 and 1970, the traffic imbalance ratios have varied between the lowest point of 1.02 for 1960 and the highest of 15.60 for

---

[37]See S. A. Lawrence, International Sea Transport: The Years Ahead, Lexington Books, Mass., 1972, pp. 64-65, for the measuring techniques. Volume terms are more dependable factors for traffic planning.

[38]The analysis in Nigerian Trade Summary makes it difficult to consolidate by volume per destination.

1971 (Table 20). The great disparity between the heavy and the light legs are due to the national oil and gas components of Nigeria's exports. Were natural oil and gas tonnage removed from exports, the conventional trade tonnages in both directions might have approached relatively more balance ratios. This natural oil factor is noticed after 1962 when petroleum drilling in the country started to yield significant output. The civil war years 1967 and 1968, when petroleum drilling was adversely affected, can be seen in the traffic ratio of 2.32 and 1.30. Thereafter, the ratio became excessively imbalanced. Even a breakdown into annual means between 1960-66, 1967-71, and even 1960-71 continue to exhibit the oil factors in the imbalance picture.

These imbalance ratios mean that for planning of shipping, most ships would have to run one of the legs in ballast, assuming that Nigerian ports were the only West African ports of call from Western Europe. Profitable shipping ought to be based on almost equal weight of trade cargoes in both directions. Only balanced flow of cargoes can make shipping, particularly liner shipping, a less hazardous venture.

TABLE 20.--Merchandise Trade Imbalance Ratio--Nigerian External Trade.

Year	Exports[a] and re-exports (000 tons)	Imports (000 tons)	Absolute difference (000 tons)	Imbalance Ratio[b]
1960	3,094	3,149	55	1.02
1961	3,784	2,410	1,374	1.57
1962	5,617	2,973	2,644	1.89
1963	6,082	2,967	3,115	2.05
1964	8,214	3,324	4,890	2.47
1965	14,475	3,588	10,887	4.03
1966	18,080	3,512	14,568	5.15
1967	5,083	2,188	2,895	2.32
1968	2,146	2,788	642	1.30
1969	28,447	3,227	25,220	8.82
1970	52,705	3,635	49,070	14.50
1971	72,089	4,622	67,467	15.60
Annual Averages				
1960-66	8,478	3,132	5,346	2.71
1967-71	32,094	3,292	28,802	9.75
1960-71	18,318	3,199	15,119	5.73

[a]Contains crude oil and natural gas components.

[b]Ratio of heavy leg to light leg.

Source: Nigeria Trade Summary. Compiled from Table 18.

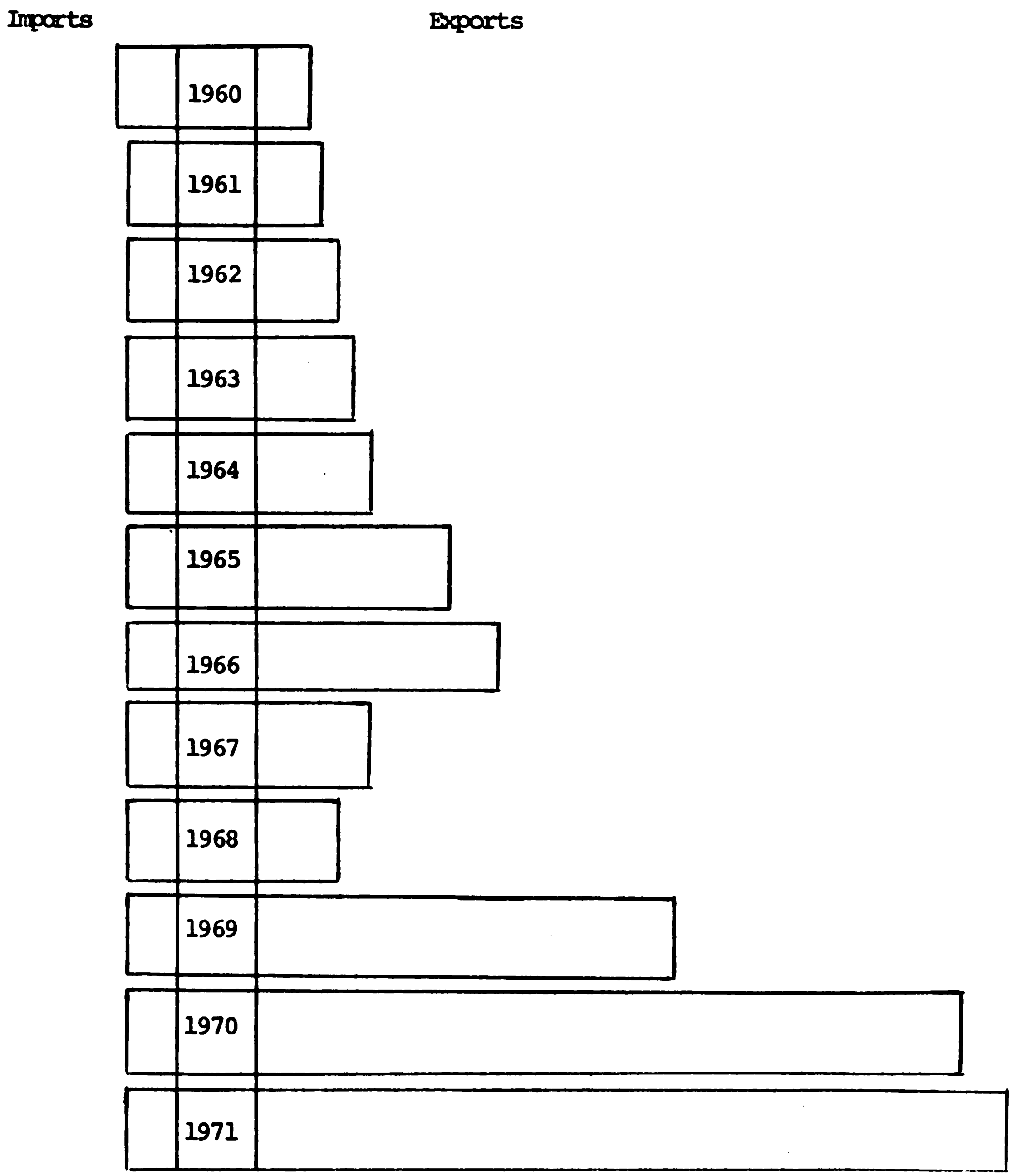


FIG. 1.--Merchandise Trade Imbalance Ratio: Nigeria's External Trade (tons).

Source; Compiled from Table 20.

Conclusions

The Nigerian economy is a rather dynamic one and has already demonstrated growths in almost all the sectors. Population is growing though slowing down in the 1970's. The gross domestic product is currently moving forward at over 10 percent per annum. The oil sector followed by agricultural output is making substantial progress too. The pattern of industrialization is such that most of the erstwhile agricultural raw materials in the export trade will in the future be locally processed into semi-manufactured or fully manufactured goods. Mining and quarrying will continue to expand with the oil crudes exceeding the present over 2 million barrels per day output. At the same time output of electricity and energy resources are showing signs of greater positive increases particularly with the oil base, and the New Kainji Dam just commissioned.

Such has been the economic base on which the national export-import trade thrives. The accelerating growth of trade is such that increasing volumes of cargo will be available for the shipping industry. Over the decades between 1950 through 1960 to the 1970's (but for the minor interruptions of the civil war) export-import trade had been growing in volume and value terms. Ships entered and cleared at the Nigerian ports have demonstrated the same trend. The spread and directions of trade have been widely diversified though Western Europe has continued to handle the largest magnitude of share. The pattern of shipping by directions have followed the same trend. The one problem noticed is the imbalance in cargo flow and hence shipping movement and capacity utilization on a number of the trade routes.

While it is clear that the economy is a dynamic and growing one and likely to continue to nurture and nourish vigorous foreign trade, the directions of trade and the contents of such trade may alter. But the one fact that is not altering, at least not in the most immediate future, is the dominance of Western Europe as Nigeria's foremost trading partner and the source and consumer of the major shipping services needed.

CHAPTER III

THE SHIPPING MARKET SERVING NIGERIA

Demand for Shipping Services

The demand for shipping services is a derived[39] one since such demand is not for its sake but stems from the activity of the many exporting and importing merchants and commercial houses acting independently or collectively in the market.[40] These demands arise from and are influenced by the pattern of international trade and passenger movements. The pattern of international trade and passenger movements has its root in the level of prosperity, consumption patterns and the level of success of commercial promotions both at the countries of origin and destination of trade.

---

[39] Carteen O'Loughlin, The Economics of Sea Transport, Pergamon Press Ltd., Oxford, 1963, p. 41.

[40] B. N. Metaxas, The Economics of Tramp Shipping, The Athlone Press, University of London, 1971, p. 30.

According to Metaxas,[41] the magnitude of demand for shipping services is a function of many factors some of which are:

a. The volume and structure of international trade.

b. The geographical pattern of world production and consumption of raw materials, mostly agricultural and industrial commodities.

c. The level of demand for the commodities transported by ships at the countries of origin and destination.

In general, therefore, there is a noticeable positive relationship between the demand for shipping services and the increases or decreases in seaborne trade and prosperity.[42] This does not underrate the effect of exogenous forces,

---

[41] Ibid., p. 32. Also see Charlotte Leubuscher, The West African Shipping Trade, 1909-1959, Sythoff, 1963, p. 12.

[42] O'Loughlin, op. cit., p. 46, maintains that prosperity through income elasticity of demand is more appropriately applicable in the case of passenger traffic where the substitution effect of airline in place of shipping has been mostly positive and high. The rate of increase in expenditure on travel in developed nations has often exceeded that of income. Freight demand for shipping services where bulk and weight are significant is on the other hand more or less inelastic.

that is, factors like political stability, wars, and the ravages of nature--earthquakes and blithing weather which are outside of the shipping freight markets.

The demand for shipping services in Nigeria is the sum total of the needs of varied sectors of the economy having to do with the outside world through movements of their raw resources or products. The ex-colonial firms like the United Africa Company, John Holt, Paterson Zochonis and even the post-war ones like the A. G. Leventis and the Union Trading Company have played major parts in the demand for shipping spaces and services. The government-owned Nigerian Produce Marketing Company, with statutory obligations for the external marketing of the country's selected major export products, handles over half a million tons annually and is a significant factor to be reckoned with in the shipping market for Nigeria's exports. The new and budding Nigerian export-import private firms, specifically groomed by the new indigenization decree[43] are taking over the external trade in certain commodity areas from erstwhile alien firms. When the demands for service by the

---

[43] Federal Ministry of Information: Gazette Notice, Lagos.

industrialists[44] are included, substantial demand is made on shipping services both for import and export trade. The prosperity occasioned by the oil industry and the increasing earnings of the export crops like cocoa and palm produce (subject to income distribution strategies)[45] are likely to expand more the demand for shipping services.

A proper analysis of the demand for shipping services requires a disaggregation of trade volume by categories of commodities. Such categorization by NEDECO[46] on Nigeria's export/import trade in 1965/66 showed that 11 percent were of dry bulk commodities, a negligible fraction was liquid bulk, and 89 percent was general cargo. A further breakdown of the general cargo showed that bagged, crated, and cartoned cargoes were still a major proportion. This classification nonetheless is mainly important for

---

[44]Particularly with incentive systems built into the promotion and expansion of industries and private enterprise system. See the National Development Plans 1962-68 and 1970-74 and the Federal Government's Statement on Industrial Policy, Session Paper No. 6 of 1964.

[45]See Sunday Matthew Essang, unpublished Ph.D. thesis, "The Distribution of Earnings in the Cocoa Economy of Western Nigeria, Implications for Policy," Michigan State University, 1970.

[46]NEDECO (refer to footnote 29), _ibid_., pp. 1-21.

forecasting the demand for types of ships and port facilities to be developed. But given the annual volume and types of trade--exports and imports--the demand for ships, determined by bale capacity or deadweight freight tonnage can be estimated.[47] Such an exercise will have to study the composition of trade load factors and the net load of a typical freighter.

According to estimates by the Government Inspector of Shipping[48] Nigeria's exports and imports would have reached 124 and 0.8 million long tons respectively by 1980. The greatest proportion of the exports would have been crude oil exports and some semi- and completely manufactured items. By this analysis, 10,000 tons is considered the average size of dry-cargo ships while 100,000 tons is "the smallest feasible economic unit size for tankers." Indeed, according to the analysis, sea cargoes have now shifted to the 20-30-40,000 DWT category for economy of operation purposes. If the oil components are isolated from the

---

[47] Carleen O'Loughlin, The Economics of Sea Transport, Pergamon Press, Oxford, 1967, p. xi.

[48] Captain H. A. Agate, A paper presenting Nigeria's Shipping Development Plans up to 1980 as prepared by the Federal Ministry of Transport, Lagos, 1968.

total exports, annual freights of some 3.5 million long tons are available for northbound shipments. If the estimates of 5,000 tons are carried per ship on northbound trips, it should require some 700 ships. When the extra crude oil tonnage of 15 million per year is examined, allowing an average load of 30-35,000 tons per tanker, this export item requires between 450 and 500 tankers a year. It may be presumed that imports which maintain some 3.5 million tons per annum should require between 770 and 780 ships a year. So that on the whole, a total of some 1,280 ships including tankers should be entering the Nigerian ports annually for trade purposes.

The above estimates are based on the optimistic carriage of between 4,500 to 5,000 tons of cargo each way per trip. When the seasonality of Nigerian export products, the stiff contest among lines for cargoes and the load factor problems are taken account of, more than 1,500 ships should annually enter the Nigerian ports. In actual fact, allowing for more than one trip per ship per year, the actual number of ships required should be really smaller. Further, when specialization in shipping[49] is

---

[49]S. A. Lawrence, _op. cit._, pp. 97-103. Also see S. G. Sturmey, _British Shipping and World Competition_, The Athlone Press, London, 1962, pp. 241-244; 255-258.

taken account of, oil tankers, bulk carriers, paletized ships and refrigerated ships taken together, there will be a lot of differences in the needs of Nigeria's trade.

Between 1960 and 1971, the annual number of ships entered have been around 1,974 or nearly 2,000 with some 7 million net registered tons. The post war annual figures have been around 1,500 being adversely affected by the civil war between 1967 and 1970. When coastwise trade and seasonal factors are assessed, no less than some 15 million net registered tons are annually required (Table 22). It is not, however, clear whether this level of shipping tonnage is optimal since a private survey study by the Central Bank of Nigeria in 1971/72 showed that most major shipping lines complained of working with excess and unused capacities.[50] While most of this can be ascribed to seasonal factors relating to the nature of agricultural production, the weather effects on loading and unloading operations at the ports will have effects on how much is done annually.[51]

[50] Central Bank of Nigeria, Statistics and Surveys Division of the Research Department Annual Survey of Shipping and Airlines Operations in Nigeria, 1970, 1971, 1972. As high as between 58 and 63 percent of capacities were reported by responding lines to be unused.

[51] For details of this concept see Dag Tresselt, The West African Shipping Range, United Nations, New York, 1967, pp. 25-26.

Daniel Marx[52] ascribes this underutilization of capacity to the inherent intra- and inter-conference competition which in the absence of pooling and rationalization of services must leave most ships running at less than full loads.

TABLE 21.--Ships Entered and Cleared at the Nigerian Ports International

Year	Ships Entered		Ships Cleared	
	Number	Net Registered Tons ('000)	Number	Net Registered Tons ('000)
1960	2,194	5,845	2,291	6,092
1961	2,176	6,531	2,144	6,419
1962	2,419	7,546	2,418	7,509
1963	2,175	7,184	2,136	7,053
1964	2,255	8,380	2,159	8,069
1965	2,367	10,869	2,378	8,242
1966	2,483	12,411	2,485	12,412
1967	1,572	3,636	1,191	5,460
1969	1,529	2,945	1,531	4,604
1970	1,403	5,343	1,385	4,997
1971	1,590	4,953	1,584	4,834
Annual Averages				
1960-66	2,295	8,395	2,327	7,655
1967-71	1,524	4,001	1,408	3,979
1960-71	1,974	6,564	1,896	6,123

Source: Nigerian Trade Summaries.

[52] Daniel Marx, Jr., International Shipping Cartels, Greenwood Press, New York, 1969, pp. 255-260.

TABLE 22.--Ships Entered and Cleared at the Nigerian Ports (International and Local).

Year	Entered			Cleared			Difference		
	From Abroad (a)	Coast-wise (b)	Total (c)	To Abroad (d)	Coast-wise (e)	Total (f)	Abroad (a-d)	Coast-wise (b-e)	Total (c-f)
1960	2,194	2,467	4,661	2,291	2,386	4,677	- 97	81	16
1961	2,176	1,941	4,117	2,144	1,899	4,043	32	42	74
1962	2,419	2,005	4,424	2,418	1,946	4,360	5	59	64
1963	2,170	1,861	4,031	2,136	1,901	4,037	6	- 160	- 154
1964	2,255	1,791	4,046	2,159	1,771	3,930	96	20	116
1965	2,367	1,822	4,189	2,378	1,853	4,231	- 11	- 31	- 42
1966	2,483	676	3,159	2,485	1,992	4,477	- 2	-1316	-1318
1967	1,572	704	2,279	1,191	726	1,917	381	22	359
1968	1,524	513	2,037	1,347	498	1,845	177	15	192
1969	1,529	834	2,363	1,531	827	2,358	- 2	7	5
1970	1,403	901	2,304	1,385	912	2,297	18	- 11	7
1971	1,590	810	2,400	1,524	883	2,409	64	- 73	9
Annual Mean	1,974	---	---	1,896	---	---	---	---	---

Source: Federal Office of Statistics, Lagos.

The seasonality factors in the shipping trade of Nigeria tend to affect the volume of cargo loaded and unloaded. With the open berth system, foul weather is likely to disrupt port operations, and hence, the ships handled. Where the seasonal factors are involved, they nearly always affect agricultural products, whereas mineral oil products are immune to such weather and seasonal effects. Because of the ebb and flow of most agricultural products, apparently shipping is mostly demanded between March and September for exports. The same pattern appears to be noticed for imports which should under normal conditions not feel the seasonal effects. Apparently weather problems connecting with port operations were likely to be more significant as determinants of such shipping operations (Table 23).

When demand is related to ports, Lagos and Port Harcourt assume premier positions (Table 24). Between the 1963/64 and 1969/70 produce seasons, ships entering Lagos have annually averaged 1,909, while they averaged 1,096 for the four normal seasons for Port Harcourt. This pattern seems to emanate from the pattern of port development strategy adopted by the government. The so-called minor

TABLE 23.--Seasonal Variations of Nigeria's Export-Import Trade (N Million).

Years	Jan.	Feb.	Mar.	April	May	June	July	Aug.	Sept	Oct.	Nov.	Dec.
1960												
Exports	28.0	30.0	27.8	28.6	39.0	29.6	26.0	24.6	19.6	17.0	25.4	25.0
Imports	35.4	32.0	33.4	31.4	34.8	33.0	33.0	39.6	39.0	36.0	42.4	39.0
1963												
Exports	30.6	21.6	34.6	35.6	33.0	30.8	28.8	25.6	28.6	28.8	30.4	33.2
Imports	31.4	27.0	36.6	32.4	32.8	30.6	32.2	35.0	34.8	40.2	40.8	41.6
1965												
Exports	37.2	31.2	52.6	42.6	46.0	53.8	44.8	49.2	50.8	35.2	32.8	49.6
Imports	50.6	44.0	46.8	47.2	41.2	41.2	44.8	45.0	43.8	45.6	53.0	46.0
1970												
Exports	61.0	57.4	70.6	76.2	84.0	70.6	69.0	76.0	74.6	78.0	78.0	79.8
Imports	58.8	52.4	51.0	51.2	56.2	59.0	63.2	65.8	63.8	81.2	76.8	75.8
Average												
Exports	39.2	35.1	46.4	45.7	50.5	46.2	42.1	43.8	43.4	39.7	41.6	46.9
Imports	44.1	38.8	35.7	40.5	41.2	40.9	43.3	46.3	45.3	50.7	45.3	50.6
Total	83.3	73.9	82.1	86.2	91.7	87.1	85.4	90.1	88.7	90.4	86.9	97.5
Seasonal Weather Pattern												

RAINY SEASON   DRY SEASON

Sources: Nigerian Trade Summary and Meteorological Service, Lagos.

TABLE 24.-- Ships Entering Nigerian Ports by Produce Seasons.

Ports	1963-64		1964-65		1965-66		1966-67		1967-68		1968-69		1969-70	
	No. of Ships	Net Reg. Tonnage	No. of Ships	Net Reg. Tonnage	No. of Ships	Net Reg. Tonnage	No. of Ships	Net Reg. Tonnage	No. of Ships	Net Reg. Tonnage	No. of Ships	Net Reg. Tonnage	No. of Ships	Net Reg. Tonnage
Lagos	2,063	5,912,723	1,965	5,738,064	1,954	5,684,494	1,907	5,586,772	1,748	5,091,694	1,659	4,769,203	2,070	4,719,927
Port Harcourt	1,084	2,855,597	987	2,720,412	1,084	3,037,521	1,230	3,237,615	---	---	---	---	77	170,962
Minor Ports														
Sapele	345	865,411	281	750,677	287	---	327	905,898	218	501,165	264	556,651	243	529,276
Warri	161	424,929	150	402,413	198	758,276	229	570,603	124	234,259	203	464,487	195	428,707
Barutu	190	426,622	198	454,816	208	484,163	189	330,615	82	86,832	43	40,001	39	77,394
Calabar	173	419,732	169	369,491	186	545,057	191	357,495	--	---	72	73,395	110	115,916
Degema	40	80,072	33	78,614	32	368,029	25	71,978	---	---	---	---	---	---
Bonny	226	3,897,101	324	2,987,269	405	87,879	520	7,569,606	---	---	174	2,621,442	567	7,538,664
Koko	2	5,456	5	17,594	20	5,011,457	14	14,763	7	2,187	12	7,773	21	14,850
Total Minor Ports	1,137	6,029,251	1,160	5,060,874	1,336	7,248,147	1,495	9,820,950	431	824,443	768	3,763,749	1,175	8,704,807
Grand Total	4,284	14,797,671	4,112	13,539,350	4,374	16,025,023	4,632	18,645,345	2,179	5,916,137	2,427	8,532,952	3,322	13,595,696

Source: Nigerian Ports Authority, Lagos: Annual Reports.

ports deserve major development, at least, to relieve the congestions in Lagos and Port Harcourt but the observed trend is for more intensive investments in the already crowded ports of Lagos and Port Harcourt. Bonny port is very important as crude petroleum export terminal, taking in an annual average of 369 oil tankers between 1963/64 and 1966/67 and a post-war figure of 567 in the 1969/70. On the basis of these concentrated demand for shipping in Lagos and Port Harcourt, the perennial problems of port congestion there may linger more unless some decentralization is attempted on port developments. Such decentralization will be related to the internal layout of transportation and the flow of trade.

A more serious factor likely to influence the level of demand for ships in numerical terms is the current and future frontiers of shipping technology and innovations. As NEDECO[53] noted, in its report on port development,

> An ever increasing volume of cargo will be shipped in containers carried by specially constructed container vessels. A number of shipping companies . . . have investigated

---

[53]NEDECO, op. cit., p. 3. This is also confirmed as a major factor on demand by the government Inspector of Shipping--see footnote 48. Unpublished paper, pp. 6-7.

> the possibility of introducing container traffic in the trade to and from Nigeria.

Probably, this feature may have more relevance to supply than to demand but will certainly influence shipping service consolidation. The bulk handling methods for agricultural produce exports and raw material imports--palletization and high capacity bulk facilities will be extensively used. This will affect the quantum of ships demanded for trade purposes. The major fact is that demand will be directly correlated with trade volume and services needed.

Supply of Shipping Services

The supply of shipping services, like all supply schedules, are related to the cost-earnings relationships. These earnings are linked to the current freight rates, the volume of traffic and the time and distance matrices of the journeys. Benathan-Walters[54] hypothesis is that tramp operators are induced to supply services based on demand considerations (allowing for competitive conditions) while

---

[54] Esra Benathan and A. A. Walters, The Economics of Ocean Freight Rates, Praeger, New York, 1969, Chapter 4.

the liner operators link the supply of their services to cost determinants alone. Whatever the merits of these hypotheses, cost-earnings relationships determine the decision to supply shipping services. Investment in shipping is also stimulated by direct subsidies to nationals in some nations and for ship buyers throughout the world by direct and indirect credit aids extended by major ship building countries to promote the export of their shipyard businesses.[55] In most cases, additional financial assistance are offered by nations as in Japan while in a number of others, companies find outlets for investments abroad to avoid repatriation of funds earned abroad or to utilize blocked currencies.

The major suppliers of shipping services to Nigeria range from the operators having contacts with Nigeria from the colonial days through the post World War II foreign lines along with the few operating Nigerian indigenous

---

[55]Financing terms applying in 1967 are summarized in UNCTAD study, Establishment or Expansion of Merchant Marines in Developing Countries (UN publication e 69 11 D 1) p. 45. Terms have been tightened. OECD governments are curbing liberal sales arrangements. From January 1, 1971, builders require 20 percent cash payment, 7-1/2 percent interest rate with 8 year repayment terms on ship mortgages.

lines. For the purpose of this analysis, only major lines and their organizations will be examined while the market between Nigeria and Europe will be studied in some detail. According to the Federal Ministry of Information in Lagos, a total of 38 foreign and indigenous shipping lines[56] were serving Nigeria and overseas trading activities (see Appendix I). Of these, the major conferences in which they operated were:

i. The West African Lines Conference (WALCON) serving between Nigeria and Europe (including the United Kingdom.

ii. The American West African Freight Conference (AWAFC) serving U.S. Atlantic, Gulf ports; Canadian Atlantic and St. Lawrence seaway ports.

iii. The Far East West African Conference (FEWAC)--a very loose rate agreement association serving Far East and West Africa.

---

[56] Only the Nigerian National Shipping Line Limited (of the 32 Nigerian indigenous shipping lines found on the Registry of Business Names by 1967/68) was published in the Ministry of Information release. See list of Nigerian private lines in Appendix I.

iv. The Italian West Africa Conference or the Mediterranean Conference (IWAC) serving Nigeria and Mediterranean ports.

v. The French Conference (COLINAU) consisting of French shipping lines mainly serving French-speaking countries in Africa but stopping in Nigeria as well.

Beside lines organized on conference basis, other shipping lines can be organized on nonconference basis and may be classified as per the nationality of their incorporation.[57] For a selected number of years, the ships entering Nigerian ports by nationalities are outlined in Table 25. The dominance of the British lines can be noticed and the decline in the proportion of British ships over time is a function of the positive activities of other Western European and other West African lines. Since the E.E.C. is emerging as the dominant trading partner with Nigeria, evidently their ships will increasingly carry more trade between Nigeria and Western Europe.

---

[57]For details of those lines see Charlotte Leubuscher, The West African Shipping Trade: 1909-1959, Leydon, 1962, pp. 55-58.

TABLE 25.--Shipping Activities at the Nigerian Ports by Nationalities (Selected Years).

Nationality	Number of Vessels Entered at the Nigerian Ports							
	1960/61	%	1962/63	%	1965/66	%	1969/70	%
Nigerian	150	3.2	364	8.6	156	3.6	152	4.6
British	1,959	42.3	1,260	29.7	1,156	26.4	607	17.8
Liberian	466	10.1	325	7.7	352	8.0	233	7.2
Norwegian	403	8.7	430	10.1	462	10.6	220	6.8
Dutch	352	7.6	403	9.5	247	5.6	262	8.1
West German	255	5.5	298	6.9	396	9.1	231	7.1
French	155	3.3	94	2.2	272	6.2	101	3.1
Ghanaian	56	1.2	131	3.1	127	2.9	42	1.3
Others	837	18.1	940	22.2	1,206	27.6	1,475	44.0
Total	4,633	100.0	4,245	100.0	4,374	100.0	3,323	100.0

Source: Nigerian Ports Authority.

Looked at from another angle, the supply of ships and shipping services may be based on historical evolution. The historical and economic and political evolution of Nigeria would have close links with the history of her shipping services. The pattern of Nigeria's trade and hence shipping services date back to the pre-colonial, colonial, and even post-colonial days. Britain was the major supplier of shipping services up to 1960. Occasionally other Western European ships called at Nigerian ports. It was more of ships from the colonial powers offering services to the colonies. Tresselt[58] termed them as "colonial lines" since they flew the flags of the colonial powers. This club, comprising Britain, Belgium, France, and Germany, shared the virtual monopoly of the West African trade and the shipping services. Most of the lines either belonged to colonial merchant houses or banks or served the interest of those "colonial" enterprises. The most prominent of these were:

Elder Dempster Line	British
Guinea Gulf Line	British

---

[58] Dag Tresselt, *op. cit.*, p. 38.

Palm Line	British
Chargeurs Reunis	French
Compagnie Maritime Belge	Belgian
Woermann Linie	German

The World War I disrupted most of the German fleet and virtually eliminated that nation from the West African trade. In their place, the Dutch came in vigorously to replace the Germans through the inauguration of the Holland West Africa Line (HWAL). The second World War once again destroyed what German fleet was rebuilt later on that trade route while the Scandinavian countries gained greater foothold on this trading zone. The Scandinavian West Africa Line (SWAL) was inaugurated for participation in the West African trade. As a result of the competition which emanated, first among the British lines and, later, among the various European lines, the settlement was concluded in the general membership of the West African Lines Conference (WALCON).[59]

---

[59]For historical development of the shipping services and the assessment of the West African Lines Conference, see Charlotte Leubuscher, West African Shipping Trade, op. cit., pp. 13-80.

It was these members of the West African Lines Conference which virtually monopolized the shipping market in West Africa in general and Nigeria in particular in the post World War II years. West African countries were neither independent nor had the resources and political powers to own and operate ships of their own. Even before and after the passage of the Statute of Westminster in 1931, the problems of colonial territories and the ownership of shipping services were constrained by many inhibiting factors. Such colonies could neither own nor regulate shipping services. It was only after the post-war independence of ex-colonies in West Africa that the West African nations joined in the operating of shipping services. The Black Star Line (Ghana) and the Nigerian National Shipping Line (Nigeria) inaugurated respectively in 1957 and 1959 led to the first local share in shipping services.

The West African Conference Lines (WALCON)

Reconstituted in 1924 the West African Lines Conference was made up of the major shipping lines incorporated in Western Europe but were joined by the two West

African based lines--The Black Star and the Nigerian National Shipping lines. By 1959 (Table 26) the dominant lines in the conference were Palm Line, Elder Dempster, and Woermann Linie. It was evident that in terms of fleet or tonnage basis, the West African Lines were of insignificant effects. And when the agreements which normally bind conference members together are allowed their full play, the West African members had limited powers of operations. It was also significant that the British lines controlled, by shipping tonnage, a total of over 68 percent of the market.

TABLE 26.--Fleet Strength of Companies Serving Nigeria (1959).

Shipping Lines	No. of Vessels	Percentage of Total	Gross Tons ('000)
Elder Dempster[a]	44	33.0	269
Woermann Line	22	16.5	66
Holland West Africa Line	10	7.5	37
Palm Line	25	18.8	144
Guinea Gulf	5	3.8	23
Scandinavian West Africa Line	10	7.5	44
Hoegh Line	8	6.0	35
Black Star Line	5	3.8	19
Nigerian National Line	4	3.1	20
Total	133	100.0	657

[a]Excluded Henderson Line.

Source: Charlotte Leubuscher, West African Shipping Trade 1909-1959, Sythoff, 1963, p. 99.

Before 1965, the trade with Eastern Europe was becoming substantial and the Eastern European shipping line, the Uni-Africa, was taking part in this trade principally in bulk cargo--cement and ores. When the Polish Maritime Institute published a critical analysis of the influence of WALCON on West African trade[60] stressing the conference's monopolistic practices, the WALCON members, principally the British lines, had to reconsider the future look of things. Some of the other competing tramp operators were becoming formidable on the European-West African trade route. The level of competition outside of the conference gave much cause for concern,[61] that the WALCON members had to adopt new measures to safeguard their interests. The normal tying arrangements to throttle independents and tramps or exclusive membership policies to prevent new lines gaining

---

[60] M. Krzyzanowski, An Economic Analysis of Shipping Lines Connecting European and West African Ports, Gdansk, 1964, Edited by Maritime Institute of Gdansk, Vol. III, No. 33, pp. 36 and 36 quoted in Tresselt, op. cit., p. 50.

[61] The Nigerian National Shipping Lines' management had complained bitterly of their experiences with Woermann Line and Hoegh Line as "being a bitter one." Where Hoegh, a nonmember of WALCON competed against them in the U.K. and Antwerp/Hamburg range, Woermann Linie (a member) activated a most unbending discriminatory attitude of industrial houses in Germany in favor of German flags. Memorandum to Ministry of Transport, Lagos, August 1967, paragraph 10.

admission to the conference did not seem adequate. Price war did not appear attractive since most of the Eastern European and West African competing lines were state owned which could go any length to withstand the price warfare. Even though their power was substantial on the European-West African trade route (in tonnage and share of the market terms) a divide and control policy was eventually adopted.

With the virtual 90-100 percent monopoly control of the trade with the United Kingdom and some 60-75 percent control of Western European trade with West Africa,[62] the WALCON broke up the one conference into two different conferences. The United Kingdom-West Africa Common Services (UKWAL) and the Continent-West African Conference (COWAL) were the outcome of that break up. The West African Lines Conference which by 1962/63 had a total of 274 ships on their joint fleet also had a joint control of some 60 to 70 percent of the total trade traffic between West Africa and Europe. The major reasons for the break up into the two conferences were apparently to secure the British market

---

[62] Confirmed by N.N.S.L. Management and UKWAL representative (Interview in Lagos, August 1973).

TABLE 27.—West African Lines Conference (WALCON) 1962/63.

Member Lines	Nationality	Fleet Strength	Gross Registered Tonnage	Percent of Fleet Strength
Elder Dempster Line[a]	British	54	353,301	19.7
Guinea Gulf Line[b]	British	36	280,141	13.1
Palm Line	British	24	145,863	0.8
Holland West Africa Line	Dutch	63	369,529	22.9
Dal Deutsche Africa Linien	German	14	131,135	5.1
Scandinavian West Africa	Danish Norwegian Swedish	68	852,537	24.8
Black Star Line	Ghanaian	10	54,182	3.6
Nigerian National Shipping Line	Nigerian	5	29,292	1.8

[a]Includes Henderson Line serving Far East.

[b]Includes Alfred Holt and Company (Blue Funnel Line) Ocean Steam Ship Company.

Source: Compiled from International Shipping and Ship Building Directory.

for the British firms while still retaining a share of the other European markets for them. To the extent that the UKWAL is a common services organization with pooling arrangements, rationalization of shipping arrangements, and sharing of incomes on fixed proportions among members is a demonstration of what monopoly powers can achieve.[63]

United Kingdom-West Africa Lines Joint Service

When the West African Lines Conference (WALCON) was dissolved, one of the two emerging conferences covering the British market was the UKWAL. Six shipping lines became members of that shipping common services for West Africa. The three dominant British shipping lines virtually control the conference while the two West African based shipping lines and the Norwegian shipping line were members. The member lines are: 1) Elder Dempster Line; 2) Palm Line; 3) Guinea Gulf Line; 4) The State Shipping Corporation; 5) Nigerian National Shipping Line; and 6) Hoegh Lines and Company A/S. Details of their fleet strength and nationalities are outlined in Table 28. Once again, the membership of this conference and the restriction of the British

---

[63] Daniel Marx, Jr., op. cit., p. 263. The formation of tariffs and the charges of discriminatory prices or rates are the fruits of the achievement of sufficient joint monopoly powers even to include the powers of excluding rivals from the market.

TABLE 28.--United Kingdom West Africa Common Services (UKWAL).

Member Lines	Nationality of Incorporation	Ocean Fleet (Number)	Gross Registered Tonnage	Deadweight Tonnage	Percent of Conference Fleet
Elder Dempster Line	British	70	517,550	345,897	36.5
Palm Line	British	16	148,337	97,477	8.3
Guinea Gulf Line[a]	British	36	280,141	n.a.	18.8
The State Shipping Corporation	Ghanaian	16	84,408	19,557[b]	8.3
Nigerian National Shipping Line	Nigerian	12	81,939	120,436	6.3
Hoegh Lines Lief Hoegh and Co.	Norwegian	42	882,247	1,167,223	21.8
Total Conference	---	192	---	---	100.0

[a]Includes Holt Lines.

[b]For ten ships.

Source: International Shipping and Shipbuilding Directory, 1972. Croner's World Dictionary of Freight Conferences.

market to the conference tend to strengthen suspicions that the three British lines have taken actions to protect their home market. They also, in combination, control the conference in which the Nigerian National Shipping Line maintains only 8.3 percent of the fleet strength.

This conference has its head office in Liverpool, England. It operates on deferred rebates for six months. For southbound traffic, the conference maintains both contract and noncontract tariff rates. For the former, payment of tariff rates less 7-1/2 percent are immediate while for the latter, tariff rates less than 7-1/2 percent are paid with such rebates being deferred for six months. When the northbound traffic is considered, deferred rebates are held on six monthly periods, April 1 to September 30, and October 1 to March 31st. The deferrment for southbound leg lasts between January 1 to June 30, and July 1 to December 31st.[64]

---

[64] Croner's World Dictionary of Freight Conferences, 1972.

Continent-West Africa Conference (COWAC)

The fourteen shipping lines which constitute the Continent-West Africa Conference are enumerated with some of their details in Table 29. The conference is mostly made up of European shipping lines of which the British, taken together, are dominant. Four French lines are in the conference as well as three West African lines, the least of which by number of ships is the Ivorian Line. It is equally significant that the three British lines which dominate UKWAL also dominate COWAC by sheer number of vessels in their aggregate fleet. Hamburg, Germany, is the conference headquarters.

Tariff arrangements are broken into two--between Europe and Dakar/Port Noire and Congo/Angola ranges. The deferred rebates are 7-1/2 percent of southbound freight rates to Dakar/Port Noire and 10 percent of the rates for Congo/Angola ranges. Such deferrments last for six months. For northbound traffic, such deferred rebates are a blanket 10 percent of rates for six months. Such deferrment for timber alone is 2 x 10 percent and held for only three months. Normally, the conference holds rebates twice a year, January 1 to June 30, and July 1 to December 31.

TABLE 29.--Continental West Africa Conference (COWAC)

Member Lines	Nationality	Own Fleet	Gross Registered Tonnage	Deadweight Tonnage	Percentage of Conference Fleet
Compagnie Maritime de Chargeurs Reunis	French	21	190,539	247,848	5.9
Compagnie de Navigation Denis Freres S.A.	French	3	26,738	45,900	0.8
Dal Deutsche Afrika Linien GMBH (Woermann Line)	(F.R.) German	14	131,135	178,562	3.9
Elder Dempster Line	British	70	517,550	345,897	19.7
Guinea Gulf Line[a]	British	36	280,141	n.a.	10.1
Hoegh Line, Lief Hoegh and Company A/S	Norwegian	42	882,247	1,167,223	11.8
Palm Line	British	16	148,337	97,477	4.5
Koninklijke Nedloyd N.V.	Dutch	33	255,095[b]	354,981	9.3
Societe Ivoriene de Transport Maritimes	Ivorian	3	21,883	18,271	0.8
Societe Navalle Chargeurs Delmas Vieljeux	French	16	176,059	143,019	4.5
Societe Navalle de l'Quest	French	6	55,405	36,185	1.7
Nigerian National Shipping	Nigerian	12	81,939	120,436	3.4
State Shipping Corporation	Ghanaian	16	84,408	19,557[d]	4.5
Scandinavian West Africa Line[c]	Denmark, Norway Sweden	68	852,537	1,292,205	19.1
Conference Total	—	356	3,704,013	4,067,561	100.0

[a]Includes Alfred Holt vessels.

[b]For 31 vessels.

[c]Incorporated Transatlantic Rederiaktiebolaget (Gothenberg), Bergenske Dampskibsselskab (Oslo) and Fearnley and Eger (Oslo).

[d]For ten vessels.

Sources: <u>Lloyd's Register of Shipping and International Shipping and Shipbuilding Directory</u>, 1972.

For timber, the rebates run in three monthly installments--January 1 to March 31, April 1 to June 30, July 1 to September 30, and October 1 to December 31.

Other Conferences Serving Nigeria

Outside these two conferences, Nigeria is served by numerous other conferences in other directions of trade. The majority of those conferences follow trade and include:

i. American West African Freight Conference.

ii. Conference Export-Import des Lignes de Navigation Dessevant Madagascar, etc.

iii. Italian West African Freight Conference.

iv. United States Great Lakes/St. Lawrence River Ports-West Africa Agreement.

v. West Africa-Japan Rate Agreement.

vi. West Africa-South Africa Freight Agreement.

Structural changes among these major conferences can be examined by reference to Appendix I. For the purposes of this study, only those conferences on the West African-European trade route will be given detailed study.

Tramp Operators in Nigeria's Market

Apart from intra- and inter-conference competitions, tramp operators constitute a major factor which the conference lines have to contend with. According to Daniel Marx, Jr.,[65] the distinction between tramps and liners is real but not definitive. A distinction of ships based on function rather than on vessel type is more meaningful, since a great more ships are used interchangeably. Indeed the principle feature which distinguishes liners from tramps is the regularity of service. It may be worthwhile to accept the definitions given by the U.S. Maritime Commission on Tramp Shipping Service,[66] to wit:

---

[65] Daniel Marx, Jr., op. cit., p. 223.

[66] U.S. 75th Congress, 3rd Session, House Document No. 520, Report of the United States Maritime Commission on Tramp Shipping Service (1938), p. 1.

> A liner is any vessel that operates over a fixed route on a regular schedule of sailings. On the other hand, a tramp, or general trader, as is sometimes called, is any vessel which has no fixed route and no regular time of sailing and which is ever seeking those ports where profitable cargo is most likely to be found.

Cargoes[67] likely to attract tramp shipping normally (1) have value sufficiently low so that the cheapness of transport outweighs the value of speed and regularity of delivery; (2) have relatively great bulk or weight; (3) require no exceptional facilities of the carrier for handling or preserving; and (4) have availability for shipment in full cargo lots, or capable of being handled in bulk and combined with other shipments without merit or count. Furthermore, commodities subject to seasonal or highly variable movements are likely to attract tramps. Such tramp commodities include grains, coal, ores, sugar, cotton, lumber, fertilizers, etc., but, despite these attributes, competition between liners and tramps are likely to be high. Cuffley[68] distinguished eleven categories of tramp goods and included raw materials for fertilizers and chemical

---

[67] For details of discussions on tramp cargoes see Daniel Marx, Jr., _op. cit_., pp. 223-226.

[68] C. E. H. Cuffley, _Ocean Freights and Chartering_, Staples Press, London, 1962, pp. 334-335.

industries, wood products, cement, esparto grass, or alfa grass, copra and iron and steel products.

The kinds of markets served by the tramp operators, the liners, and the bulk carriers may be indistinguishable. For as liners do, the tramps can also specialize functionally. The competition between liners and tramp operators depends on the market situation. When trade is active and demand for space is high, liner vessels will often charter additional vessels, some of which may have been operating as tramps. During such periods, tramps will have been placed on the berths for general cargo by their agents. The decision of the shipper here to use the services of the tramps often at cheaper rates depends on the extent to which the liner conferences and their tying arrangements can be overlooked in money terms.

In general, however, tramp rates are believed to be lower than liner rates though tramp service is unsuitable for many commodity types. Speed and predictable regularity are lacking in the tramp service and specialization though possible is not general with tramps. Actual and potential competition between tramps and liners may be confined to certain commodities, its importance on the Nigerian-Western European route does not appear to be serious. This weakness tends to contribute to the dominant monopoly powers apparently enjoyed by both UKWAL and COWAC on the Western European-Nigeria (West African) trade route.

The Nigerian Federal Ministry of Information bulletin in 1967 indicated that a total of eleven foreign shipping lines were independents[69] or tramps in the service of the Nigerian shipping market. In addition, some thirty-one Nigerian private incorporated lines (Appendix II) were active tramp operators at the same time. These foreign and Nigerian private tramp lines competed against the liner conferences. Some detailed analysis will be undertaken on these tramp operators with particular reference to their roles on the West Africa-Western European trade route.

Foreign Tramp Shipping Operators

The major foreign tramp operators which serve in the Nigerian market (without direct association with the Nigerian National Shipping Line) were published by the

---

[69] Appendix I.

Federal Nigerian Ministry of Information[70] to include the following:

1.	Bank Line	(U.K.)
2.	Port Line	(U.K.)
3.	Blue Star Line	(U.K.)
4.	Shaw Saville and Albion Co.	(U.K.)
5.	New Sealand Shipping Line	(U.K.)
6.	Hoegh Line	(Norway)
7.	South American West Africa Line	(Holland)
8.	United Arab Maritime Co.	(Egypt)
9.	United West Africa Service	(Poland)
10.	M. Sidarma	(East Germany)
11.	Brodopas West Africa Line	(Yugoslavia)

In addition to the above, the Nigerian Produce Marketing Company (N.P.M.C.) listed the following lines[71] as recipients of the company's produce for foreign ports during the 1971/72 produce season.

12.	Splosna Plovba	(Yugoslavia)
13.	Scan Uniafrica	(Poland)
14.	Scan Polish	(Poland)
15.	MISR	
16.	Mitsui O.S.K.	(Japan)
17.	K.K.K.	(Japan)
18.	ZIM Line	(Israel)
19.	Farrel Line	(U.S.A.)
20.	Nppon Yushen Kaisha	(Japan)
21.	East Asiatic Company	(Denmark)
22.	Maersk[72]	(Denmark)

---

[70]Ministry of Information Bulletin, Lagos, 1967, See Appendix I.

[71]Some are serving with other foreign conferences on other trade routes (See Appendix I).

[72]Nos. 12-23 are based on the Summary of Annual Returns of Monthly Shipments of N.P.M.C. Export Produce.

A further addition is provided by the returns of the questionnaire studies of the Central Bank of Nigeria,[73] an annual survey of shipping services which have included the following lines:

23.	Chinese Ocean Shipping Co.	(China)
24.	Scindia Steam Navigation Co.	(India)
25.	Westwind Africa Line	(Liberia)
26.	Lombardi Ligure SRL	(Panama)
27.	Compagnie Maritime du Zaire	(Zaire)
28.	Nautilus Line	(Switzerland)
29.	Lloyd Trietstius S.D.A.	(Italy)
30.	Barber Line	(Norway/U.S.)
31.	Greek West Africa Line	(Greece)
32.	Veb Deutsche Secrederei	(Germany GDR)
33.	Polish Ocean Line	(Poland)
34.	Oivind Lorentzen	(Norway)
35.	A. P. Moller	(Denmark)
36.	Lloyd Brasileiro	(Brazil)

In addition, the following oil tanker and fishing operators were noted as active in the Nigerian market:

a.	Texaco Tankship	(U.S.)
b.	Bulgarian Fish Company	(Bulgaria)
c.	Friendship Shipping Company	(East Germany)
d.	Transcoban	
e.	Piedmont Nigeria Limited	(Italy)
f.	R. T. Briscoe	
g.	Societe Abidjanaise de Cabotage	(Ivory Coast)
h.	Niger Greek Shipping Agency	(Greece)
i.	Zapata Maritime Service	(Greece)
j.	Dietz Maritime Corporation	
k.	Navigation Maritime Bulgare	(Bulgaria)
l.	Comexas	

---

[73]Research Department of Central Bank of Nigeria: Shipping Service returns for 1971/72.

The dynamics of the shipping market is such that some of the one-time tramps may at other times operate as liner members on certain trade routes. The Hoegh Line, for example, at one time outside the West African Conference Lines (WALCON) has found it worthwhile to join the COWAC conference. Indeed, it may not be inconceivable for some liner conference members on certain routes to operate some of their boats at opportunity tramping on other routes in what has come to be called cross trades. In particular this is true during market booms on specific trade routes. The dynamics of the shipping market are such that changes are continuously taking place and such changes blur the specialized functions and attributes which in theory differentiate tramps from conference liners.

Of the foreign tramp operators, it is estimated that their combined fleet by 1972 was around 800 with a total net tonnage of over 8 million.[74] The Japanese vessels have, apart from the Scandinavian liners, maintained the largest fleets. But on the European-West Africa trade route, the British seem to dominate the area with

---

[74]Estimated from International Shipping and Shipbuilding Directory, 1972 and verified from the Nigerian Trade Summary, 1972. Figures are rounded to nearest units of million tons.

their net tonnages. For the share of Nigeria's trade as a whole between conference and nonconference and between nonconference foreign and indigenous lines, estimates are not available. But if the allocation of export cargoes by the Nigerian Produce Marketing Company whose volume of shipments is over 30 percent of national export trade is an indication, the pattern of allocations to conference and nonconference lines should throw some light on the market share. A typical example of such allocations (Table 30) shows the nondominant share of the two conferences which control the Western Europe-West African route. For the nonconference operators, the shares of the foreign tramps were higher than those of either the conference (WALCON) or the indigenous Nigerian private lines.

The dominant position of the foreign tramp operators noticed in Table 30 is greatly strengthened in the market as a whole when it is understood that most of the indigenous private Nigerian lines had failed between 1968 and 1971 and ceased to function due to the effects of the two memoranda[75] from the Ministry of Finance to the

[75] See Appendices IV and V.

TABLE 30.—Carriage of N.P.M.C. Exports.

Shipping Groups	Cargo Tonnage Shipped		Percentage of Total Carried	
	1967	1968	1967	1968
West African Lines Conference (WALCON)	231,176	247,223	26.17	25.37
Foreign Non-WALCON Shipping Lines	451,330	433,664	51.08	44.51
Indigenous Private Nigerian Shipping Lines[a]	200,966	293,454	22.75	30.12
Total	883,472	974,341	100.00	100.00

[a]Excludes Nigerian National Shipping Line (a member of the WALCON).

Source: Nigerian Produce Marketing Company.

shipping market. In addition to this, most of the foreign tramp operators either own their ships or can charter on more favorable terms than can their Nigerian counterparts on the European and North American Charter markets. When again it is recognized that the bulk of the foreign tramps as well as liners have maintained years of associations with the major shippers in Nigeria,[76] it is difficult to

[76]Nigerian National Shipping Line, Memorandum to the Ministry of Transport.

see how Nigerian private lines devoid of governmental support and direct patronage can dislodge them or gain on the market at the expense of such foreign operators. On these bases, the dominance of Nigerian market by foreign lines is real and, in the absence of a deliberate government policy, it will stay thus for long.

A major feature of these foreign lines is that they are generally controlled from head offices located abroad while maintaining agencies in Nigeria whose functions include cargo canvassing and local arrangements for berthing, stevedoring, and provision of medical and fuel services. Though employing low cadre Nigerians in their services, the overall control is foreign and their operations and finances are well kept secrets from even the Nigerian governmental agencies dealing with shipping and monetary matters.

Nigerian Private Lines

Before 1958, the supply of carriage for Nigeria's external trade was totally foreign controlled (See Appendix II C). Apart from the financial and technical difficulties involved, there was little encouragement for

Nigerians into this field. The only major indigenous effort, the Nigerian Line[77] in 1958, was doomed to failure due to lack of governmental patronage and assistance. The Nigerian National Shipping Line was incorporated as a public company in 1959 in response to public outcry for Nigerian participation in this field. The widespread anxiety was summed up by Professor Leubuscher when she noted that "the overseas countries may feel themselves exploited or inadequately served and may come to regard their dependence on expatriate shipping as irksome and detrimental to their interests."[78]

The foreign dominance in this field of international shipping serving the developing countries in general led to the Executive Secretary of the Economic Commission for Africa to call for policies needed to "reach the breakdown of old pattern in this sector."[79] The Federal Government of Nigeria, following its statements of policy on

---

[77]Joint venture of Finnish shipping firm of Nordstrom and Messrs Patric Osoba and Sons.

[78]Charlotte Leubuscher, _op. cit_., p. 9.

[79]Eighth Session of E.C.A. reported in _Daily Times of Nigeria_, February 23, 1967.

Transport,[80] announced its determination to "encourage the growth and active participation of indigenous marine in the shipping services of Nigeria." So enthusiastic was the response of Nigerian shipping investors that by August 1967, as many as 36 new Nigerian private shipping companies[81] were incorporated, thanks to the new policy. All of them were tramp operators even though seven of the most active ones formed themselves into a rival conference unit[82] outside of the existing operating conferences.[83]

The major features of these Nigerian private shipping lines were:

i. the complete lack of own tonnage and total dependence on charter market for tonnage to be able to

---

[80] Federal Republic of Nigeria, Statement of Policy on Transport, Sessional Paper No. 1, of 1965, Federal Ministry of Information, Lagos, 1965. This policy was amplified in the budget policy statement of 1966/67.

[81] As per Registry of Business Names, Ministry of Trade, Lagos, 1967.

[82] Nigerian Indigenous Lines Conference (NICON) composed of 7 private lines led by Eagle and Anansa Lines was formed out of frustration of being refused admission into foreign controlled WALCON group.

[83] See notes in Appendix I.

lift the export produce allocated by the Nigerian Produce Marketing Company;

ii. The low nominal share capitals of the companies ranging from a mere ₦200 to as high as ₦500,000 (See Appendix IIIb).

iii. Almost all of them were incorporated between 1960 and 1971 with the greatest number in 1967 (see Appendix IIIa).

iv. Almost all of them maintained very little office spaces sometimes averaging three rooms of questionable dimensions. Such office space limitations affect the level of staff and the volume of activities handled (See Appendix IIIc).

v. The majority of the Nigerian private shipping lines were so small that none had a staff strength above sixty and hardly any maintained staff and offices abroad[84] (See Appendix IIId).

---

[84]Details in Appendix III.

So ineffective were the Nigerian private shipping lines and so uneconomical were some of them (for want of both capital and technical know-how) that the Management of the Nigerian National Shipping Line termed them "at the best, as ships' brokers/ships' agents."[85] The serious situation facing the Nigerian private lines was such that they were categorized by the Nigerian Produce Marketing Company[86] for the purpose of export produce allocation as follows (Table 31).

It was believed that such categorizations would have assisted the allocation of export produce and patronage of these lines on the basis of merit. There was, however, no clear indication of the strict adherence to these principles. Previously, the Nigerian Produce Marketing Company had set out the criteria[87] by which Nigerian private lines were to ensure success, namely,

---

[85] Memorandum of Management of Nigerian National Shipping Line to Ministry of Transport, footnote 76.

[86] Memorandum to Ministry of Transport on Indigenous Lines.

[87] N.P.M.C.'s Memo to Ministry of Transport, 10/6/66.

TABLE 31.—Indigenous Lines (Private).

A. Having Experience and Funds

Eagle Line
Anansa Line
Equitorial Line
Nigerian Maritime Services

B. Having Experience But No Funds

Nigerian International Shipping Agencies
New Africa Lines Agencies
Sombreiro Brothers

C. Having Funds but No Experience

Ibru Sea Foods
Faola Line
Bakado Line
Maritime Associates
Yahaya Maritime Services
Rasco Limited

D. Having No Experience and No Funds

Nigerian Interocean Lines
Leragu Line
Kwara Shipping Agencies
African Shipping Agencies

Source: Nigerian Produce Marketing Company.

a. adequacy of finance

b. soundness of administration

c. efficiency of organization

d. guarantees of cargo

e. knowledge of shipping techniques

The special committee considering the transportation of cargoes by indigenous shipping companies agreed with those criteria.[88] Detailed machineries for implementing them were, however, lacking.

The excessive dependence of the Nigerian private lines on the charter market for supplying tonnages to meet their obligations to the shippers were based on the most unreliable circumstances. Because of the sharp increases in charter fees most of the Nigerian private lines which received export produce allocations could not secure ships and had to hawk their allocations to other lines for some commissions.[89] When the operations of the bolder lines

---

[88] Meeting at the Ministry of Transport, 13/6/66--Minutes of.

[89] Nigerian Produce Marketing Company, Memorandum of 26/9/67. Also referred to in Tresselt's The West African Shipping Range, 1967, p. 34. Also see United Nations, Economic Commission for Africa, Report on the Preliminary Survey of Factors contributing to level of Freight rates in

indicated a total loss of the much needed foreign exchange through total repatriation of all earnings to foreign ship owners and charter parties, the Ministry of Finance stepped in with new directives (Appendices IV and V). The net effect was the total inability of most private lines to charter or to carry on normal operations. Most of them failed and thus the indigenous private lines operating during the 1971/72 produce season was reduced to a mere handful of active lines.[90]

Nonetheless, Henry Stephens, Maritime Associates, Equitorial Line, Faola Line, African Shipping Agencies, O. G. Thompson, Nigerian Green Lines, and Continental Lines appear to be active and mostly dependent on the cargo patronage of the Nigerian Produce Marketing Company.[91] Others have either remained moribund or are out of the register of live shipping businesses.

---

the seaborn trade of Africa (E/CN 14/TRANS/27) of 9 July, 1965.

[90]Nigerian Produce Marketing Company, Summary of Annual Returns of Monthly Shipments of N.P.M.C. produce, Lagos, 1971/72.

[91]*Ibid*.

The Roles of the Conferences and Major Tramp Operators in Nigeria's Market

From the foregoing survey it has become clear that the major conferences and tramp operators supply the majority of the shipping tonnages and hence the services. On the Nigeria-United Kingdom trade route, the official representative of the UKWAL conference admitted that the conference controls nearly 100 percent of the trade to the British Isles from Nigeria (indeed, West Africa).[92] This view was confirmed by the Management of the Nigerian National Shipping Line[93] though their opinion on the degree of control ran between 85 to 95 percent. Whatever the case, it is significant that UKWAL is in a position of collective monopoly on that route.

In the case of COWAC, the degree of control according to the official representative of the conference in Nigeria is that it is between 60 and 75 percent.[94] On this

---

[92] Interview in August, 1973, between the author and Mr. A. J. E. Christopher, the Official UKWAL/COWAC representative in Nigeria for West Africa Area.

[93] Interview in August, 1973, between the author and the management of N.N.S.L.

[94] Same as footnote 62.

route, there is apparently a lot of on going competition among the major Europe-based tramp operators. So severe was this competition[95] and possible undercutting that in the new rearrangement of conferences, it was found necessary to bring into COWAC such companies like Hoegh and Woermann Lines.

Even though the exact tonnages of Nigeria's export-import trade carried by UKWAL and COWAC groups as a whole are not made available, some indications of the magnitude may be inferred from available evidence from some sources. The tonnage of trade between Nigeria and the E.E.C. (including the United Kingdom) from the analysis in Table 18 shows that exports moved from 65.5 percent in 1970 to 60.9 percent in 1971 while imports moved up from 56.4 to 57.1 percent at the same time. With nearly a control of over 60 percent of Nigerian trade, it is evident that most of these moved by the European ships. In volume terms this would work out at about an average Nigerian export tonnage of 37 million into and an average Nigerian import tonnage of 2.5 million from the E.E.C. for 1970 and 1971 (Table 8).

---

[95]Refer to footnote 61. This competition was confirmed by COWAC representative in Lagos.

So European ships handled some total of 39.5 million tons (including petroleum crudes) of trade per year with Nigeria in 1970 and 1971.

Given the fact that Nigerian imports are handled c.i.f.,[96] that is, the overseas exporter quotes a delivered price to the Nigerian buyer, the overseas seller can therefore nominate the ship and the first preference would be to the ships of his country. Again, Nigerian exports are mostly sold f.o.b. In this case, the seller delivers the export goods on board the vessels named by the buyers. In both cases, therefore, the European trading partners have virtually the last say in the choice of vessels.[97] Invariably this means greater probabilities of shipping by European vessels.[98]

---

[96] A. P. Couper, The Geography of Transport, Hutchinson University Library, London, 1972, p. 183. Also United Nations: Terms of Shipment, UNCTAD Report, New York, 1969, pp. 2-3.

[97] United Nations, Terms of Trade, ibid., p. 3, paragraph 14. Also S. G. Sturmey, British Shipping, op. cit., p. 98.

[98] The United Nations study detects variations in the application of c.i.f. and f.o.b. shipping terms which are found not to be as static as is theoretically claimed. See Terms of Trade, op. cit. See U.N., Terms of Shipment, General Observations, op. cit., p. 26.

On the Nigerian side, despite the new indigenization decree which restricts certain areas of the retail trade to Nigerians, there is no clear evidence that the decree has effectively given wholesale export-import trade to Nigerians. And, given the capital outlay required for handling large wholesale trading activities most Nigerians are not likely to be effective here. The loans and advances (Table 32) made "available to indigenous businessmen was to remain at 35 percent of all loans and advances" outstanding at all the banking institutions.[99] This leaves some 65 percent free for the nonindigenous borrowers. Given the preponderance of foreign banks and their relative superior liquidity ratios, the greater chances are for such large wholesale firms like the United Africa Company, A. G. Leventis, Union Trading Company, etc. to be patronized more by the banking institutions. Their volumes of imports are relatively heavier than the Nigerian businesses can handle. And when preference is considered, these foreign trading firms would likely patronize foreign shipping companies.

---

[99]Central Bank of Nigeria, Annual Report and Statement of Accounts, Lagos, 1971.

TABLE 32.—Loans and Advances Classified by Purposes (N Million)

Category of Borrowers	1970	1971												Difference Between December 1970 and December 1971	
	Dec.	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Actual	Percent
Agriculture, Forestry and Fishing	6.9	7.5	7.9	11.5	10.3	12.9	10.7	10.7	10.4	10.1	8.9	9.6	9.2	2.3	32.6
Credit and Financial Instructions[1]	2.7	8.3	3.7	4.8	4.1	5.2	3.7	4.2	7.1	7.8	5.7	9.7	5.7	3.0	112.3
General Commerce	167.5	181.5	176.6	167.1	175.1	159.1	168.3	165.0	167.1	172.5	186.1	211.9	221.2	53.6	32.0
Bill Discounted	5.9	6.6	7.6	8.3	8.7	9.8	9.4	9.5	9.8	9.9	10.0	11.6	10.0	4.1	71.2
Domestic Trade	32.2	36.7	40.1	41.6	45.8	48.2	56.6	55.7	58.2	60.1	59.4	65.8	56.4	24.2	75.2
Exports	69.5	73.8	58.0	49.2	46.5	46.3	45.1	45.5	46.9	50.4	60.9	71.6	91.6	22.1	31.8
Imports	59.9	64.2	70.7	67.8	74.0	54.6	57.0	54.1	52.8	51.8	55.6	62.8	63.1	3.1	5.3
Governments	1.3	3.1	3.2	5.3	4.2	3.5	4.9	3.8	4.0	3.3	4.1	3.4	3.5	2.2	177.2
Manufacturing	76.4	82.2	92.2	93.8	104.3	106.4	122.9	121.4	121.8	124.8	125.8	122.7	119.7	43.3	56.7
Mining & Quarrying	6.9	6.0	6.7	7.9	10.4	11.2	12.7	12.4	12.8	12.0	12.3	11.4	11.6	5.0	76.5
Personal and Professional	23.3	23.6	25.7	27.6	30.1	26.9	32.4	22.2	25.5	39.5	42.5	34.2	33.1	9.8	42.5
Public Utilities	0.7	0.5	0.6	0.5	0.1	0.8	1.7	2.4	1.4	2.9	3.4	3.9	3.6	2.9	437.2
Real Estate and Construction	25.9	25.3	23.7	27.4	26.8	31.1	32.3	32.5	32.6	34.4	34.6	35.6	37.3	11.4	44.1
Transportation and Communication	18.9	20.1	21.8	22.4	22.7	25.2	24.4	26.2	27.5	30.5	29.0	30.6	31.7	12.8	67.5
Miscellaneous	20.9	22.5	24.9	24.7	23.4	27.4	23.3	23.3	35.3	20.5	23.6	23.7	24.8	3.9	18.7
Total	351.4	381.2	387.4	393.5	412.2	410.0	437.9	436.6	446.5	458.9	476.6	497.1	502.0	150.7	42.9

[1]Includes money at call outside Central Bank.

Source: Central Bank of Nigeria.

When the actual tonnages of the conferences--UKWAL and COWAC are examined (Tables 28 and 29) the greatest tonnage are foreign owned. And, if the private Nigerian lines depend on charter markets and have less of their own tonnages, the market is virtually foreign controlled. Even the little tonnage of the Nigerian National Shipping Line (16 ships of 81,939 gross registered tonnage) is no match for the combined forces of the conferences and the tramps (Tables 28 and 29) estimated at above 8 million tons.

Specifically, the allocation system adopted by the Nigerian Produce Marketing Company helps provide valuable records. Such allocation systems for 1967 and 1968, for example (Table 30), indicate that both the foreign conference and nonconference operators carried 77.2 and 69.8 percent of such export produce for 1967 and 1968, respectively. For the 1964/65 to 1971/72 produce seasons, foreign participation was still dominant (Tables 33 and 34). When the indigenous carriage for 1966/67 (Table 35) is examined, the annual average for each line is so small that it is likely that the earnings from this source can hardly sustain such operations.[100] An estimate is that foreign conference and

[100]Almost all of them were dependent on N.P.M.C. patronage and hardly could amass much freight elsewhere.

TABLE 33.--*Nigerian Produce Marketing Company's Produce Shipment and Freight (1964/65-1971/72).*

Year	Export Produce Shipment			Freight Paid	
	Total (000) Tons	Conference (000) Tons	Nonconference (000) Tons	Total N Million	Average Per Ton[a] N
1964/65	985	514	320	14.4	14.62
1965/66	1,224	501	533	15.2	12.42
1966/67	885	293	435	10.7	12.09
1967/68	887	177	604	10.4	11.72
1968/69	853	277	422	9.5	11.14
1969/70	769	243	526	8.5	11.05
1970/71	819	317[b]	502	10.7	13.06
1971/72	579	167[b]	412	5.0	8.64

[a]Does not necessarily mean export freight per ton due to variety and values of export produce types.

[b]Estimated.

Source: N.P.M.C., Lagos.

TABLE 34.—Share Distribution of Carriage of Nigerian Produce Marketing Company's Exports.

Produce Seasons	Conferences (UKWAL/COWAC) Shipment (000) Tons			Other Conferences and Carriers Shipment (000) Tons			Grand Total (000) Tons
	Indigenous[a]	Foreign[a]	Total	Indigenous	Foreign	Total	
1964/65	151	363	514	46	425	471	985
1965/66	190	311	501	180	543	723	1,224
1966/67	149	144	293	209	383	592	885
1967/68	105	72	177	297	413	710	887
1968/69	198	179	377	155	431	422	853
1969/70	191	52	243	133	392	526	769
1970/71	203	114	317	186	316	502	819
1971/72	106	61	167	123	289	412	579

[a]Estimated.

Note: For fuller information to nearest units see Table 38.

Source: Compiled from N.P.M.C. office records.

TABLE 35.—Carriage of N.P.M.C.'s Export Produce by Indigenous Shipping Lines, 1967.

Shipping Lines	Cargo Tonnage	Percentage
Eagle Line	11,474	48.3
Anansa Line	30,674	13.3
Equitorial Line	25,542	11.1
African Shipping Agencies	15,246	6.6
Nigerian International Shipping Agencies	10,100	4.4
Okafor Line*	8,525	3.7
Sombreiro Brothers	9,325	4.0
New Africa Line Agencies	7,200	3.1
Marketing and Finance	7,000	3.0
Bakado Line	2,000	1.0
Universal Shipping Agencies	1,000	0.4
Leragu Line	1,000	0.4
Farmart Produce and Shipping Ltd.	900	0.4
Progressive Shipping Agencies	800	0.3
Total	230,897	100.0

*Ran into difficulties, ceased to exist.

Source: Nigerian Produce Marketing Company.

tramp operators are likely to control between 85 to 90 percent of Nigeria's total seaborne trade.[101]

Given the prevailing conditions, a number of reasons can explain the dominant position of foreign liners and tramps in the carriage of Nigeria's external trade. From the pre-colonial, the colonial, and immediately after independence days, Britain had been the dominant supplier of shipping services. Nigeria did not have the capital nor the government patronage to direct investments into shipping. Indeed, government policies, prior to 1959 had never been directed to the encouragement of indigenous marine. Unlike the Ghanaian government, for example, Nigeria did not and has not till now declared a policy aimed at eventual control of the shipping services for Nigeria's external trade.[102] The Federal Nigerian governmental policy was more a laissez faire one[103] in the field of transportation.

---

[101]Charlotte Leubuscher, op. cit., pp. 77-83.

[102]Dag Tresselt, op. cit., p. 49, paragraph 318.

[103]Federal Ministry of Information, Statement on Policy on Transport, op. cit., p. 1.

The conference agreements which involved the use of typing arrangements--deferred rebate systems, dual rates, loyalty provisions and other forced preferential devices[104] for conference shipping services--had also been responsible for the apparent lack of satisfactory patronage of Nigerian private marine services by shippers. The position of the great foreign merchants and trading houses in Nigeria whose faiths were pinned more on these foreign lines undermined the bit of patronage any Nigerian private line would have attracted. The addition of the lack of capital, technical know-how and other material resources for effective participation in shipping by private Nigerian shipping firms over time had generally intensified the dominance of foreign lines in Nigeria's trade services and the effects of the situation can be seen in the unilateral powers of decisions which foreign lines possess and exercise at will.

Freight rates have been imposed whenever the lines desired that reasons of their choosing justified new rates. The net effects of such rates were seen in the erosion of earnings of Nigeria's net incomes from exports and the

---

[104] UNCTAD, The Liner Conference System, New York, TD/B/C4/62/Rev. 1, 1970.

increasing costs of imports.[105] The tying arrangements denied shippers the right of choice of carriers based on some competitive rates in the market. The unilateral powers of the foreign lines led to occasional clashes with major Nigerian shippers, for example, the Nigerian Produce Marketing Company in 1964/65 and in 1970/71. The formidable hold on the economy has often led to successful sabotaging efforts against private indigenous lines.[106] The successful possession or potential possession of joint monopoly powers over the carriage of Nigeria's external trade had led to agitations for changes in the government policies toward increased Nigeria's effective participation in the trade and had remained the grounds for dissatisfaction among Nigerian shippers.

---

[105]This is despite the rebates on c.i.f. and f.o.b. prices of exports and imports in world markets, which on some export items were increasing.

[106]See Okafor Line's complaints of black listing in foreign ports. Memorandum to Ministry of Transport, Lagos, 1966/67.

The Major Problems of Shipping Services in Nigeria

The major problems connected with shipping services in Nigeria include the following areas:

i. service quality (level and adequacy)

ii. service prices or rates (stability and instability)

iii. service responsiveness to demands

iv. operational problems at the ports

v. consultations with shippers

vi. for conferences: pooling arrangements and rationalizations of services

vii. loyalty and tying arrangements

viii. intra-, inter-conference, and tramp competitions.

Service Quality and Adequacy

When the Nigeria-United Kingdom and Western European trade routes are considered, service adequacy will be judged

by a reconciliation of transit time and service costs.[107] At the one extreme is the greater frequency of services involving less than loads at higher total costs. At the other extreme is reduced frequency of services involving full loads at reduced total costs. In between the extremes are a series of time/volume interactions corresponding to cost levels which satisfy either the shippers or the shipping companies. Only here are costs of operations to both parties likely to be a minimum and net returns a maximum.

The above theoretical outline is meaningful under very competitive conditions. But where the market is characterized by pure oligopoly or cartelized oligopoly on the part of service suppliers while consumers of the services have no appreciable joint action forum in the market, the most powerful decides unilaterally for the less powerful on the frequency, adequacy, and rates of the services supplied. The UKWAL and COWAC, using their cartelized powers of tying and loyalty agreements and such other devices, exercise great control over the thousands of unorganized shippers in the Nigerian market. The few large shippers likely to be

---

[107] UNCTAD (U.N.), Level and Structure of Freight Rates, Conference Practices and Adequacy of Shipping Services, TD/B/C.4/38/Rev. 1. New York, 1969.

important are isolated and treated differentially from the generality of the market. In practice, this does happen since the conferences had been willing to negotiate with the United Africa Company, the Nigerian Produce Marketing Company, the Union Trading Company, and A. G. Leventis, among others.

It is estimated that a cargo ship, likely to call at the major West African ports, will take a month or slightly more to cover the distance between Nigeria and Western Europe. Some boats take longer depending on the number of ports they are likely to call, the volume of cargo to handle at each port, the level of port operations and stevedoring efficiency, custom clearnaces, and other services. In practice, however, it is difficult to define the actual adequacy of services nor acceptable service standards. The Conferences have adopted a service pooling system which eliminates much of the intra-conference competitions while seeking to "balance transit time and costs"[108] apart from "preventing overtonnaging the berth

---

[108]UKWAL and COWAC, "The Liner Conference System in West Africa," a bulletin, Lagos, p. 15.

and to regulate the extent of competition for cargo among member lines."[109]

The UKWAL and COWAC bulletin claims that the prime objective of rationalization of shipping services is the

> optimum use of ships' freight earning space, not necessarily full in every instance, but it is possible for ships to be so positioned that the right number of ships are in service adequately to cover the trade in the most economical manner.[110]

A major feature of this system is the joint cargo booking method with arrangements to coordinate the positioning of ships by joint decision, irrespective of ownership which in effect renders all ships of the conference into a common fleet under a common ownership.[111] Based on this central management system, shares of overall profit or loss are pro ratad to capital contribution. This system is expected, in the opinion of the conferences, to make for service adequacy, apart from high level of services.

---

[109] Ibid., p. 16.

[110] Ibid., p. 16.

[111] Ibid., p. 16.

In the absence of any quantitative data on service adequacy, sample questionnaires[112] were generated by this researcher to sample opinions of both shippers and shipping companies on the question of service adequacy and standards. Of the 40 respondents out of 70 shippers given the questionnaires, 22 or 55 percent considered services to be adequate while 11 shipping companies or 92 percent of those responding agreed with that view. On the standards of service, 70 percent of responding shippers and 83 percent of shipping lines considered the services satisfactory. It is significant that a tiny minority of shipping companies and a somewhat minority of shippers should consider services both inadequate and unsatisfactory. Most in this class of shippers were from the northern states and this is

---

[112] A total of 25 shipping lines (foreign and domestic as well as conference and nonconference members) and 69 principal shippers across the 12 states of Nigeria were consulted by questionnaires. The samples of shipping lines were random while those of shippers (based on Registry of Business Names) were somehow stratified. Samples were drawn on these bases:

i. states with under 20 shippers, select 3
ii. states with between 21-29 shippers, select 4
iii. states with between 30-39 shippers, select 6
iv. states with over 40 shippers, select 10

For questions and sample distributions of shippers, see Appendices VI, VII, and VIII. Response was 48 percent for shipping lines and 57 percent of shippers.

evident that the problems of internal transportation must have confounded the service needs of shipping per se.

On the question of whether shipping lines would allow clients free choice of other lines in the event of unsatisfied pressing needs, 14 out of 40 shippers and 10 out of 12 shipping lines agreed but this allowed a majority of shippers or 65 percent to deny the existence of this possibility. The latter class of shippers noted that they would lose their deferred rebates when they take up such dispensations against the wishes of the shipping lines. A half of this class had attempted this and lost such rebates while the other half never made the attempts, however.

In theory, it is held that the cost to transport operators of improving services in order to reduce delays to cargo would be greater than the savings to cargo owners from such a reduction in the existing delays. On the other hand, the cost to shippers of increased delays to cargo arising from a reduction in the service would be greater than the savings in cost to transport operators. Service is therefore adjudged to be adequate when the two conditions are reconciled such that both parties are satisfied. Adequacy is measured by the transit time from port of embarkation to final port of disembarkation.[113] Allowing for smoothing out of seasonal variations, the tonnage of ships needed to cope with traffic volume at a time judged to be reasonable with reference to costs and net returns of businesses in this context would be optimum when the interests of all parties are maximized.

In practice, however, when the Nigeria-European route is considered, to most shippers, shipping service is adequate and satisfactory within the confines of the conference tying and loyalty system. Since little options are open to shippers it is difficult to accept this verdict without qualifications, particularly as there are no other standards against which existing services can be judged. The fact that the competitions from tramp and other liner operators do potentially influence the extent to which either UKWAL or COWAC uses its monopolistic powers is sufficient to force them into some attention to the shippers' needs. But whether delays suffered by shippers or charges made by shipping lines on provision of faster services are comparative, it is difficult to say. Only

---

[113] United Nations, The Liner Conference System, TD/B/C4/62/Rev. 1. New York, 1970, pp. 50-51.

improvements in shippers' bargaining powers through shippers councils, improved port operations, and turn rounds and cargo consolidation techniques can show if existing levels can be changed for the better.

Freight Rates

The purpose of the overall rate structure is to produce revenues sufficient to cover the total costs of each line in the conference and to produce a profit for each operator. Since costs differ, a compromise is often struck such that the low cost operators reap high profits while the high costs operators are covered under the rate umbrella to earn some reasonable level of profits. High costs may arise from inefficiency or high factor costs or from absence of public assistance in any form. At times the high cost operators make considerably satisfactory profits while the low cost operators reap supernormal profits from existing rate structure and freight traffic. Theoretically only when the low cost operators are making very low profits though receiving adequate volume of cargoes (assuming costs cannot be further reduced) can rates be adjusted upwards. But since in practice, operators are not likely to disclose their costs, changes in costs general to all operators--port costs, handling charges, fuels and bunkers costs, and shipbuilding may induce changes in rates.

Other factors likely to affect costs of shipping services in Nigeria include costs of handling services. This will be reflected in the proportion of cargoes moving from ships into storages and those moving into other direct transport facilities. For 1969/70, as an example, 73 percent of imports were handled into storages while 49 percent of exports were handled from storages (Table 36). Of the total traffic of nearly 3 million tons (dry cargo), some 61 percent were involved in port storages which meant multiple handling operations. This trend is noticed for 1960/61 to 1969/70 (Table 37). Arising from this tendency are the effects of delays to ships at the ports.

In the three produce seasons--1967/68, 1968/69, and 1969/70, days lost by ships while awaiting berthing were 1,219; 2,262; and 2,477, respectively (Table 38). Alternatvely, days during the period when berths were empty were 1,122; 449, and 2,477, respectively. This can only be due to poor stemming procedures, faulty communications systems,

TABLE 36.—Analysis of Non-oil Cargo Handling Operations at the Nigerian Ports—1969/70

Traffic Movements	Apapa Quay		Port Harcourt Quay		Customs Quay		Calabar		Koko		Total	
	Tons	%	Tons	%	Tons	%	Tons	%	Tons	%	Tons	%
<u>Imports</u>												
Direct from Ship to												
a. Other Vehicles[1]	327,769	28	34,499	44	23,984	15	7,491	17	628	9	394,371	27
b. Port Storages[2]	843,334	72	44,069	56	133,549	85	35,840	83	6,077	91	1,062,869	73
c. Total	1,171,103	100	78,568	100	157,533	100	43,331	100	6,705	100	1,457,240	100
<u>Exports</u>												
Direct to Ship From												
a. Other Vehicles[1]	653,159	52	7,721	33	7,123	98	11,090	43	—	—	679,093	51
b. Port Storages[2]	609,886	48	15,452	67	156	2	14,447	57	—	—	639,941	49
c. Total	1,263,045	100	23,173	100	7,279	100	25,537	100	—	—	1,319,034	100
<u>Total Traffic</u>												
Ships to/fro Other Vehicles[1]	980,928	40	42,220	41	31,107	19	18,581	27	628	9	1,073,464	39
Ships to/for Port Storages[2]	1,453,220	60	49,521	59	133,705	81	50,287	73	6,077	91	1,702,810	61
Total	2,434,148	100	101,741	100	164,812	100	68,868	100	6,705	100	2,776,274	100

[1]Road, rail, ships [2]

Source: Nigerian Ports Authority Annual Repor

TABLE 38.—Days Lost to Shipping and Port Operations.

Year	Apapa Quay (a) Days Lost As			Customs Quay (b) Days Lost As			Port Harcourt (c) Days Lost As			Total (a+b+c) Lost Days As		
	Ships Await Berths	Berths Await Ships	Total	Ships Await Berths[1]	Berths Await Ships	Total	Ships Await Berths	Berths Await Ships	Total	Ships Await Berths	Berths Await Ships	Berths and Ships Wait
1967/68	933	402	1,335	---	306	306	286	414	700	1,219	1,122	2,341
1968/69	2,262	126	2,388	---	323	323	n.a.	n.a.	n.a.	2,262	449	2,711
1969/70	2,477	103	2,580	---	385	385	n.a.	1,586	1,586	2,477	2,074	4,551

[1] Import Berths Only.

Compiled from Annual Reports, Nigerian Ports Authority.

TABLE 38.—*Days Lost to Shipping and Port Operations.*

Year	Apapa Quay (a) Days Lost As			Customs Quay (b) Days Lost As			Port Harcourt (c) Days Lost As			Total (a+b+c) Lost Days As		
	Ships Await Berths	Berths Await Ships	Total	Ships Await Berths[1]	Berths Await Ships	Total	Ships Await Berths	Berths Await Ships	Total	Ships Await Berths	Berths Await Ships	Berths and Ships Wait
1967/68	933	402	1,335	---	306	306	286	414	700	1,219	1,122	2,341
1968/69	2,262	126	2,388	---	323	323	n.a.	n.a.	n.a.	2,262	449	2,711
1969/70	2,477	103	2,580	---	385	385	n.a.	1,586	1,586	2,477	2,074	4,551

[1] Import Berths Only.

Compiled from Annual Reports, Nigerian Ports Authority.

or major seasonal factors. Whatever is the case, their costs in real terms are excessive. For example, Mr. A. A. Ayida[114] estimated that it costs some ₦ 1,000.00 a day while a ship waits to off-load or on-load. The estimate showed that a total of ₦ 2.6 million in monetary terms was lost when a total of estimated loss of 2,600 days was involved in 1964/65 as ships awaited berthing. From this estimate, one can see why freight rates in Nigeria are constantly being raised and these passed on to Nigerian consumers in terms of reduced earnings from exports or increased costs of imports.

While the conference liners have claimed stability of freight rates for their operations,[115] apparently it is difficult to accept this on face value. Even though freight rate schedules are carefully hidden secrets among shipping lines, a search and interview among shippers and shipping lines seem to turn out some facts. The Nigerian Produce Marketing Company's records show that rates on certain commodities between 1966/67 and 1972/73 have not been gyrating

---

[114] A. A. Ayida, "Report on the Reorganization of the Dock Labour Industry in Nigerian Ports," Ministry of Economic Development, Lagos, 1968, p. 9.

[115] UKWAL-COWAC, Bulletin, op. cit., p. 13.

very significantly (Table 38). While the cases for some increases are easily appreciated, there is little to explain the fall of the indices in rates between 1971/72 and 1972/73. While the table shows rate movements in the case of a few selected export cargoes, very little is available on imports nor are data available on general commodities on the Nigeria-Western European trade route. Indeed, the case is one in which the rates reflect the price fixing in a bilateral monopoly--the Nigerian Produce Marketing Company and the Conference being each a sort of monopolist in their own rights.[116]

In the questionnaire survey among the principal shippers and shipping companies on rate stability in the market (Question 5) 34 shippers or 85 percent of responding shippers claimed that freight rate increases are generally too frequent and too regular. None of the shipping companies responding agreed with this view. The response then became a matter of selfish interests, depending on who completed the answer to the question. When asked whether

---

[116]Note the dominance of the conference on the U.K. and Europe-Nigerian routes while the N.P.M.C. is the only statutory body handling sales of prime agricultural export commodities of Nigeria.

TABLE 39.--Freight Rate Movements on Selected Export Cargoes.

Commodity	Nigerian Produce Marketing Company's Agreed Rates Nigeria to U.K. and Continental Europe						
	1966/67	1967/68	1968/69	1969/70	1970/71	1971/72	1972/73
Cocoa	N11.50	N12.00	N12.00	N12.00	N13.07	N15.02	N14.00
Oil Seeds	N 9.75	N10.50	N10.50	N10.50	N11.57	N13.31	N12.40
Cotton Lint	N18.00	N18.00	N18.00	N18.00	N19.07	N21.92	N20.04
Palm Oil (Bulk)	N10.50	N11.25	N11.25	N11.25	N11.25	N11.25	N12.00

Freight Rate Movement Indices (Selected)

Commodity	1966/67	1967/68	1968/69	1969/70	1970/71	1971/72	1972/73
Cocoa	100.00	104.35	104.35	104.35	113.65	130.61	121.74
Oil Seeds	100.00	107.69	107.69	107.69	118.66	136.51	127.18
Cotton Lint	100.00	100.00	100.00	100.00	105.94	121.77	111.33
Palm Oil	100.00	107.14	107.14	107.14	107.14	107.14	114.29

Source: Nigeria Produce Marketing Company.

rates were generally too high for the standard of services, the respondents fell into the same positions once again, reflecting personal interests also. Shippers agreed while shipping lines disagreed with the view. When questioned whether dual rates and deferred rebates were used simultanesouly, 31 shippers or 78 percent of responding companies agreed while all shipping lines agreed as a matter of fact. The fact that there is hardly any consultation prior to introduction of new rates presupposes the possession of market powers which can possibly be used whenever there is reason or no reason to justify its application in freight increases.

From the returns by shipping lines, rate increases have been estimated to average 15 percent every year between 1960 and 1972. This allegation must, however, take account of shippers' bias at the same time. Whatever the level of rate increases, it ought to be related to costs which shipping lines had been called upon to bear. Port delays to ships had been tending to increase over time reflecting greater losses which shipping companies (conference and nonconference) may not absorb with ease. Handling costs had been on the increase too since the Nigerian commerce is dependent on two ports (designated as major ports) Lagos and Port Harcourt. When evacuation problems are included, the intense concentration of port facilities without corresponding internal transportation easement tend to spell doom to all efforts aimed at reduction of port traffic congestions. In the absence of cost data to shipping companies, it is difficult to assess the movement of rates which have been estimated to grow at 15 percent annually.

Service Responsiveness

Service responsiveness relates the changes in the quantum of service to changes in the quantum of cargoes and trade requiring the services.[117] The indication of the direction of such responsiveness or otherwise is the simple correlation between annual changes in the total number of ships entered to total volume of trade cargoes handled (presuming equal deadweight average capacities for each

---

[117] $\frac{Q_1 - Q_0}{S_1 - S_0}$ Where: Q = quantum of trade (tons)

S = quantum of vessels in service

ship). Between 1960 and 1971, service had tended to be responsive to trade needs by some 72 percent (Table 40) of the times. In particular, during the civil war (1967 and 1968) the falls have occurred on both sides. The lack of responsiveness for 1960/61, 1962/63, and 1969/70 may be due to gaps in advanced information which is possible in communication systems in less developed economies.

Operational Problems

This relates to the questions in Section 8 of the questionnaire (Appendix VII). All the responding shipping lines accepted having problems. But their problems varied in coverage and dimensions ranging from berthing delays, shed congestion to lack of security on the wharves. For remedial measures, all of them recommended containerization which was the most favorable choice of the liner conference members while the tramp respondents opted for expansion of the berths, shed, and increased efficiency of stevedoring.[118]

[118] Ayida studies recommended the integration of stevedoring and shore handling operations. See A. A. Ayida, "Report on the Reorganization of the Dock Labour Industry in Nigerian Ports," Lagos, 1968, pp. 15-19. Also see Economic Associates, Nigerian Ports: Traffic and Development, London (2 vols.), 1967, pp. 252-259.

TABLE 40.—Shipping Service Responsiveness to Nigeria's Trade.

Year	Export Volume[a] (000)	Annual Variances	Ships Entered[b]	Annual Variances	Coefficient of Responsiveness[c]
1960	3,094		2,194		
	}	+ 690	}	- 18	- 38.3n
1961	3,784		2,176		
	}	+ 1833	}	+ 243	+ 7.5p
1962	5,617		2,419		
	}	+ 465	}	- 249	- 1.9n
1963	6,082		2,170		
	}	+ 2132	}	+ 85	+ 25.0p
1964	8,214		2,255		
	}	+ 6261	}	+ 112	+ 55.9p
1965	14,475		2,367		
	}	+ 3605	}	+ 116	+ 31.1p
1966	18,080		2,483		
	}	- 12997	}	- 911	+ 14.3p
1967	5,083		1,572		
	}	- 2937	}	- 48	+ 61.2p
1968	2,146		1,524		
	}	+ 26301	}	+ 5	+ 526.0p
1969	28,447		1,529		
	}	+ 27818	}	- 126	- 220.7n
1970	52,705		1,403		
	}	+ 19384	}	+ 187	+ 103.7p
1971	72,089		1,590		

[a]From Table 7.

[b]From Table 15.

[c]p = positive response where the changes in export volume over changes in ships entered are positive.

n = nonresponsive situation.

Source: Nigerian Ports Authority, Lagos.

All the respondents, however, agreed with the need to simplify customs formalities.[119]

Consultation

The need for regular consultation between shippers and shipowners at the representative level is relatively recent in origin. The popular debate on this issue followed the resolution adopted on the 15th of March, 1963, by the Western European Ministers responsible for shipping--merely concerned with European-based shipping conferences and the collective needs of shippers they serve. Following on this, the United Nations Conference on Trade and Development (UNCTAD) adopted "The Common Measures of Understanding on Shipping Questions" in 1964.[120] Again, the report of the Committee on Shipping adopted by the Trade and

---

[119] Reduction in red tapism, paperwork, and formalities see Economic Associates, ibid., and Central Bank of Nigeria, Memorandum on Port Congestion to Ministries of Transport and Finance, Lagos, 1969.

[120] See Proceedings of the United Nations Conference on Trade and Development, Vol. 1, Final Act and Report (U.N. Publication Sales No. 64.11.B.11), pp. 54-55.

Development Board of 29 April, 1965,[121] set out the recommendation for the establishment of national and regional consultation machinery. National shippers' councils have thereafter sprung up, mostly in the developed nations.[122]

In Nigeria, and for that matter, West Africa, shippers' councils are novel and consultation among shippers and shipowners is virtually minimal. Apart from contacts between individual shippers and their respective trade carriers, nothing on the representative level is feasible. As the UKWAL and COWAC have said

> . . . any dialogue requires two parties. While it is the responsibility of each party to look to their own arrangement for representation and to provide adequate mandate for those nominated or selected for the task,[123]

---

[121]See official Records of Trade and Development Board, Third Session, Supplement No. 2, Annex 1.

[122]For organization of Western European consultation machinery and shippers councils, Australian, etc., see United Nations, "Consultation in Shipping: Establishment of National and Regional Shippers' Bodies, Consultation and Negotiation Between Shippers and Shipowners," TD/B/C4/20/ Rev. 1., New York, 1967, pp. 27-45 and 73-90.

[123]UKWAL/COWAC, "Liner Conference System in West Africa," Lagos, p. 23, and UKWAL/COWAC, *ibid*., Ivory Coast has set up a shippers' Council in 1970, first in West Africa.

It is only the shipowners who have secured a medium of consultation among themselves. Thus, indeed, there is no consultation between shipowners and shippers on anything, not even for freight increases on a general scale. Among the responding shipping companies, over 43 percent admitted that there are no shippers' councils and they did not see opportunities for consultation. As a matter of fact, shippers are only consulted, not before decision to raise freight rates, but are informed before the effective date of implementation of new rates.

Conference Pooling Arrangements and Rationalization of Services

A shipping conference was defined[124] as

> a meeting in which competitors face one another with the object of achieving that minimum of cooperation which will suffice to prevent such chaotic competition as might render impracticable the liner system of working ships.

Each member of a conference is seeking the minimum surrender of his competitive freedom which is compatible with that

---

[124]R. H. Thornton, British Shipping in the Orient, p. 51.

objective while the member's attitude in debates is determined by the sources of strength which lie behind its diplomacy. While the conference system denotes no single method but is a generic term for a wide variety of common services and common obligations undertaken by shipowners serving particular trades, the basic objective seems to be to (1) control competition among its members and (2) to strengthen the members through cooperative action in their competitive fight against nonmember carriers.[125] Regulations of competition among conference members are by

a. rate agreements

b. control of sailing schedules

c. pooling

d. good faith or performance bonds.

At the same time, outside competition is often minimized by (1) agreements, (2) use of fighting ships, and (3) tying agreements with shippers.

One of the most successful methods adopted by conferences to minimize intra-conference competition on a

---

[125] W. L. Grossman, Ocean Freight Rates (Cambridge, Maryland: Cornell Maritime Press, 1956), p. 62.

trade route has been the pooling arrangements and service rationalization. Pooling takes many and varied forms ranging from control of sailings of each pool member to actual control of cargo carried or revenue earned.[126] In most cases, cargo and revenue are pooled simultaneously. This "self-imposed restriction" is designed to optimize the use of shipping tonnage capacities, reduce wastes in operation and ensure for each member reasonable levels of profits on operations within the group. Pooling agreements vary but the details only reflect the nature of trade routes, commodities carried and the relationships among the pool members.

Among the COWAC and UKWAL members, pooling arrangements are ostensibly designed to "obtain economies of rationalization to the benefit of both cargo and carrier."[127] The method adopted is cargo and revenue pooling with "allocation of a definite share to the Nigerian National Shipping Line." Thus the COWAC and UKWAL situation is one in

---

[126] UNCTAD Secretariat, "The Liner Conference System," TD/B/C.4/62/Rev. 1, Geneva, 1970, p. 42.

[127] UKWAL/COWAC, bulletin, Lagos, p. 16. Their combined fleet of 192 and 356 vessels for UKWAL and COWAC respectively are managed as a single fleet by Central Committees.

which member lines' sailings are controlled, ostensibly to "prevent overtonnaging the berth" and "to regulate intra-conference competition" so as to "optimize the use of ships' freight-earning space." On this score, the conferences in question have adopted a joint booking system with a coordinating system of positioning ships by joint decision. This in effect makes the fleet of the different conference members the joint fleet of the pool. This is the case of fleet and operational integration by relinquishing the rights of individual owners to decision making and placing such powers in a central management. Members, thereby, share pro rata according to their capital contribution in the overall operating profit or loss.

Dag Tresselt[128] estimated that in 1964/65 the Nigerian National Shipping Line's share of the West African trade was around 4.4 percent. By 1971/72, it was noted[129] that the share of the Nigerian National Shipping Line in the UKWAL was, after negotiations, intended to be increased from 18 percent in 1972 to 23.50 percent by 1977. At the

---

[128] Dag Tresselt, The West African Shipping Range, op. cit., p. 39.

[129] Nigerian National Shipping Line, Annual Report, Lagos, 1972, p. 7.

same time, the shares within COWAC moved from 15.19 percent in 1972 to 20.19 percent in 1977. Indeed the report[130] stated that the COWAC agreement provided for pool share from the North Continent of Europe to West Africa. The rationalization program is noted as being practiced by COWAC. The optimism over prospects of "better financial results" from the scheme was expressed by the National Shipping Line.[131] Evidently this indicates a substantial bargaining strength for N.N.S.L. in the Conference.

A further variation of this pooling system is the joint ownership of the African Container Express Limited by the UKWAL. This containerized fleet is to ply United Kingdom (and possibly Europe) West Africa route. Each member holds a capital share in the venture and profits are expected to be shared on agreed ratios. This again is another move from the individualization of shipping operations which is characteristic of tramp shipping or traditional maritime services involving competitive conditions.

While regularity of sailings and improved ships have tended to improve shipping services, through claims

---

[130] *Ibid.*

[131] *Ibid.*

of freight rate stability and adequacy of services for conferences, it is a question yet to be resolved whether the needs of international trade have been better met in cost and frequency terms by the current pooling systems. For, by eliminating competition among members and eventually destroying other competitors by joint actions, the conferences have tended to build inefficiency into the system and freight rates have thus not been responding to efficient procedures and lower costs but have been raised to cover expenses which are anything but relating to efficiency. Once more, this is another manifestation of monopolistic powers in a trade characterized by declining costs, discriminating pricing, and protection of excess capacities.[132]

While this self regulation by the shipping industry is significant it was discovered by the Royal Commission[133] and the Alexander Committee,[134] among others, that

---

[132]Daniel Marx, Jr., op. cit., p. 289.

[133]Royal Commission on Shipping Rings, Report of the Committee 4668-70, 4685-86 (5 Vols.), London, 1909. Recommendations in Vol. 1, Cmd. 4668.

[134]Investigation of shipping combinations--Committee on merchant marine and fisheries of House of Representatives, Washington 1913/14. Vol. 4 on recommendations.

conference practice "usually neglects the interests of shippers" and "that serious abuses occasionally arise."[135] But possibly, joint service agreements might have helped small shipping companies to compete with larger concerns and often helped to eliminate wasteful competitive practices, but they, nevertheless, intensified the danger of abusive monopolistic practices. While in such strong positions and with the tying arrangements, it is difficult for weak independent shipping companies to break the liner rates without serious consequences. This is why there is little difference between rates used by conferences and the tramps in Nigeria's trade. Indeed, the frequent freight hikes and high rates have their foundations in monopolistic practices of the pooling systems.[136]

While the major advantages of the pooling arrangements as claimed by the conferences involve a "comprehensive coordinated service of the conference as a whole at

---

[135] Daniel Marx, Jr., op. cit., p. 289.

[136] Since high rates must be maintained to accommodate inefficient lines with higher operating cost schedules.

the disposal of the trade," the UNCTAD Secretariat deduced that such advantages to shippers[137] should include

a. a proper pooling arrangement which leads to better coverage of shippers' space requirements;

b. help shippers to plan shipments;

c. close liaison with shippers for better coordination between supply and demand for space;

d. economies in vessel operation culminating in lower freight rates than in the absence of pooling;

e. improved coverage of all ports and less attractive cargoes.

But in real terms, these assumed advantages have not occurred in the Nigeria-European trade route. Rather, from a series of interviews most Nigerian shippers complained of the reduction in the frequency of conference services, after the introduction of pooling arrangements. Choices of ships are restricted for shippers and refusal of certain

[137] UNCTAD, "The Liner Conference System," p. 48 quoting shipping Conferences Past and Present (India-Pakistan Conferences), London, p. 8.

cargoes have been frequent. Indeed, some shippers complain about deteriorations in the quality of service due to false sense of security by member lines. The uncertainty about the passing of the economic advantages of pooling to shippers has tended to intensify concerns among the shippers and the trading public.

Loyalty and Tying Arrangements

The various methods which conferences have employed to bind shippers to the conference lines and to render the entry of a new carrier difficult are referred to as loyalty arrangements.[138] These devices include preferential contract, deferred rebate, agreements between conferences and shippers associations and exclusive patronage contracts. Loyalty arrangements are expected to ensure that all liner cargoes in the sphere of operation of the conference are reserved for conference members and that nonconference competition does not exist. The UKWAL/COWAC bulletin[139]

[138] For historical developments of loyalty see Daniel Marx, Jr., International Shipping Cartels, p. 201.

[139] UKWAL/COWAC bulletin, p. 11.

admits that

> the prime purpose of these loyalty arrangements is to consolidate and, ideally, secure the exclusive support of shippers so as to restrict, as effectively as the conference is able to achieve, the field open to competition from nonconference carriers whether an isolated vessel or another liner operator bent on entering the trade at the expense of existing participants, assuming they have it adequately and efficiently covered.

The loyalty arrangements have been defended by conferences on the grounds of heavy capitalization, specialization of services and forward planning.[140] The UKWAL/COWAC pamphlet sees the necessity for the loyalty arrangements as emanating from a modern liner's

> complex vessel designed and equipped to accommodate in separate and suitable storage a variety of cargoes ranging from heavy machinery to delicate instruments, liquid cargo, refrigerated cargoes and explosives, cargo highly sensitive to contamination and cargoes conducive to same, all of which present peculiar problems of handling and carriage.[141]

The demands involve comparatively heavy capital intensive investment in trade suited ships, which liners can offer only at predictable cargo volumes secured by some tying

---

[140] "The Shipper and the Conference System," Pamphlet No. 1 (London, U.K. and Continent/India and Pakistan Conferences, 1963), p. 11.

[141] UKWAL/COWAC, ibid., p. 11.

arrangements. The volume of traffic sufficient to support the operation of such heavy capital investment must be secured outside competitive arena.

The methods to secure such loyalty involve contracts for immediate freight rebates or the alternative of deferred rebates. The other form of loyalty device is the dual rate system where two freight rates operate--the lower rate for shippers maintaining contract arrangements for long term exclusive patronage of conference vessels while the higher rates are for shippers who use conference vessels spasmodically. On the Nigeria-European trade route, rebate system is enforced[142] and the shipper is limited to deferred or immediate refund of percentage of freight paid depending on whether the shipper has entered into contract tying his shipments only to the conference boats.

For southbound traffic, the UKWAL maintains both contract and noncontract rates. Rebates on the former is 7-1/2 percent of freight and may be paid to shipper immediately. For the noncontract the rebates of 7-1/2 percent of freight is held by shipping lines for six months and are

---

[142] _Ibid_., p. 10.

paid to shippers at the end of the deferrment period. In the case of northbound traffic, such deferrment lasts for six months and are paid to shippers only on September 30 and March 31. Refunds on southbound traffic are made on June 30 and December 31.

With COWAC, tariff arrangements are broken into two ranges--Europe to Dakar/Port Noire and Europe to Congo/ Angola. Deferred rebates on Europe-Dakar/Port Noire are 7-1/2 percent of freight and are held for six months but 10 percent rebate is offered for the Europe-Congo/Angola range. But blanket 10 percent rebates are offered for northbound traffic. Certain commodities enjoy specific rebate rates, e.g., timber with 20 percent lasting for three months. Rebates are paid twice a year and four times for timber a year.

The UNCTAD studies have outlined the fundamental difference between deferred rebate system and contract/ noncontract rates system which are generally applied to Nigerian shipping trade. Deferred rebate is not covered by any contract while contract rates are predicated upon contractual arrangements between shippers and conferences.[143] The differences are outlined as follows.

Deferred Rebate System

a. Rebates are rewards for loyalty without contract.

b. Shippers are obliged to be loyal during shipment and deferment periods.

c. Terms and conditions can be varied by conference unilaterally.

d. Onus of proving loyalty rests with shipper.

e. Penalty--involves forfeiture of accumulated rebates.

f. No provision is made for shipper to withdraw support for conference ships by advance notice and receive accumulated rebates due.

Contract/Noncontract Rates System

a. Contract shippers pay lower rates than noncontract shippers under the contract.

b. Shipper is obliged to be loyal only during contract period.

c. Any revision in terms of contracts need consent of both parties.

d. Onus of proving disloyalty is on the conference.

e. Penalty--involves liquidated damages based on shipment made on nonconference ship plus contract cancellation.

---

[143] UNCTAD Secretariat, "The Liner Conference System," op. cit., p. 18.

f. There is provision for terminating contract arrangement by either side on due notice.

It appears that the greatest punishment for noncontractual shippers is the forced retention of rebates for six months, the repayment of which is on the loyalty to the conference determined by the conference. The value of Nigeria's annual exports to the United Kingdom averaged (Table 18) ₦265 million between 1970 and 1971. Assuming a 10 percent freight value on such exports (assessed *ad valorem*), such freight was worth ₦26.5 million. A 7-1/2 percent rebate on noncontract shipments would be worth ₦2 million approximately. Nearly ₦1 million would be held at any one time by the shipping lines without interest and may be forfeited on the slightest shipment by nonconference lines, no matter the gravity of the trade pressure. Even when it is fully repaid without interest, the shippers would have lost interests (at 3.5 percent simple interest on ordinary savings with commercial banks in Nigeria) valued at ₦35,000 a year or ₦17,500 for each half year. Indeed, the loss of the funds can deplete the needed working capital of the shippers.

On imports valued at annual rate of ₦289 million, the rebates would be higher and the loss of interest earnings (at commercial bank rates) apart from loss of use for investment purposes would exceed ₦40,000 per annum. When the lost powers of choice of carriers by shippers are assessed, the inequity of the system is tremendous. The fact that the liner operators made heavy capital investments in ships, staff and equipments are immaterial to the practice of tying the shippers to patronage of certain lines. Such level of investments are made in other industries which cannot stiffle the freedom of their customers. The situation is only possible with the possession of monopoly powers, perfected with pooling arrangements and rationalization of services apart from the tying arrangements of shippers.

When the questions were put to shippers and shipping companies on the desirability of abolition of the tying arrangements (Question 17) the majority of shippers agreed while the majority of shipping lines responding disagreed with such measures. Obviously, the division was on self-interest lines. Probably, if entry of outsiders into the trade were not barred by these practices and other extra-business methods, some credence would have been given to the claims of necessity to maintain regular services at stable rates. Moreover, the claim that shippers are not forced is not credible since the shippers walk very tight ropes in choosing between nonconference lines and the loss of accumulated rebates.[144] And since shippers deal with the lines as individuals and not as a group, the purported freedom of choice is an illusion.

In a trade where UKWAL has some 100 percent monopoly power on the Nigeria-U.K. route and COWAC has some 75 percent monopoly powers on the Nigeria-Continent of Europe route, entry of new lines is difficult, if not impossible. Loyalty arrangements make it hard for outsiders to convince the shippers of their ability to charge less than conference rates in the future or to reimburse such shippers for losses of accumulated rebates or legal damages claims for violation of loyalty contracts. Such an outsider faces prospects of rate war should he prefer lower rates to entice customers to his services. The question of the necessity for the tying arrangements from Nigeria's point of view involves major policy issues on which opinions of experts are sharply divided.

---

[144]UNCTAD Secretariat, The Liner Conference System, *ibid*., p. 22.

Intra-, Inter-conference, and Tramp Competitions

Typical of most oligopolies often ending as cartels, intra-conference competition is not via price of services. The nonprice competitions involve advertising of otherwise homogeneous services and the projection of qualitative differences in the nature of their services or some specialization in aspects of the services. Elder Dempster advertises more in the passenger area with the usual "Go Ed" which seems to have a permanent space in the "West Africa" magazine. Others merely advertised on space for freights to United Kingdom and Europe. In the absence of price competition, no line within the conference seems to wish to rock the status quo.

Apparently on the Nigeria-United Kingdom and Europe, there is little or no inter-conference competition of any type. While the UKWAL covers the U.K. trade and the COWAC covers trade to the continent of Europe, each conference seems to concentrate on its route. With the rationalization of services on these routes, competition among conference members seems to have been diminished to near zero.

The only competition which these conferences face, and that most insignificantly, comes from tramp or independent operators. The UKWAL/COWAC representative[145] in West Africa admitted during the research interview that competition on the U.K. route is virtually nill. On this route, UKWAL maintains complete monopoly within zero competitive market. On the European Continent route, some semblance of competition exists principally put by tramps dealing with bulky goods--gypsum, imported cement, etc. Such tramp operators termed "outsiders" by conference members[146] are always cornered by conference liners through "steps to safeguard trade against loss to casual tramping incursions and opportunistic liftings by nonconference liftings." UKWAL/COWAC bulletin agrees that tramp operators

> seeking a return cargo on almost any terms in order to work an otherwise empty ship back in the direction of her next fixture can quote well below economic rates when the alternative is a return voyage in ballast as anything over and above the time and cost of working the cargo will amount to a "profit" under the circumstances.

Competitive and other limitations on the monopoly power of shipping conferences have generally prevented them

---

[145] Mr. A. J. E. Christopher in Lagos.

[146] UKWAL/COWAC bulletin, <u>op. cit</u>., p. 10.

from securing for themselves monopoly profits. While the lack of data may prevent definite statement, there is no reason to believe that liners do not earn satisfactory returns on their investments.[147] Potential competition,[148] while checking on liners from earning monopoly profits through too high rates, have allowed rates to be left where attractions to new entrants are minimal. Whatever the situation, potential competition while checking exploitation does not enable the consumer to reap the benefit of the reduction of profits since even newcomers charge existing rates and tend to avoid price wars.

No information is made available on the degree of intra- and inter-conference competition. With tramps, these competitions are visible though their impacts in monetary terms cannot easily be determined. But since on the Nigeria-U.K. and European routes, pooling agreements flourish, highly remunerative situations develop with the virtual absence of external and internal competition.

---

[147]Costs and earnings differ among firms such that while some have needed subsidies, others have not.

[148]J. M. Clark, The Economics of Overhead Costs, University of Chicago Press, Chicago, 1933, p. 444. Concept involves latent powers which may be used in practice.

Daniel Marx, Jr.,[149] believes that "even without pooling, highly effective tying arrangements and other means of excluding newcomers do permit the earning of monopoly profits." Competition on these routes is minimal if not nonexistent and the two conferences--UKWAL and COWAC exercise utmost market controls over there.

Reasons for Nigeria's Concern over the Shipping Market Structure and Operations

The structure of the shipping market and the current operations demonstrate a major control by the foreign lines which make up the majority of the existing conferences and tramp operators. These conferences decide on the effective frequency and quantum of services offered and are responsible for what freight rates will be offered. Nigerians share in the general dry cargo carriage but not in bulk--dry and liquid cargoes. The major registration of concern for the situation was by the affirmative resolution of the Federal Parliament in 1957, 1958, and 1959 which

---

[149] _International Shipping Cartels_, _op. cit._, p. 266.

gave birth to the Nigerian National Shipping Line.[150] Ever since then open concerns have been expressed by various organizations and public institutions on the structure and operations of the shipping market.[151]

The major reasons for concern in the structural pattern and operations of the shipping lines have been that

i. freight rates on various commodities (export and imports) have been fixed unilaterally without prior joint consultation and agreement of Nigerian shippers.[152]

ii. Using their combined strength, the conferences have often used their powers to effectively control competition from the nonconference members. Indeed, at times such actions have often been found

---

[150] See footnote 1.

[151] Memorandum from Nigerian Indigenous Lines Conference (NICON) Ministry of Transport, Lagos, 274 September 1967. Also memo of N.N.S.L. Management to Ministry of Transport, 30th January, 1968.

[152] Apparently, in absence of shippers' councils the major conferences hardly bargain but merely inform, possibly weeks or days in advance, of the new rates. Only such corporate shippers as the Nigerian Produce Marketing Company and the United Africa Company do have negotiation powers and opportunities.

detrimental to the growth and well being of Nigerian private lines.[153] There were complaints that the West African Lines Conference made "calculated attempts to cripple the growth of indigenous shipping lines."[154]

iii. Shippers are compelled to patronize the conference lines through such preference devices as the deferred rebate system, loyalty agreements and such other means which have given the shippers no options such as a competitive situation would have offered under the tramp operations.

iv. The Conference lines charge general cargo rates (which are generally high) for such commodities as do not find a place in their schedule of tariffs.[155]

v. The secrecy with which the foreign shipping lines operate gives cause for lack of confidence on the

---

[153] Part of the complaints leveled by Okafor Line against WALCON which included, among others, black listing of indigenous lines in foreign ports. Letter to Ministry of Transport. 22/4/66.

[154] London Financial Times (July 14, 1959).

[155] Nigerian Indigenous Lines Conference (NICON), Memorandum to Ministry of Transport. See footnote 82.

part of the shippers and the general public who are led to believe that the shipping firms are responsible for the decreased earnings from exports and the high costs of imports.

vi. Among the Nigerian private lines, the lack of patronage by foreign shippers reinforces the belief that a planned assault is made on the economy to the detriment of indigenous enterprises and they yearn for the regulation of the shipping trade.

vii. Others still fear for the security of Nigeria's foreign trade once its carriage lies squarely within the hands of the foreign lines, and the fact that Nigerians are almost always employed at the lower cadre of foreign shipping firms tends to intensify their fears.

viii. The apparent inconsistency of the policies of the Federal Government on maritime questions, particularly as touching promotion of indigenous participation, raises fears in several quarters.[156]

---

[156] Memoranda of the Central Bank to Ministry of Finance in 1967, 1969, 1970.

The above are but part of the underlying causes for concerns among the Nigerian people about the structure and operation of the shipping market. The fact that the people have no hands in influencing those factors capable of changes seem to intensify their concerns. The fact also that the Nigerian National Shipping Line is a member of the conferences has not effectively helped to influence decision making openly within the conferences, at least, to the best visible interest of Nigerians, from the layman's viewpoint, tends to compel a reasoned study as to the desirability or otherwise of changes both affecting the National Shipping Line and the conferences.

Conclusions

The analysis in this section reveals the dominant position of foreign shipping lines and tramps in Nigeria's shipping market. On the specific Nigeria-U.K. and European trade route, the UKWAL and COWAC enjoy near monopoly positions, respectively. The share of the Nigerian National Line in tonnage and carriage of trade is minimal. The position of the Nigerian private lines is worse since the mortality among them between 1966 and 1973 had been very high. This leaves the field free for the two conferences that have adopted all orthodox monopoly shipping methods--loyalty and tying arrangements, pooling and service rationalizations, unilateral differentiated freight rates, and absence of negotiations with shippers, among others, to reap unassessable monopoly profits at the expense of the Nigerian shippers.

While no quantitative data are available for the assessment of service quality and their prices, nor are profit margins known, it has become known that the country is passing through conditions of great uncertainties in her trade carriage since the conferences are too strong to offer information to the public on rates or service conditions. The annual hikes of rates coupled with inability of Nigerians to invest in shipping have created concerns in the minds of Nigerians. There is even doubt whether the National Shipping Line (a member of the foreign-based, foreign-dominated conferences) is even justifying the public investment. The assessment of that justification or otherwise is the subject of the analysis in the pages that follow.

CHAPTER IV

BACKGROUND AND INCORPORATION OF THE NIGERIAN NATIONAL SHIPPING LINE

Background of Commerce and Shipping Services

Nigeria's commercial contacts with Western Europe dates back to the fifteenth and sixteenth centuries when Portuguese traders and adventurers sailed into a number of the West African coastal havens. The landing stages of Elmina in Ghana (then known as the Gold Coast), Lagos, Calabar, Akassa, and Nunn in (what is now) Nigeria served then as the links between the open sea and the hinterlands of West Africa. Elephant tusks, ivory, gold dust, and a few tropical products then constituted the articles of trade in exchange for European beads, guns and gun powder, and strong drinks. When North America was effectively being colonized and occupied by migrating Europeans, slave trade across the sea was introduced into Africa to provide cheap labor for the North American settlements. The partition and effective colonization of Africa which followed the Berlin conference led to effective abolition of slave trade and the introduction of European political rule and economic control of the African territories.

Before the effective declaration of Nigeria as a British colony in 1899,[157] what preceded was the establishment of European trading stations all over the territory. After the 1914 Act of Amalgamation of the Northern and Southern protectorates, British trading posts were multiplied and both the commercial and sea transportation control of the territory had become relatively effective. After nearly over sixty years of competitive trade amidst in fighting and rivalries among Europeans, the Royal Niger Company and the African and Eastern Trade Corporation (among others) later to be amalgamated into the United Africa Company in 1929 were dominant. This branch of the Unilever of Liverpool--the United Africa Company became a major firm in Nigeria for nearly half a century and at its peak was estimated to have handled alone 40 percent of the country's total imports and a wide spectrum of Nigerian exports--palm oil and kernels, cotton, benniseed, cocoa, wood, and minerals.

---

[157]Declaration at Lokoja by Sir Frederick Lugard, Governor in December 1899.

Other British firms of note in the Nigerian trade was John Holt (also of Liverpool), the Patterson-Zochonis, and the Union Trading Company were important while recently, after the World Wars, A. G. Leventis (a Greek firm) managed to have achieved a high trading volume. While the area seemed to have been dominated by British firms, trading companies of other European colonial powers were able to locate and trade in Nigeria. The colonial firms of French origin, Societe Commerical de l'Quest Africain (S.C.O.A.) and Compaignie Francaise de l'Afrique Occidentale (C.F.A.O.) have been trading in Nigeria as well as in the purely French African colonies. So powerful were all these foreign trading firms that export and import businesses handled by them amounted to about 90 percent of the total.[158] In the late 1950s, the largest fifteen import houses in that part of the African continent were six British, one Anglo-Greek, four continental European, three American and one Asian.[159]

---

[158] George H. T. Kimble, Tropical Africa, Vol. 1, Land and Livelihood, Doubleday and Co., New York, 1962.

[159] Dag Tresselt, The West African Shipping Range, UN, New York, 1967, p. 31.

Trade Divorced from Shipping

The carriage of trade by the early, more substantial European West African merchants was in the merchants' own boats. John Holt, for example, entered trading in West Africa in 1860 but acquired their first ocean-going vessel in 1868.[160] The major factor which forced a divorce of trading from shipping activities was the replacement of sailing boats by steam ships which involved substantial capital outlay. Indeed by the 1870s, trade on this route was becoming substantial to the extent that sailing according to a regular time table was feasible. One of the first to perceive this possibility was MacGregor Laird, who established the African Steam Ship Company in 1852 and started operations with five ships (ranging from 250 to 1,000 tons dead weight). This was followed by the establishment of the British and African Steam Navigation Company in 1868 by Alexander Elder and John Dempster, who founded the shipping firm of Elder Dempster and Company in Liverpool. It was not until the advent of Sir Alfred Jones' management of Elder Dempster in 1890 that the African

---

[160] John Holt and Co., Ltd., The Merchant Adventure, p. 22.

Steamship Company was completely amalgamated with Elder Dempster by 1900. Since then Elder Dempster "held a virtual monopoly of the West African trade.[161]

The challenges which the German shipping firm--Woermann Line of Hamburg--posed to the Elder Dempster monopoly in European-West African trade led eventually to the suspension of their rate wars and to the formation of the first West African Shipping Conference of the two lines in 1894. The peculiarity of this conference included the two-line membership agreement and possibility of greater coherence, the control of trade in both directions (north and southbound) since exports and imports were controlled by the same merchants; and the exertion of the monopoly powers against the colonial governments through the British Crown agents. The monopoly powers exerted by this conference came under sharp attacks as were other conference activities on other colonial trade routes.[162] This led to the appointment of the Royal Commission on Shipping Rings

---

[161]Leonard Fay, Elder Dempster Lines Limited, Reproduced from "Sea Breezes," September 1948, Charles Birchall and Sons, Ltd., Liverpool.

[162]For details of the complaints see His Majesty's Special Order Cmd. 4668-70 and 4685-4686, London, 1909 (His Majesty's Stationery Office, London).

in 1906,[163] to deal with complaints of the commercial interest against shipping activities of conferences.

Despite adverse findings against the conference's monopoly powers by both the majority and minority reports, the British government to whom the reports were presented allowed, in the words of Professor Charlotte Leubuscher, the "valuable . . . information which the Royal Commission had brought to light to sink into oblivion."[164] The publicity, nonetheless, of the shippers' complaints led to some internal redress within the conference itself. Sir Owen Philips who became the chairman and managing director of Elder Dempster and Co. abolished trading on ships' account[165] when Alfred Jones died in 1909. But this did not prevent John Holt and the Niger Company from operating their own ships between Britain and West Africa since the

[163]For recommendations see Vol. 1, Cmd. 4668 and Daniel Marx, Jr., International Shipping Cartels, op. cit., pp. 60 ff.

[164]Charlotte Leubuscher, op. cit., p. 27.

[165]Practice by which shipping lines competed with shippers as shippers in certain commodity lines which they carry, i.e., acting as both shipper/trader and carrier at one time.

major complaints which the traders brought up against Elder Dempster Line, Ltd., were still not fully redressed.

It is significant that the Royal Commission found evidences of conference misdeeds or possibilities of such misdeeds. The majority report stated that:

> it is obvious that in view of the power which the system gives to shipowners . . . there may always from time to time be arbitrary actions of which shippers have reasonable grounds for complaint.[166]

The minority report saw the power to charge "what the traffic will bear" as power to tax prosperous industry which may be extended to all customers at the expense of the trade for the benefit of the monopoly. All the reports saw rate stability and service regularity as necessary to trade expansion but could not define at what costs the maintenance of such rate stability and service regularity were achieved.

---

[166] Cmd. 4668, op. cit., p. 74.

Dissatisfaction with West African Lines Conference

Specific to Elder Dempster Line and the West African Trade the accusation was that the shipping line "held much sway on the merchandise trade by acquiring control over activities other than shipping." Elder Dempster was also accused of unfair control over the Bank of British West Africa through the Chairmanship by Sir Alfred Jones over the Bank. Since the Bank had a monopoly for the import of new silver coins, merchants had to apply to the Bank and pay fees for obtaining the coins.[167] This deviated from the former practice by which merchants imported coins at no cost through the same bank, and, this close connection between Elder Dempster and the Bank of British West Africa through Sir Alfred Jones was regarded with extreme suspicion by merchants. The fact that Sir Alfred Jones was simultaneously the managing director of Elder Dempster Line; the chairman of the Bank of British West Africa; and the President of the British Cotton-Growing Association--an association of Lancashire Manufacturers to promote

---

[167] Before the setting up of the West African Currency Board in 1912.

cotton growing in Nigeria--was suspected as being responsible for the high rates charged for Nigerian cotton. Indeed, Alfred Jones' position as shipowner shifted his interests more for high freight rates than for encouraging cotton growing in Nigeria.

The excessive rates charged on trade between Nigeria and Britain (compared with rates to Germany) were confirmed by the Governor of Southern Nigeria[168] and by John Holt and other trading firms. These accusations appeared to have been largely ignored and the Royal Commission allowed Sir Alfred Jones to give his testimony or rebuttals in Camera, none of which was ever published. Even glaring evidences that the conferences altered rates and introduced new conditions at short notice without any previous consultations with shippers were overlooked. In particular, it was alledged against Elder Dempster that the line forced shippers to accept its contract out of liability for damage to cargo caused by bad storage or other negligence of its employees.[169] The Commission avoided recommendations of measures involving state intervention

---

[168] Sir Walter Egerton.

[169] Charlotte Leubuscher, op. cit., p. 22.

in the shipping industry. This attitude contrasted sharply with the United States' policy on shipping involving regulatory measures.[170]

The continued dissatisfaction felt by the merchants and shippers with the services of Elder Dempster in particular and the West African Conference in general, intensified the operation of own or chartered vessels by John Holt and the Niger Company between the United Kingdom and West Africa after the 1914-18 World War. The African and Eastern Trade Corporation--the amalgamation of Lever Brothers, Swanzy, and other firms also operated their own shipping services between Britain and West Africa. At this time, too, other European shipping lines entered the West African trade and competed with Elder Dempster and Woermann Line. The West African Shipping Lines' Conference, earlier suspended during the 1914-18 war, was reconstituted in 1924 and the much-hated deferred rebate, contract out of shipowners' liability and other menacing issues once more featured in the new agreements. So unpopular had been the conference practices that the National Congress of British

---

[170]See recommendations of the Alexander Committee Report on Steamship Agreements and Affiliations in the American Foreign and Domestic Trade--Summary in Daniel Marx, Jr., op. cit., p. 65.

West Africa (of leading West Africans) met in Accra[171] to discuss certain administrative, educational, and judicial as well as commercial reforms, and shipping being one of them, came under critical review. Some of the resolutions[172] adopted were:

> that in view of the difficulties here to experienced in the matter of space on British bottoms by legitimate African traders and shippers, this conference welcomes competition in the shipping line, with particular reference to the Black Star Line.[173]
>
> that this conference desires to draw the particular attention of the directors of Messrs. Elder Dempsters' Line of steamers to the indignities that British African passengers suffer on their boats, and that representation be made in the proper quarter to correct the evil.

Further amalgamations of a number of merchant firms trading in West Africa culminated in the absorption of the African and Easter Trade Corporation by Lever Brothers into the United Africa Company in 1929. At the same time Elder Dempster Line had become financially linked with the Royal

---

[171] West Africa, 1920, p. 1242.

[172] Resolutions 5 and 6.

[173] Line founded in the United States by the Pan-Africanist leader Marcus Garvey. This name was later used by the State of Ghana for its national shipping line founded in 1957.

Mail Packet Company under Lord Kylsant into the Royal Steam Ship Company with over 2.4 million gross tons of vessels. The old discontent with conference rates and service conditions culminated in open clash between the United Africa Company and Elder Dempster Line in 1929. The U.A.C. operated own fleet and after ten years of wars with Elder Dempster emerged as an operator of a separate shipping line--the Palm Line. John Holt, also an operator of vessels in the carriage of its trade, later inaugurated a firm of common carriers--the Guinea Gulf Line as the U.A.C. had done. This success was due partly to the high proportion of the West African trade they controlled as well as to the special conditions by which they controlled both exports from and imports into West Africa.

The post 1939-45 war years saw Palm Line and Guinea Gulf Lines not only as common carriers, but also as members of the West African Lines Conference. U.A.C. and John Holt which had actively participated in the Merchants' Freight Association, on becoming common carriers, seemed to have exerted little influences in making rates low nor did they see the conference from the standpoint they once did prior to their shipping conference membership. This question is significant since the turning of U.A.C. and John Holt into common carriers as well as merchants had tended to weaken the position of the Freight Association as well as the bargaining powers of the smaller shippers.

The post-war West African Lines' Conference was not merely the question of Elder Dempster Line and Woermann Line as in the days before the 1914-18 World War. It was neither the case merely of competitions from the Dutch, the German, and the British lines on this route. The Conference this time consisted of the three British lines, the Dutch-Holland West Africa Line, the German-Woermann Line, and later the Scandinavian West Africa Line, as was also the Hoegh Line. The new reconstituted West African Lines Conference did not change in concept any of the shipping practices and agreements adopted by the pre-world war shipping conferences. The deferred rebate system, the loyalty agreements, and the exclusive dealings as well as restrictions on entry into the trade--all of which came under severe attacks before the Royal Commission as well as before the Imperial Shipping Committee--were once more revived in the Nigerian shipping trade by the West African Lines Conference.

The Incorporation of the Nigerian National Shipping Line

So objectionable were the dealings of these conference practices--practices which were initially criticized by the National Congress of British West African in the 1920s--that their repetition after the 1939-45 war provoked fresh outcries. Indeed, prior to 1958, 100 percent[174] of the shipping services required by Nigeria's export-import trade were offered by foreign shipping lines. This was until the first Nigerian indigenous shipping line made its appearance on the international scene.[175] The case for the Nigerian National Shipping Line was expressed in the Nigerian Parliament for years.[176] As a result of the final resolution on the private member's motion[177] in the Federal

---

[174] Charlotte Leubuscher, _op. cit_., p. 101, Table 46. See also Appendix IIC.

[175] Nigeria Line--joint venture of the Finnish Shipping firm of Nordstrom and Co. and Mr. Patrick Osoba, a Nigerian merchant; the ships were all Finnish and as the company enjoyed no government backing, its operations were stiffled by the conference rivals and it ceased operations in 1960.

[176] House of Representatives Debates, Official Reports, September 1957, November 1958, and February 1959.

[177] See footnote 1, page 1, Rev. E. S. Bens (Brass).

Parliament, grounds were laid for an indigenous shipping industry in which the government became the sole owner. The public sentiments on the desirability of incorporating a national shipping line were so strongly expressed that the debate on this question, started in 1957, was resumed in 1958 and 1959. As a result of the intense public pressure, the Federal Government was forced to act by implementing those resolutions. The Nigerian National Shipping Line was the outcome and its effective services started in February 1959.

The conditions of the incorporation and agreements among the partners were explained to Parliament by the Minister of Transport.[178] According to the parliamentary report, the agreement was apparently signed on the 19th December, 1958 and the provisions included the distribution of capital shares as follows:

1. The Nigerian Government held 51 percent
2. Elder Dempster Line held 33 percent
3. Palm Line held 16 percent.

---

[178] Hon. R. Amanze Njoku, see Official Report, November 1959, columns 785-786.

In the agreement, both Elder Dempster and Palm Lines were appointed technical partners for reasons which the Minister held as "what would be in the best interest of this country."[179] The technical partners were charged with the "training of Nigerians as navigators and engineering officers and as other sea-going and managerial staff." The Minister's report touched next on the issue of shares which initially was set at £400,000 but which was authorized later up to £2 million. Responding to questions from members, the Minister's report was confirmed as also a notice of direct implementation. The emphasis in terms of operation was on cargo business which apparently is considered the more lucrative aspect. The passenger business was to be taken up as a major area with the future expansion of the shipping line.[180]

Both the partnership agreements and the appointment of the Chairman of the Board of the Nigerian National Shipping Line, announced by the Minister of Transport in the Parliament, were greeted with various criticisms.

---

[179] House of Representatives Official Report, February 1959, Col. 786. These lines staked their money in the venture.

[180] *Ibid.*, col. 789. Notice was taken of air transport competition in this particular area.

According to Professor Leubuscher,[181] the main point of attack came from the close association of the new line with the two established British shipping lines, appointed as technical partners. Most members had been apprehensive of the near monopolistic powers of the two foreign lines in Nigeria's external trade carriage. The new arrangement, to these members, greatly strengthened the position of the foreign lines in question. As Sir Odumegwu Ojukwu was its first chairman, criticisms were also leveled at the new appointment since it would be impossible for him to direct his full energy to the new shipping line.[182] Obviously, the apprehension that the Nigerian National Shipping Line under the technical partnership and capital share holding of Elder Dempster and Palm Lines[183] would not be truly independent was based on the national aspirations of the

---

[181] Charlotte Leubuscher, The West African Shipping Trade 1909-1958, A. W. Sythoff-Leyden, 1963, pp. 68-69.

[182] Sir Odumegwu Ojukwu became chairman of five public corporations at the same time: 1) Eastern Nigeria Marketing Board, 2) Nigerian Produce Marketing Company, 3) Nigerian National Shipping Line, 4) Eastern Nigerian Development Corporation, and 5) African Continental Bank, Limited.

[183] These lines, of the twelve consulted, were the only ones willing to risk any substantial sums of their own capital in the venture. Apparently this must have been some sacrifice!

According to Professor Leubuscher,[181] the main point of attack came from the close association of the new line with the two established British shipping lines, appointed as technical partners. Most members had been apprehensive of the near monopolistic powers of the two foreign lines in Nigeria's external trade carriage. The new arrangement, to these members, greatly strengthened the position of the foreign lines in question. As Sir Odumegwu Ojukwu was its first chairman, criticisms were also leveled at the new appointment since it would be impossible for him to direct his full energy to the new shipping line.[182] Obviously, the apprehension that the Nigerian National Shipping Line under the technical partnership and capital share holding of Elder Dempster and Palm Lines[183] would not be truly independent was based on the national aspirations of the

---

[181]Charlotte Leubuscher, The West African Shipping Trade 1909-1958, A. W. Sythoff-Leyden, 1963, pp. 68-69.

[182]Sir Odumegwu Ojukwu became chairman of five public corporations at the same time: 1) Eastern Nigeria Marketing Board, 2) Nigerian Produce Marketing Company, 3) Nigerian National Shipping Line, 4) Eastern Nigerian Development Corporation, and 5) African Continental Bank, Limited.

[183]These lines, of the twelve consulted, were the only ones willing to risk any substantial sums of their own capital in the venture. Apparently this must have been some sacrifice!

critics who wanted a truly independent Nigerian shipping line. The criticisms of Sir Odumegwu's appointment as the new line's chairman was justified on the problems of divided personal attention. But whether it was wiser to place the Nigerian National Shipping Line under the operational guidance of its commercial rivals is open to arguments that can only be clarified by expert studies.

The criticisms notwithstanding, the Nigerian National Shipping Line started operations in 1959 with three vessels, one purchased and two chartered. When the Board of Directors met on February 19, 1959, in Lagos, it authorized the technical partners to purchase the MS La Sierra and MS North Cornwall, built in 1950 and 1954 with respective gross tonnages of 5,571 and 6,183, and to rename them Dan Fodio and Oduduwa. It was also decided to commence negotiations for the new shipping line to become a member of the West African Lines Conference (WALCON). On the basis of those negotiations, an agreement was reached by which the Nigerian National Shpping Line was permitted to operate six vessels in 1959, eight in 1960, and ten in 1961.[184] In actual fact, both Dan Fodio and Oduduwa sailed

[184]This slow negotiation process for increasing carriage is in contrast with the Black Star Line in which

from Europe on the 25th and 28th of May, 1959, respectively, for Nigeria with their first cargo consignments.

When the Board met again on June 25, 1959, the issued and paid up capital was raised from the initial £400,000 to £1,400,000. By March 1960, three used vessels Tyria, Siverdere, and El Hacienda were also purchased and respectively renamed King Jaja, El Kanemi, and Oranyan. These were all motor vessels built in 1955, 1956, and 1953 with gross tonnages of 5,869, 5,660, and 6,009, respectively. All of them were of the half million range bale cubic foot capacities with speeds of between 12 and 13.5 knots.[185] Only Ahmadu Bello had any real passenger accommodations[186] (See Table 33). Within the first two full years of operation the company made net profits of £155,000 and £294,000 (after depreciation) or ₦310,000 and ₦588,000.

Apparently, the general criticisms of Nigerians, in and out of the government circles, led to fundamental

---

the Ghanaian authorities declared that a certain share of its trade be carried by its own line.

[185]The Nigerian National Shipping Line: Information pamphlet.

[186]Dan Fodio and El Kanemi have space for two passengers each. See Information Pamphlet, p. 3.

TABLE 41.—The Company's Fleet 1959-1963.

Name	Year Built	Length	Gross Tonnage	Net Tonnage	Bale Capacity (cub. ft.)	Grain Capacity (cub. ft.)	Service Speed (knots)	Passenger Accommo-dation
Dan Fodio	1950	464'	6,183	3,392	513,955	571,941	13.5	2
El Kanemi	1956	452'	5,660	3,150	545,600	602,680	13	2
King Jaja	1955	451'	5,869	3,080	519,550	580,300	12.0	-
Oduduwa	1954	454'	5,571	2,960	533,225	590,973	12	-
Oranyan	1953	466'	6,009	3,112	539,500	579,485	13	-
Nnamdi Azikiwe	1962	465'	6,063	3,176	555,800	605,550	15	2
Ahmadu Bello	1963	465'	6,127	3,384	555,800	605,550	15	12

Source: Nigerian National Shipping Line Second Annual Report, 1963.

changes in the two areas which attracted most of such criticisms. Sir Odumegwu Ojukwu was replaced as Chairman by Chief Kolawole Balogun. In March 1961, the Minister of Transport arranged discussions with the technical partners with a view to taking over their shares by the Nigerian government. Final agreements on the repurchase of these shares were arranged in London in July 1961 while the handover was effected on September 1, of the same year. At the same time, the technical partners were to hand over the technical organization and management of the fleet to the National Lines management personnel. This action was smoothly carried out.

Probably, influenced by its degree of operational success, the company's board of directors ordered for two new vessels (for the first time) from the Northumberland ship builders--Swan, Hunter, and Wigham Richardson. These were delivered in 1963 and christened Nnamdi Azikiwe and Ahmadu Bello. With the renegotiation of the conference membership agreement for the next five years, after the expiration of the old in 1961, the company was able to expand its fleet participation to twelve in 1962. The financial success of this year led also to a net profit after depreciation of ₦598,948. Apparently, the company became interested in expanding operations beyond the United Kingdom and Western European routes and opted for membership of other international conferences. For, not only did the company join the French conference (Colinauv) but commenced operations to the port of Dunkirk in May, 1962. Two months later, it joined the Italian conference and the Marseille Conference, expanding its services to Southern France and Italy with one sailing every two months.[187] Evidence of such success and expansion became visible with the removal from its first small office in Lagos to the more impressive Development House on Wharf Road, Apapa. It even expanded its operations into the American West Africa Freight Conference (AWAF) which covers United States and Canada-West African trade route.

In 1972/73, the company owned twelve vessels with a total gross tonnage of 81,939 covering an aggregate bale cubic feet capacity of 6.3 million (Table 34). Additional 4 vessels were on long-term charter. By 1971, the company's expansion scheme included the incorporation of a wholly-owned subsidiary--the Nigerline, based in Liverpool, United

[187] Nigerian National Shipping Line, First Annual Report, 31st March, 1962, Lagos, p. 4.

TABLE 42.—Particulars of Ships Owned by the Company, 1972.

No.	Name of Ship	Year Built	Age	Registered Tonnage		Dead Weight (Summer)	Bale Cubic	Speed in Knots	Number of Passengers
				Net	Gross				
1	2	3	4	5	6	7	8	9	10
1	Dan Fodio	1950	23	3,391	6,183	9,360	510,913	13.5	-
2	Oranyan	1953	20	3,111	6,008	10,063	537,425	13.5	-
3	Oduduwa	1954	19	2,959	5,570	10,090	531,607	12	-
4	King Jaja	1955	18	3,079	5,868	9,325	517,450	12	-
5	El Kanemi	1956	17	3,149	5,660	10,054	545,566	13	8
6	Herbert Macaulay	1957	16	4,744	8,449	11,034	571,080	13	2
7	Nnamdi Azikiwe	1963	10	3,176	6,063	9,735	554,000	15	2
8	Ahmadu Bello	1963	10	3,384	6,126	9,735	554,000	15	12
9	River Niger	1968	5	4,822	8,003	10,260	510,144	16.5	6
10	River Benue	1968	5	4,822	8,003	10,260	510,144	16.5	6
11	River Ogun	1968	5	4,822	8,003	10,260	510,144	16.5	6
12	River Ethiope	1969	4	4,822	8,003	10,260	510,144	16.5	6
	Total			46,281	81,939	120,436	6,368,617	12/16.5	48

Source: Nigerian National Shipping Line, 1972, Annual Report.

Kingdom which was responsible for the parent company's general agency business in United Kingdom ports. It was expected to assume the main cargo brokerage services from January 1973.[188] At the head office in Lagos, the company had expanded from the former eight to ten departments, including the newly created[189]

i. Nautical Department, charged with responsibility for marine administration of fleet, nautical, and victuallin matters.

ii. Technical Department with responsibility for technical matters, repairs of ships, and attending to new buildings as required.

Beside maintaining the United Kingdom Offices, the shipping line has expanded its agency services in Nigeria to Port Harcourt, Warri, Burutu, and Calabar ports. Currently, the National Line undertakes some agency functions for a number

---

[188] Nigerian National Shipping Line, 1972 Report and Accounts for 13th Annual General Meeting, 22nd March, 1973, p. 5.

[189] Possibly taking over some of the functions hitherto exercised by the Ocean Traffic Control Department. This will accord with the expansion of the line's functions and assumptions of new ones over time.

of foreign lines among which is the Japanese line--the 'K' line. Part of the progress is seen in the effectiveness of the Nigerline (U.K.) Limited as the parent company's main cargo brokers and general agents in the United Kingdom ports from 1973.

Problems of Current Patterns within the National Line

A number of pertinent areas of the Nigerian National Shipping Line's incorporation and operations need a few comments. The foremost of these is the legal relationship between the line's management and the government (departments) ministries and the level of controls exercised by the latter on the former. Apart from the laws outlined in the articles of the line's incorporation, the relations between the line and the appropriate ministry responsible to the legislature and the Council of Ministers (now exercised by the Federal Military Executive Council) are spelled out in the official Sessional Paper, No. 7 of

1964.[190] Under Section V, the relations between the state-owned companies[191] and the government are explicitly stated. The Nigerian National Shipping Line--a state-owned company is officially defined as one

> in which the Government is the sole-shareholder or in which only a small proportion of the share capital is for special reasons left in private hands on such conditions that the State can, if necessary, have these shares also at its disposal.[192]

While this company is not necessarily a public corporation in the traditional sense, its position was recognized as making for "adequate protection of the economic and national interests without detriment to the commercial flexibility of the operations." The powers of the Minister and thus the government ministry involved the appointment and revocation of appointments of the Chairman and the Board of Directors of the national line, as well as giving directions of a general nature for the discharge

---

[190] Federal Republic of Nigeria, Statement of Policy by the Government of the Federal Republic of Nigeria on the Relations between the Federal Public Corporations and the Legislature, the Government and the Public, and between the State-owned Companies and the Government, Ministry of Information, Lagos, 1964.

[191] Includes the Nigeria Airways, the Nigerian National Press, and the Nigerian External Telecommunications.

[192] *Ibid*., p. 9, paragraph 18.

of its functions on matters which appear to the Minister to affect the public interests as needs arise. As touching the operational activities of the line, the appropriate minister was enpowered by law to undertake the following actions:

(e) sanctioning <u>in advance</u> any extension of the activities of the company;

(g) approving <u>in advance</u> the appointment of auditors;

(h) approving <u>in advance</u> rates and scales of charges for services rendered to the public by the company;

(i) approving <u>in advance</u> the investment by the company of its surplus funds;

(j) approving <u>in advance</u> the borrowing of money or raising of capital by the company; and

(k) approving <u>in advance</u> capital projects and financing arrangements for such projects by the company.

To understand and appreciate the effects of any exercise of these ministerial powers on the national shipping line, the nature of shipping services and the market should be known. For, where the Nigerian External Telecommunications, as an example, is a near monopolist on international telecommunications transmittal services for Nigeria, the National Shipping Line is in a most competitive market at the internal and international level. And, to worsen the situation, the company is a marginal firm in the oligopoly--the conference--which itself faces interconference rivalries as well as the competition from well entrenched tramps. Moreover, unlike the airlines where the market allows competition in the normal methods, loyalty and tying arrangements of consumers by established shipping lines make the job of securing adequate patronage and hence income more arduous for the Nigerian National Shipping Line. This means that the National Line has got to monitor its market and act swiftly to catch up opportunities by judicious extensions and curtailments of its services if it must survive in the economic sense. How then can the National Shipping Line perform these tasks, calling for prompt reflex decision making when it is supposed to work within the iron-clad controls of such ministerial directives?

One direct effect is that since the appointment and revocation of appointment of chairmen and board members are vested in the minister and the ministers, by our parliamentary system, may belong to the majority political party in power, actions in these areas cannot be divorced from partisan politics. It is not inconceivable that most of the chairmen and board member posts have become opportunities for rewards of political party agents and stalwarts. Except for just a few cases, most board chairmen have been anything else but practical businessmen, versed with shipping techniques. It is not also inconceivable that most board members have been civil servants who are proven ace administrators but not astute business directors. That political factors are allowed to influence board appointments can never ensure neutral influences on the managerial and operational staff of the company. Thus appointments and rewards of such staff may not be by pure merit alone. The high rate of staff turnover in the company which the Federal Government has complaint about[193] may not be divorced from political influences of appointments and rewards for services which at any stage can only lead to exodus of efficient but frustrated staff.

---

[193] Nigerian Development Plan, 1970-74, p. 184.

That the minister (in this case, the appropriate Ministry) has to sanction, in advance, "extensions of the activities," "advance in rates and scales of charges for services rendered to the public," "investment of its surplus funds," "the borrowing of money or raising of capital," and "capital projects or financing arrangements for such projects by the company," would be tantamount to direct control of the managerial functions of the company's planning and operations. Probably, the overriding desire of the government here is to safeguard the company from ruin by unscrupulous officials. The opposite effect is that, while security is being pursued, over-cautiousness had tended to slow down real progress capable of any able management personnel. This cautiousness over the years has tended toward conversatism which in a dynamic business like shipping is indefensible.

One area in which this extra caution has demonstrated itself is in capital development. Shipping is a capital-intensive industry and capital-output and capital-labor ratios must be watched and suitable changes made if the company is to optimize its operations and earnings. The 1972 annual report of the National Line shows that authorized and issued capital had stood sort of permanently at ₦4 million between 1960-61 and 1971-72.[194] Capital reserves went up after thirteen years to over ₦2 million by 1972 while other reserves were unstable up to 1965-66 where it assumed the value of over ₦50,000 and stagnated there to this date. This conservative policy for a company probably needing increased capitalization is the function of ministerial control where red-tapism of public service has been allowed to influence this business venture decision making process. The built-in inflexibility in the decision process may be frustrating.

It is very doubtful if the management of the Nigerian National Shipping Line enjoys the current state of affairs. The Annual Report noted that:

> The Federal Ministry of Transport, has come to understand the problems of the company and has played a leading role in carrying along all other essential Federal Ministries to get the support of the company from some of its sensitive financial problems.[195]

---

[194] Annual Report, 1972, p. 15.

[195] Ibid., p. 7. Evidently the use of the economics yardstick of profitability alone must have made approval by the Executive Council of further investment funds very difficult.

Apparently, the company must have tussled for a long time to get the essential approval for funds for its fleet expansion and increased working capital. Indeed, the Federal Government had noted also that the shipping market is very unstable and it will have to be convinced of the soundness of the expansion proposal before risking further capital investments.[196] There is, however, a minimum level of capital outlay and operational capacity in international liner shipping which ensures reasonable net profit or, at least, break-even incomes. Probably, while the National Line may understand this, the government ministries concerned may yet have had to grapple with such technical issues.

Another area in which this ministerial control manifests itself is in the acquisition of tonnage. By 1971-72 operational period, the company owned only twelve vessels (Table 42) more than a half of which aged over sixteen years. Indeed, Dan Fodio, Oranyan, and Oduduwa had passed the twenty-year age position. Over 60 percent of the fleet were more than ten years old. A comparative study of the Palm Line or the Black Star Line of Ghana (members of the same conferences) shows that the National

[196] National Plan, 1970-74, p. 184.

Line had the higher mean age of vessels in the study period. Two problems show themselves in this case. The paucity of vessels in operation is likely to handicap the company in effective participation along the United Kingdom and European routes where it is serving on two conferences. The other area is that the vessels' high average ages tend to have positive correspondence with high costs of maintenance and operations and tend to have negative correlation with high net earned revenues. Apparently, relative to other conference members, the National Line's vessels would, on the average, be less reliable on the high seas since the probability of breakdowns with aged ships must be really high.

It is also true, that the Nigerian National Shipping Line's vessels have on the average smaller gross registered weights and bale cubical capacities than those of their counterparts in the conferences. When allowances are made for the exigencies of the markets, scale economies should have dictated the use of larger vessels. The only mitigating factor for a choice of lighter weight vessels must be the needs of shallow African creek waterways on which the ports are built. The fact that other lines run those same creeks with heavier vessels does not make the decision of the National Line any more the wiser. The only consolation is the trend noticed in the acquisition of the River class vessels which not merely have heavier weights and larger bale capacities, but possess faster speeds.

The National Line's vessels have a mean speed of 14.4 knots. Apparently this is slower than those of its conference partners when allowances are made for frequency or infrequency of port calls since slower speeds mean lost time and less revenue and turn rounds per year. Writing on the technological potentials for shipping, Professor Lawrence[197] indicates the

> need for developing (1) still larger and safer ships to handle high volumes of both bulk and general cargoes . . . (2) increasingly speedy, efficient and low-cost package cargo services . . . to prevent diversion of high value cargoes to air carriers.

As a matter of fact, based on the current rationalization methods--scheduling of members' ships, and share of pool cargoes, the ownership of faster and larger vessels

---

[197] S. A. Lawrence, International Sea Transport: The Years Ahead, D. C. Heath and Co., Lexington, Massachusetts, 1972, p. 154. See also, B. N. Metaxas, The Economics of Tramp Shipping, op. cit., p. 147, and O.E.C.D. Maritime Transport, 1970, p. 88.

can mean more income since the carriage by individual line may be enhanced by "the lifing capacity, volume of cargo from conference member countries and the negotiating ability of conference members."[198] In this matter, Professor Lawrence adds that

> successful operators (commercially) have sought to expand their share of the business by offering even faster services and are now employing vessels with speeds of sixteen knots to up to twenty-six knots in order to gain a competitive margin.[199]

Thus when the yardsticks of age, speed, and tonnage and bale capacities are used to evaluate the vessels of the Nigerian National Shipping Line, most of that line's vessels are due for replacement. Apparently these aged and slower-moving vessels are making quadrennial surveys irksome and costly to the company for, not only is its fleet modernization necessary, expansion may be desired as soon as the full market and operational facts are diagnosed. This exercise can only be based on flexibility of decision-making if the rigid ministerial controls are reviewed such that certain decision making mechanisms are at the hands of

---

[198] Confirmed by A. J. E. Christopher, COWAC/UKWAL representative in Lagos, August 1973 (interview).

[199] S. A. Lawrence, op. cit., p. 276.

the company's management. Thus, left alone the company can react swiftly to the market in which it operates at times and under circumstances at its disposal.

CHAPTER V

EVALUATION OF THE NIGERIAN NATIONAL SHIPPING LINE'S PERFORMANCE: PRINCIPLES OF EFFECTIVE PARTICIPATION AND PROFITABILITY

Among the expressed aims and reasons for setting up the National Shipping Line were to make "provision of effective instrument for the movement of the nation's increasing exports and imports."[200] Two principles for the evaluation of the company's operational performance become relevant: the degree of effective participation and of profit making from the venture. In other words, the line's performance will be judged from the normal criteria of a company in the commercial sense. The principle of effective participation connotes market share and also relates to its effective power in the market. That of profit generation derives from its effective monetary returns on its outlay. In real economic terms, this should compare

---

[200] See the objectives, p. 7, and hypotheses, p. 14 of this study. Also footnote 15.

with opportunity costs of such capital or returns on similar capital investment in alternative applications.

To have a proper grasp of what the Nigerian National Shipping Line faces in the shipping market, the operational effects of the conference system and the binding agreements on member lines must be kept in proper perspective. As already examined, the shipping market is more a collection of oligopolies--the conferences with some elements of competition among tramps and other conferences. Even though there has been no real universally acceptable quantitative standards for evaluating the conferences' concentration and monopoly powers,[201] such potential powers are restricted by market and extra-market forces.[202] But the conference agreements among members tend to be rigid and the operational strength of each member is more a

---

[201] For literature review here, see Joe S. Bain, "Price and Promotion Policies" in Howard S. Ellis, ed., A Survey of Contemporary Economics, The Blakiston Co., Philadelphia, 1948.

[202] These include (1) intra-conference competition, (2) actual or potential competition from other lines (including airlines for passengers) which may or may not intend to join the conference, (3) alternate sources of supply or markets, (4) actual or potential competition from tramps, (5) the bargaining strength of shippers, (6) government regulation or intervention--See Daniel Marx, Jr., International Shipping Cartels, Greenwood Press, New York, 1969, p. 240.

function of the provisions of such agreements. This situation tends to render the supply of tonnage and expansion of services relatively inelastic to market price changes.

Effective Participation

The total potential volume of traffic on the Nigeria-European trade route is tied to the levels of total export-import trade for any one year. The number of total tonnage of vessels expected to operate on that route would be difficult to quantify since most lines including tramps operating on one route also operate on others and there is apparently no information on the shifting of tonnages among the different trade routes. If the total tonnages owned and chartered by the different conference lines were arrayed in order of magnitude, Nigerian National Shipping Line controlled only 3.1 percent in 1959 (Table 26) and 1.8 percent in 1962-63 (Table 27). When the West African Lines Conference was dissolved, and the United Kingdom-West African Lines Common Services (UKWAL) and Continent West African Conference (COWAC) instated, the proportion of tonnages held by the Nigerian National Shipping Line, respectively, stood at 6.3 and 4.5 percent by 1972 (Tables 28 and 29). Thus, when the shipping tonnage is the criterion for determining market share, the Nigerian National Shipping Line had only moved from a total of 20,000 tons in 1959 to 120,436 tons in 1972 or from 3.1 percent of WALCON to 4.5 percent of all the COWAC conference lines' aggregate tonnages.

When the total of both conference and nonconference lines' activities are taken together, the medium available for measuring participation is the number of vessels of different nationalities entered at the Nigerian ports. A survey of such movements (Table 25) shows that entries of Nigerian-owned and controlled vessels' at the Nigerian ports as a fraction of all total entries ranged from 3.2 percent in 1960-61 through the peak of 8.6 percent in 1962-63 to 4.6 percent in 1969-70.[203] In essence, apparently the Nigerian National Shipping Line was the dominant Nigerian line operating in 1969-70 because of the combined effects of the foreign exchange allocation and ship charter conditions imposed by the Federal Ministry of Finance[204]

---

[203]Nigerian Ports Authority: Annual Reports of Shipping Activities by Nationalities, 1959-60/1969-70.

[204]See Appendices IV and V.

during the civil war years. In effect, most Nigerian private lines which could not meet the conditions had to cease operations. The reported trips or entries into the Nigerian ports by Nigerian owned or controlled ships would be mostly those of the National Line. Such participation by the nationality criteria of entries (Table 25) was in any one year below 10 percent. Note should be taken of the declining but still dominant position of the British lines.

Judged by the share of carriage of the export produce controlled by the Nigerian Produce Marketing Company, Tables 43a and 43b tell the story. Based on estimates which disaggregated the conferences' allocations (which were not originally disaggregated for reasons peculiar to cartel methods) the Nigerian private lines initially made impressive efforts than the government owned National Line. It was not until the effects of the Ministry of Finance's memoranda[205] that their proportions of carriage declined. The impressive showing by the National Line between 1968-69 and 1971-72 could reflect the effects of the civil war on foreign lines which then feared Nigerian ports or the

---

[205] *Ibid*.

TABLE 43a.—Share Carriage of the Nigerian Produce Marketing Company's Export Cargoes.

Produce Seasons	Total Shipped (Tons)	Conference Lines[b]			Nonconference Lines[c]		
		N.N.S.L. (Tons)[a]	Foreign (Tons)[a]	Total (Tons)	Nigerian (Tons)	Foreign (Tons)	Total (Tons)
1964/65	985,215	151,079	362,842	513,921	45,995	425,229	471,294
1965/66	1,224,265	190,019	311,083	501,102	180,357	542,806	723,163
1966/67	885,276	149,089	143,716	292,805	209,537	382,934	592,471
1967/68	887,377	105,381	71,570	176,951	296,998	413,428	710,426
1968/69	853,284	197,908	179,244	377,152	155,299	320,833	476,132
1969/70	769,428	191,022	52,835	243,857	133,109	392,462	525,571
1970/71	819,068	203,254	113,900	317,154	185,968	315,946	501,914
1971/72	578,985	105,649	61,406	167,055	123,093	288,837	411,930

[a]Estimates.

[b]Conference operating Nigeria-U.K. and North Continent trade routes, formerly WALCON, now split into UKWAL and COWAC.

[c]Members of other conferences and tramps on other trade routes or competing on Nigeria-North Continent route.

Source: Nigerian Produce Marketing Company.

TABLE 43b.—Nigerian Participation in the Carriage of N.P.M.C. Exports.

Produce Seasons	N.N.S.L.'s Share (%)		Other Private Nigerian Lines Share (%)		Total Nigerian Lines' Share (%)
	Of Conference Allocations	Of Overall Allocations	Of Nonconference Allocations	Of Overall Allocations	Of Overall Allocations
1964/65	29.4	15.3	9.8	4.7	20.00
1965/66	37.2	15.5	24.9	14.7	30.2
1966/67	50.9	16.8	35.4	23.7	40.5
1967/68	59.6	11.9	41.8	33.5	45.4
1968/69	52.5	23.2	32.6	18.2	41.4
1969/70	78.3	24.8	25.3	17.3	42.1
1970/71	64.1	24.8	37.1	22.7	47.5
1971/72	63.2	18.2	29.9	21.3	39.5

Compiled from Table 43a.

conferences' strategy of allowing the National Line more effective carriage here, in excess of normal quota's to direct government's attention from their control of the nonmarketing company's cargoes[206] or the allegations of directives from the Nigerian Government to the National Lines to intensify such carriage of the N.P.M.C. produce in view of rate disputes with the conference (see footnote 213).

On the whole, the National Line had improved its carriage share of the Conferences' allocations from 29 percent in 1964-65 to over 60 percent in 1971-72 while its effective carriage of N.P.M.C.'s total export produce moved from a mere 15 percent to 24 percent between 1964-65 and 1970-71. Effectively, the improvement of such carriage of the total produce was a yearly increase of less than 2 percent. On the other hand, the nonpublic private lines (despite their dependence on charter vessels) increased their total carriage of N.P.M.C.'s produce from 4 percent to 34 percent. They, thus, increased their effectiveness

---

[206]N.P.M.C. Memorandum to Ministry of Transport "Elder Dempster's and Palm Liners are also able to secure the majority of timber and crushed oil because of their age-long business establishments . . . crushed oil and timber are high freighted."

annually at the rate of nearly 7 percent by 1967-68 until the effects of the government's circulars on foreign exchange reduced it to annual share of 20 percent by 1971-72. Indeed, the private Nigerian lines carried 19.5 percent of the annual total, while the National Line only conveyed 18.8 percent.

The Conferences' agreements of 1959 and 1961 permitted the National Line, to operate 12 vessels in 1962 and 14 in 1963.[207] By 1970, the new agreements with UKWAL and COWAC involved increases, not by vessels, but by cargo tonnages carried. This set the quota at 18 percent of pool cargo in 1972 with increases to 23.5 percent for 1977 within UKWAL while the corresponding quotas within COWAC was 15.19 percent in 1972 to 20.19 percent in 1977.[208] Provisions for lifting by the National Line[209] in respect of Southbound shipments from the North European Continental ports to West Africa, were also made. An experimental rationalization scheme by COWAC members to ensure both the scheduling of vessels and allocation of cargoes was

---

[207] National Line, Annual Reports 1962, p. 4.

[208] Ibid., p. 7.

[209] Ibid., p. 7.

expected to help improve services and ensure better financial results for members.

In a comparative study of trips by the different lines engaged in West African trade it was found that the Nigerian National Shipping Line was responsible for 2.2 percent of such total trips in 1961 to a high of 3.8 percent in 1964[210] (Table 44). Once more, it is significant to compare the dominant positions of the three British lines (from 23.1 percent in 1961 to 28.2 percent in 1964) with that of the Nigerian flag line. When the estimated dead weight capacities delivered by the lines in respect of West African trade are considered, Dag Tresselt[211] showed the shares of the Nigerian National Shipping Line to be 3.6 percent in 1962 and 4.4 percent in 1964 (Table 45). This cannot, of course, be fully indicative of the real share when Nigerian trade alone is examined since the National Line might not have engaged heavily in exports from other West African countries nor does it deliver any significant imports to those countries. Apparently, the ratio by 1964 would be around 7 to 8 percent.

---

[210] Dag Tresselt, "The West African Shipping Range," U.N. TD/B/C4/34, New York, 1967, p. 37.

[211] *Ibid.*, p. 39.

TABLE 44.—Market Share of Liner Companies Engaged in West African Trade

Name of Company	1961		1962		1963		1964	
	No. of Trips	Percent	No. of Trips	Percent	No. of Trips	Percent	No. of Trips	Percent
Elder Dempster Lines Ltd. Liverpool	174	14.6	177	14.5	183	15.0	186	14.7
Palm Line Ltd., London	78	6.5	75	6.2	73	6.0	71	5.6
Guinea Gulf Line, Td., Liverpool	24	2.0	24	2.0	24	2.0	24	1.9
Service Commun Sté. Navale de l'Ouest et Cie de Navigation Denis Frères, Paris	58	4.8	61	5.0	45	3.7	41	3.3
Cie Maritime des Chargeurs Réunis, Paris	104	8.7	92	7.5	91	7.5	80	6.3
Sté. Navale Delmas-Vieljeux, Paris	102	8.6	81	6.6	7.7	6.3	82	6.5
Armement L. Martin & Cie, Paris	25	2.1	25	2.1	25	2.0	25	2.0
Etablissements Maurel & Prom, Bordeaux	12	1.0	12	1.0	14	1.1	13	1.0
Woermann Linie, Hamburg	118	9.8	126	10.3	124	10.2	153}	15.9
Hanseatischer Afrika-Dienst G.m.b.H., Hamburg	43	3.6	36	3.0	47	3.8	48	
Ligne des Rivieres, Hamburg	22	1.8	22	1.8	22	1.8	16	1.3
Holland West Afrika Lijn N.V., Amsterdam	98	8.2	95	7.8	90	7.4	98	7.7
N.V. Nederlands-Franse Scheepvaart Maatschappij, Rotterdam	24	2.0	26	2.1	22	1.8	14	1.1
Compagnie Maritime Belge (Lloyd Royal), Antwerp	81	6.7	80	6.6	65	5.3	74	5.8
Belgian Fruit Lines S.A., Antwerp	28	2.3	23	1.9	22	1.8	9	0.7
Continental West Africa Line, Antwerp	—	—	—	—	3	0.2	24	1.9
The Scandinavian West Africa Line, Gothenburg	39	3.2	53	4.4	50	4.1	51	4.0
Høegh Lines, Oslo	31	2.6	39	3.2	40	3.3	51	4.0
Det Dansk-Franske Dampskibsselskab (Dafra Lines), Copenhagen	40	3.3	43	3.5	42	3.4	43	3.4
United West Africa Service (Uni-Africa), Szczecin-Rostock	24	2.0	40	3.3	45	3.7	50	4.0
Sociedade Geral de Comércio, Industria e Transportes, Lisbon	27	2.2	18	1.5	24	2.0	21	1.7
Companhia Colonial de Navegacao, Lisbon	4	0.3	—	—	—	—	—	—
Sté. Ivoirienne de Navigation, Abidjan	—	—	5	0.4	5	0.4	7	0.6
Black Star Line, Accra	18	1.5	29	2.4	43	3.5	36	2.8
The Nigerian National Shipping Line Ltd., Lagos	26	2.2	38	3.1	45	3.7	48	3.8
Total	1,200	100.0	1,220	100.0	1,221	100.0	1,265	100.0

Sources: (1) the table contains figures which in any industry other than the shipping industry would have been regarded as routine information. In the airline industry, for instance, which is even more cartellized than the ocean shipping industry, all important figures pertaining to traffic and rates are published regularly. In the shipping industry, however, such figures are hard to obtain, and consequently the contents of the table are merely estimates, the accuracy of which cannot be corroborated.

(2) Dag Tresselt. West African Shipping Range. U.N., New York, p. 37.

TABLE 45.—Estimated Share of Dead Weight Capacity Delivered by the Lines Engaged on the West African Shipping Range[a] (Thousand Tons)

Line	Estimated D.W. Tonnage of Average Vessel (Tons)	1962		1964	
		Estimated D.W. Capacity Delivered	Percentage of Total D.W. Capacity Delievered	Estimated D.W. Capacity Delivered	Percentage of D.W. Capacity Delivered
Elder Dempster/Pal/Guinea Gulf Line	10,838	2,991	29.4	3,045	28.6
Cie Maritime des Chargeurs Reunis	11,545	1,062	10.4	924	8.6
Ste. Navale Delmas-Vieljeux	8,201	664	6.5	672	6.3
SMO/Denis Freres	5,907	364	3.6	245	2.3
Martin & Cie	3,876	97	1.0	97	0.9
Maurel & Prom	5,039	60	0.6	66	0.6
Woermann Linie	5,875	740	7.3	887	8.3
Hanseatischer Afrika-Dienst	4,595	165	1.6	221	2.1
Ligne des Rivieres	3,012	66	0.7	48	0.5
Holland West Africa Line	6,293	598	5.9	617	5.8
N.V. Nederlands Franse Scheepvaart M.	2,850	74	0.7	40	0.4
Compagnie Maritime Belge (Lloyd Royal)	11,027	882	8.7	816	7.6
Belgian Fruit Lines	5,453	125	1.2	49	0.5
Continental West Africa Line	3,685	—	—	88	0.8
The Scandinavian West Africa Line	6,455	342	3.4	468	4.4
Høegh Lines	9,125	356	3.5	465	4.4
Dafra Lines	6,868	295	2.9	295	2.8
United West Africa Service (Uni-Africa)	10,107	404	4.0	505	4.7
Sociedade Geral de Comercio, Industria e Transportes	9,153	165	1.6	192	1.8
Ste. Ivoirienne de Navigation	11,545	58	0.6	81	0.8
Black Star Line	9,923	288	2.8	357	3.4
Nigerian National Shipping Line Ltd.	9,748	370	3.6	468	4.4
Total	8,330	10,162	100.0	10,646	100.0

[a]Based on port statistics and Lloyd's Register of Shipping. The average d.w. tonnage figure for all companies is a weighted average, where number of trips are the weights.

Source: Dag Tresselt. West African Shipping Range.

Taken on the basis of the export-import trade of Nigeria, the recent response to the study questionnaires[212] of this researcher indicates that between 1968-69 and 1971-72, the Nigerian National Shipping Line had made very substantial increases in export-import deliveries. Cross trades increased from over 0.5 million tons to over 0.8 million tons at the comparable period. In fact, the company exceeded 1 million total tons per year for the period (Table 46).[213] This trend was also confirmed by the Annual Report of the company for 1972 which indicated that completed voyages increased from 59 in 1971 to 81 in 1972--a full 37 percent increase which resulted in a 7.4 increase in tonnages carried. Earnings increased by nearly N4.0 million.[214]

In an interview with the Nigerian National Shipping Line officials, the following statistics were presented for

[212] See footnote 93 and Appendix VII.

[213] This impressive level of participation is significant and seems to obliterate the picture of the pre-civil war years despite the maintenance of sixteen ships. A hint by the Nigerian Produce Marketing Board was that the performance related to directives from the government since conferences had dispute with the marketing company, and relaxed effective carriage of N.P.M.C. cargoes at going rates.

[214] Annual Report, 1972.

TABLE 46.--Nigerian National Shipping Line--Shipping Activities 1968-69/1971-72.

Year	Vessels in Service[a]		Export Tons	Import Tons	Cross Trade Tons	Total Tons
	No.	N.R.T.				
1968-69	16	61,888	252,222	344,030	596,252	1,192,504
1969-70	16	61,888	268,208	482,480	750,688	1,501,376
1970-71	16	61,888	297,467	494,382	791,849	1,583,698
1971-72	16	61,888	334-342	469,890	803,232	1,607,464
Annual Mean[b]	16	61,888	288,060	241,068	735,505	1,471,261

[a]Twelve owned and four chartered.

[b]Rounded tonearest units.

Source: Nigerian National Shipping Line.

carriage of cargoes between January and December 1971.[215] A total carriage of over 41 percent of the UKWAL Conference's trade is significant (Table 47) and can either be ascribed to extra efficiency or to a confirmation of footnote 213. If it were the latter case, some adverse effects ought to have been felt in the import carriage whereas at that time the National Line seemed to have broken all known

[215]August 18, 1973 (Lagos).

progress records. Whatever the situation, the post-war performances seem to have been improved. Judged against the total trade of the country (Table 8) the Nigerian National Shipping Line carried 0.5 and 10.1 percent of all exports and imports for 1971-72, respectively. This was equivalent to 2.1 percent of total trade for the period.

TABLE 47.--Carriage of Nigeria's Trade (UKWAL) 1971.

Voyage Legs	UKWAL (Tons)	N.N.S.L. (Tons)	Percent Carried by N.N.S.L.
Northbound	324,164	108,193	33.3
Southbound	133,914	81,308	60.7
Total	458,078	189,501	41.4

Source: Nigerian National Shipping Line.

Thus whether the share of the market by the Nigerian National Shipping Line is related to the fleet strength or tonnage carried within the conference or as a fraction of the nation's total trade or the total trips into the Nigerian ports by all operating lines, the picture is one of marginal participation. In fleet strength among the conferences it is shown that the Nigerian National Shipping Line maintained by 1971-72 6.3 percent of UKWAL[216] and 4.5 percent of COWAC.[217] In trips into the Nigerian ports, the company held 4.6 percent[218] in 1969-70. When the carriage of cargoes within UKWAL is examined the National Line had 41.4 percent in 1971.[219] The problem with this impressive showing within the UKWAL pales into insignificance when the periodic carriage of national export-import trade is analyzed (Tables 48a and 48b).

Thus the company, for example, carried 11.7 percent of Nigeria's exports in 1968-69. This diminished to less than even one percentage point in the next three years. The underlying reason is the swelling of export tonnage by crude petroleum--an area in which the Nigerian National Shipping Line has never operated. And, when it is realized that petroleum crude alone is 73 percent of the total export value,[220] the under one percent share record becomes

---

[216]Table 20.

[217]Table 21.

[218]Table 18.

[219]Table 46.

[220]Central Bank of Nigeria, Annual Report, 1971, p. 75.

TABLE 48a.—N.N.S.L.'s (share) carriage of Nigeria's export/import trade.

Year	Import tonnage			Export tonnage			Total trade tonnage		
	National tonnage (000)	N.N.S.L.'s carriage (000)	% of National tonnage	National tonnage[a] (000)	N.N.S.L.'s carriage (000)	% of National tonnage	National tonnage[a] (000)	N.N.S.L.'s carriage (000)	% of National tonnage
1965	3,588	334	9.3	14,475	352	2.4	18,063	686	3.8
1966	3,512	280	8.0	18,080	270	1.5	21,592	550	2.5
1967	2,188	302	13.8	5,083	250	4.9	7,271	552	7.6
1968	2,788	237	8.5	2,146	248	11.5	4,934	485	9.8
1969	3,227	344	10.7	28,447	252	0.9	31,674	596	1.9
1970	3,635	268	7.4	52,705	482	0.9	56,340	751	1.3
1971	4,622	494	10.7	72,089	297	0.4	76,711	792	1.0
Annual Mean	3,366	323	9.6	27,575	307	1.1	30,941	630	2.0

[a]Contains crude petroleum and gas components.

Source: Nigerian National Shipping Line, Apapa.

TABLE 48b.—N.N.S.L.'s Share of National Trade.

Period	Export (Tons)			Import (Tons)			Total (Tons)		
	Total (000)	NNSL (000)	Percent NNSL	Total (000)	NNSL (000)	Percent NNSL	Total (000)	NNSL (000)	Percent NNSL
1968/69	2,146	252	11.7	2,788	344	12.3	4,934	596	12.1
1969/70	28,447[a]	268	0.9	3,227	482	14.9	31,674[b]	750	2.4
1970/71	52,705[a]	297	0.6	3,635	494	13.6	56,340[b]	791	1.4
1971/72	72,089[a]	334	0.5	4,622	470	10.2	76,711[b]	804	1.0
Annual Mean	38,847	288	0.7	3,568	448	12.6	42,415	735	1.7

NNSL = Nigerian National Shipping Line.

[a]Includes petroleum crudes.

[b]Includes petroleum crudes.

Sources: Tables 8 and 47.

misleading. With imports, the company's annual average of 12.6 percent of national total is defensible. From all indications therefore, the Nigerian National Shipping Line by 1972 carried between 10 and 12 percent of Nigeria's total tonnage of trade under normal situations of participation.

Profitability

When the yardstick of profitability is applied with reference to the Nigerian National Shipping Line's performance, the paucity of data will hamper the depth of such analysis. In normal circumstances, the profit index of a shipping line, like any other commercial concern, should show the net differential between gross incomes or revenues and expenditures or costs. The major problem with research into shipping services is that cost structures and revenues are not accessible to external researchers.[221] What data as are available consist of some generalized audited statements of accounts sufficiently aggregated as to hide the

---

[221]Daniel Marx Jr., International Shipping Cartels, Greenwood Press, New York, 1969, p. 241.

sources and uses of incomes. Indeed, Daniel Marx has asserted that

> since many steamship companies engage in a variety of nontransportation activities, the use of those published income statements are rendered unreliable.[222]

For example, at one time, Elder Dempster Line, Palm Line, and Guinea Gulf Line were involved in merchandise trade along with carriage services. Nonetheless, in the absence of any other reliable sources of financial data, the available figures will be used cautiously for analysis in this study.

From a theoretical economics standpoint, projects and operational costs are fixed[223] and variable.[224] The former, given a certain operating production unit or transport unit, does not vary with output or amount of freight carried or services rendered whereas the latter varies with output or service levels rendered.[225] Indeed given a long

---

[222] Ibid., p. 241. Also see Singh, Nagendra Achievements of UNCTAD-I (1964) and UNCTAD-II (1968), S. Chand and Co., New Delhi, 1969, p. 47.

[223] Also called overheads, indirect, oncosts, or prime costs.

[224] Also called direct costs, or variable costs.

[225] See J. P. McKenna, Intermediate Economic Theory, Holt, Rinehart and Winston, Inc., 1958, pp. 14-18.

enough time, all costs tend to be variable.[226] Cost classifications thus vary with accounting systems as with different accountants and conventions, and operational results of ships and shipping lines are handled in different ways. The major purpose is the assessment of the profitability or otherwise of the shipping venture by eventual comparative analysis of costs and revenues.

Theoretically, the profitability of a ship stems from the ability of the ship to earn enough within a given period to cover her overhead and contribute to costs of management, interest on capital, and a fair profit. A fair profit here may be defined as one which satisfies investors to the extent of discouraging them from transferring their savings from shipping into comparable industries paying higher dividends. Professor O'Loughlin[227] holds that shipping investors normally take long term investment views such that a bad year or a series of a few bad years would not necessarily force a revolt by such shipping investors. But a consistently bad series of years can force such mass

---

[226] J. M. Henderson and R. E. Quant, Micro Economic Theory, McGraw Hill, New York, 1958, pp. 58-61.

[227] Carleen O'Loughlin, The Economics of Sea Transport, Pergamon Press, Oxford, 1967, p. 97.

withdrawal from shipping investment. Market protection through restraints on unrestricted competition in shipping has been thus claimed for rate fixing, not by market mechamism, but by market agreements, which is believed to stabilize earnings at levels fairly above direct costs. This is believed to be true for scheduled services which can encourage investments in shipping if net returns are reasonable.

Profit is determined by the level of freight rates, volume of cargo, and number of passengers carried against the set of costs. A single voyage is considered profitable if the gross earnings exceed the voyage costs. In the liner operations, on the other hand, where voyages take place irrespective of the size of business handled, freight earnings which cover handling charges and contribute something, no matter how small, to overheads are preferred. Incidentally, since freight rates are either fixed by the market mechanism or market agreement, the shipowner has to improve his returns by attention to costs and efficiency. While in practice it may not be necessary to cover all costs in the short run, these must be covered in the long run since profit is a cost of attracting and retaining the necessary capital and management in the industry.[228]

A shipping firm's costs are fixed and variable. The former is broadly classified under[229]

Ai. <u>General overheads</u>

1. Management and directorship
2. Office and materials
3. Financial costs (interest and bank charges)
4. Planning and scheduling
5. Premises upkeep, insurance, rates, lights, etc.

ii. <u>Selling overheads</u>

1. Advertising
2. Agency fees--fixed components
3. Other selling overheads

iii. <u>Marine overheads</u>

1. Shore-based staff and marine supervisors
2. Marine stores and other overheads

---

[228] *Ibid.*, p.

[229] *Ibid.*, pp. 93-95. This classification is adopted for simplicity of cost illustrations.

iv. <u>Vessel overheads</u>

1. Vessel maintenance and repairs

2. Surveys--quadrennial, etc.

3. Insurance--marine, indemnity, etc.

4. Depreciation

5. Staff and crew costs

6. Radio fees, stores, etc.

The variable set of costs are classified as below.

B. <u>Voyage variable or Direct costs</u>

1. Fuel

2. Port Charges--harbour dues, wharfage, light dues, pilotage, and towage

3. Cargo costs--stevedores, freight commission, other shore and on board costs

4. Passenger costs--stewards' and staff costs, baggage handling fees, passenger commissions, food, etc.

5. Ship operating costs, repairs, supplies, etc.

What emerges is that items in A and B (direct and indirect costs respectively) constitute the total costs of the shipping company's operations. For revenue, the company depends on freight charges, passenger fares, and other commissions on its operations. The net revenue will constitute the differentials between the total revenue and the total costs.

Admittedly all costs--direct and indirect--must be covered eventually if the concern is to be a profitable business. This necessity to cover all costs is illustrated in Figure 2. This assumes that freight rates are given and are outside the control of the single shipowner or shipping line. By measuring total earnings along vertical axis and cargo tons carried along the horizontal, the line OF indicates the total revenue at various points of fleet utilization up to full capacity at Point F. The line VP represents fixed costs (with contributions to the firm's overheads). The VT line shows total costs and PT indicates variable costs at full utilization. E is the break-even point. TF represents profits at full utilization of capacity and the difference between EF and ET at various points show profit levels.

If freight rates equal the variable costs, TP will represent total earnings at full utilization and the lines joining various points on VP and VT total represent earnings at less than full utilization. VO represents a loss. As

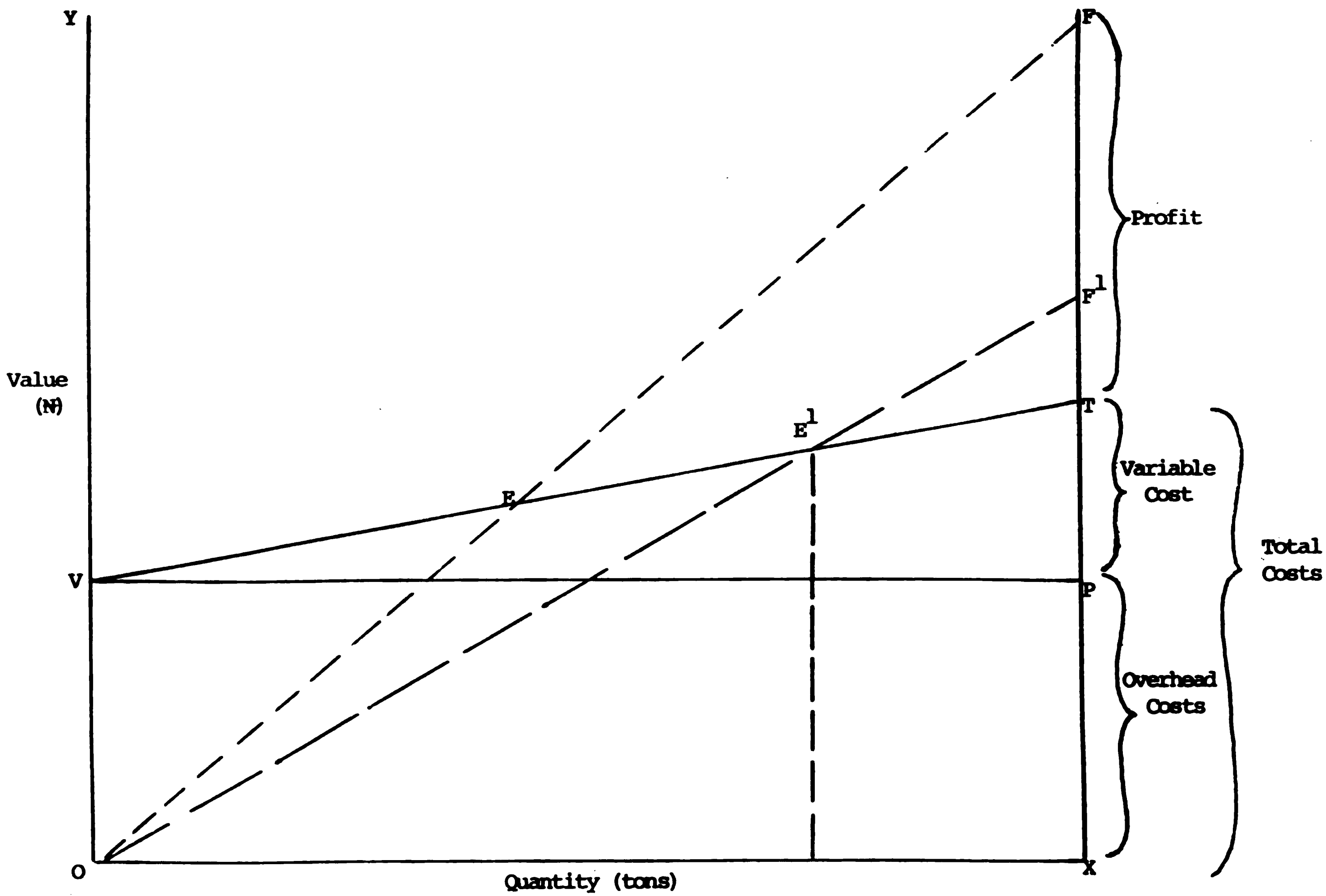


FIG. 2.--Costs--Revenue Functions in Shipping Service.

Adapted from Carleen O'Loughn's Economics of Sea Transport.

long as earnings exceed variable costs, the loss will be reduced accordingly. Of course, the fixed rate OF is ignored here since it is assumed that such rates as are offered are accepted if they equal or exceed variable costs.

If the fixed rate is accepted though the rate per ton is lower than originally, the revenue is OF' and the break-even point is E'. This point is the one near full capacity, and the profit is only TF'. Such profit level may be too low to attract more or hold existing capital in the investment.

From a purely economic standpoint, costs are normally related to units of output since higher outputs lower unit costs. This in essence means that the greater the number of output units the smaller the contribution of each to overheads and the average overhead costs would decline for each additional unit of output until the point of full capacity is reached. In average analysis, profit which equals the difference between average total revenues and average total costs will be maximized at the point of full utilization of resources and this holds for all cases where unit variable costs are either constant or falling over the range of the service provided (Figure 3).

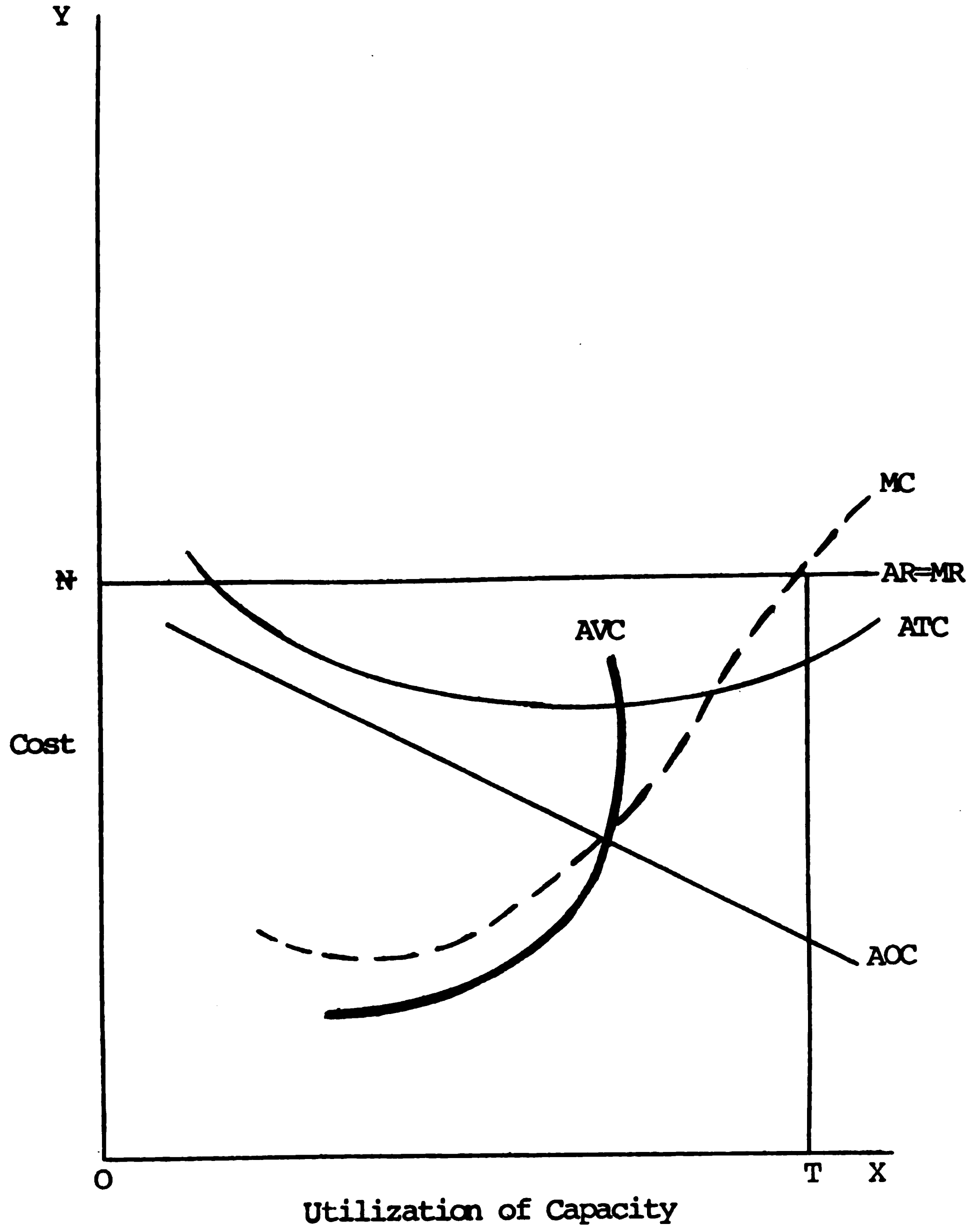
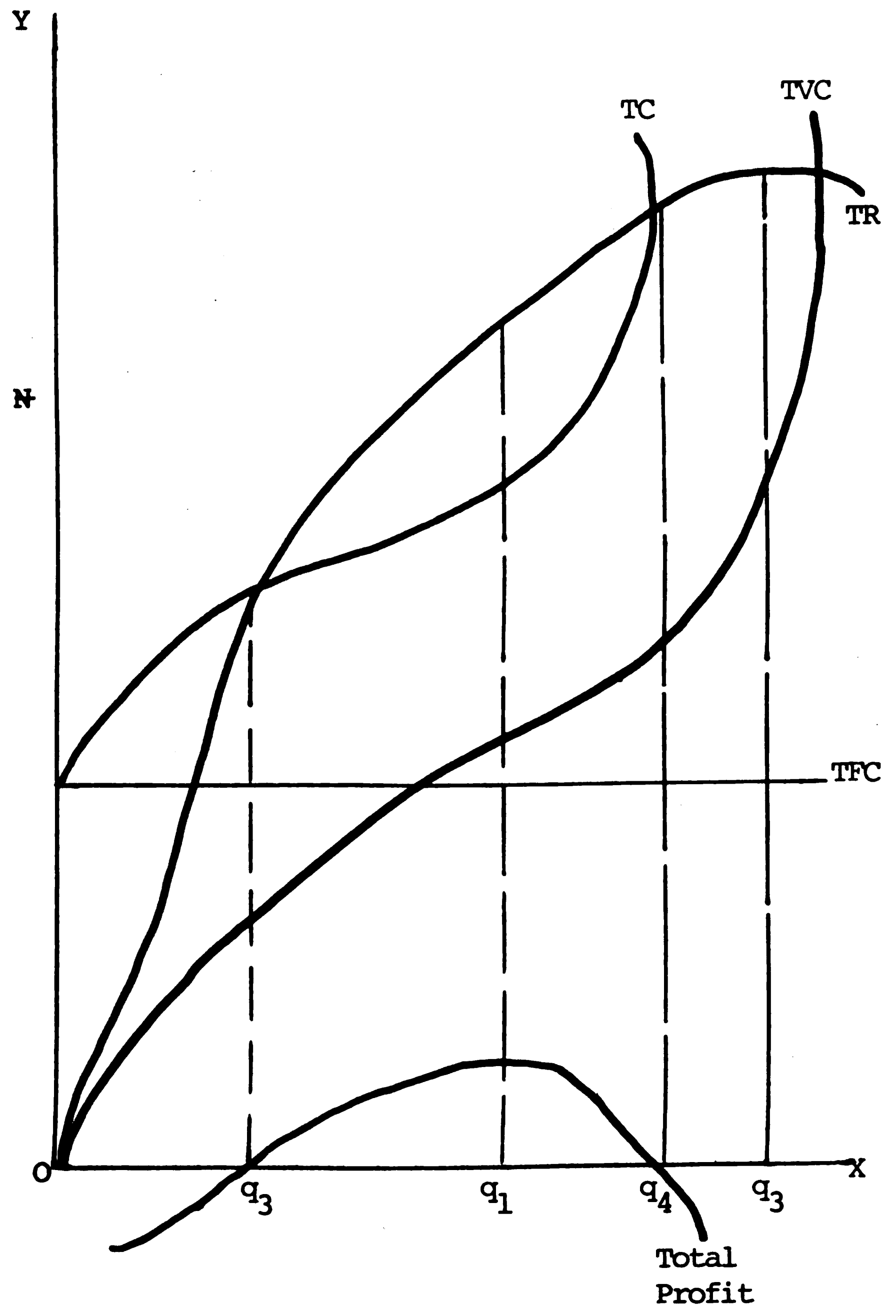


FIG. 3.—Capacity Utilization and Profit

If in a situation of increased cargo offerings, additional overtime at the ports and hence rising marginal costs are involved, average total costs tend to be U-shaped functions. This is true if, for technical reasons, unit costs tend to be increasing between the optimum and full capacity. Assuming average revenue function over the range of services, the most profitable service level is one where the rising marginal costs function intersects from below the average revenue. At this point average and marginal revenues are identical by reasons of constant marginal and average increases. The Point T (on the Figure 3) is that of optimum. In actual fact, the marginal analysis is difficult to use in real life and the complexity of service' joint costs tends to enforce a resort to average or total costs and revenues for profit assessment purposes. Since rates are given, attention is directed more to quantum of services and cost saving methods and efficiency.

Profits in practice are computed as the differentials between all costs (TC) and all revenues (TR) (Table 49a). Profits are at the maximum where that differential is the greatest (Figure 4). Total costs (TC) and total revenues (TR) are made up of important components. Total revenue (TR) may be classified as



q_1 - maximum profit level

q_2 - maximum revenue (income)

q_3 - non-optimum equilibrium

q_4 - sales maximum (physical)

FIG. 4.—Capacity and Service Maximization

TABLE 49a.—N.N.S.L.'s Costs-Revenues Analysis—Calendar Years.

Year	Revenue (N)						Costs (N)				Net Revenue
	From Imports	From Exports	From Cross Trades	From Passenger	From Miscel-laneous Sources	Total	Management Overheads	Vessel Overheads	Variable Costs	Total Costs	
1965	4,909,230	4,550,112	n.a.	21,796	18,450	9,499,588	1,352,198	2,354,090	5,579,186	9,285,474	- 214,114
1966	3,894,036	3,618,908	n.a.	25,518	18,344	7,556,806	1,157,862	2,353,900	4,498,472	8,010,234	- 453,428
1967	3,796,470	3,439,012	n.a.	209,842	16,290	7,461,614	1,081,764	2,383,790	4,144,592	7,610,146	- 148,532
1968	3,607,144	3,612,912	n.a.	15,850	14,264	7,250,170	1,377,684	2,727,266	3,815,322	7,920,272	- 670,102
1969	5,312,172	3,508,788	n.a.	51,420	16,284	8,888,664	1,583,820	3,006,754	5,007,986	9,598,560	- 709,896
1970	12,151,570		n.a.	64,455	184,642	12,400,667	1,018,044	3,906,537	6,907,427	11,832,008	568,659
1971	11,578,455	4,535,618	n.a.	40,369	344,394	16,858,836	1,134,200	4,047,994	9,942,143	15,124,337	1,734,499
1972	9,657,953	5,190,466	n.a.	37,326	108,522	14,994,267	1,067,617	4,131,582	8,346,062	13,545,261	1,449,506
1973	14,100,878		n.a.	39,000	16,873	14,156,851	1,041,083	4,139,942	7,557,753	12,738,778	1,418,073

Note: Both total revenues and net revenues are incomplete due to lack of data on incomes from cross trades.

Source: N.N.S.L. Apapa.

TR = N (x + m, + r + c + a) where

x = export cargoes carried

m = import cargoes carried

r = cross trades cargoes carried

c = charter deals with own vessels

a = assets on which earnings are made, and

TC = N (g + v + y + s + c') where

g = overheads on general administration/management

v = overheads on vessels

y = direct costs on voyages

s = direct costs on services to cargo and passenger handling

c' = charter deals on vessels from other shipping lines (foreign/local)

Net profit (Π) = TR - TC which sum to

$$N\,(x + m + r + c + a) - N\,(g + v + y + s + c') = \Pi$$

Changes in the profit level for a period of a year (for example) is the sum total of all net revenues per voyages and total operations for the period.

$$\sum_{i=1}^{n} (\Pi) = \sum_{i=1}^{n} (TR - TC) = \sum_{i=1}^{n} (\Pi) = \sum_{i=1}^{n} N(x+m+r+c+a) - \sum_{i=1}^{n} N(g+v+y+s+c')$$

Variations in any or most of the above components can change the level of profit. Where data on the components are available it is possible to diagnose the factors affecting profit levels. The company's decisions to optimize the profit margins can be worked out by manipulating the different cost and revenue components.

When the periodical cost-revenue relationships to profit determination are considered in respect of the Nigerian National Shipping Line, the published data in the company's annual reports do not seem to offer sufficient information for serious study of the company's operations[230] (Tables 49b and 49c). One major discrepancy is the difference between the written statements on the financial results of operations and the tabulated financial data in the "financial progress chart."[231] Before using these

---

[230]It was felt that the principle of public accountability should have made the accounts and operational results in the company's reports a sufficient source of information for the average taxpayer, researcher, or other interested persons. Unlike public companies in some Western economies, the secrecy behind the data has been defended on reasons of protecting the company's interests. Reconciliations of the two principles must still be resolved if the needs of public accountability and company's secrets must have their separate roles.

[231]Auditor's Notes on the Accounts--1972 Annual Report.

TABLE 49b.—N.N.S.L.'s Total Cost Components Ratios.

Year	Management Overheads	Vessel Overheads	Variable Overheads	Total Costs
1965	14.6	25.3	60.1	100.00
1966	14.5	29.3	56.2	100.00
1967	14.2	31.3	54.5	100.00
1968	17.4	34.4	48.2	100.00
1969	16.5	31.3	52.2	100.00
1970	8.6	33.0	58.4	100.00
1971	7.5	26.8	65.7	100.00
1972	7.9	30.5	61.6	100.00
1973	8.2	32.5	59.3	100.00
Annual Mean	11.3	30.2	58.5	100.00

Source: N.N.S.L., Apapa.

TABLE 49c.—N.N.S.L.'s Variable Cost Components—Percentages.

Year	Fuel	Port Charges	Cargo Stevedores Freight Charges	Charter Bills	Misc.	Total
1965	8.8	15.1	49.5	21.1	5.5	100.00
1966	9.9	17.1	48.8	18.1	6.1	100.00
1967	10.8	17.5	49.7	15.9	6.1	100.00
1968	11.6	17.4	56.2	5.9	8.9	100.00
1969	8.4	15.6	57.9	10.5	7.6	100.00
1970	9.6	14.2	57.2	17.6	1.4	100.00
1971	8.1	14.8	49.4	22.7	5.0	100.00
1972	6.1	18.6	53.4	16.1	5.8	100.00
1973	5.4	20.2	56.1	12.5	5.8	100.00

Source: N.N.S.L., Apapa.

available data, it may be necessary to point out a few of the weaknesses in these financial reports.

Apparently, the balance sheet did not include all that ought to have been included. Under "Notes on the Accounts," the auditors remarked that "no account has been taken of interest on government loans as the terms of the loans are yet to be determined."[232] Again, under "long term liability" the auditors noted that "no provision has been made for the additional financial commitments amounting to £N 557,196"--equivalent to ₦1,114,392.00 for changes in foreign exchange conversion rates for settlement of payments on the River Class vessels.[233] Unbelievably, the remarks showed that "no reserves and provisions against accruing repairs and maintenance costs of fleet" have been made in the accounts.[234]

Replaceable short and medium life items like the motor vehicles, furniture and fittings, hitherto treated as such, were in 1970-71 treated as fixed assets.[235]

---

[232]Annual Report 1971, p. 9, Note 1.

[233]Ibid., 1971, p. 9, Note 2.

[234]Ibid., 1971, p. 9, Note 3.

[235]Ibid., 1971, p. 9, Note 4.

Apparently this was in a bid to reduce the level of operating expenses and to inflate the capital value of the company. Capital values actually entered for the company's fleet were inflated such that the market value was lower than the book value by ₦ 6.32 million.[236] This process was repeated in the 1971-72 report.[237] The inflated book value of the fleet which was impressive at first sight then challenges the depreciation rates and the reliability of the information they convey. The notes on the accounts for 1971-72 made it clear that

> examination of the creditors' balances revealed that reconciliation with creditors' statements had not been carried out and that it was accepted <u>that there were many discrepancies</u> [underlining by author].[238]

Even the debit balances consisting of (1) government services, ₤N103,319.4.5, (2) staff accounts, ₤N49,856.17.4 (all totaling ₤N1,442,561 or ₦2,885,122.00) were not made available for audit purposes.[239] The auditors had to make their usual reports after taking note of the reservations

---

[236] <u>Ibid</u>., 1971, p. 9, Note 5.

[237] <u>Ibid</u>., 1972, p. 13, Note 4.

[238] <u>Annual Report</u>, 1972, p. 13.

[239] <u>Ibid</u>., p. 13.

above on the accounts. It is, nonetheless, significant that the Board of Directors apparently passed these accounts in their published annual reports.

Enough has been highlighted above to indicate the reliability problems of the published accounts and the balanced sheets. In the absence, however, of any other data, this study will use the available information, at least, cautiously in analyzing the company's profitability. During the 13 years of the company's operations, profit before depreciations were positive throughout the entire period.[240] In other words, on short term basis, when asset recovery may not have been a prime target, variable costs were covered.[241] But on a long term basis (covering the life span of the prime assets--vessels, etc.) nonrecovery of asset values would inevitably lead to a decline in capital and incomes. On the other hand, long term gains in capital and incomes can result from attention to maintenance and modernization of assets.

---

[240] Ibid., p. 15.

[241] Provided interests on capital were recovered since these are costs that should be covered even in the short term. See Carleen O'Loughin, op. cit., p. 119.

When provisions are made for depreciations for capital assets, net profits by the accounts were realized in eight of the thirteen operating years. It is probably consoling that losses were the outcome in only five years. But by aggregation of net losses against net gains, it became evident that the picture is gloomy. By a cumulative treatment of the data, the company wound up after the thirteen years of operations with a cumulative loss of ₦0.6 million or what can work out as annual losses of ₦50,000.00. In other words, the company was run at a loss throughout its entire life (Table 49d).

The incompleteness of the accounts contradicts the cumulative loss of ₦0.6 million in 1971-72 calculated above with the admission in the company's annual reports that "the result shows a loss of ₦2,777,710[242] bringing the accumulated loss to date to ₦4,707,276." By the 1971-72 operating period, the report shows that "after provision for depreciation" the company recorded heavy losses of ₦1,355,434 in 1969-70 and ₦520,682 in 1970-71. It, however, noted a net profit of ₦46,812 in 1971-72 though admitting a cumulative loss of ₦5.7 million to that date. If this is

[242]*Annual Report*, 1971, p. 5.

TABLE 49d.—Nigerian National Shipping Line's Financial Operations Results (N).

Year	Profit Before Depreciation (X_1)	Depreciation (Y_1)	Net Profit (+) Loss (-)	Cumulative Profit (+) Loss (-) (Z_1)
1959/60	458,476	148,892	+ 309,854	+ 309,854
1960/61	877,394	288,446	+ 588,948	+ 898,802
1961/62	691,614	348,506	+ 343,108	+ 1,241,910
1962/63	798,614	368,596	+ 430,018	+ 1,671,928
1963/64	866,382	587,034	+ 279,348	+ 1,951,276
1964/65	712,784	676,840	+ 35,944	+ 1,987,220
1965/66	650,868	739,848	- 88,980	+ 1,898,240
1966/67	70,104	739,994	- 669,890	+ 1,228,350
1967/68	331,348	740,058	- 408,710	+ 1,228,350
1968/69	1,324,670	1,080,764	+ 243,906	+ 1,063,546
1969/70	39,572	1,281,440	- 1,241,868	- 178,322
1970/71	701,514	1,222,196	- 520,682	- 699,002
1971/72	1,281,424	1,234,612	+ 46,812	- 652,192
Total	$\sum_{i=1}^{n} X_1$ 8,805,034	$\sum_{i=1}^{n} Y_i$ 9,457,226		$\sum_{i=1}^{n} Z_1$ 652,192
Mean	X 677,310.3	Y 727,478.9		X 50,168.6

Source: N.N.S.L. Annual Reports.

true, the company lost on the annual average of ₦438,462.00 as against the earlier estimate of ₦50,000 based on the ten-year financial progress chart data of the annual report.

In the absence of reliable values of total assets, the total figures on the asset and debit sides of the balance sheets will be treated as total asset values for this analysis. From the annual reports available, total capital values are shown against both profits before and after depreciations (in Table 50) for 1959-60/71-72. The net profits before depreciation (accepting that financial charges and taxes were deducted) ranged from 15.4 percent in 1960-61 to the lowest level of 0.2 percent in 1969-70 of the respective total capital asset values. When estimates[243] are made on the total asset values for 1963-64/1968-69, the net profits before depreciations and after such depreciations are outlined in Table 50. Net profits as percentages of total asset values showed no definite patterns except that profits before depreciations ranged between 0.2 and 15.4 percentage points of total asset values. The percentages for 1963-64 to 1968-69 are based

[243] Based on partially declared asset values in the ten year financial progress chart (under employment of capital). Annual Reports 1959-60/1971-72.

TABLE 50.--Profits as proportions of total assets.

Year	Total Asset Values (1)[a]	Profit Before Depreciation (2)[a]	Profit After Depreciation (3)[a]	Percentage (2) of (1)	Percentage (3) of (1)
1959-60	N 3.5	N0.46	+N .31	13.1	8.8
1960-61	N 5.7	N0.88	+N .59	15.4	10.3
1961-62	N 6.8	N0.69	+N .34	10.2	5.1
1962-63	N 9.5	N0.80	+N .43	8.4	4.5
1963-64	N 8.6[b]	N0.87	+N .28	10.1	3.3
1964-65	N 8.3[b]	N0.71	+N .36	8.6	4.3
1965-66	N 7.6[b]	N0.65	-N .89	8.5	-11.7
1966-67	N 7.0[b]	N0.70	-N .67	10.0	- 9.6
1967-68	N 6.3[b]	N0.33	-N .41	5.3	- 6.3
1968-69	N17.8[b]	N1.32	+N .24	7.4	1.3
1969-70	N20.0	N0.39	-N1.24	0.2	- 6.2
1970-71	N19.1	N0.70	-N .52	3.7	- 2.7
1971-72	N19.3	N1.28	+N .46	6.7	0.2

[a]All in N millions

[b]Estimates

Source: N.N.S.L. Annual Reports.

on low estimates since actual asset values must have been higher. Indeed the ratios ought to have been smaller, on the whole. The net profits after depreciations indicated losses of nearly 12 percentage points to positive profits of nearly 10 percentage points for 1960-61. Even the profit claimed for 1971-72 was as low as less than a percentage point of the total asset values.

The accepted book values of fleet in excess of the residual values have contributed to total asset valuation difficulty. And, since the actual asset values are uncertain on account of noninclusion of interest rates chargeable on the government funds loaned (or granted), depreciations which were entered appear arbitrary. Such asset values are difficult to estimate because apparently the shares have never been traded on the capital market. At the rate of its profitability relative to other enterprises, it would have been possible to ascertain the real asset worth of the National Shipping Line had the shares been traded on the stock exchange.

Even when the annual changes in the depreciation allowances are matched against changes in asset worth, no specific single pattern of movements is noticeable. If the depreciation data[244] published in the annual reports are accepted, the annual changes in deductions and of assets before depreciations are outlined in Table 51. Such depreciations have ranged from 3.7 percent of total assets to as high as 10.5 percent between 1959-60 and 1971-72.

---

[244] Annual Reports: Ten Year Financial Progress Chart.

TABLE 51.--Depreciations and asset values.

Year	Asset Values Before Depreciation (N Million)	Depreciations (N Million)	Percentage of Depreciations to Gross Asset Values
1959-60	3.65	0.15	4.1
1960-61	5.99	0.29	4.8
1961-62	7.15	0.35	4.9
1962-63	9.87	0.37	3.7
1963-64	9.18	0.58	6.3
1964-65	9.04	0.67	7.4
1965-66	8.34	0.74	8.9
1966-67	7.74	0.74	9.6
1967-68	7.04	0.74	10.5
1968-69	18.88	1.08	5.7
1969-70	21.28	1.28	6.0
1970-71	20.32	1.22	6.0
1971-72	20.53	1.23	6.0

Source: Annual Reports.

What has emerged is that the depreciations have not by the records, assumed straight line deductions.[245] Presumably the reducing balance method must have been used though stable percentages were not established. Since 6.0 percent is apparently the modal value of the depreciation rates, which has shown itself more within the last three years, the accepted rate may be fixed there.

Matched against fleet values[246] the depreciations have ranged from the low of 6.1 percent to the high of 12.0 percent (Table 52). The modal values would be around 8.5 percent of the fleet's book worth. On a net deadweight tonnage basis, such depreciations worked out on the average of around 8 naira per ton and on the average of over 80,000 naira per ship for each of the years.

Since the data on the profitability, depreciations and cost-revenue relations are either not available or not reliable, it becomes difficult to estimate the capital recovery factors. In the first place, capital values are not

---

[245] Adopted in Britain, the full cost of dry cargo ships can be written off in 12 years and of a tanker in 10 years. See Sturmey, op. cit., p. 176.

[246] Book values exceed residual values of fleet. See Annual Reports, 1971, p. 9, and 1972, p. 13.

TABLE 52.--Depreciations and the fleet values.

Year	Number of Own Vessels (#)	Dead-weight Tons (000)	Fleet Values N Million	Depreciations as: Per Ship N	Per Dead-weight Ton N	Percentage of Fleet Value
1959-60	5	48.9	2.6	29,778	3.0	5.8
1960-61	5	48.9	4.0	57,690	5.9	6.6
1961-62	5	48.9	4.0	69,702	7.12	8.7
1962-63	6	58.6	5.9	61,432	6.28	6.2
1963-64	8	79.3	8.3	75,204	7.62	8.2
1964-65	9	88.8	8.3	75,204	7.62	8.2
1965-66	9	88.8	7.6	82,206	8.34	9.7
1966-67	9	88.8	6.9	82,222	8.34	10.7
1967-68	9	88.8	6.2	82,228	8.34	12.0
1968-69	13	129.8	17.7	83,136	8.32	6.1
1969-70	12	120.4	16.3	106,786	10.64	7.9
1970-71	12	120.4	15.2	101,850	10.14	8.1
1971-72	12	120.4	13.9	102,884	10.16	8.9

Source: Annual Reports.

aggregated in any of the published reports. In the second, no stable rates of depreciation deductions are established in the analysis nor are asset values less such depreciations established on a year-to-year basis. But sufficient evidence is presented that the operations of the Nigerian National Shipping Line had not been in the long haul profitable. Where recovery of capital assets were not major considerations, the operations were marginally successful (if published data must be accepted). But as percentages of both total assets and fleet values, the operational results were not encouraging. When the civil war effects are discounted, the post-war profitability was not much different. Indeed, on a cumulative basis, the company had been losing annually throughout its life period.

Without costs and revenue breakdown data, the underlying causes of the poor operational results can only be speculative. More evidence of the poor operational results can be seen in the increasing pumping of external finances along with the declining net working capital of the shipping line (Table 53). Between 1962-63 and 1971-72, the cumulative annual averages of such external finances stood at over N2.5 million. At the same period, the net

TABLE 53.--External finance and net working capital movements.

Year	External Finance		Net Working Capital	
	Annual Values (₦ 000)	Cumulative Annual Averages (₦ 000)	Annual Values (₦ 000)	Cumulative Annual Averages (₦ 000)
1962-63	2,775	2,775	834	834
1963-64	2,688	2,732	129	482
1964-65	2,055	2,506	- 272	230
1965-66	1,422	2,235	- 339	88
1966-67	949	1,978	- 814	- 92
1967-68	156	1,674	-1296	-293
1968-69	12,309	3,193	- 414	-310
1969-70	12,216	4,321	-1266	-430
1970-71	14,301	5,430	560	-320
1971-72	15,157	6,403	1568	-131

Source: Annual Reports.

working capital of the line showed an annual deficit of over ₦131,000 by 1971-72. The overall net losses which moved from ₦2.7 million in 1969-70 to ₦5.2 million in 1970-71 later reached ₦5.6 million in 1971-72. The cumulative losses reached an all time record of ₦5.7 in 1971-72 from N4.7 million a year earlier. Federal government had to advance N3.1 million in 1970-71 and N1.9 million[247] in 1971-72 to meet installment payments on the vessels. The picture here is one of a firm with probably little or no equity capital of its own for either further investment expansion or own funds to meet current operational expenses without subventions from outside sources, loans, and credits.

While searching for the reasons behind the shipping lines' operational and functional results, the annual report[248] ascribed it all to "our past misfortune" which have come about through "port delays and port additional on N.P.M.C. caro" on which revenue losses were N402,500.00 and N216,052.00, in 1970-71 and 1971-72 respectively.[249] Terminal costs,[250] port delays and handling costs of exports of the Nigerian Produce Marketing Company have been

---

[247] Annual Reports 1971 and 1972.

[248] N.N.S.L., Annual Report 1972, p. 8.

[249] Ibid.

[250] For classifications into line haul, terminal, pick up and delivery, billing and collecting costs of distribution services, see D. J. Bowersox, E. W. Smykay, and B. J. Lalonde, Physical Distribution Management, MacMillan, London, 1970, p. 165.

responsible for over 60 percent of all costs.[251] The charter of four vessels on permanent or long term basis for service with the shipping line has involved losses of up to ₦440,234.00 in 1971-72 period. While these factors may contribute to the losses, apparently the built-in inefficiency lies deep in the system. Except for such incidental factors like the devaluation or revaluation effects of some foreign currencies[252] with which installments on the vessels are paid, and which lie outside the powers of the management, the other reasons are endogenous to the system.

Since the National Shipping Line operates within the conferences in which rigid agreements and operational formula, rates, incomes, etc. are not subject to sudden changes in response to the market, any efforts to pursue profitability can only come from greater attention to operation cost reductions and greater efficiencies. What can the National Line do here? The vessels are older (with

---

[251] Interview with the Management (N.N.S.L.) August, 1973 confirmed that view. Also see R. O. Goss, Studies in Maritime Economics, Cambridge, 1968, p. 154.

[252] Including differences in exchange rates due to changes in parity values of foreign currencies, e.g. Deutsche Marks, etc.

mean age of 12.5 years), speeds ranging between 12 and 16.5 knots and increasing costs of repairs and maintenance, little, if any, reductions in operational costs are immediately visible. With fixed quotas in cargo allocations from the pool it is difficult for the National Line to either reduce rates to attract cargo or increase its operations beyond the stipulated quota. Either its rates must fall simultaneously to increase the cargo to be carried (subject to elasticities of cargo supply) or both must increase autonomously, otherwise the chances of immediate changes in the financial picture are slim. Allowing for increases in fleet above the quota permitted by the conferences, greater resort to tramping may likely be the way out when cross trades are taken into account.

The national cargo has got to be increased substantially to enable the National Line to expand its operations into new conferences. The other temptation (which the government of Ghana took some time)[253] is to give a quota of the national trade which this National Shipping Line

---

[253] Dag Tresselt, West African Shipping Range, p. 49. It is even held that the Ghana State Shipping Corporation joins the conferences only on the southbound leg of West European-West Africa route. Operational results are not available for testing the success of this experiment.

must carry annually. The country should, in this case, be prepared for reprisals from foreign shippers, foreign lines and even foreign governments. Obviously, a review of the conference agreements should be undertaken within two to three year intervals instead of once in five years, to make for responsiveness to actual market demands.

It is curious that while the British shipping lines (members of the same conferences) are making profits or rendering reasonable returns on their outlays, the Nigerian National Shipping Line appears to be doing financially so badly. According to Fairplay Magazine, the returns of these British shipping lines were around 5 percent between 1965 and 1969.[254] The recorded ratio of net equity earnings to assets in British shipping companies was 3.9 percent (compared with average of 9.3 percent for a sample of 549 companies in a cross section of industries).[255] Not that the National Shipping Line made low returns but it was involved in net losses. Apparently, the Board of Directors of the Nigerian National Shipping Line met in 1972 and authorized the "resturcturing of the capital base" of the

---

[254] Fairplay Magazine, 1970.

[255] Fairplay Magazine, 1966.

company.[256] There are insufficient facts available to help an assessment of the capital restructuring activity. The Federal government had pumped in more funds to help this capitalization exercise. It is not really clear what factors underlie the poor profitability picture without adequate facts on costs and earnings.

Nonetheless, even when rates fixed by the conferences are sufficiently high to accommodate inefficient firms while not necessarily being too high to attract competitors, it baffles a great deal why the National Line cannot make reasonable returns within the system. In the absence of hard facts, a sample test run based on part estimates and part actual variables on the company's operations will be used to ascertain the determinants of the company's profitability and sound operational results.

Determinants of the Company's Level of Profitability

Earlier in this chapter, some considerations were given to the factors which contribute to costs and revenues

[256] After reviews, the government paid in new advances totaling ₦5.7 in 1971-71 for fleet and capital expansion.

from the management's point of view.[257] In this section, some of the determinants which appear to be of policy nature and often beyond the company's control will be considered. These variables will be applied in a quantitative analysis to determine their strengths or weaknesses in the determination of the company's level of profitability. Unlike single explanatory variables, the model employed here permits the inclusion of multiple variables. These six variables have been selected from a vast population of others to test certain hypotheses regarding their contributions to profit level determination. These variables are:

1. the company's total assets (X_1)
2. the average values of freight rate to total cargo values (X_2)
3. operating ratio--operating costs to operating revenues (X_3)
4. vessels' capacities used (X_4)
5. percentage of pool cargoes allocated by the conferences to the company (X_5)
6. average age of the company's fleet (X_6)
7. the dependent variable--the profit before depreciation (Y_p).

---

[257] See pp. 224-225 and 233.

The Model

The analysis based on a multiple regression is developed on the ordinary linear model under

$$Y_p = b_o X_1 + b_1 X_1 + b_2 X_2 + b_3 X_3 + b_4 X_4 + b_5 X_5 + b_6 X_6 + \varepsilon$$

i.e., $\Pi = f(X_1, X_2, X_3, X_4, X_5, X_6)$.

The Hypotheses

It is hypothesized that the company's profit level is a function of several factors which exert positive and negative effects.

(A) The company's total assets which include all movable and immovable property (dependent on investment pattern) covers buildings, road transport, stores, vessels, and other assets which either increase income or deplete the income. If most of the investments are tied in vessels and other direct operational tools and equipments, subject to costs, the greater the investment _ceteris paribus_ the greater are the levels of profits. The obverse is equally true.

$$\frac{\delta \Pi}{\delta X_1} \gtrless 0$$

(B) The average values of freight rates to total cargo values are directly linked to profit margins. This means at higher freight rates, more incomes are possible subject to elasticities and the effectiveness with which tramp competitions can be controlled. If the supply of services and the demand for services are inelastic, such rate increases can only increase incomes and profits directly.

$$\frac{\delta \Pi}{\delta X_2} > 0$$

(C) Operating ratio--the ratio of total operating costs to revenues is significant in that the smaller the fraction the greater the chances of improved profit margins. As these fractions tend to unity or structurally improper, the worse the profits since costs would tend to approximate or exceed revenues.

$$\frac{\delta \Pi}{\delta X_3} < 0$$

(D) Vessels' capacities in use are directly related to profit levels since at higher used capacities, total carriage will be increased. Subject to total costs of the increments, the chances are that towards fuller capacity utilization, profits would tend to a maximum.

$$\frac{\delta \Pi}{\delta X_4} > 0$$

(E) The percentage of pool cargoes allocated to the National Shipping Line by the conferences would mean increased revenues and hence enhanced profit margins possibly. At lower percentage of allocations relative to their vessel capacities, the National Line would be running at less than optimum carriage. On the other hand the company would be running toward maximum profit margins if such percentages are greatly increased.

$$\frac{\delta \Pi}{\delta X_5} > 0$$

(F) The greater the average age of the company's fleet the more the chances of reductions in its net revenue position. This is due to the fact that at older ages, vessels tend to incur more repair and maintenance expenses which normally are debit items. If increases in these items are greater than the increases in revenues, profit margins are threatened. Thus the greater the average age of the fleet the greater the chances of diminishing profits.

$$\frac{\delta \Pi}{\delta X_6} < 0$$

In summary, therefore the hypotheses are:

1. $\frac{\delta \Pi}{\delta X_1} \gtrless 0$ = total assets are either positively or negatively related to profit levels, depending on asset composition.

2. $\frac{\delta \Pi}{\delta X_2} > 0$ = freight rates are positively related to profits subject to elasticities.

3. $\frac{\delta \Pi}{\delta X_3} < 0$ = operating ratios are negatively related to profit margins.

4. $\frac{\delta \Pi}{\delta X_4} > 0$ = vessel capacity used is positively related to profit margins.

5. $\frac{\delta \Pi}{\delta X_5} > 0$ = percentage of pool cargo allocated is positively related to profit margins.

6. $\frac{\delta \Pi}{\delta X_6} < 0$ = average age of fleet is negatively related to profit margins.

Discussion of the Results

In this aspect, the reader is reminded to interpret some of these results with caution. This is because some of the independent variables were mostly estimates especially such numerical data as involved vessel capacities used, operation ratios and average proportion of total cargo values taken up by freight rates. The results are, however, presented in Table 54. Figures in parentheses are standard errors of each estimate.

The Company's Total Asset Values (X_1)

The coefficient of the company's asset values has, as been postulated, been mixed and had never been significant at the 5 percent level in all the equations. This is due to the fact that no indication was given of the pattern of investment in assets. Where the assets would have been more in vessels which have direct relationship with operations, the coefficients would probably have been positive and could have accorded with other studies.[258]

---

[258] A. D. Couper, *op. cit.*, and ECAFE, *Shipping and Ocean Freight Rates*, New York, 1968, pp. 19-40.

TABLE 54.--Estimates of the Coefficients of the Determinant of Profit Level (N.N.S.L.)

EQ 1. $Y = 1.0022 - 0.0084X_1 + 0.0205X_2 - 1.3216X_3^{**} + 0.0042X_4$
(1.5809) (0.0251) (0.0391) (0.4479) (0.0193)

$+ 0.0602X_5 - 0.0106X_6$ $R^2 = 0.4511$
(0.0851) (0.0565)

EQ 2. $Y = 1.3403 + 0.0029X_1 + 0.0371X_2^{**} - 1.3442X_3^{**} - 0.0011X_4$
(1.3246) (0.0169) (0.0287) (0.0147) (0.0147)

$R^2 = 0.5672$

EQ 3. $Y = 1.2943 + 0.0188X_2 - 1.3123X_3^{**} + 0.0370X_5$
(0.2676) (0.0297) (0.2978) (0.0466)

$R^2 = 0.6257$

EQ 4. $Y = 1.3965 - 1.2301X_3^{**} + 0.0671X_5^{**} - 0.0093X_6$
(0.3549) (0.2822) (0.0201) (0.0475)

$R^2 = 0.6197$

**Significantly different from zero at the 5 percent level.

Average Values of Freight Rate to Cargoes (X_2)

The resulting signs of the coefficient of average values of freight rates to total cargo values have been, as postulated positive in all the equations. The coefficients were significant in Equation 2 but not significant in the others. This must be due to the fact that the variable has positive correlation with profits under normal competitive conditions. In the case of the National Shipping Line which operates on quotas and controlled conference rates, such movements in rates are not easy and their effects on profits may be hampered by oligopolistic control factors of the conferences.

Operating Ratio (X_3)

This has appeared as the strongest independent variable in all the equations. It has appeared quite in consonance with the original postulate and had remained significant in all the equations. As operating ratio denotes the index of the company's efficiency, attention, for policy purposes, must be paid to this variable if profit margins of the National Line are to be improved. This variable has behaved in this study in agreement with findings from theories and other studies.[259]

Used Capacity of Vessels

Here again, the vessel capacity in use variable has had mixed signs contrary to the postulates. It has been at the same time insignificant at the 5 percent level in all the equations where it appears. The irregular observation on this variable is due to the fact that vessels will tend to be part of the total assets under variable X_1. Since controls over the use of vessel capacities are outside the control of the company and freight earnings may be more a function of cargo values than mere volumes, this variable is partly positive and at other times negative in sign terms. But capacity utilization is important at least, to cover variable costs of operations.

---

[259] Carleen O'Loughlin, *op. cit*.

Percentage of Pool Cargo Allocated to the National Line by the Conferences (X_5)

The cargo allocation coefficient in all the equations were positive in accord with the original postulates. The variable was significant in Equation 4. This is important since the laws and operations of the conference system stipulates carriage by quotas. For policy purposes, any attempt to improve the profit level of the Nigerian National Line must take such recourse to hard negotiations within the conferences which allows the National Line to increase her quotas from the pools.

Average Age of the Company's Fleet (X_6)

In consonance with the original postulate the average age of fleet variable was negative in all the equations. This is because the older the vessels the greater the costs of repairs and maintenance with negative effects on profits. In particular, this variable was significant in Equation 1 though not significant in Equation 4. The mixed signs can be the effect of the constraints in vessel use due to the pooling and rationalization of shipping services which negates the competitive conditions underlying the original postulates. But, whatever the signs, age of fleet is negatively correlated with profit margins.

In general, while variables X_1, X_2, X_3, and X_4 together account for only 56 percent of all the variables affecting the Nigerian National Shipping Line's profit margins, it is significant that X_2, X_3, and X_5 should account for 63 percent. So strong apparently are variables X_3 and X_5 that with additions of X_2 and X_6 in different equations (Equations 3 and 4) respectively, the account has never gone below 60 percent. This indicates that for the future of the company and profit, <u>greater attention should be directed to operating ratios and the percentage of pool cargoes the company handles</u>.

Opportunity Costs of Investments in N.N.S.L.

One other way of assessing the economic justification of investments in the Nigerian National Shipping Line is by the estimation of the opportunity costs. In theory, opportunity costs relate to values foregone in the alternative or next best use of the resources employed in the investment. What is next best is philosophical and means differnt things to different people dependent on priorities. Nonetheless, returns on investments of similar magnitudes in other economic sectors can approximate such opportunity cost estimates.

Hypothetically, if the asset values held by the Nigerian National Shipping Line were merely turned into cash and deposited in a commercial bank at 3.5 percent interest per annum for the period of the National Line's life to date, interest earnings compared with profits earned on the investments would appear as in Table 55. Over the period, the conversion of the investments to cash deposits on commercial bank account at simple interest rates would have yielded an annual net average income of N380,000 as against an average annual net loss of N50,000 from investments in shipping. If the profit before depreciations were considered, the Nigerian public treasury would have earned N750,000 on the average as net income per year. It is also doubtful if the asset values would have maintained their prime values if no depreciations for

TABLE 55.—Comparison of interest and profit earnings on N.N.S.L.'s total asset values (₦ Millions)

Year	Asset Values (1)	Net Profits (2)	Interest Earnings (3)	Differences (3) - (2)
1959-60	3.5	0.31	0.12	-0.19
1960-61	5.7	0.59	0.20	-0.39
1961-62	6.8	0.34	0.24	-0.10
1962-63	9.5	0.43	0.33	-0.10
1963-64	8.6	0.28	0.30	+0.02
1964-65	8.3	0.36	0.29	-0.07
1965-66	7.6	-0.89	0.27	+1.14
1966-67	7.0	-0.67	0.25	+0.92
1967-68	6.3	-0.41	0.22	+0.63
1968-69	17.8	0.24	0.62	+0.38
1969-70	20.0	-1.24	0.70	+1.94
1970-71	19.1	-0.52	0.67	+1.19
1971-72	19.3	0.46	0.68	+0.22
Annual Mean	10.3	-0.06	0.38	—

Source: N.N.S.L. Annual Reports.

replacements of deteriorations were not taken account of. With deposit account too, the money values would have been affected by inflation and other value determinants. None-theless, there would have been some updating of values if the calculations of earnings were on compound interest rates.

Comparison of returns on similar investments within the Nigerian economy indicates that net returns before de-preciation of the Nigerian National Shipping Line was the lowest within the survey period (Table 56). This averaged 10.6 percent during the 1960-1966 period for the National Line against 19.2 percent for the Nigerian Tobacco Company; 20.1 percent for Nigerian Cement Company, and 36.7 percent for the Nigerian Breweries.[260] If these figures were stretched to 1972, when the National Line was steeped in losses while other companies (private) made fantastic profits, the comparison would have revealed a most deplor-able situation for the National Line. Incidentally, the NTC, NBL, and NCC have had their stocks traded on the stock exchange while the NNSL depends on government investments

---

[260] Peter Kilby claims the average rate of return of 38 percent on capital investment between 1960 and 1965, *op. cit.*, p. 98.

TABLE 56.--Rates of returns on investments-selected industries (comparison).

Year	Rates of Returns on (₦ Millions) NTC's Capital and Reserves	NCC's Capital and Reserves	NBL's Capital and Reserves	NNSL's Capital and Reserves
	Percent			
1960	16.7	19.5	47.2	13.1
1961	17.8	25.0	49.3	15.4
1962	16.2	28.4	17.9	10.2
1963	17.2	16.4	27.4	8.4
1964	20.2	17.0	26.9	10.1
1965	20.7	15.3	38.6	8.6
1966	25.6	19.1	49.9	8.5

Note: NTC--Nigerian Tobacco Company
NCC--Nigerian Cement Company
NBL--Nigerian Breweries
NNSL--Nigerian National Shipping Line (before depreciation)

Source: Peter Kilby, Industrialization in an Open Economy: Nigeria 1945-1966, Part 2

alone. The incentive to improve performance which stock trading of capital shares of companies may have had on NTC, NCC, and NBL can never touch NNSL which is cushioned from the competitive capital allocative principles. As long as tax money can be siphoned in painlessly, NNSL will operate, how be it, no matter how unprofitably.

A significant observation is the magnitude of capital invested in these four companies under comparison. By 1966, for example, the issued and reserve capital of Nigerian Tobacco Company was ₦15.6 million, that of Star Brewery was nearly ₦8.0 million, and ₦12.8 million for the Nigerian Cement Company. On the other hand, the average capital investment of the Nigerian National Shipping Line has been around ₦15.0 million.[261] The capital investment differentials are relatively not too wide though returns on the operations of the Nigerian Shipping Line had been comparatively poor. In actual fact, the cost to Nigeria in economic terms of the investment in the Nigerian National Shipping Line is the loss of one or two viable industries (companies) capable of returns to public treasury of incomes between 20 to 25 percent of total assets so invested. The losses constitute extra liabilities to the taxpayer.

---

[261] Estimates.

Conclusion

The incorporation of the Nigerian National Shipping Line was the child of sentiments expressing the wishes of a colonial people fed up with political and economic dependence and who wished to set in motion the machinery for their economic modernization and participation in international carriage of their export-import trade. The people's wishes were translated into action by their parliament and government. But when the actual participation of the Nigerian National Shipping Line in the carriage of Nigeria's foreign trade was examined, the company maintained some 5 percent of the fleet strength of the conferences which operate on the Nigeria-U.K. and European trade routes but actually carried an average of 10 percent of the country's total external trade. Is the company a paying concern in the economic sense? This is doubtful since the net profit levels have been negative on the average during the 13 years of its operation. When its earnings are compared with other companies (mostly private) the National Line has been a losing proposition. The opportunity cost of the public investments in that company is the foregone alternative investments possible in other sectors of the economy where profits would have been made. The current operating losses of the National Shipping Line, therefore, constitute extra burdens on the taxpayer of Nigeria on which the painless and fruitless pump-priming of scarce resources into that company depends. It is only by paying special attention to the important determinants of profitability indicated by the multiple regression analysis results--operating ratios, capacity utilization of vessels, percentage of pool cargo allocated to the company, etc., that the management of the National Line improve the net revenue position.

CHAPTER VI

EVALUATION OF THE NIGERIAN NATIONAL SHIPPING LINE'S PERFORMANCE: PRINCIPLES OF IMPORT SUBSTITUTION/EXPORT PROMOTION AND NET BALANCE OF PAYMENTS CONTRIBUTIONS

Principles of Import Substitution

Another major reason behind the incorporation and operation of the Nigerian National Shipping Line was the "earning and conserving of much needed foreign exchange through increased participation in the movement of the national exports and imports."[262] Within this context, the operations of the Nigerian National Shipping Line is to be examined from the criteria of import substitution as well as export promotion and positive contributions of foreign exchange earnings to the nation's balance of payments assets.

---

[262] Nigerian National Shipping Line, Information Pamphlet, Lagos, pp. 2-3.

The principles of import substitution[263] is derived from the notion of producing locally such items of industrial products hitherto imported and on this score cut off or reduce the level of foreign exchanges usually spent in such purchase from foreign markets. Applied to shipping, this means less reliance on shipping services offered by foreign shipping lines. It involves the incorporation of indigenous shipping lines, the acquisition of shipping tonnages by purchase or charter and the control of their operations such that foreign exchange hitherto spent on foreign lines services are reduced while such incomes are rather earned by the indigenous lines.

Nations with more or less chronic shortages of foreign exchange consider merchant shipping as one way of improving the earning and conservation of foreign

---

[263] A. Maizels, Industrial Growth and World Trade: 1899-1959, Cambridge University Press, 1963. Also H. B. Chenery, "Patterns in Industrial Growth," American Economic Review, September 1960, pp. 639-641.

currencies.[264] Professor Goss[265] has indicated that such belief is predicated on the following hypotheses:

i. That investment in shipping will improve the balance of payments.
ii. That shipping possesses some characteristic which makes this effect particularly large, even when the return on capital is smaller than obtainable elsewhere.
iii. That the benefit to the balance of payments is greater when the ships operate in cross trades (i.e., on voyages which do not involve calls in the ships' home country).[266]

The question here is not necessarily how much foreign exchange will the indigenous fleet earn nor what the net excess of foreign exchange earnings over foreign exchange expenses will be? The crucial question is: What is the net extent to which the balance of payments differ from what it would have been if the investment in the Nigerian National Shipping Line (for example) had not taken place?

---

[264] India is typical in this belief. See Nagendra Singh, Achievements of UNCTAD-I and UNCTAD-II in the Field of Shipping and Invisibles, S. Chand and Co., New Delhi, 1969.

[265] R. O. Goss, Investment in Shipping and the Balance of Payments in Studies in Maritime Economics, Cambridge University, 1968, p. 46.

[266] The hypotheses are extreme views which Professor Goss has refuted. See R. O. Goss, ibid., p. 54.

This net difference is the resultant total effect of a number of separate effects of freight earned, passenger revenue earned, spending on shipping matters abroad and at home and the capital costs of ships (taking foreign and domestic currency).[267]

The real contribution of the nation's shipping to its balance of payments is derived from the national transportation accounts (see Table 57) and is the net difference between credits and debits, subject to certain statistical adjustments.

Net gain to balance of payments equals

$$Nx - Ny = Nz$$

Theoretically, had the investment in the national fleet not taken place, the nation would have lost earnings from freight (exports), cross trades, and foreign passenger receipts to foreign lines. At the same time, the country would have avoided overseas disbursements incurred on purchase of the vessels and their overseas operations but would have gained added expenditures by more foreign ships

---

[267] Carleen O'Loughlin, op. cit., pp. 35-40.

TABLE 57.—National Shipping Contribution to Balance of Payments.

1. Credits
   a. Freight earnings by Nigerian flag[268] (exports)
   b. Receipts from foreign passengers
   c. Marine insurance from foreign sources
   d. Ships stores, minor repairs, bunkers services for foreign ships
   e. Port dues, fees, port handling expenses paid by foreign ships
   f. Foreign crew expenses in Nigeria
   g. Charter fees by home shipowners
   h. Drydock receipts in Nigeria
   i. Freight on cross trades

   Total credits Nx

2. Debits
   a. Freight payments to foreign flags[269] (imports)
   b. Nigerian passenger payments to foreign flags
   c. Marine insurance paid abroad
   d. Ships stores, repairs, bunkers paid abroad
   e. Port fees, dues, etc., paid abroad
   f. Crew (Nigerian) expenses abroad
   g. Charter fees paid abroad
   h. Drydock payments paid abroad

   Total debits Ny

in the nation's ports. As such, all imports and exports would have been carried by foreign flag vessels. And, given the quantum of Nigeria's trade, currently valued at nearly N2,500 million annually, the country would have been

---

[268] S. G. Sturmey, British Shipping and World Competition, op. cit., p. 416.

[269] Assuming the importer pays the freight and no effects of elasticities and shiftability of freight payments.

losing (allowing a 10 percent freight rate ad valorem)[270] a total of ₦250 million every year. The real gain in net terms would, however, depend on the relative ratios of the different components which sum to the debits and credits in the national transportation accounts.

Nigeria's balance of payments on transportation accounts is designed on the methodology of the International Monetary Fund's Balance of Payments Manual[271] where transactions of the shipping sector are grouped under: 1) freight on international shipments, 2) other transportation, 3) investment income, and 4) other services. A careful examination shows that between 1967 and 1971, for example, Nigeria had been losing on transportation accounts (Table 58) and the deficits had been expanding in magnitude if accounts on both the oil and non-oil sectors are aggregated. But, taking the non-oil sector alone, the same trend is observed except for 1971. When transport accounts for the oil sector is evaluated, the deficit was the worst

---

[270]UNCTAD, Level and Structure of Freight Rates, Conference Practices and Adequacy of Shipping Services, TD/B/C.4/38/Rev. 1, New York, 1969, pp. 19-22.

[271]International Monetary Fund, Balance of Payments Manual, Washington, D.C., Third Edition, 1961, pp. 1-18.

TABLE 58a.—Services Account (Section A Items 3,4,5,6,8)—Transportation (Non-oil Sector) ₦ Millions).

Items	1967		1968		1969		1970		1971	
	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit
3. Freight and insurance shipments	8.0	0.4	14.8	0.8	14.4	1.0	5.4	0.6	12.8	1.4
4. Other transportation	10.0	16.0	10.0	19.6	18.4	23.4	20.2	18.4	25.2	33.6
5. Travel	2.6	20.0	2.0	23.0	2.0	24.0	4.6	25.8	5.4	30.0
6. Investment Income	7.2	48.4	5.2	113.0	6.0	116.0	11.0	118.8	9.6	119.4
8. Other services	12.2	28.8	15.2	40.6	15.4	44.0	7.4	60.0	10.8	27.4
Balance (Net)		-73.6		-149.8		-152.2		-175.0		-148

TABLE 58b.—Services Account (Section A Items 3,4,5,6,8)—Transportation (Oil Sector) ₦ Millions.

Items	1967 Credit	1967 Debit	1968 Credit	1968 Debit	1969 Credit	1969 Debit	1970 Credit	1970 Debit	1971 Credit	1971 Debit
3. Freight and insurance shipments	—	—	—	—	—	—	—	—	—	1.6
4. Other transportation	—	—	—	—	—	—	15.8	—	8.8	—
5. Travel	—	4.0	—	10.4	—	3.8	—	10.0	—	—
6. Investment Income	—	39.6	—	—	—	—	—	—	—	212.4
8. Other Services	—	59.0	—	46.0	—	92.4	—	87.0	—	114.2
Balance (Net)		-102.6		- 56.4		- 96.2		- 81.2		-319.4

Note: Debit—increase in assets or decrease in liabilities.

Source: Central Bank of Nigeria, Annual Report.

in 1971. If freight and insurance on international shipping are taken together, the picture will not be different since transportation accounts had all along been a debit item on the overall balance of payment schedules.

Above trend was confirmed by an independent sample study by the Central Bank of Nigeria in 1969 for a business period covering 1964-1968.[272] This study covered vessel ownership of 13.4 and 14.1 percent indigenous owned or indigenously chartered as against 86.6 and 85.9 percent foreign owned or foreign chartered in 1967 and 1968, respectively. Since the information was based on responding companies only and at a time private ship charter was at its highest point among Nigerian shipping firms, the picture contains elements of bias. The data are not reflecting total transactions due to poor response[273] from shipping companies. The conclusion was that the impact of the operations of foreign shipping companies had been a persistent deficit arising from transfers on freight earnings.

---

[272] Central Bank of Nigeria Research Department, "International Shipping and its Effects on Nigeria's Balance of Payments: 1964-1968." Lagos, 1969 (unpublished).

[273] _Ibid._, p. 4, no response index was indicated, however.

In the case of the indigenous companies, the study concluded that there "have been deficits in the transportation account." The overall deficits were attributed to the "agency status of foreign companies in Nigeria and the charter of foreign ships by indigenous companies." This evidently must have been partly confirming the reasons for the memoranda of the Ministry of Finance[274] which sought to minimize the loss of foreign exchange through ships' charters and which succeeded in driving most of the Nigerian private shipping lines out of business.

Taken from a national accounting system, the net difference or balance between receipts and payments may not totally matter insofar as that difference between receipts and payments in foreign currencies is positive. The shipping endeavors would thus have been justified. Taken at the micro level, the data on the Nigerian National Shipping Line would be able to show justification if the foreign exchange content of incomes and expenses indicate balances in favor of the National Line. Where the net contribution in foreign exchange is positive, the import

---

[274]Ministry of Finance, Memoranda to All Insurance and Shipping Companies Operating in Nigeria, Lagos, 3 September 1968 and 18 November, 1968 (Appendix IV and Appendix V).

substitution objective is fulfilled. The overall receipts and payments in respect of the Nigerian National Line would be broken down as in Table 59.

TABLE 59.--Hypothetical Balance Sheet on Shipping.

Payments (Costs)	Receipts (Income)
1. Firms Overheads a. General (Administrative) b. Selling (Advertising, etc.) c. Marine	1. Income from Carriage of Exports
2. Vessel Overheads a. Maintenance/repairs b. Insurance c. Depreciation d. Staff costs	2. Income from Carriage of Imports
3. Voyages Direct Costs a. Fuel b. Port charges, etc. c. Other charges, etc.	3. Income from Cross Trades
4. Variable/Direct Costs a. Cargo b. Passenger	4. Income from Charter of Own Ships
5. Charter Costs	5. Income from Other Assets
6. Payments of Vessel Costs and Interests	
Total = Nx	Total = Ny

If the difference between Nx and Ny is Nz, it does not matter much for the nation, at least, even if the Nz is negative. If the foreign exchange contents of Nx, Ny, and Nz is such that Nx (foreign exchange) less than Ny (foreign exchange) i.e., Nz (foreign exchange) is positive, the criteria of import substitution is justified. Indeed, the net addition of foreign exchange earned to balance of payments must be positive.

Unfortunately, the total costs and incomes of the Nigerian National Shipping Line are not made available. But from the scanty data available, some construction of foreign exchange situation may be attempted. In the first place, the ships used (whether new or second hand) were built in foreign yards. These constitute costs in foreign exchange. When the ships are bought from short-term or long-term loans, payments of the principals and interests are substantial indeed. The charter of foreign vessels to enable the National Line to expand its operations also constitute drains on foreign exchange. The salaries and wages of expatriate staff (whether totally or partially paid in foreign currency) also place lien on foreign exchange budgets. Expenses by crew and staff in foreign ports as well as repairs, port charges, fuel and bunkers and insurances paid for in foreign lands constitute costs in hard foreign currencies.

On the receipt side, earnings from the carriage of export (provided its freight is paid for by the overseas buyer and cannot transfer it back to the seller) will constitute foreign exchange earnings. The carriage of imports in which the seller pays for the freight constitute foreign exchange earning if carried by the Nigerian National Line. Incomes from cross trades constitute foreign currency incomes. The National Shipping Line is a charterer of foreign vessels and thus has zero income from foreign charter parties. In the case of incomes from other assets, it is doubtful if the company's foreign offices are owned and sublet and if the agencies overseas do earn incomes from services for foreign customers.

An examination of the balance sheets and profit and loss accounts (from the company's annual reports) indicate the strategic areas of losses. While the overall losses of the National Line have been very significant, the analysis of the sources of such losses have shown ships' charters to have involved the company in a total deficit of

₦440,230 in 1971-72. At the same time, finance charges, presumably sizeable, which would relate to some overseas loans, and interests on long term loans on River class vessels have amounted to ₦1,051,486.00. Difference in exchange rates at the period accounted for ₦314,754. When the federal government was forced into making a ₦1,900,000 advance in 1972 to pay installments on the River class vessels, which brought the total advance for the same purpose to ₦5,037,222 by the same accounting period, the picture is clear that the company's contribution in foreign exchange to balance of payments was negative.

The balance of operations show deficits in the following areas in 1971-72:

Charters ₦440,230

Interests on Capital Loans ₦1,051,486

Repayment of Capital on Vessels ₦1,900,000

In real foreign exchange terms, these few items indicated losses of over ₦3.4 million for that period. The cumulative losses after finance charges and interests stood in 1971-72 at ₦5.7 million and government advnaces for repayment of capital charges on vessels amounted to ₦5.0 million.

The company evidently did not make a positive balance in foreign exchange. This is more so when it is known that finance charges and interest may be mostly on foreign capital charges on vessels bought and the charter fees are for foreign vessels. The picture is one of net foreign exchange losses. That the government had to come to the line's rescue by making payments of installment charges on the vessels indicates that the firm was in complete deficit, at least, in foreign exchange balances.

The criteria of import substitution is that foreign exchange be saved by providing goods and services which hitherto were provided by foreign producers and paid for in foreign currencies. This has not shown itself to be true here and equally applies to the private Nigerian lines.[275] Where shipping services were offered in replacement of such services by foreign lines (even where the services were significant) they were at the expense of foreign exchange losses. The displacement of foreign lines at the Nigerian ports in this context meant a loss of those expenditures at the Nigerian ports by those lines. Where

---

[275]This trend was noticed by this researcher in a private study conducted in 1969 on foreign exchange costs of selected Nigerian private lines' shipping

shipping services were offered in replacement of such services by foreign lines (even where the services were significant) they were at the expense of foreign exchange losses. The displacement of foreign lines at the Nigerian

---

operations in the 1967-68 export season. The results are tabulated under here:

TABLE 60.--Private Nigerian Line's Operations (1967-1968).

Shipping Lines (1)	Export Tonnage of NPMC Cargo Carried (2)	Freight Paid (N) by NPMC (3)	Approved Foreign Exchange Transfers (N) (4)	Percent of (4) to (3)
Eagle Line	92,333	1,023,348	1,494,122[a]	146
Anansa Line	37,713	377,268	214,906	57
Nigerian International Line	27,578	256,346	340,680[a]	133
African Shipping Agency	7,411	80,242	54,202	68
Equitorial Line	23,384	518,208	294,000	57
Nigerian Inter-oceanic Line	1,345	112,416	107,876	96
Maritime Assoc.	8,200	82,014	23,112	28
Ibru Sea Foods	7,638	76,948	202,994[b]	264
Nigerian National Shipping Line	250,450	n.a.	534,678	n.a.

Companies with (a) had foreign exchange request carryovers while the case of (b) are those with more needs than ordinary shipping since the firm dealt in fishing activities also. Freight paid here did not indicate total earnings for the period.

ports in this context meant a loss of those expenditures at the Nigerian ports by those lines. Where the differentials between their earnings and expenditures in Nigeria offer positive balances in favor of Nigeria, the foreign exchange contributions to balance of payments would be more preferred.

The situation as here outlined shows that the Nigerian National Shipping Line had made net negative foreign exchanges to the balance of payments. This is due to the fact that all the vessels were purchased abroad since there are no shipyards in Nigeria. As such, foreign exchange is involved in payment for them. Moreover, nearly a good proportion of the fleet are second-hand where on the quadrennial surveys for the fifth, ninth, thirteenth, seventeenth, and twenty-first years of the ships' life falling due would involve with great severity higher foreign exchange payments for repairs.[276] Briefly summarized, the situation is a function of greater spending overseas as a component of total spending which far outweighs the company's total earnings of foreign exchange as a proportion of all incomes.

---

[276]There are no local yards for major drydock repairs in Nigeria. For details of such surveys see R. O. Goss, op. cit.

It would, however, be one-sided to view the earning and conservation of foreign exchange by the Nigerian National Shipping Line only in the short run. The important point is not just the imbalance in foreign exchange in the transportation account generally or in the shipping activities, in particular, which so much matters. Since shipping, like all other transportation activities, is not demanded for its sake but is a derived demand on the basis of what it enables the economy to accomplish, the imbalance in shipping services account can be more or less meaningful in the long run. Again, it is meaningful when related to the level of economic activities which it enables the nation to achieve. In this case, the emphasis on positive balances on foreign exchange of the past years of tight balance of payments situations may be relaxed at periods of improving and improved foreign exchange positions on international accounts.

A careful analysis of balance of payments between 1960 and 1972 will reveal interesting information. The first trade surplus of ₦55.4 million since 1954 was recorded in 1966[277] (see Table 9). Between 1955 and 1965, the

[277] Federal Office of Statistics, Review of External Trade, Nigeria, 1966, p. 1.

country had been running on trade deficits. This is understandable when the foreign exchange reserves were apparently being steadily eroded to offset the imbalance in payments. The emphasis then was on plugging all avenues of foreign exchange losses. Reference to Table 9 shows that trade balances which were in favor of Nigeria in 1954 became ever after unfavorable between 1955 and 1965. It was not until 1966, twelve years after the last positive balance, that exports of Nigeria ever exceeded imports again. The major assisting factors were the contribution of the oil sector and controls on imports. The favorable trade balances and hence favorable balance of payments led to some relaxation of tensions over deficits caused by transport accounts. In particular this was encouraged by the realization of the positive contributions of certain economic activities to payments balances even when transport accounts pertaining to them ended in deficits (see Table 58a). The contribution of the oil sector to the balance of payments were significant in helping the favorable balances of payments even when transport accounts in the oil sector showed deficits (compare Tables 58a and 61).

TABLE 61.—Trade Balances and Foreign Exchange Reserves.

Year	Trade Balance	Contribution of Oil Sector	Foreign Exchange Reserves
1965	- 14.0	n.a.	168.8
1966	+ 55.4	n.a.	145.2
1967	+ 36.4	97.4	77.8
1968	+ 37.0	57.6	8.38
1969	+ 138.8	106.6	99.0
1970	+ 129.0	263.8	157.6
1971	+ 214.2	585.6	277.0

Source: Central Office of Statistics and Central Bank of Nigeria.

Export Promotions Principles

When the question of export promotion is analyzed in connection with the Nigerian National Shipping Line, no definitive statement can be made. There are no real indications that the National Line as at present constituted does or does not promote Nigeria's exports. In the parlance of shipping theory, export promotion is possible more with the type of freight rates which are sufficiently low enough to enable the local export goods to compete in foreign markets. Low freight rates on local export commodities, sometimes below the going levels, are possible

with subsidies from the government. Even with government subsidies, where the national flag ships operate within conferences with fixed rates and centrally controlled schedules, the National Lines have little opportunities to operate on separate rates. Apparently the Nigerian National Shipping Line is in this position since it maintains the conferences' fixed rates and operates within the centrally controlled pooling system.

As was discovered earlier, the Nigerian National Shipping Line holds some 10 percent of the export-import trade market of Nigeria. This market share of services is so insignificant that the National Line cannot afford separate rates which may be interpreted by other conference members as price war. The National Line cannot afford a price war since it will come off the worse and the national trade may be jeopardized. Indeed the Nigerian National Line is unable, at least, not at this time, to give promotional services to Nigeria's exports. The joint services organization in which the company serves has no space for special rates for specific members unless such rates are agreed to by all and apply to all members of the conference.

The Freight Investigation Bureau of India, set up at the instance of that country's export promotion drive in 1959, hoped to secure a "machinery for fixing freight rates by mutual consultation between those who provide sea transport and those who use it."[278] One of the achievements has been freight reduction and adjustments particularly in the case of nontraditional items of India's exports, which suffer from discriminatory or anomalous freight rates. This achievement merely puts the export commodities affected at par with their counterparts in other countries. The one area where the Bureau calls for more action is in the area of "promotional freight rates." Such "low rates" which can encourage the flow of goods of nontraditional character, especially from developing countries, will involve some sacrifice on the part of the shipping lines. In the long run, the compensating variation of increased volume will offset possible losses that would have accrued from high levels of rates. Of course, indirect government assistance through reduced port costs to liners carrying such exports, for example, will aid the export promotion exercise.

---

[278] Indian Institute of Foreign Trade, Ocean Freights and India's Exports, New Delhi, 1967, pp. 105-106.

promo

as a

fo

What the Indian National Lines are doing for export promotions of India's nontraditional products should serve as an example for Nigeria's National Line. On the current form, Nigeria's industrial products are still to saturate the local demands. Except for quite a few items, no real scope exists for nontraditional export promotion activities abroad for the Nigerian National Shipping Line currently. It is hoped that the National Line should be able to perform this service to Nigeria's export trade in due course.

Such a promotional exercise is only possible when the National Line has acquired sufficient market power to either maintain a promotional set of freight rates or is able to carry the other conference members along in such an adventure. In the first instance, the National Line will need increased governmental subsidy cushioning to carry such export commodities at less than the effective operating freight rates. Alternatively, direct export promotion subsidies may be paid to the shippers to enable them to enter foreign markets. Whatever is the situation, government backing is needed to ensure that the carriers cooperate to promote such export drive. On current form, the National Line does not involve itself with export *prom*

tion

t

s

i

b

promotion. It is engaged in some form of import substitution in the shipping area.

Conclusions

The National Shipping Line's operations involve some elements of import substitution. Even at this, the level is really marginal since the bulk of the service to Nigeria's trade is still handled by foreign shipping lines. There is no service to export promotion since there is currently no export promotion drive on hand. The industrial sector is at present struggling to satisfy the internal demands for its products. Maybe, in the near future, export promotion through shipping and some enhanced freight rates may become important. When the earning and conservation of foreign exchange are considered, the Nigerian National Line is a net loser of foreign exchange. Since the service helps the exports of Nigeria's products, the services may be worthwhile. But whether it would have been better to depend on foreign carriers instead of investing so much in an indigenous shipping line which is a net loser of fo

econo

Chapt

of foreign exchange, the question involves more than purely economic reasons which are the subjects for discussion in Chapter VIII.

CHAPTER VII

EVALUATION OF NIGERIAN NATIONAL SHIPPING LINE'S PERFORMANCE

Principles of Freight Rates Stabilization, Yardstick for Measuring Freight Rate Heights and Movements and of Employment Generation

The next line for evaluating the aims of the incorporation and operational results of the Nigerian National Shipping Line is with respect to three other principles. The evaluation here will cover the freight "rate stabilizer" basis, the yardstick for comparative measuring of the movement and heights of the freight rates in the home market relative to other routes, and the basis of employment generation. Each of these will be treated separately hereunder.

Freight Rate "Stabilizer" Principle

In the context of the principles of rate stabilizer, it was recognized that

This
den
w
c
T
t
b

> an economy which is entirely dependent on foreign shipping services can be exploited and held to ransom . . . indigenous shipping acts as a catalyst by influencing freight rates charged by foreign shipping lines.[279]

s assumes the eventual attainment of commercial indepen-
ce by the country because the National Shipping Line
ld be able to take up larger and larger shares of ship-
g services in Nigeria. The possibility of this happen-
is predicated upon the operation of the company judged
ely as an economic proposition or with the use of extra-
nomic powers of government to ensure that the company
ds a substantial share of the market. Both methods will
examined later on.

Already it was noted that by 1971-72 the Nigerian
ional Shipping Line handled 10 percent of the carriage
igeria's total external trade and had a fleet strength
valent to 6.3 percent of UKWAL's and 3.4 percent of
C's totals.[280] Both by fleet strength and by effective
iage of trade, the National Line is a marginal company.
rown its degree of "nonindependence," the company

---

[279]Nigerian Produce Marketing Company, Memorandum
he Ministry of Transport on Transportation of Cargoes
ndigenous Shipping Companies.

[280]Page 216 supra.

main

is s

port

of v

rat

n

H

ıintains cargo pool arrangements within the conferences it : serving and by the system of rationalization of transrt operations, the National Line has almost little powers very independent decisions on what to carry and what tes to charge. A company in that position normally has independent pricing policy of its own for services renred.

But the Nigerian National Shipping Line within the ferences has some element of powers. The patronage ch the conferences enjoy from the Nigerian Produce Maring Company is partly a function of the latter's panage of the Nigerian Shipping Line. Speaking of this ronage, the General Manager of the National Line noted

> True enough, WALCON's joint traffic arrangement demands that member lines should put all cargoes they are able to secure into the common pool. All such cargoes are subsequently reallocated to respective members according to the agreed percentage shares.[281]

ent further,

> ve need not advance any further argument to justify N.N.S.L.'s stand and hope that you vill also agree with the principle that the uantum of cargo any conference member can ring into the pool, amonst other things,

---

[281] N.N.S.L. Memo to Ministry of Transport, Lagos.

In t

crea

some

og

determine its extent of influence and bargaining power within the conference fold.[282]

the memorandum, the General Manager pleaded for in-
eased N.P.M.C.'s patronage from 50 percent allocation to
e 60 percent. Even the Federal Nigerian Government rec-
ized and apparently agreed with the principles when it
noted that:

> The bargaining strength of any member of a conference depends not only on the volume of cargo it can carry and on the number of ships it has but also on the quantum of cargo it can bring to the conference pool.[283]

strong bargaining powers of members as a function of
t such members can bring to the common pool was con-
ned by the conferences' representative in Lagos.[284]

Since government has not directly intervened to
engthen the powers of the National Line both within the
ferences and in the market in general, it may be held
the patronage the National Line and consequently the
erences receive should ensure that bargaining strength.
strength may be of some significance in the fixing of

---

[282] Ibid.

[283] National Economic Council, Paper on Shipping.

[284] Interview with A. J. E. Christopher in Lagos,
st 1973.

frei

and

expo

appa

ter

i

it

to

ma

w

c

eight rates. Presumably the National Shipping Line can d often does influence the rates fixed for Nigeria's port-import commodities. But a major problem is the parent conflict between national interests and the in- rest of the company in its effort to cover its costs and prove its net revenue position. It was earlier noted at this type of conflict faced the United Africa Company d John Holt, initially merchants depending on the West rican Lines Conference for shipping services, who later ayed ambivalent roles in the Merchants' Freight Associa- on while still common carriers through the Palm Line and nea Gulf Line's operations. The major question is: the National Line help stabilize freight rates for pping services affecting Nigeria's external trade? initive statements on this are difficult but presumptions possible.

A rate stabilizer principle as defined by the abil- of the National Line to influence and prevent undue and frequent gyrations of rates cannot be determined. The or issue is whether the rates as at present prevailing ld have been any different had the incorporation and the ration of the National Line not taken place? Here again

with
None
wit
te
t

T
be
er
di

nout actual data, the question becomes hypothetical.
etheless, since the National Line is a marginal firm
hin the conferences, it is serving, and since its in-
est is in making its operations more of a business in
economic sense via the profit margins and share of
market, it may be taken that any observed stabilization
not due to the actions of the National Line directly.

A major feature of the market among the conference
bers in West African shipping trade is that since syste-
c preferential treatment has been accorded by the mar-
ng boards to the national lines in the allocation of
ght from their home ports, and, since the conferences
several of the member lines have taken active parts in
blishing the national lines, both by financial support
by day-to-day management of the vessels, the attitude
he conferences have been one of good will. In Dag
selt's[285] words, the principle had been, "if you cannot
them, join them" which has fostered a "spirit of tol-
t and enthusiastic cooperation." It is, nonetheless,
icult to assess the effect of that paternalistic

[285] West African Shipping Range, op. cit., p. 46.

tude on the part of the conference on the actual muscles he Nigerian National Shipping Line. It must be admitted there must have been disagreements during quota and e negotiations. But whether the Nigerian National Ship- Line can step out of the ring to take a strong posture ates by itself in defiance of the conferences, in the of its marginal existence, is a different story.

A careful check on the movements of freight rates ating in Nigeria's market should first indicate whether e is any stabilization at all. The case of the Niger- 'roduce Marketing Company's agreed rates on selected 't commodities with the major European-West Africa con- ces are shown in Tables 62 and 63. Evidence shows the increases were somehow slow and not very frequent. xample, between 1966-67 and 1972-73, rates on cocoa e United Kingdom or to the North Continent of Europe up 21.7 percentage points and 19.1 percentage points, ctively. These averaged about 3.1 percentage points lly. On the whole, only the rates on oil seeds which up an annual average of 5.8 percentage points on the d Kingdom route was considered the highest among these ted export products analyzed.

Year	Cocoa		Oil Seeds		Cotton Lint		Palm Oil	
	United Kingdom	North Continent	United Kingdom	North Continent	United Kingdom	North Continent	United Kingdom	North Continent
1966/67	1,151	1,151	9,716	9.716	1,801	1,801	9,716	9.716
1967/68	1,201	1,151	1,051	9,716	1,801	1,801	9,716	9,716
1968/69	1,201	1,151	1,051	1,015	1,801	1,801	1,122	1,122
1969/70	1,201	1,201	1,051	1,051	1,801	1,801	1,122	1,122
1970/71	1,302	1,302	1,152	1,152	1,902	1,902	1,201	1,201
1971/72	1,401	1,371	1,371	1,241	2,041	2,001	1,201	1,201
1972/73	1,401	1,371	1,371	1,241	2,041	2,001	1,201	1,201

[a]Per long ton of 2,240 lbs. in weight.

Source: Nigerian Produce Marketing Company.

TABLE 63.--Freight Rate Indices on Selected (N.P.M.C.) export Cargoes from Nigeria.

Year	Cocoa		Oil Seeds		Cotton Lint		Palm Oil	
	United Kingdom	North Continent	United Kingdom	North Continent	United Kingdom	North Continent	United Kingdom	North Continent
1966/67	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1967/68	104.3	100.0	107.7	100.0	100.0	100.0	100.0	100.0
1968/69	104.3	100.0	107.7	107.7	100.0	100.0	115.2	115.2
1969/70	104.3	104.3	107.7	107.7	100.0	100.0	115.2	115.2
1970/71	113.6	113.6	120.6	120.6	105.9	105.9	123.1	123.1
1971/72	121.7	119.1	140.5	127.2	113.3	111.1	123.1	123.1
1972/73	121.7	119.1	140.5	127.2	113.3	111.1	123.1	123.1

Source: Nigerian Produce Marketing Company. Based on table for actual freight rates.

In another study conducted by the UNCTAD Secre-
iat[286] the freight rates were noted to have moved up
y slowly and to be declining in most cases on the
eria-European route. This study confirms the idea of
at stability in freight rates for some of Nigeria's
r agricultural export produce" (Table 64). The drop
ed, some 17 to 23 percent according to commodity be-
n 1964 and 1965, led to sharp increases thereafter only
tabilize between 1966 and 1967. When expressed as per-
ages of freight (f.o.b.) values, they remained rela-
y stable. In fact, when cocoa prices fell at the be-
ng of 1964-65 season, this was apparently compensated
y the fall in rates on cocoa. During the period, the
ntage of freight component of f.o.b. values ranged
en 3 and 12 percent.

When these rate movement indices are compared with
s of world average prices of Nigeria's major export
ities, a proper perspective would have been created.
ample, the indices of world prices on cocoa, ground-
palm kernels, cotton lint, and palm oil (Table 65)

---

[286] UNCTAD, "Level and Structure of Freight Rates,
ence Practices and Adequacy of Shipping Services,"
k, 1969, pp. 46-47.

TABLE 64.—Freight Rate Stability on the Nigeria-European Trade Route (Selected Export Products)

Year	Cocoa				Ground Nuts						Palm Kernels			
	To U.K.		To Italy		To U.K.		To Netherlands		To France		To U.K.		To Netherlands	
	Freight Rates	Freight as Percent of Value	Freight Rates	Freight as Percent of Value	Freight Rates	Freight as Percent of Value	Freight Rates	Freight as Percent of Value	Freight Rates	Freight as Percent of Value	Freight Rates	Freight as Percent of Value	Freight Rates	Freight as Percent of Value
1964	100	4	100	4	100	9	100	10	n.a.	n.a.	100	12	100	12
1965	77	4	n.a.	n.a.	83	8	83	7	100	7	83	8	83	9
1966	77	5	77	5	85	8	85	8	103	8	85	9	85	9
1967	77	3	75	3	85	8	85	8	103	8	85	10	85	10

Notes: a. Freight rates are liner rates.

b. Value are f.o.b. values (average)

c. 1964 = 100 (base year)

Source: U.N. (UNCTAD). "Level and Structure of Freight Rates, Conference Practices and Adequacy of Shipping Services."

TABLE 65.—Index of World Average Prices of Major Agricultural Commodities (Base: Average 1960 = 100).

Commodity	Weight	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971
Aggregate Index		87.6	81.9	87.6	88.2	89.6	89.3	91.6	94.1	108.0	104.7	96.9
Cocoa	26.70	75.8	70.8	86.9	80.2	57.8	82.4	99.3	116.8	153.3	110.8	85.6
Groundnuts	20.33	98.6	85.0	86.1	94.2	103.1	94.0	89.7	83.9	104.1	114.6	125.9
Groundnut Oil	4.26	99.7	87.2	85.8	101.2	103.3	94.4	91.2	86.3	103.9	117.4	134.4
Cotton Lint	4.50	108.1	110.0	106.8	106.3	105.4	103.6	105.4	119.5	108.2	111.8	133.2
Palm Oil	12.12	99.3	91.8	95.2	102.4	117.8	102.0	99.9	73.6	77.5	113.3	114.9
Palm Kernels	17.00	83.0	82.7	92.7	91.8	109.3	96.5	95.5	112.4	93.1	100.8	86.7
Copra	0.41	79.7	78.8	88.6	94.0	109.6	89.2	96.4	111.0	97.5	107.6	90.9
Rubber	13.10	76.6	72.8	67.8	64.1	67.2	62.2	53.1	50.3	67.3	54.4	40.8
Soyabeans	0.08	116.2	107.6	123.7	119.4	127.6	141.2	123.5	117.4	114.5	129.1	137.3
Soyabean Oil	0.08	114.3	97.8	97.8	104.4	122.6	118.3	98.1	80.8	96.1	129.3	138.4
Benniseed	1.39	113.3	123.9	115.0	102.3	112.9	132.7	142.1	121.5	124.3	84.6	89.2
Castorseed	0.08	98.9	82.5	81.0	87.0	78.0	78.1	95.3	106.5	93.3	347.4	222.1
Ginger	0.08	67.9	83.8	104.0	82.8	150.2	135.2	113.1	98.6	225.2		

Source: Central Bank of Nigeria, Annual Reports.

indicate a mixed picture. Between 1960 and 1971, almost all prices increased initially and later on declined, only to move upwards again. Relative to this uncertain trend in commodity prices, the freight rates also rose between 1960 and 1963-64, only to decline and later to move slowly up to where they tend now to stabilize during the 1972-73 season. In effect, the conferences seem to have allowed their rates to be relatively stable when matched against prices of commodities for which their services are required.

From the available evidence, freight rates are relatively stable. The major factors affecting this apparent stability are the strong position and negotiating powers of the Nigerian Produce Marketing Company,[287] the potential threats from the major tramp operators,[288] the desire to maintain the spirit of cooperation among the

---

[287] In control of over 33 percent of total national export volume, the company can, through freight allocation system, favor tramps which may offer shipping space at rates below the liner rates. The public tender system led to problems with the West African Lines Conference in 1964-65 when the latter increased their rates by 10 percent. For full story, see UN (ECA) Report of a Preliminary Survey of Factors Contributing to Level of Freight Rates in the Seaborne Trade of Africa (E/CN/14 Trans/27) of 9th July 1965.

[288] See Daniel Marx, Jr., <u>op. cit</u>.

conference lines in order to avoid undue opportunities of windfall business to the competitors[289] and the fear of what the Nigerian government can do.[290] Potential as most of these factors have been, they have, nonetheless, proved effective in keeping rates stable. But, government alone or tramp competition alone could not have been so effective if the Nigerian National Shipping Line, the last resort in the event of problems within the market, had not been available. For, no matter how powerful a government could have been, without own line as a last line of defence in the situation of threatened sabotage by entrenched conferences, it would only "bark but cannot bite."

Even when not very effective in the share of the market or in the tonnage of vessels held, the National Shipping Line, endowed with the freight by the Nigerian Produce Marketing Company, is able to muster strength for negotiations within the conferences. Evidently, the apparent

---

[289] Ibid.

[290] Especially if the government treats any disagreement on rates as a regional problem affecting other West African nations' export trade, the overall inter-governmental cooperation can weaken the conference if national lines are forced to carry their nation's exports at rates below the conferences' since most national lines are government enterprises. See Daniel Marx Jr., op. cit., pp. 38-40.

stable rates prevailing must partly be a function of behind-the-scene activities of the indigenous member of the foreign-based conferences. This is more so when comparison is made between the 1960-70 decade and the 1950-60 decade when freight rate movements differed significantly. The absence of the National Shipping Line in the 1949-50/1959-60 period might have contributed, among other things, to the upward movement of rates at faster paces than is witnessed in the 1960-70 decade. The National Line with the government agencies' supports had helped in this stabilization exercises, how be it, even surrepticiously.

Yardstick Principles

The yardstick principles connotes the use of the freight rates maintained by the Nigerian National Shipping Line as a measuring rod of what happens in the freight markets elsewhere, thereby assessing the degree to which the home market is better off or worse off in terms of freight rates or trade carriage costs by having a local shipping line in operation. The principle here presumes an independent set of freight rates in use by the indigenous shipping line or directly a set of tariff rates maintained locally through the instrumentality of the indigenous shipping line. The freight rates at the home market become comparable with the rates operating in foreign markets if, given the types of commodities, market conditions, and general economic circumstances, the impacts of the freight rates on trade are relatively equal. Where the local rates are so excessive that exports from the local economy are priced out of the foreign markets relative to the exports of competitors, the prevailing local rates are economically oppressive.

In theory, freight rates are fixed on three major principles--"cost of service," "value of service," and "what the traffic will bear." Under the cost of service principle, all costs--overheads and variable costs--have to be covered in the long run from freight rates imposed on trade commodities. This is a supply-oriented price fixing. The value of service connotes the value added by the service to the total value of the commodities being exported by the shipper to enable the commodities to reach the market at prices capable of making reasonable profits. These are demand oriented pricing techniques. Each of these principles would not by itself constitute a sound business pricing technique since, taken alone, each can adversely affect the service supplier or the consumer. Both of them fix the upper and the lower limits within which the appropriate freight rate has ultimately to lie.

While freight rates arising from tramp operations are more closely determined by the economic forces of supply and demand working on the international scale,[291] liner freight rates are fixed by deliberate arrangements in which supply and demands are not the only determinants. Specific, however, to the liner operators with fixed routes, and heavy sunk cost in equipments and investments, "what the traffic will bear" becomes the policy for freight rate administration.[292] This principle assumes that a commodity should be subjected to a freight rate on the basis of its ability to bear the incidence of the charge made by the operators. The ability of a commodity to bear the costs is dependent on the elasticity of demand and supply for the commodity, the availability and entry possibilities of

---

[291] Carleen O'Loughlin, op. cit., p. 129.

[292] Other additional sides include the dual rate systems, penalty charges, surcharges, and other variations aimed at maximizing total revenues of the liner conferences.

substitutes into the market at cheaper or dearer rates and the cost-revenue relationship of the commodity.

The liner operator apportions rates to commodities such that low class commodities bring in only out-of-pocket expenses (direct costs), how be it, in the short run. The medium and upper-class commodities, not only cover direct costs but contribute extras for overheads. This system makes for the cross subsidization of commodities. The categorization of commodities enables rates to be separately fixed within the ceiling of value of service and the floor of costs of service.[293] At the same time, commodity attributes--the character and volume of cargo, bulk in relation to weight, packaging and such other factors as port facilities, regulations and location, availability of return cargoes, susceptibility of cargo to damage and pilferage--all play significant parts in the freight decisions.[294] Indeed, Carleen O'Loughlin[295] holds that liner

---

[293]UNCTAD, Level and Structure of Freight Rates, Conference practices and Adequacy of Shipping Services, _op. cit_.

[294]C. F. H. Cufley, _Ocean Freights and Chartering_, Staples Press, London, 1962, pp. 408-417.

[295]_The Economics of Sea Transport_, _op. cit_., p. 129.

operators lay down rates between ports and groups of ports as well as in respect of commodities and groups of commodities.

In actual practice, conference freight rates contain a mixture of all types of adjustments in the interest of the trade. Apart from the class rates and the commodity rates, differentials and "favors" are built into the system to the advantage of the liners. The dual rates, the open rates, and the general cargo rates in addition to tying arrangements maximize the liners' incomes. The rate market is consequently so manipulated that what emerges is a structure of discriminatory pricing tariff.[296] The complex rate structure is intended to ensure profit maximization through separate rates determined by elasticity of demand for the service through the goods and the maximization of the sales (freight revenue) of the conference.[297] Since conferences the world over operate on almost the same principles, any application of the yardstick principles

---

[296] This is a pricing policy of charging prices based on differences in demand factors not related to costs.

[297] For sales maximization hypothesis, see W. J. Baumol, Economic Theory and Operations Analysis, Englewood, New Jersey, 1961, pp. 198-199.

must take account of the conference practices on the comparable routes. At the same time, the major factors affecting traffic and tariff rates must be assessed.

Applied to the West African (Nigerian)-United Kingdom and North Continent routes, the comparison with other routes must consider the nautical distances, the availability of cargo on both legs of the trade route, the volume of trade, the number of ports of call and the extent of conference and nonconference competition[298] in validating such comparison. If distance is relatively a minor factor in freight determination,[299] the comparison would be somehow relevant if the routes and exporting countries compared handle mostly traditional raw material exports and less of manufactured goods. Three principal methods are possible for this type of comparison.[300]

---

[298] Indian Institute of Foreign Trade, Ocean Freight Rates and India's Exports, New Delhi, November 1967, p. 87.

[299] Ibid., p. 88. Also see UN, Liner Shipping in India's Overseas Trade, p. 22.

[300] For details of methods of freight comparisons on a trade route, see T. K. Saragan, Liner Shipping in India's Overseas Trade, New York, 1967, pp. 22-25.

1. Comparison of general cargo rates on various routes ex-Nigeria. This shows whether rates on the Nigerian-U.K.-Continent routes compare in rate movements with other routes which serve Nigeria.

2. Comparison of outbound and inbound rates on a few important selected common commodities in the Nigeria-U.K.-Continent trade.

3. Comparison of rates on a few important commodities with rates from competing countries to the same destinations.

The weakness in (1) above is that the general cargo rates on the U.K.-Continent routes are paper rates since trades on some routes are covered by bilateral trade arrangements with rates fixed by the need for reasonable returns to shipping lines serving the trade and the countries concerned. In the case of method (2) considerations should be given to round voyage adjustments since the conference arrangements cover both north and south bound traffic. In method (3) above, information would be most incomplete for specific conclusions to be drawn, but note must be taken of political and other extra-market reasons for certain preferential rates.

For the purpose of this study, methods (1) and (3) will be adopted and as far as data are available, the comparisons will be done. A comparison of selected commodity rates from Nigeria to different destinations should illustrate the movement of rates on these routes. Taking cocoa and oilseeds as commodity examples, the rates movements have tended to remain fairly stable on all routes between 1966-67 and 1968-69. Some significant changes were noticed between 1969-70 and 1971-72 where the greatest increases were recorded for Nigeria-Baltic and Scandinavian ports and U.S.A. and Canadian ports. On the United Kingdom and North Continent routes, where the Nigerian National Line runs in conferences, the rates seemed to have moved in a more or less uniform manner. But relative to routes where the National Line does not operate in conferences, the movement of rates were almost nonexistent (Australia and New Zealand) compared with the U.K.-North Continent where indices reached 136-138 percent between 1966-67 and 1971-72 (Tables 66a and 66b).

TABLE 66a.—Selected Commodity Rates to Various Routes Ex-Nigeria Indices of Rates on Cocoa (Base 1966-1967 = 100)

Year	U.K.	North Continent	USA/ Canada Eastern Ports[a]	USA/ Canada Western Ports[a]	Great Lakes Ports[a]	Mediterranean Ports[a]	Adriatic Ports[a]	Far East[a]	Baltic Scandinavian Ports	Australia[a]	New Zealand[a]
1966-67	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1967-68	104.3	100.0	100.0	100.0	100.0	100.0	100.0	110.0	100.0	100.0	100.0
1968-69	104.3	100.0	100.0	100.0	100.0	100.0	100.0	110.0	100.0	100.0	100.0
1969-70	104.3	104.3	113.8	100.0	100.0	100.0	100.0	104.7	119.0	100.0	100.0
1970-71	113.6	113.6	125.2	123.8	110.0	109.2	108.1	115.1	124.7	110.0	109.9
1971-72	130.6	130.6	140.8	139.2	123.7	125.6	124.3	123.2	143.4	122.4	117.8

TABLE 66b.—Indices of Oil Seed Rates. (Base Year 1966-1967 = 100)

Year	U.K.	North Continent	USA/ Canada Eastern Ports[a]	USA/ Canada Western Ports[a]	Great Lakes Ports[a]	Mediterranean Ports[a]	Adriatic Ports[a]	Far East[a]	Baltic Scandinavian Ports	Australia[a]	New Zealand[a]
1966-67	100.0	100.0	—	—	—	100.0	100.0	100.0	100.0	100.0	100.0
1967-68	107.7	100.0	—	—	—	100.0	100.0	110.0	100.0	100.0	100.0
1968-69	107.7	107.7	—	—	—	100.0	100.0	121.2	112.8	100.0	100.0
1969-70	107.7	107.7	—	—	—	100.0	100.0	121.2	112.8	100.0	100.0
1970-71	118.5	118.5	—	—	—	110.6	110.6	121.2	135.9	100.0	100.0
1971-72	136.3	140.5	—	—	—	127.2	127.2	131.4	156.3	110.0	110.0

[a]Ports where the National Shipping Line have not served in respective conferences.

Source: Nigerian Produce Marketing Company.

When rates for selected commodities handled by nonconference lines are examined (Table 67) the movements had always tended to be gentle and non-too-regular. Since these are not composite rates, it is difficult to generalize on this comparative study. As the general composite rate movement between 1960 and 1972 tends to involve some 15 percent annual increases,[301] particularly created by the UKWAL-COWAC (WALCON) conferences some evidence seems to be gathered that relative to those routes on which service appears to be more competitive and less of a conference monopoly, rate movements tend to have been less frequent and none too gyrating. While data is incomplete and generalized conclusions difficult to arrive at, the problem posed here is whether the inauguration and operations of the National Line have forced rates on the routes it is operating to be more erratic than on the routes on which it is not operating. Such a conclusion ought to examine factors like the volume and value of traffic on both legs of the routes as well as other factors needed in the process of the evaluation.

---

[301]Based on evidences from the major shippers during the field interviews.

TABLE 67.—Indices of Freight Rates of Selected Commodities—Selected Routes (Nonconference Lines) (Base Year: 1968-1969 = 100)

Year	Adriatic Ports		UK/North Continent/ Baltic		Mediterranean Ports		USA/Canada Pacific Ports		Far East Japan		Australia		New Zealand	
	Cocoa	Oilseeds	Cocoa	Oilseeds	Cocoa	Oilseeds	Cocoa	Oilseeds	Cocoa	Oilseeds	Cocoa	Oilseeds	Cocoa	Oilseeds
1968-69	100.0	100.0	100.0	100.0	100.0	100.0	100.0	—	100.0	100.0	100.0	100.0	100.0	100.0
1969-70	93.7	96.2	100.0	115.3	109.2	110.6	96.2	—	104.7	103.3	110.0	100.0	109.9	100.0
1970-71	93.7	96.2	100.0	115.3	109.2	110.6	96.2	—	104.7	103.3	110.0	100.0	109.9	100.0
1971-72	113.0	100.9	100.0	115.3	114.8	116.0	108.3	—	108.5	113.6	110.0	100.0	109.9	100.0
1972-73	98.0	100.9	104.7	115.8	114.9	116.0	152.5	—	121.4	121.2	110.0	100.0	109.9	100.0

Source: Nigerian Produce Marketing Company.

Information on inbound and outbound freight for Nigeria to different markets is not readily available. This comparative measurement cannot be now used. But the measurement of comparative rates on a few important commodities from competing countries to the same destinations--this time, United Kingdom and Continent of Europe--is possible. This method helps the detection of rate discrimination.[302] In Table 68, relevant, freight rates on diverse raw materials moving from selected developing countries to Western Europe are indexed. From the available data no real trend is established. But when freight rates operating in the Nigerian export markets are compared with those of Turkey, India, Brazil, Australia and Mauritius, Nigerian exports do not seem to be worse off. For, during the survey period, while indices of rates on Nigeria's exports were declining, those of Turkey and Australia were increasing absolutely while wide fluctuations were noticed for Mauritius, Brazil, and India. When even the rates of

---

[302]This exists when a rate on a commodity is higher than the rate on the same or on a similar commodity moving from other countries to the same destination, other conditions governing rate being more or less the same, or when a rate on a commodity in outward tariff is higher than the rate on the same or similar commodity in an inward tariff. See T. K. Sarangan, op. cit., p. 86.

TABLE 68.—Voyage Charter Rate Indices on Exports of Selected Developing Countries.

Year	To Western European Destinations From						
	Nigeria (oil seeds)	Turkey (oil seeds)	India (oil cakes)	Nigeria (cocoa)	Australia (wool)	Brazil (iron ore)	Mauritius (raw sugar)
1963	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1964	100.0	101.0	108.4	102.0	100.0	82.2	89.3
1965	83.0	102.0	116.9	78.5	107.0	101.4	100.4
1966	85.0	103.0	82.1	78.5	111.0	80.8	83.9
1967	85.0	105.0	90.3	78.5	115.0	72.9	95.3
1968	88.9	107.0	107.2	84.6	121.0	81.4	101.7

Compiled from data in "Level and Structure of Freight Rates, Conference Practices and Adequacy of Shipping," UNCAD Scretariat Report, New York, 1969, pp. 32, 42, 47.

changes are assessed, the Nigerian markets were enjoying better rate reductions than most of the other competing markets.

Above conclusions must be taken with a lot of caution. Since the data are not aggregated with appropriate weights for money and trade values, with the quantum of trade commodities, nothing is really explained. And, the fact that the commodities are different from each other with respect to various factors,[303] the absolute or relative advantages of any route over others cannot be specifically determined. A proper comparison should be related to equality or near equality of the different factors affecting rate making and rate revisions over time. Whatever can be said, the rates operating in Nigerian markets are apparently competitive at international levels.

---

[303](1) Character of cargo, (2) volume of cargo, (3) availability of cargo, (4) susceptibility of cargo to damage, (5) susceptibility of cargo to pilferage, (6) value of goods, (7) packing, (8) storage, (9) relationship of weight to measurements, (10) heavy lifts, (11) extra lengths, (12) competition with goods from other sources, (13) cargo via competitive gateways, (14) competition from other carriers, (15) direct cost of operating, (16) distance, (17) cost of handling, (18) lighterage, (19) special deliveries, (20) fixed charges, (21) insurance, (22) port facilities, (23) port regulations, (24) port charges and dues, (25) canal tools, (26) port location, (27) possibility of securing return cargoes. The list was prepared for

Even when the nautical distances are taken as the major factor, the following table demonstrates the comparative position of Nigeria. Coffee exports to London works out (Table 69) at freight rates from competing sources of supply at 0.52d, 0.48d, 0.65d, and 0.44d per nautical mile from India, East Africa, Nigeria, and Malaysia, respectively. A significant thing here is that there is no relationship between freight costs and the nautical distances covered. Nigeria seems to pay higher than all the other exporting countries even when by distance it is the nearest to London.

On a comparative basis, it was discovered from the foregoing analyses that the freight rates enjoyed by the Nigerian markets tend to be more stable than those on competing routes elsewhere. Moreover, rates on routes where the Nigerian National Line operate tend to increase more rapidly and at higher percentages than those routes on which the National Line has not even had a token service. Even though all things considered, rates on the Nigeria-United Kingdom and European routes are fairly stable, it

---

Inter-American Maritime Conference of 1940 and later enumerated in T. K. Sarangan, _op. cit_., p. 85.

TABLE 69.--Freight Rates for Robusta Coffee--Comparative Data.

Destination	Basis	Exporting Country							
		India		East Africa		Nigeria		Malaysia	
		Rate	Distance	Rate	Distance	Rate	Distance	Rate	Distance
U.K. (London)	1000 kg	281/3	6,548	253/6	6,330	225/-	4,138	290/-	7,939
USA (New York)	100 kg	316/9	8,441	308/3	3,223	229/6	4,900	290/6	9,842

Source: T. K. Sarangan, *op. cit.*, p. 179.

is difficult to ascribe the phenomenon to the presence or absence of the National Line. Probably, the National Line must have had influence, directly or indirectly, on the rate stability. The fact that the presence of the National Line in the relevant conferences had enabled the Nigerian inquirers to know something of the prevailing rates,[304] makes it possible to use that knowledge to judge the extent to which the foreign lines are charging too much or too little on the export-import trade of Nigeria.

Thus on the principle of yardstick for measuring service gains and benefits both from the freight rate content of cargo values as well as on the relative basis with other trade routes, the presence of the Nigerian National Shipping Line seems to be an asset, the degree of which cannot be easily determined.

Principle of Employment Generation

Creation of employment opportunities for Nigerians was one of the major goals of the incorporation and

[304] Previously it was almost impossible for even small shippers to have full operating tariffs books and changes made never required advance information. At least,

operation of the Nigerian National Shipping Line. It was found to be part of the long felt need that a line of this nature should provide employment opportunities for Nigerians who would have the opportunity to acquire valuable technical knowledge and skills. So important was this aspect of the purpose behind the inauguration of the line that the First Annual Report of the company in 1962 commented:

> Particular attention is being given to the question of Nigerianisation in the company's expansion programme so as to reflect the company's national character while maintaining, at the same time, the international nature of our trade. The training of management personnel as well as marine engineers is being vigorously pursued and there is no doubt that this will yield ample dividends in time to come.[305]

Again, the Second Annual Report published in 1963 noted inter alia: "During the year, emphasis was placed on training of management and other personnel which is the main subject of this report."[306] The up-to-date figures

---

advance information to shippers is possible under today's arrangements.

[305]Chairman's prefacial statement in the Annual Report, 1962, p. 2.

[306]Annual Report, 1963, p. 14.

of trainees then were 12 deck cadets, 7 engineer cadets, 5 radio officers and trainees, 14 pursers and writers and 8 chief stewards and trainees.[307] Even though the company owned only seven vessels then, six of them were manned by Nigerian chief stewards and six Nigerians were in charge in the purser's department. Indeed, the annual report noted that:

> This aspect of our policy is being pursued with the utmost vigour. It is our hope that with the training being given to trainee managers and other personnel it will not be too long before our key posts in our company are Nigerianised.[308]

The information bulletin of the company also commented on career opportunities thus:

> The staff of the company consists of the shore and marine establishments. In both establishments the process of Nigerianisation is progressing as more and more indigenous officers acquire the highly technical skills involved in ship operation and management.[309]

It went further to explain the nature and methods of training opportunities open to new trainees in the company's employment.

---

[307] Annual Report, <u>op. cit</u>., 1963, p. 14.

[308] <u>Ibid</u>., p. 14.

[309] Nigerian National Shipping Line, Information Pamphlet, Lagos, 1967, p. 8.

The National Line, operating with a fleet of nine-owned ships between 1965 and 1968 had about 409 marine jobs by 1968 period. Of that number 327 were already Nigerianized (including jobs held by other West Africans). According to the study by the Expert under the Technical Cooperation Programme of the Inter-governmental Maritime Consultative Organisation[310] only 82 jobs were still held by foreign employees (see Table 70). It is significant that while some of these posts were held by foreigners because there were no qualified or experienced Nigerians, the Ghana government's Black Star Line had the equivalent qualified Nigerians in their employment.[311] As at that date, the Black Star Line had the following Nigerians employed: 4 Chief Officers, 6 Second Officers, 2 Third Officers, 1 Radio Officer, 2 First Engineers and 15 Ratings. According to E. Kemperer, it had been the company's policy "to give priority to qualified West Africans whenever jobs cannot be filled with qualified Ghanaians."

---

[310] E. Kemperer, Final Report on the Feasibility and Practicability of Establishing a Nautical Training School in Nigeria, unpublished document, Ministry of Transport, Lagos, 1968.

[311] *Ibid.*, p. 3.

TABLE 70.—N.N.S.L.'s Marine Jobs—1968.

Posts-Aggregate Marine	Total	Held by Nigerians	Held by Foreigners
Masters	9	nil	9
Deck Officers	27	15	12
Chief Engineers	9	nil	9
Engineers/Electricians	52	13	39
Catering Officers	27	27	nil
Deck Ratings	121	121	nil
Engine Room Ratings	78	78	nil
Catering Ratings	77	77	nil
Radio Officers	9	nil	9
Total	409	331	78

Source: Kemperer, p. 2.

Matched against the vacancies for qualified Nigerians then, the four qualified Chief Officers of Nigerian origin serving, probably on contracts with the Black Star Line ought, with the policy of Nigerianization, to have replaced four of the expatriate masters in the service of the Nigerian National Line. The Nigerian Radio Officer would have replaced one foreign Radio Officer in the National Line's service. These did not happen because at this time the real decision on the future of the Nigerian trainees, when they qualified and their suitability for service depended on their training schools in the United Kingdom alone.[312] Since most of the expatriate employees to be replaced were British, it became difficult to separate the real desire to have effective replacement at the shortest time from the academic questions of suitability and competence of such Nigerians.[313]

Another major development in the company was the high frequency of resignations and dismissals of senior staff and management personnel between 1960 and 1970. The greatest test of this truth is seen in the Annual Reports where heads of departments and chairmen and board of directors' membership seem to be changing annually. So strange and debilitating had this phenomenon in the annals of industrial relations reached in this company that, government was forced to include it as a major problem within the company.[314] It is difficult to ascribe the situation

---

[312] During interviews there were allegations that the training institutions in the United Kingdom frustrated these trainees by disqualifications in the final training years. Indeed, some of these officers later serving with Black Star were alledged to have completed training elsewhere only to be found competent to serve in the Ghanaian National fleet.

[313] No study has been done to show if the Nigerian officers serving in Ghana did so purely from a sense of choice and dissatisfaction with the Nigerian National Line's job opportunities.

[314] National Development Plan, 1970-74, p. 184.

to social and political factors or to the purely economic reasons of dissatisfaction with job performance and future expectations. Despite all these problems, the policy of Nigerianization was being pursued.

When the 13th Annual General Meeting convened on the 22nd of March, 1973, the Board of Directors' Annual Report noted inter alia on the subject of "Staff Training and Development":

> Significant advance has been made in regard to training and manpower development for staff both ashore and afloat, excepting the post of General Manager . . . all other posts in the Head Office are ably filled by Nigerians . . . . The Nigerianisation policy is still being diligently executed but you can be assured that this will not be at the expense of efficiency, or detrimental to smooth operational activities.[315]

The report went on to indicate that the company was by 1973 having 30 engineering cadets and 45 deck cadets trained in various institutions in the United Kingdom. Such training was expected to provide a substantial level of manpower needs. To review the inventory, the report noted that the company had 16 captains of which 10 were Nigerians.[316]

---

[315] 1972 Annual Report, p. 6.

[316] Additional three captains and six chief engineers--all Nigerians--were expected to qualify during the plan period to help to increase the overall number.

That number of Nigerian captains was to expand to 13 during 1973. Indeed, the staff record when judged by the impressive figures can lead one to realize the importance attached to the employment opportunities for Nigerians as a policy in the operation of the National Line.

TABLE 71.--Officer Class Position in 1972-73.

Officer Class	Total Number	Nigerians
1. Captains	16	10
2. Chief Officers	12	11
3. Chief Engineers	20	8

Source: 1972 Annual Report, pp. 6-7.

When the technical partners were being invited to share in the setting up of the National Shipping Line, one of the crucial conditions was that such technical partners should, among other things, be able "to provide the technical knowledge and management of Nigerian vessels."[317] When the joint proposal by Messrs Elder Dempster and Palm Lines met the provisions set down by the Federal Ministry of Transport, the two companies, later to be known as

[317]N.N.S.L. Annual Report, 1962.

technical partners, assumed responsibility for the training of Nigerians as cadets for the new shipping line. By the end of the 1962-63 operational period, the training programme involved the following categories of staff:[318]

Deck Cadets	12
Engineer Cadets	7
Radio Officers and Trainees	5
Pursers and Writers	14
Chief Stewards and Trainees	8

At the same time, shore staff-managers, senior clerks, and other traffic officers were also undergoing training in the United Kingdom.

The overall training programs for cadets were designed for "young Nigerians of good secondary education between the ages of 17 and 21"[319] who intend to become Navigation Officers, Pursers, Engineer Officers, Radio Officers and Chief Stewards. The total training period differs with types of cadetship, being about three years for Radio and Catering courses and up to about eight years for Navigation

---

[318] Ibid., 1963, p. 14.

[319] For details of training scheme see "The Message is Clear: A Career at Sea with N.N.S.L." A publicity material published by the National Shipping Line.

and

with

Enu

off

oth

"s

of

ar

g

g

and Engineering courses. The 1971-72 Annual Report noted with some satisfaction that:

> A Nigerian is also at the head of affairs in the Liverpool based Nigerline (U.K.) Limited . . . with regard to training and development of afloat staff--30 engineering cadets and 45 deck cadets are being trained in various institutions in the United Kingdom.[320]

Enumerating some of the cadres of staff in training--radio officers, electricians, pursers and chief stewards, among others, the report noted that the training schemes will "secure and maintain an excellent work force compoed of men of high intelligence, sustained competence, creative drive, and a great sense of loyalty."

With only twelve owned vessels and a training programe dating back to the 1960-61 era, it should have been possible for the National Shipping Line by 1971-72 to run the company with nearly all Nigerian shore and sea staff.[321] Of course it must be noted that the company sees the idea of Nigerianization as an employment tool for Nigerians but

---

[320] Ibid., p. 6.

[321] Staff turnover has been too high in this company and changes in management personnel had been too frequent. Apparently political factors must have the blame since appointments and rewards have been based on anything but efficiency.

not at the expense of efficiency or the smooth operational activities of the line.[322] Despite this caution which acts as a break to reckless "indigenization" of the company's services, the federal government has added "defective organizational and management situation in terms of quality" which will be examined later in this study.

The staff position at 1972-73 operational period was 772. Between 1970-71 and 1972-73, an increase of 43 posts was filled, all of which were in respect of marine and shore staff (Table 72). Presumably, this was in response to the needs of the newly created Nigerline (U.K.) Limited. While detailed breakdowns into the traditional segments--(1) Engineering department, (2) Stewards department, (3) Deck department, (4) Management and shore staff, and (5) Radio department, etc.--are not available, some hint of the current position of Nigerians in certain areas are indicated in the annual reports.[324] There were by 1971-72, twenty captains, a half of which were Nigerians.

---

[322] Annual Report 1972, p. 6.

[323] Second National Development Plan, 1970-74, p. 184.

[324] Annual Report, *op. cit.*, p. 6.

TABLE 72.--National Shipping Line's Labor Force.

Staff Categories			1970-71	1971-72	1972-73
On Land		Nigerian	84	84	93
	Senior	Foreign	1	1	1
		Total	85	85	94
		Nigerian	387	387	387
	Junior	Foreign	---	---	---
		Total	387	387	387
A Float		Nigerian	270	270	304
	Senior	Foreign	42	42	42
		Total	312	312	346
		Nigerian	375	375	375
	Junior	Foreign	---	---	---
		Total	375	375	375
Total		Nigerian	354	354	397
	Senior	Foreign	43	43	43
		Total	397	397	440
		Nigerian	375	375	375
	Junior	Foreign	---	---	---
		Total	375	375	375
Grand Total			772	772	815

Source: Nigerian National Shipping Line.

This increasing trend would be noticed in respect of quite a number of job groupings and departments.

An important aspect of this study with respect to employment generation is whether increases in investments have been matched by increases in employment levels. For example, the total asset values held by the company between 1970-71 and 1972-73 ranged between ₦20.32 million[325] through ₦20.53 million to ₦20.25 million. Total employment levels moved concurrently from 772 to 815 in 1972-73. This situation works out on a percapita asset values as are enumerated below (Table 73). It thus took asset values of over ₦26,000 to employ one person--senior or junior. When asset values fell by normal depreciations between 1972 and 1973 inspite of increased employment, the per capita asset value fell by 5.5 percent. Nonetheless, when the growth of the company is taken as a whole, increased investments appear to have been matched by increased employments.

If the employment was related to the gross registered tonnage of vessels in service during the 1970-71 to 1972-73 period, the per capita gross weight of vessels in

---

[325]Estimated for 1972-73.

TABLE 73.--National Line's Per Capita (Staff) Asset Values of Interest.

Year	Staff Number	Asset Values (N Millions)	Asset Value Per Capita (N)
1970-71	772	20.32	26,321
1971-72	772	20.53	26,593
1972-73	815	20.25	24,847

Based on data from N.N.S.L. Annual Reports.

service would appear as in Table 74 where it differed between total labor and marine labor forces. This comparison becomes meaningful when related to what the ratios are in respect of some other maritime national data.

What emerges from the comparative study of British and Nigerian per capita (staff) gross registered tonnage of vessels in operation is that unlike Nigeria, the British tend to have one unit of labor take care of a greater gross tonnage of vessels. For example, when the British gross registered tons increased by 13.4 percent between 1965 and 1966, marine labor fell by 7.3 percent giving an increase in labor per capita gross registered tonnage of operating vessels of 22.5 percent (Table 75). Over the years,

TABLE 74.—National Line's Per Capita (Staff) GRT of Vessels in Service.

Year	Total Staff	Marine Staff	Gross Registered Tons	GRT per Staff	GRT Per Marine Staff
1970-71	772	687	81,939	106.13	119.27
1971-72	772	687	81,939	106.14	119.27
1972-73	815	721	81.939	100.54	113.65

Based on N.N.S.L. Annual Reports data.

TABLE 75.—United Kingdom Per Capita GRT of Vessels in Operation.

Year	G.R.T. (Millions)			(Staff) Marine Personnel	Vessels' GRT Per Capita
	Dry Cargo	Oil Tankers	Total		
1965	13.6	7.9	21.5	103,330	208.07
1966	16.4	8.0	24.4	95,725	254.89
1967	13.8	7.8	21.6	91,818	235.25
1968	13.5	8.4	21.9	86,750	252.45
1969	13.6	10.2	23.8	83,611	284.65
1970	13.7	12.0	25.7	85,200	301.64
1971	n.a.	n.a.	n.a.	81,114	n.a.
1972	14.9	13.7	28.6	74,114	385.89

Source: O.E.C.D. Maritime Transport.

indeed, increasing gross tons have been associated with each unit of marine labor.[326] On the other hand, the Nigerian marine labor tends to have handled less gross registered tonnages of vessels in operation. This means that the National Line pursues a policy of increasing labor intensity of operations and, no doubt that the operating ratios have tended to be larger recently.

Employment opportunity policy of the National Line can be viewed from two perspectives. In the one case, it can mean replacing expatriate personnel with Nigerians. If this is the connotation of the policy, it had been fulfilled and the increasing training scheme had justified this. On the other hand, if the employment policy means job creation, then relative to the capital invested and job opportunities by other technologies, shipping has been a poor tool. While the latest trends among maritime nations show very convincingly that shipping is a capital intensive industry, reliance on this by Nigerians for job creation must be predicated on absence of concern for the level of

---

[326]This is due to increasing capital intensity of operations, more modernization of fleet, multi-functional specialization of the marine labor and general efforts at maximizing shipping returns. See O.E.C.D., Maritime Transport, 1972.

net revenue of the firm. Either the National Line must be run as a public service or it must be run as an economic proposition with emphasis on net returns to operations.

A comparative investment-employment ratio[327] in a number of industries will show the weakness or otherwise of reliance on the shipping industry as an employment generating tool. Compared on the basis of investment and employment generation potentials of the Nigerian Tobacco Company, Nigerian Cement Company, and the Nigerian Breweries, the National Shipping Line is not a proper employment generator per se (Table 76). That the company has up to 1972 spent a total of over ₦200,000 for staff training alone emphasizes the level of attachment to Nigerianization and employment within the shipping line. What has emerged is that the shipping industry is important not for its employment creation ability (where it is viewed as a commercial venture) but for other reasons.

Even when the employment potentials of the National Line are compared with the Nigerian Ports Authority, the Nigerian Railway Corporation, and the Nigerian Airways

---

[327]Account must, of course, be taken of the differences in technology--production functions and factor proportions as well as the skill mix required in each case.

TABLE 76.--Comparative Investment-Employment Relationship.

Firm	Capital and Reserves	Employment Level
Nigerian Breweries	N10 million	1,700
Nigerian Tobacco Company	N15.6 million	2,200
Nigerian Cement Company	N12.6 million	1,800[a]
Nigerian National Shipping Line	N14.0 million[a]	700[a]

[a]Estimated.

Source: Peter Kilby, op. cit. (data for 1966).

Corporation, increasing levels of employments are noticed in respect of the Railways and the Ports Authority (due regard being given to respective capital levels invested). By 1966, the Railway Corporation had a labor force of 30,267 while the Coal Corporation had 3,306.[328] It would therefore appear that the National Line had fulfilled the aims of employment of Nigerians through replacement of expatriate labour as well as the acquisition of certain skills which other employment opportunity would never have given. Whether these skills are so vital that the country

[328]Federal Office of Statistics, Annual Abstract of Statistics, 1971, pp. 19-20.

would not have depended on the international markets for their services is another question altogether.

Incomes data earned by these employed labour are not available. But in theory, crew costs are made up of (1) wages, (2) social security or insurance contributions, (3) victualling, and (4) repatriation costs. Professor Sturmey has given estimates of cost components of crew incomes on a comparative basis[329] (see Table 77). Evidently wages are the highest components and since the Nigerian crews are part of the National and International seamen's unions[330] their cost structure would not be far different from others. Evidently, over 60 percent of crew costs would be wages. As it turns out that part of the wages and allowances in respect of the Nigerian crew and nearly all of the foreign crew are met in foreign exchange, the real costs to the company must be high. When the training costs totaling to date over ₦200,000 are added, the cost must be significant.

---

[329] S. G. Sturmey, British Shipping and World Competition, The Athlone Press, London, 1962.

[330] Nigerian Shipping Federation.

TABLE 77.—Crew Cost Components on a Representative Ship.

Cost Component	U.K.	Norway	Netherlands	France	U.S.A.
	Percent				
Wages	75.0	71.0	69.5	68.0	88.0
Social Security	2.5	4.5	14.5	20.0	4.5
Victualling	22.5	20.5	16.0	12.0	7.5
Repatriation	---	4.0	---	---	---
Total cost	100.0	100.0	100.0	100.0	100.0

Source: S. G. Sturmey, p. 302.

The question which is often posed is whether it would not have been more economical and preferred to have depended on international markets for all the labor required by the National Line rather than spending so much funds in training local hands. Within the context of the instability of international labor market, the ensuing uncertainty over supplies and costs would militate against such trustful dependence on the market. Again, inelasticity of such labor supply, at least, not in the short run, would impair any planned expansion of operations by the National Line, were it to solely depend on the foreign labor market. A structured training would enable the company to emphasize the major areas of its needs. For strategic and defense reasons, increasing training and deployment of indigenous crew would be a more preferred policy. This trend is evident in the developed maritime nations where foreign components of total crew manning their vessels are diminishing features.[331]

A series of indices of selected costs in respect of vessels and operations within the O.E.C.D. countries would tend to indicate increasing costs, including those of maritime labor (Table 78). As Nigerian marine labor is attached to the marine labor of these O.E.C.D. countries, principally those served by the shipping conferences in which the Nigerian National Line serves, the National Line is paying relatively heavily for its labor force.

The employment aims of the incorporation and operation of the National Shipping Line with respect to replacement of expatriate labor force by Nigerian labor force has been more than satisfied. In terms of employment generation through investment in shipping, the performance is not impressive when compared with similar

[331] O.E.C.D. Maritime Transport, 1965-1972.

TABLE 78.—Development of Major Elements of U.K. Shipping Costs.

Year	Ship's Costs[a]	Able Seaman's Pay[b]	Marine Fuel Cost in U.K. Ports[c]
1960	100	100	100
1961	99	107	100
1962	99	112	100
1963	100	115	84
1964	101	120	84
1965	102	145	84
1966	106	153	86
1967	109	153	102
1968	114	156	118
1969	120	154	97
1970	132	174	136

[a]Average 11,000/13,000 dwt, 15 knots diesel engined decker.

[b]Annual averages.

[c]Index prices of bunker prices during the year.

Source: O.E.C.D. Maritime Transport, 1970.

levels of capital investments in some other Nigerian industries. This is because shipping, unlike some of the other industries examined, is capital intensive. The lumpiness of the capital coupled with the technological coefficient which makes for efficient operation in shipping is relatively labor inelastic. This means that shipping generates jobs at greater costs in invested capital since it is characterized by larger capital/labor ratios. In an economy like Nigeria, where capital relative to labor, is scarce, unless investment in shipping involves very strategic considerations, it would involve inefficient deployment of resources if employment generation were the major aim. The only justification for such an investment would be the acquisition of such technical and industrial skills which no other investment or industrial venture can give to the national economy.

A Note on Nigerian Government and Its Agencies' Assistance to the National Shipping Line

It has become clear that without government's assistance to the Nigerian National Shipping Line, at the level of its operation, it would probably have folded up before now. The magnitude of government's assistance defies quantification since most of these are in legal directives by which government agencies help to patronize and support the National Line. The specific case with the Nigerian National Shipping Line is that it is a state-owned shipping company in which government assistance covers not only capital provision, financial aid, and fiscal relief but even commercial patronage. The situation would have been different where the shipping line would have been a private concern. The O.E.C.D. Maritime Transport report for 1966[332] makes a distinction between such state aids to shipping and to shipbuilding, while aid to shipbuilding industries is one "conditional upon building or repairing for domestic account and which gives domestic operators an advantage over competitors." In some countries such aids are extended for export orders in order to make domestically constructed ship compete internationally. Aid to vessels operating international services is designed to improve the international competitive position of the vessels which otherwise may not have been able to face international competition. Such assistance has been defended on the necessity to overcome the special internal circumstances for which the national shipping industry cannot be held responsible.

The Nigerian government had in the past granted assistance to the Nigerian National Shipping Line through the following methods:

---

[332] O.E.C.D. Maritime Transport, 1966, pp. 51-58.

1. Provision of capital for construction, purchase, and maintenance/repairs of fleet;

2. allowances and grants to assist in operation of the company;

3. loans by governments and public financial institutions;

4. interest subsidies and credit guarantees;

5. cargo patronage by the Nigerian Produce Marketing Company.

The most visible of such public aids to the National Line is via the cargo patronage by the Nigerian Produce Marketing Company. Such patronage has been a preferential treatment designed to give the National Line enough cargo for the conferences' pools and hence a strong bargaining position. The allocations between 1964-65 and 1971-72 are shown in Table 79. It is noticed here that the shares which annually go to the National Line probably went up to 60 percent from 50 percent after 1968-69. This was

TABLE 79.—N.P.M.C. Allocation of Export Produce.

Produce Seasons	Total Produce Tonnage	Total Allocation to N.N.S.L.[a] (Tons)	Probable Fraction of Total Produce Tonnage[b] (%)
1964-65	985,215	492,608	50
1965-66	1,224,265	612,133	50
1966-67	885,276	442,638	50
1967-68	887,377	443,689	50
1968-69	853,284	426,642	50
1969-70	769,428	384,714	60
1970-71	819,068	409,534	60
1971-72	578,985	289,493	60

[a]Allocation for UKWAL/COWAC (WALCON) pools.

[b]Estimates based on various memoranda.

Based on the Memorandum of N.N.S.L. to Ministry of Transport (1967).

sequel to the memorandum of the National Shipping Line[333] in which it was stated that "at subsequent meetings in the cabinet office at which the N.P.M.C. was also represented, agreement was reached in principle that N.N.S.L.'s percentage be increased to 60 percent." Apparently, actual carriage by the National Line does not have any relationship with the allocations as Tables 43a and 43b compared with Table 79 demonstrate.

---

[333]*Ibid.*, paragraph 8.

Like most maritime nations, actual quantitative estimates of Nigerian government aids and subsidies are never made public. Whatever are known are what the Annual Reports can make passing reference to. The 1972 Annual Report[334] stated that the following aids were made to the National Shipping Line.

1. Subsidy to working capital N3,400,000

2. Grants to Purchase of new vessels N3,000,000

3. Grants to repayment of outstanding balances on the River Class vessels N1,900,000

The balance sheet[335] showed that

4. Federal government loans were N5,037,222

5. Secured long term liability was N10,120,014

6. Secured bank loans/overdrafts were N339,418.

The report stated also that total advance by the Federal Military Government for installment payments to River Class

---

[334] *Ibid.*, p. 7.

[335] *Ibid.*, p. 10.

vessels reached ₦5,037,222 in 1972. Acknowledgement was also made by the auditors that "no account has been taken of interest on government loans as the terms of the loans are yet to be determined."[336] What happens in the taxation area is not clear since "other reserves (including taxation)" had since 1966 remained static at a little over ₦50,000 yearly. In short, therefore, such aids have become the means on which the National Line exists. It is doubtful if the National Line can survive outside these patronage and direct financial assistance.

When these financial aids are costed annually and matched against the country's losses on shipping services (Tables 58a and 58b) it is difficult to have a definitive statement on a possible choice. Data are incomplete and such calculations would fail to yield the truth. Apparently, it may involve quantifying the advantages obtained in skill acquisition, influences on rate negotiations and the sense of security to the nation which the mere possession of the line gives when the uncertainties of dependence on foreign shipping services are examined. Certainly, social cost and social benefits are involved in both

---

[336] 1971 Report, p. 9.

choices but since actual total quantification is difficult, the benefit of doubt must be given to the national efforts at operating own shipping services.

On this question, T. K. Sarangan[337] noted inter alia that

> apart from the contribution which national lines can make to invisible exports, their participation on equal terms in conferences covering the country's foreign trade helps to ensure fair treatment in rates and shipping services. Such benefits which make take the form of assisting the export of new items or increasing exports of new items or increasing exports of existing items, may be significant but are difficult to measure. It is this latter aspect that is often lost sight of by some economists who relegate the shipping industry to a low place in the list of priorities as an industry yielding a comparatively low rate of return on investment and therefore unsuitable for developing economies in their early stages.

It appears that public subsidization and other aids to shipping had become universal in modern times. Samuel A. Lawrence holds that "more than half of the world's merchant fleets . . . is either wholly or partially government owned."[338] Even where the shipping services are privately

---

[337] Liner Shipping in India's Overseas Trade, p. 58.

[338] U.S. Merchant Shipping Policies and Politics, The Brookings Institution, Washington, D.C., 1966, p. 27.

operated, the ways by which national fleet can support national interests have forced governments to assume greater roles in merchant shipping. Lawrence sees through this the involvement of governments in watching over their trading fleets, fostering them, protecting them, assisting them to obtain cargoes, subsidizing them and in some cases directly administering such fleets.[339] Summarizing the different aids to shipping by different countries between 1945 and 1960, Professor S. G. Sturmey[340] set out the general framework as in Table 80. Effectively, the world's shipping is covered by a network of all sorts of aids and preferences which make freedom of the seas and shipping merely an academic question. Some countries, like France, employ both subsidies and preferences. India, Italy, Spain, U.S.A., and Yugoslavia are in that group. Apparently only the United Kingdom makes token indirect subsidy to its shipping.

Even the O.E.C.D. Maritime report[341] of 1966 indicated that these financial aids and fiscal reliefs were

---

[339] *Ibid.*

[340] S. G. Sturmey, *op. cit.*, pp. 189 and 194.

[341] *Ibid.*, pp. 51-58.

TABLE 80.--Aids to Shipping, 1945-1960 (Selected Countries).

Country	Type of Subsidy				Type of Preference			
	Oper-ating	Construc-tion	Indirect	State Owned Fleet	Bilateral Trade Treaties	Cargo Reservation and Preference	Exchange Control Preference	Taxes and Labor Concessions
Argentina				X	X			X
Australia	x	x		x				
Belguim				X				
Brazil				X	X	X	X	X
Canada	X		X					
France	X	X	X	X	X	X		X
India		X	X	X	X			
Italy	X	X	X	X	X			
United States	X	X	X			X		
FDR (Germany)			X					
United Kingdom			X					
Yugoslavia		X	X	X	X			
Spain		X		X	X		X	
Egypt	X	X		X				
Poland					X		X	X

Source: S. G. Sturmey, op. cit.

still widespread. For example, nine O.E.C.D. countries granted subsidies of which five were for operating services. France appropriated in 1966 $22 million for two semi-public shipping lines and another $7 million for other lines for operational activities. The United States offered $193 million in 1965 for international operating services of subsidized or flag lines. Spain and Japan granted the equivalence of $1.6 million and $3 million in 1962 and 1965, respectively for similar purposes.[342] Loans carrying interest rates of between 2.5 percent and 6.5 percent with repayment periods extending from five to twenty-five years as well as loans equivalent to 30 percent to 80 percent of the ships' values were reported. Credit guarantees, permission to carry forward and backward losses, investment allowances and deferred tax payments were some of the assistances governments of O.E.C.D. countries were reported to be granting their national shipping lines.

The reasons for the grant of such concessions, aids, and preferences in each case have not been attached to any type of economic benefits derived specifically except those couched in those general and unquantified terms as "national

---

[342] Ibid.

interest," "promotion of national fleet" or "stimulation of shipping and shipbuilding industry." Since conditions in the shipping industry which is an international activity is apparently universal, social costs and benefits are the only measuring rods for government assistance to the industry. In the case of Nigeria, the assistances offered by the government has helped the National Line to continue operations, albeit. The other reasons justifying government investment in this industry will be examined elsewhere in this study. And, without the government assistance, the National Line would in all probability cease operations before now.

Conclusions

An analysis of the operations of the National Shipping Line from the standpoints of freight rate stabilization shows that the presence of the National Shipping Line is an asset. Despite the minimal proportion of its vessel tonnage, share of the overall market and the effective force within the conferences, there is some evidence that freight rates operating between Nigeria and Western European ports have been relatively stable during periods of the National Line's operations than during its absence. Most tramp rates seem to follow the freight rate patterns set by the conferences. Insofar as the National Line is supported by the government of Nigeria and directly patronized by the Nigerian Produce Marketing Company, through its export produce, the National Line's powers within the conference is relatively strong. Such strength underlies its ability to relatively stabilize the freight rates operating within the Nigeria-Western Europe shipping and freight range.

As a yardstick for measuring the freight rates charged by other foreign lines, it is difficult to assess directly. The National Shipping Line has no specific freight rates of its own but maintains uniform rates with other members of the conferences within which it serves. If the conference rates can be equated with the National Line's, there is some basis for measurement against those used by foreign tramp and liners. Such an exercise in the foregoing analysis clearly shows that relative to what obtains on other trade routes, Nigeria was not worse off. The fact that the National Line shares in the decision exercise over rates affecting Nigeria's freight supplies the basic standards against which measurements can be made of charges imposed by other foreign lines. The National Line thus fulfills that aim of yardstick function.

For employment opportunities offered, the National Line has succeeded in replacing foreign labor with indigenous ones. But for job creation per se, it is a failure when compared with other internal industrial ventures. Whether the investment here was justified depends on other major considerations. But certainly, if the aim was to offer Nigerians skills which otherwise would not have been acquired, the investment was worthwhile.

CHAPTER VIII

EVALUATION OF THE SURVIVAL OPPORTUNITIES AND STRATEGIES OPEN TO THE NIGERIAN NATIONAL SHIPPING LINE

Summary of Economic Evaluations of Its Performance

The economic analyses of the performance of the Nigerian National Shipping Line carried out in the previous chapters were directed at the stated aims and objectives of the line's incorporation. Within the scope of the limited available data,[343] the analyses have demonstrated a set of departures of the operational results from the major economic aims publicly stated or expressed. Briefly summarized, the major hypotheses[344] tested were: 1) that the incorporation and public investment in the Nigerian

---

[343]For problems of paucity of data and factual information, and how to overcome them, see Wolfgang F. Stolper, Planning without Facts--Lessons in Resource Allocation from Nigeria's Development, Harvard University Press, Massachusetts, 1966, especially pages 1-26.

[344]See Chapter I under Hypotheses.

National Shipping Line were justified on the principles of profitability and effective participation in the carriage of the nation's seaborne trade.

Tests were made of the National Lines' participation in terms of the shipping tonnage of its vessels both within the conferences and within the whole market. In both cases, the effective participation was definitely minimal. When the effective carriage of the export-import trade was examined the outcome was that the National Line had very minimal participation also. Tests on its level of profitability showed that when asset recovery was not the major concern, i.e., short term profits before depreciations for assets, the National Line had made positive profits. But taken in the context of the company's ability to cover its asset values through annual after depreciation profit levels, net losses were recorded for five of the thirteen years of operations. But taken on a cumulative basis, the company was run on a net loss throughout the period with losses averaging some ₦50,000.00 every year.

(2) That the incorporation and public investment in the Nigerian National Shipping Line were justified on the score of import substitution and balance of payments considerations.

Here definite information on actual costs, earnings and net contributions to national income and balance of payments in foreign currencies were not available. But certain tests carried out along with remarks on outpayments by governments with respect to certain external liabilities of the company convinced the researcher that effective import substitution via reduction in foreign exchange losses were not realized. Apparently, Nigeria tended to lose more of the incomes from spending by foreign lines on Nigerian ports as well as increased net spending aborad on the needs of the National Line. On total balance, the contributions of the National Line to balance of payments in foreign exchange terms were presumably negative. The import substitution and net positive contribution to balance of payments were generally unfulfilled.

(3) That the incorporation and public investment were justified on the principles of rate stabilization and provision of yardstick against which rates charged by foreign lines in Nigeria and rates in foreign markets may be judged.

Tests in this area were not completely adequate, since the comprehensive freight rates charged by the major shipping conferences operating in Nigeria were not made available to this research. Nonetheless, specific freight rates on the export items between Nigeria and Western Europe (including the United Kingdom) were used. Indices of these rates between 1964-65 and 1970-71 did not indicate serious gyrations. It is difficult to ascribe this phenomenon to the National Line since the Nigerian Produce Marketing Board which controls the exports of such produce is a sort of national monopolist[345] in respect of cocoa, palm produce, groundnuts, and most of the controlled export produce. Another factor is that the National Line does not operate on a separate set of rates different from the conferences within which it operates.

Findings indicated that the rates of the selected export produce were relatively stable. If this was true of a composite rate system over time, the hypothesis would have been upheld. Used as a measuring rod to examine freight movements in foreign markets, it also showed that the Nigerian shipper did not fare relatively worse. Tested against rates in India, Ceylon, Brazil, and other developing nations, Nigerian freight rates were in most cases better

---

[345]See Peter Bower, op. cit.

as they refer to movements. But the one problem still unresolved was the extent to which the phenomena of stable rates were attributable to the existence of the National Line. What is definite is the fact that the presence of the National Line has enhanced the availability of rate information to the government. Measurements are possible in this way. The other important point is that the government backing and the Nigerian Produce Marketing Company's patronage of the conferences through the National Line must be exerting some leveling effects, among other factors, in the frequency and height of freight increases. On balance, this objective has to an extent been fulfilled.

(4) That such incorporation and public investment were justified on the score of employment and acquisition of needed skills by Nigerian personnel.

Tests carried out showed steady efforts at "Nigerianization" of the services of the National Line from its inception. Training schemes were set up and suitable Nigerians trained. The question of employment was examined from two aspects: job generation and creation and expatriate service replacement. On the first criterion, shipping which is naturally a capital intensive industry is a poor employment generator. The capital labor ratio is generally too high. What emerged from the study was that since Nigerian National Line had employment creation as an objective, it tended to make shipping another "labor intensive" enterprise. Compared with the United Kingdom, for example, the National Line maintained a far higher labor-tonnage ratio which to a reasonable extent contributed to its current financial results. But relative to other investments in different sectors, which have relatively similar capital values, employment level or labor/capital ratio was low. In this context, the aim of job generation was unfulfilled.

But as it touches expatriate service substitution, the National Line was efficient and the rates of such replacements were high. To what extent the replacements were compatible with efficiency is another matter beyond the scope of this study.[346] It goes without much comment that the current operationsl results and the adverse remarks of the government on its management performances may not

---

[346]The Second National Plan 1970-74 seeks to retain foreign technical and operational experts to infuse management and operational effectiveness (p. 186). It is doubtful if this is an indictment on rapid nigerianization.

be an exact function of its nigerianization alone. If anything else the National Line has offered Nigerians opportunities for the acquisition of those skills which the nation finds strategically necessary. Whether the acquisition of the skills by Nigerians are at costs in excess of their going prices in international markets is a hypothetical question. In the absence of hard facts for comparison purposes which cover even social variables, the matter is indeterminate meanwhile.

Noneconomic Factors as Criteria for the Incorporation of the Nigerian National Shipping Line

From the previous analyses, it is clear that the economic aims of the incorporation and public investment in the Nigerian National Shipping Line have not been fully justified. In other words, the National Line is not an economic proposition in the context of a paying enterprise which is able to earn its keep. The pertinent question which emerges here is whether the criteria examined in this study are the only ones required to make a decision on the desirability or otherwise of the survival of the National

Line. Are there other reasons justifying the continued investment and patronage of the National Shipping Line? Should the National Line be stabilized, expanded, or otherwise contracted?

To answer these questions it is necessary to examine other areas or disciplines for reasons on the existence or otherwise of this type of public institution. The Chairman of the Nigerian National Shipping Line writing a preface to the First Annual Report of the company stated inter alia:

> Apart from the profit motive, the tendency now is for governments to participate in the shipping industry not only as a matter of business, but also as one visible sign of sovereignty. Any country's ships carry her national flag all over the seven seas and there is nothing that gives a country as much pride and recognition as this.[347]

Towards the close of the prefacial note, the Chairman noted that:

> it can be confidently hoped that the Line will continue to enhance Nigeria's international prestige apart from making substantial contribution to the country's economic development.[348]

---

[347] Annual Report, 1962, p. 2.

[348] *Ibid*.

Writing on "The Drive to National Shipping," Professor Couper[349] noted that

> other incentives for pursuing the aim of self sufficiency in shipping include . . . prestige and the economic corollary to political independence.

Prestige factors in the operation of national flag ships are variables which defy quantification. What are the costs and the returns of national prestige factor from the operation of national shipping? This depends on the priority function of any nation and the revenue and cost tags will differ from nation to nation despite the availability or otherwise of scarce resources. Where costs exceed the earnings and the competitive position of the national fleet is jeopardized, nations have resorted to all sorts of subsidizations and preferences to enable their fleet to operate. In the case of Nigeria, direct payments for new vessels, loans, and grants have been made to enable the Line to continue operations.

Then, there are defense arguments. Professor Couper noted that:

---

[349] A. D. Couper, op. cit., p. 185. See also Samuel Lawrence, United States Merchant Shipping Policies and Politics, Brookings Institution, Washington, 1966, p. 27.

> not only does the existence of a national fleet provide a reserve of trained seamen, and vessels which can be utilised for the transport of troops and materials, but without national ships there is always the possibility of serious shortages of tonnage if foreign maritime nations are involved in wars.[350]

Carleen O'Loughlin[351] commenting on defense motives added that:

> it is necessary to move our sights from some of the smaller scattered communities of the world to some of the largest and most powerful countries . . . . There are good security reasons for a major power retaining a large merchant marine in peace time, if necessary by subsidization. First, nautical skills may be necessary in war and as many of these take time to train--far longer than for instance, it takes to train a fighter pilot--it is desirable to have a pool of such skills in existence.
>
> Another reason, again, is the matter of supply in war time. Smaller countries . . . also feel the need to have some national tonnage always available for essential supply purposes in time of hostilities.
>
> Another defense reason is the need to have ships available which could be turned into troop ships in time of war, and although air transport has made this need less great, the large liners played an important part in the last world war and their usefulness in any future war would still be of some importance.

---

[350] Ibid., p. 79.

[351] Carleen O'Loughlin, op. cit., p. 151.

In this context, the availability of national fleet may be a factor between total surrender and enhanced ability to maintain effective national defense. According to Professor Samuel Lawrence,[352] the United States merchant shipping's military role has been (1) that of naval or military auxilliary--a supplement to ships and other facilities already operated by the military services, (2) they may be absorbed directly into the military operations during national emergencies in either combatant or logistics role, and (3) they provide training and proving ground for maritime personnel and equipment. It thus becomes important that apart from the economic considerations, national prestige and sovereignty as well as defense and security reasons have been paramount in the maintenance of national merchant fleets.

In a study of shipping among eleven major maritime countries, Professor Sturmey[353] noted that the growth of their fleet between 1890 and 1960 was "due to operations of national shipping policies." He detailed that Italy, Spain, the United States, Japan, and France, for example,

---

[352] Samuel A. Lawrence, op. cit., pp. 26-27.

[353] S. G. Sturmey, op. cit., pp. 392-393.

have had to subsidize their national merchant fleet to make them operative. Indeed, despite differences in costs, the effects of subsidies and discrimination practices have sustained those national fleets rather than the operational results in the commercial sense. Little wonder then that Professor Lawrence noted that more than half of the world's merchant fleets (though a smaller percentage of gross tonnage) is either wholly or partially government owned.[354] Most of the remainder is understood to be aided by some form of direct or indirect subsidy.[355] Evidently here, economic considerations may have appeared to take minor position in the decision of countries to own their merchant fleets.

And, thus to the question whether the Nigerian National Shipping Line should, on the score of its failings with respect to its economic aims, be stabilized, expanded, or abandoned, the answer depends on considerations other than just economics. When the government's National Development Plan 1962-68 set aside the "sum of ₤6.1 million (₦12.2 million) for investment in additional ships if the

---

[354] S. A. Lawrence, op. cit.

[355] O.E.C.D., Maritime Transport 1966, pp. 51-58.

prospects of the shipping market warrant it,"[356] some serious questions were raised about the basis of the fleet expansion scheme. Incidentally, between 1962 and 1969, the Nigerian National Shipping Line "spent a total of over £11 million (₦22.0 million) in the acquisition of eight vessels, four of which were second hand."[357] This action was blamed by the government as steps resulting from "poor management and consequent bad investment decisions," especially "as the market situation did not seem appropriate for expansion and as there were doubts about the suitability of the type of vessels required."[358] Apparently, the economic considerations have been uppermost in the mind of Nigeria's Federal Government in deciding to invest in and operate the National Shipping Line. If this is so, why is the course of action consequent on continued poor operational results not taken to close down the National Line?

---

[356] Federal Government Development Programme 1962-68 (Sessional Paper No. 1 of 1962) F.G.P., Lagos, p. 27, paragraph 115. See also Statement of Policy on Transport, Lagos, 1965, pp. 1-2.

[357] *Ibid.*, p. 184.

[358] *Ibid.*

Changing Emphasis in Government Policy

The government policy on public enterprises spelled out in the 1970-74 Second National Development Plan[359] stated that

> Statutory corporations and state-owned companies have become an increasing tool of public intervention in the development process. Their primary purpose is to stimulate and accelerate national economic development under conditions of capital scarcity and structural defects in private business organizations. There are also basic considerations arising from the dangers of leaving vital sectors of the national economy to the whims of the private sector often under the direct and remote controls of foreign large-scale industrial combines.

The same policy plan added that

> Their (public enterprises) financial results would then be an increasingly important basis for judging their performance
> . . . .
> the economic objectives of establishing public enterprises seem to have been increasingly relegated to a secondary position.[360]

The current emphasis appears to have shifted more toward indications of sound economical operations of these public enterprises. With respect to state-owned companies (of which the Nigerian National Shipping Line is one) they

---

[359]*Ibid.*, p. 75.

[360]Second National Development Plan, 1970-74, p.

were expected to "have more freedom to operate with greater commercial flexibility than public corporations."[361] The major questions here are:

(1) Have these public companies been given such freedom to exhibit the greater commercial flexibility?

(2) If the emphasis is on sound economic performance which here should include increased share of the market as well as profitability, how much of these has the National Line shown?

(3) If the emphasis is on sound economic performance, how are subsidization and grants of noninterest-bearing loans and direct subventions to the shipping company compatible with such aims?

(4) What are the survival options open to the Nigerian National Shipping Line under conditions of

(a) continued government support and governing agencies' patronage, and

---

[361] Ibid.

(b) removal of government support and government agencies' patronage?

To the first question, the past years have shown that part of the problems about the company's rigidity and lack of adaptibility stem from ministerial control and inflexible traditions of the colonial civil service systems. Government has acknowledged this in its remark on General Policy Measures on Public Enterprises:

> It is clear that many of the public enterprises were not responsibe to the changing requirements of a growing and dynamic economy . . . .
> . . . .
> The level of personnel are sometimes mediocre and reflect the worst traditions and rigidities of the civil service.[362]

That these state-owned companies were subject to ministerial controls which exercised rigid controls over every major operational decisions[363] can be seen in the government remarks which inter alia stated:

---

[362] Second National Development Plan, op. cit., pp. 75-76.

[363] Statement of Policy by the Government of the Federal Republic of Nigeria on relations between the Federal Public Corporations and State-owned Companies of the Government, Lagos, 1964, pp. 9-10.

> The principle of insulation from partisan political pressure and sectionalism is more remarkable for its breach than for its observance.[364]

Evidently, these public companies of which the National Line is one did not possess and could never, under the existing conditions, exhibit flexibility in business decisions and actions.

There is no question whatsoever that the National Line has not exhibited any sound economic performance if the strict business yardstick of market share and profitability are taken. This conclusion is valid only when the net after-depreciation revenues are the trading results. For only on the basis of the net after-depreciation results is it possible to cover asset recovery criteria. It may be noted that the favorable and positive pre-depreciation profit levels were in spite of government grants, "non-interest bearing" loans and direct subventions. The one question is: on the score of the shift of emphasis to sound economic performance criteria, is the government prepared to close down the National Line for this failing? Presumably it will not. If this is true, would it strictly

---

[364] Second National Development Plan, <u>op. cit.</u>, p. 76.

be basing the support for the National Shipping Line on sound economic performance criteria? Decidedly, this would not be true. In other words, other considerations would be weighing more than economics in the decision formula of the government. Only on this score can those non-interest bearing loans, grants, and other subventions to the National Shipping Line have relevant bearings.

New Aspects of Government Support of N.N.S.L.

This leads to the examination of the national prestige factor and defense and security arguments for increased support for the National Shipping Line. National prestige is a non-quantifiable variable though it can never be diminished as a major factor in the socio-political decisions of nations, big or small. It has motivated a sacrifice of anything and, indeed, everything in the history of nations. It has led nations in need of scarce resources to expend the little they have to ensure the national integrity. But these are political questions and since economics may not be fully divorced from politics, the decisions based on one may be construed for the other. Little wonder that the late Pandit Nehru of India once declared that "shipping will not suffer and will go on at all costs and at every cost."[365] For Nigeria, defense is an important national priority and if the maintenance of a highly subsidized merchant navy will help this, the national priority may support it. If such a merchant navy will ensure free flow of supplies during hostilities by other nations, national necessity may not count some sacrifice too great.

If there are significant defense and security as well as prestige reasons for continued government support for a national merchant marine fleet, why has the Nigerian government tended to shift emphasis for a basis of such support on purely economic performance criteria?[366] Does this new trend indicate a possible withdrawal of government support if the economics criteria are not met? Assuming such a policy were practicable, what social and economic effects would be expected in the event of a possible

---

[365] Times of India.

[366] Federal Government Development Programme, 1962-68, Lagos, 1962.

closure of such public corporations and companies which fail to meet this criterion?

An analysis of the economic and financial returns on investments in a selected number of public companies and corporations shows very poor picture as was noticed in respect of the National Line (Table 81). Probably, the returns, economic and financial, in respect of the Nigerian Ports Authority are positive during the survey period. This is because the Nigerian Ports Authority enjoys a position of monopoly in ports services. The same position is enjoyed by the Nigerian Telecommunications Company whose returns had tended to improve later in the survey period. For the Nigerian Railway Corporation whose market is hotly contested by the road hauliers and internal passenger air transportation, the operating results reflect the effects of heavy competition as well as level of efficiency. The same is equally true of the Nigerian Airways Corporation and the Nigerian National Press.

Where the criteria for government support would be economic performance, most of these public institutions would have to fold up. The social and political effects of such a situation can better be imagined. If the public

TABLE 81.—Comparative Economic Performance of Selected Public Institutions.

Institution	Year	Depreciated Capital Value (N Millions)	Cash Financial Results[b] (N Millions)	Financial Rate of Returns (Percent)	Economic Results[a] (N Millions)	Rate of Return on Capital (Percent)
Nigerian Ports Authority	1962-63	26.94	+1.14	4.2	+1.48	+ 4.23
	1963-64	31.93	+1.27	4.0	+1.56	+ 3.98
	1964-65	36.66	+0.35	0.9	+1.10	+ 0.95
	1965-66	43.31	+1.19	2.7	+1.02	+ 2.75
	1966-67	47.70	+1.69	3.5	+1.38	+ 3.54
	1967-68	55.51	+2.02	3.6	+1.96	+ 3.64
Nigerian Railway Corporation	1962-63	164.6	-2.06	-1.54	-8.01	- 4.86
	1963-64	167.4	-2.57	-1.54	-8.30	- 4.96
	1964-65	168.6	+0.10	-0.64	-5.81	- 3.31
	1965-66	168.2	+0.88	+0.53	-4.84	- 3.11
	1966-67	167.6	+2.69	+1.60	-3.05	- 1.81
	1967-68	n.a.	n.a.	n.a.	n.a.	
Nigerian External Telecommunications Limited	1962-63	25.6	-0.90	-3.3	-5.05	-20.5
	1963-64	32.6	-0.28	-0.8	-5.06	-15.5
	1964-65	34.3	+0.36	+0.7	-5.53	-12.8
	1965-66	57.6	+0.41	+0.6	-6.87	-11.9
	1966-67	69.3	+1.19	+1.5	-7.52	-10.9
	1967-68	66.5	+1.29	+2.9	-6.85	-10.3

[a] Gross surplus less depreciations on assets at 6 percent.

[b] Gross surplus less actual interest and amortization payments.

Source: 1962-68 National Development Plan.

institutions which face competitions internally within the Nigerian economy cannot pass the economic performance test, there is no reason to expect more from the Nigerian National Shipping Line which faces both internal and external competitions. Most of the variables affecting the performance of the National Line fall within the wide spectrum of the controllable and the uncontrollable variables facing the company. This is apparently the reason behind the use of "national policies" by foreign governments when they adopt extra-market measures to keep their national marines going. And when the Nigerian government planned to "study the economic soundness of additional investment in ships with the greatest care" because of "The notorious instability of rates and profits in shipping on the high seas,"[367] it must have involved a policy of eventual closure of the National Shipping Line since opportunities of high profits in ocean shipping by the National Line are slim in the short run. Of course, it was most mitigating to note the government's observations that:

> It is not helpful to condemn the performance of these bodies (public corporations and

---

[367] Statement of Policy on Transport: Federal Government Printer, Lagos, 1965, p. 2.

> companies) in general terms without first setting out performance targets and achievement yardsticks. It is necessary to answer the question whether or not most of these corporations can in fact, or should be expected to, make profit.
> . . . .
> It is also, of vital importance that a proper balance be established between commercialism and state control.[368]

At this point in the analysis, the vital issue is what the options are for the National Line in terms of survival opportunities, taking into account its internal and external constraints and enabling variables. What happens in spite of government support and what would happen with its removal? Theoretically, with the current internal and external constraints and enabling factors along with government support, the options are either very viable and rewarding existence or a most moribund survival opportunity. Without any government's continued support despite the current operating and external constraints, either a moribund existence or a sure collapse is the inevitable end.

Since it would appear that the desire of the Nigerian government is for the National Line to become a

---

[368] Second National Development Plan, 1970-74, p. 185.

paying concern[369] simultaneous with the minimization of public support and subventions, a detailed analysis of those variables affecting the National Line's operations should be undertaken. The National Line influences and is in turn influenced by the government agencies in Nigeria, the international shipping lines (both conference and nonconference members), foreign governments and their economies (see Figure 4). Each of these institutions has a series of variables which influence them. Some of the variables are internal and others external to them. Among these are those which each of these institutions can relatively control and manipulate for policy purposes while others are beyond their control. Interactions among these institutions are dependent on their ability to manipulate what proportion of these variables and the combined weights of these variables.

With respect to the Nigerian National Shipping Line, the variables which exert their influences either positively or negatively on their operations and their operational results are enumerated in the following chart and Table 82. Internationally, the influences of the foreign

---

[369] *Ibid*.

TABLE 82.—Variables Influencing Institutional Interactions on Ocean Shipping.

Institution	Variable Levels	Controllable[a]	Uncontrollable[a]
Nigerian National Shipping Line	Internal[b]	1. Credit Level Required 2. Service Level Efficiency 3. Type of Vessel 4. Staff Quality	1. Flexibility of Decision Mechanism 2. Vessel Capacity Used 3. Service Adequacy/responsiveness 4. Desired Cargo Volume 5. Nonconference competition
	External[b]	1. Conference Cargo Quota 2. Shipper Patronage 3. Trade Route Traffic Rationalization	1. Factor Costs 2. Freight Rates 3. Capital Supply 4. Port Efficiency 5. Charter Market 6. Trends in National Trade 7. Level of Incomes
Nigerian Government and Agencies	Internal[b]	1. Patronage/Support for National Line 2. Internal Capital Supply 3. Internal Port Efficiency/ Facilities 4. Competitive Practices of Lines 5. National Shipping Policies	1. Factor Costs (Internal) 2. Freight Rates
	External[b]	1. Trade Agreements and Routing 2. Conference Practices 3. Cargo Quotas to Lines	1. External Factor Costs 2. Foreign National Shipping Policies 3. External Port Efficiencies and Costs 4. Foreign Market Exigencies 5. Ship Building/Ship Charter Markets
Foreign Shipping Lines (Conference)	Internal[b]	1. Conference Shipper Patronage 2. Trade/Traffic Rationalizations (Conference) 3. Service Levels/Responsiveness 4. Freight Rates and Cargo Quotas 5. Choice of Conference Membership 6. Conference Practices	1. Factor Costs 2. Vessel Capacities Used 3. Desired Cargo Volume
	External[b]	1. Trade Routes and Ports Choice 2. Supply of Services	1. Nonconference Competition 2. Factor Costs 3. Capital Supply 4. Port Efficiencies 5. Ship Building/Charter Markets 6. National Shipping Policies 7. Market Exigencies 8. Growth of World Trade
Foreign Governments and Agencies	Internal[b]	1. Ship Building Industry 2. Charter Markets 3. Capital Supply 4. National Shipping Policies	1. Factor Cost 2. Freight Rates
		1. Conference/nonconference Practices 2. Trade Agreements and Routes 3. Cargo Quotas to Lines	1. International Shipping Policies 2. International Trade Trends 3. Supply of Tonnages and Services 4. International Emergencies/Market Exigencies

[a]Able or unable to manipulate for a change by the institution.

[b]Exogenous or endogenous to the institution.

national lines (conference and nonconference members), policies of foreign governments and their agencies as well as the actions of the Nigerian government and its agencies--all bear directly, negatively or positively, on the operational efficiency of the Nigerian National Line. The two-way types of influences are shown in the diagram (Figure 5). The ship building industry and the ship charter markets become central in the whole setting of interacting forces since supply of tonnage is an important influence of demand satisfaction and eventual capital and service costs.

To make the analysis more specific and slightly detailed, the major variables influencing international institutions and hence ocean shipping are outlined in Table 82. The variables are either internal or external to each institution and may be either controllable or uncontrollable within that system. This control notion indicates the relative ability of each institution to influence shipping supply, demand, costs, and incomes by direct or even indirect manipulation of the various variables. The list is not, however, exhaustive, but is tendencious. The ability to manipulate a majority of the respective variables (subject to their respective weights) in an effort to influence total costs and revenues would to an extent determine the ability of each shipping line or nation to optimize its services. Relevant to a national shipping line, the preponderance of more internal and external controllable variables would indicate its ability to improve its performances. On the other hand, where the uncontrollable variables are dominant and exert greater weights, the chances of economic viability for such a national shipping line are slim.

For the Nigerian National Shipping Line, manipulation of service level and efficiency by judicious choice of suitable vessel types[370] and improvement of staff quality[371] while engaging aggressively in cross trades against nonconference competition should be a most short-term objective toward improvement in operational results. Even though the quotas of cargo from the pools, shipper patronage, and traffic rationalization are endogenous to the Nigerian National Line, powerful negotiations, increased acquisition of tonnage and aggressive selling policy by suitable advertisements should make these variables

---

[370] Ibid.

[371] Ibid.

controllable. Some of the areas which under current arrangements are uncontrollable touch on those internal variables which are rendered rigid by conference and government control mechanisms.[372] The firm's decision mechanism comes under this area. Those variables which are given by the market and on which the National Line has no powers are listed under external uncontrollables.

Can the Nigerian government help the National Line to achieve economic viability? This depends on those controllable external and internal variables at its disposal. Patronage and support are currently being exploited. When the national shipping policies, the noncompetitive practices of conferences and efficiency of port operations and stevedores are acted upon, the National Line would have been assisted to earn its keep. Since factor costs and freight rates are decided by the market or agreement of conference membership, and port efficiency and costs as well as charter markets are controlled externally of the Nigerian economy, the best option is to help the National Line improve its efficiency by minimising its total costs and maximizing its total revenues. The use of bilateral

---

[372] Ibid.

and multi-lateral trade agreements as well as appropriate subsidies and preferences (as are used by other foreign governments) should help to improve the position of the National Line. This means that the Nigerian Government is indispensable to the well being of the National Line since its relationship with foreign governments is through appropriate actions.[373]

To the question of what options for survival are open to the Nigerian National Shipping Line, the answer is either (1) steady movement to sure and eventual death, (2) weak or moribund but indefinite existence, or (3) strong and viable growth-induced existence. Under the conditions of eventual sure death, the most obvious method to ensure that is the withdrawal of government patronage and support and the pursuit of a laissez faire transportation or shipping policy. Definitely, this will lead to the immediate close-down of the National Line. When that happens, it would have been clear from the transportation accounts in

[373]For a new approach to the organization of international shipping service, see Samuel A. Lawrence, International Sea Transport: The Years Ahead. He acknowledges the factors of national defense and security and inequality among different economies though recommending competitions and regional organizations of shipping. He advocates national flag lines for developing nations which should work within cooperation and understanding with developed nations. See Chapter 15.

the balance of payments sheet whether Nigeria gained anything or nothing from the existence of the Nigerian National Shipping Line.

Under situations of moribund existence, the most effective conditions to ensure that state of affairs for the National Line is to refuse to directly influence the conference practices and their grip on the National Line. In this context, except the continued financial support and cargo patronage as at the moment, there should be nothing done about positive shipping policy. The cargo quotas should be negotiated with the conferences once in five or seven years and no government pressure would be needed to influence the allocation of cargo from the pools. Governmental control even to the point of directly influencing appointment, training and rewarding of the shipping line's personnel should continue to be strongly applied. With steady cargo patronage and some financial support but with nothing done to offset the administrative grips of the government or the operational grips of the powerful conference ring, the National Line will not fold up but will be unlikely to become a truly paying concern.

The third alternative is one which is probably desired by all Nigerians. To see the National Shipping Line a viable, vibrant, powerful, and growing shipping line, able to contest in the market with other indigenous and foreign lines, quite very many variables--external and internal must be influenced. The National Line should attend to efficiency of operations through reduction of total operating costs or improvement of operating ratios by improvement of staff quality,[374] investment pattern[375] and applications of working capital by time and sector. A fairly reduced ministerial control of the National Line and a more progressive effort at reducing the grips of the conferences will make decision making flexible and responsive to the commercial needs of the company.

For its part, the government should, like other national governments, inculcate the ideas of transportation requirements in whatever trade agreements are entered with foreign nations. Increased carriage of Nigeria's export

---

[374] Which the Federal Government has acknowledged that "the level and quality of personnel are sometimes mediocre and reflect the worst traditions and rigidities of the civil service." Second Development Plan, op. cit.

[375] Ibid.

products should be pursued not by discrimination but by aggressive flexible use of vessels as are done by India, France, Brazil, Japan, and the United States.[376] Once the manipulable variables are influenced by the National Line and the Nigerian Government simultaneously, the chances for its viable growth are high.

The major question is: which option should Nigeria choose? Other relevant questions center on the role of the conferences on the ability of the National Line to operate effectively and whether the National Line can afford to operate outside the conferences successfully. To the first question, the choice would have to do with the balancing of actual costs and incomes as well as social costs and incomes which satisfy the national interests.[377] This will depend on national priorities. Since national well-being in the world of socio-political realities is predicated upon its security and strength, evidences show that a viable national marine is desirable. This means that the

---

[376] See O.E.C.D., Maritime Transport, Paris re 1966. Also Sturmey, op. cit.

[377] "The criterion of benefit-cost surplus must be brought . . . in assessing their success or performance." Second National Plan, op. cit., p. 76.

third option is preferred. As to the question of the influence of the conferences on the viability of the National Line, opinions are mixed.[378] But with particular reference to the National Line the absence of flexibility in the decision mechanism of the company is in part a function of its conference membership. The rationalization of services may secure optimal use of total conferences' capacities but will not make for lack of individual line's power of decision in accordance with the demands of the market.

Can the National Line operate successfully outside the conference membership? It is possible but fraught with dangers of the conferences' retaliations on the international ports and markets. The case of Okafor Line which was blacklisted all over European ports and refused port services in foreign ports was attributed to the concerted efforts of conference activities.[379] True indeed, foreign dock labor, foreign ports authorities, foreign shippers, and foreign conferences have been known to exert concerted

---

[378] For advantages and disadvantages of conferences see Charlotte Leubuscher, op. cit., Chapter VI and for favorable view of Conference see Sir Osboune Mance, International Sea Transport, Oxford University Press, 1945, p. 96.

[379] Memorandum from Okafor Line, Lagos.

efforts to ruin a nonconference competitor. This can be disastrous for the National Line and may be injurious for the Nigerian trade, if in taking a policy decision, the National Line was suddenly made to carry all of Nigeria's exports. The Nigerian government had recognized the dangers of such extreme measures.[380] What had become the practice in most developing nations is to allow their national lines to operate within conferences while strong bargaining powers are used to increase the share of the national trade carried by such national lines.[381] Their successes should prove to be examples for Nigeria. Thus, it is proved that the ownership of the Nigerian National Line is a national necessity and the operation of the firm within shipping conferences a sound policy. What is needed to make its operations more effective and rewarding calls for a program of actions which involve both the shipping line and the national government.

---

[380] National Economic Council's Memorandum, 1965.

[381] India, Brazil, Ivory Coast, Pakistan, and Ceylon.

Programs and Strategies for the Future

To sustain a healthy shipping market in Nigeria and enhance the productivity and returns of the Nigerian National Shipping Line, a series of actions are needed both at the shipping company level and at the Federal Nigeria Government level. Both types of actions must be complementary to ensure desired objectives.

Government Programs and Strategies

Government strategies and shipping programs[382] are needed to

(1) facilitate the conduct of our international trade,

(2) provide a favorable climate for exporters and importers,

(3) protect shipping services on which trade depends,

---

[382] This summary of regulatory measures objectives was made by Harry X. Kelly, Chairman of the Executive Committee, Mississippi Shipping Company. See Merchant Marine Policy, Cornell Maritime Press, Inc., Maryland, 1963, p. 186.

(4) protect national welfare and maintain national defense, and

(5) enhance the effectiveness of the Nigerian National Shipping Line.

Such programs are divided into those directly touching (a) the Nigerian National Shipping Line, (b) the Nigerian Shipping Market, (c) other Nigerian private lines, (d) foreign governments and foreign markets, and (e) miscellaneous matters.

National Shipping Policy Objectives

Objective Functions

Government assistance to Nigerian shipping lines (apart from any ownership) is mostly motivated by

(1) amelioration of the inherent problems of the Nigerian indigenous shipping lines in international markets over which they have little or no effective controls.

(2) the desire to offset the peculiar conditions of the national economy which are outside of the shipping sector[383]

(3) unfair "shipping nationalism" policies of foreign governments and international shipping cartels which make it difficult, if not impossible, for Nigerian shipping lines to operate on competitive bases with foreign national merchant marines.

Constraints

The major constraints to effective governmental activities in the area of rendering assistances to the indigenous shipping lines are

(1) technical and technological[384]

(2) financial, particularly in foreign exchange terms

---

[383] O.E.C.D., Maritime Transport, op. cit.

[384] Technical skills are currently acquired outside of Nigeria and the costs include foreign exchange, time, and attitudes.

(3) socio-political (internal and external)[385]

(4) market factors[386]

Shipping policies involve externalities--social costs and benefits which often defy calculation or quantification. This is an aspect which most planners overlook in assessing the needs and costs as well as the returns of shipping. Moreover, the time function of costs and returns are made more difficult of quantification since the time lag between acquisition of shipping assets--vessels, trained manpower, etc. and when positive returns are realized on the investments make the work of economic planners difficult. Again, the question of risks and uncertainties in shipping programs and budgeting reduces the chances of accurate estimation of costs and benefits.[387] These must be kept in proper perspectives when assessing the programs set hereunder.

---

[385]The reactions of foreign governments to actions taken in Nigeria to influence the shipping market for the benefit of Nigerian indigenous shipping firms.

[386]Most costs are endogenously determined and there is little the government can do.

[387]For case studies of the program budgeting and benefit cost analysis, see Hanley H. Hinrichs, and Graeme M. Taylor, Cases, Text and Readings, Goodyear Publishing Company, California, 1969.

National Policy Programs

The current forms indicate that the Nigerian National Shipping Line's share of the market is minimal:

(1) about 5-7 percent of the conferences' gross registered tons.

(2) under 2 percent of all total number of ships entering the Nigerian ports annually.

(3) under 12 percent of dead weight tonnage of the two conferences--UKWAL and COWAC.

(4) about 7-9 percent of total dead weight tonnage of the Nigerian market.

(5) negative post-depreciation net revenues and returns on investments (cumulative and otherwise).

National Shipping Targets

1. Estimated export-import trade of Nigeria by 1990 is 9.74 million long tons[388] of cargo (excluding mineral oil).

---

[388]NEDECO, *op. cit*.

2. Estimated crude petroleum production of 100,000,000 barrels per month or 1,200 million barrels per annum by 1985-1990 (assuming increased drilling at current rates[389] and the exploitation of new fields).

3. Shipping tonnage required to ensure

   (a) 45-50 percent control of carriage of Nigeria's external general cargo trade by 1990.

   (b) 100 percent of inland waterways and coastal shipping by 1985.[390]

   (c) 40-45 percent of West African coastal trade by 1990.

   (d) 25 percent carriage of petroleum crudes and refined products by 1985.

<u>Must be</u> at least 2.5 million gross registered tons of vessels by 1996 (assuming a twenty-year plan between 1976 and 1996).

---

[389] Central Bank of Nigeria Monthly Reports.

[390] This involves cabotage principles. See Central Bank of Nigeria, <u>Notes on the Application of Cabotage Principles</u>, 1969.

4. Manpower training and skill acquisition should involve the establishment of a West African Maritime School.[391]

5. Development of repair facilities and maritime services institution which may be able to give shipping the required forward and backward linkages.

Specific Programs of the Government on the Nigerian National Shipping Line

1. Provision of flexibility in the company's decision and commercial mechanism

   (a) Permission of sale of a majority of the government's shares to the private sector (particularly Nigerian investors). This will ensure more emphasis on the commercial than the "civil service" functions.

---

[391] From unpublished paper presenting Nigeria's shipping development plans up to 1980 by Federal Ministry of Transport.

(b) Reduction of some Ministerial Controls[392] in administrative matters by removal of more government appointed directors and replacing them with actual privately appointed directors based on private investors' holdings in the company.

(c) Increasing liability of the company's management for operational results by more effective roles in decision making touching investments, directions of operations, staff apppointment, promotions, and rewards.[393]

2. Provision of aids for capital investment and operational strength

(a) Provision of financial and fiscal aid[394] to the Nigerian National Shipping Line

---

[392] Second Development Plan, op. cit.

[393] Ibid.

[394] See O.E.C.D., Maritime Transport, Financial Aid and Fiscal Relief to Shipping in OECD countries (1966).

(i) grants, loans, subsidies and allowances for acquisition of vessels (mostly new vessels).

(ii) guaranteed credits, mortgages of other vessels, etc. as collaterals for new loans to acquire new vessels.

(iii) guaranteed loans from internal and international institutions for acquisition of vessels and provision of working capitals.

(iv) deferred tax programs to enable the company to amass tax-free reserves.

(v) grants and allowances for manpower planning and skill development

(vi) grant of special depreciation allowances to help build up of sound equities

(vii) interest subsidies to help the company meet liabilities on loans and credits

(viii) investment allowances to stimulate expansion of investments

3. Other Enabling Actions

(a) Increasing cargo patronage and support for the National Line

(b) Government weight behind the line to increase the frequency and powers of negotiations for increased allocations of cargo quotas from the conferences' pools[395] and freight rates.

On the Nigerian Shipping Market

Some regulatory measures are needed to check what Harry X. Kelly[396] calls "anti-competitive practices" of the shipping lines. Such regulatory measures[397] should include:

(1) prohibition of such restrictive practices[398] as

(a) deferred rebate system

---

[395] T. K. Sarangan, op. cit., for the Indian experience.

[396] Ibid.

[397] Would be most meaningful and effective if taken as intergovernmental actions of governments of the West Africa trading region.

[398] Apparently only the U.S.A. and South Africa have taken firm actions on the deferred rebate menace. See Leubuscher, op. cit.

(b) exclusive patronage contracts

(c) port discriminations

(d) retaliations against shippers who refuse to use a particular line[399]

(e) conferences' use of fighting ships

(f) rate and/or space discriminations against shippers.

(2) filing of all freight tariffs with the Ministry of Transport or some other Federal Agency.[400] This will remove the veil of secrecy which has fostered the distrust of the lines by shippers.

(3) Enforcement of open conference membership so as to "keep the trade open" to newcomers.[401]

---

[399] Harry X. Kelley, op. cit.

[400] These can be published where appropriate.

[401] O.E.C.D., op. cit.

(4) Strengthening of shippers' negotiating powers by encouraging and supporting the establishment of National Shippers' Council.[402]

On Other Private Nigerian Lines[403]
Capital Investments and Operations

(1) Provision of interest free or low interest loans directly or guarantees on such loans from financial institutions.

(2) Grants, subsidies and allowances to deserving private lines[404] for purchase of vessels.

(3) Grants, allowances, subsidies, loans, credit guarantees, etc. for operational or expansion purposes, organization and management as well as sound economic performance.

---

[402]UNCTAD, Consultation in Shipping, op. cit.

[403]This should include lines wholly or partially Nigerian owned and operating from Nigeria.

[404]These lines should have sufficient capital investment, technical knowhow, efficient organization and management and sound economic performance. See criteria set out by Shipping Committee of the Ministry of Transport and the Nigerian Produce Marketing Company.

(4) Direct cargo patronage by the Nigerian Produce Marketing Company and other agencies.

(5) Encouragement of indigenous lines financed by private investments through the money market. This should replace the current family enterprises in the sector. Family enterprises generally collapse after the original director must have either died or become incapacitated. Amalgamation of existing mushroom shipping lines should be encouraged.

(6) Private Nigerian shipping lines should be encouraged to undertake inland water and coastal shipping primarily before venturing eventually into ocean shipping.

(7) Most small scale private Nigerian shipping lines should be encouraged to become customs agencies, forwarding and clearing agencies.

(8) Government should help the private lines to join the shipping conferences operating between Nigeria and other countries on the nation's major trade

routes.[405] The hardened close-shop methods of the shipping cartels hardly can allow private national shipping lines to gain entry into their caucuses except with the strong support of the governments. This was India's experience, it was Ghana's and Nigeria's public line, it must be the same for the Nigerian private lines.

---

[405] T. K. Sarangan, op. cit., noted that it had been the policy of the government of India to encourage Indian shipping lines to negotiate admission to shipping conferences and, where necessary, to lend support at the government level. The issue of membership of conferences by private national lines is aptly put by Leubushcer, op. cit., p. 92.

> The fact that the West African government controlled lines are members of the conference will make it easier for other members to put pressure on these lines (and on the West African governments) to discourage private ventures by West Africans into ocean shipping . . . the lines put an official seal on the conference by becoming members and thus subscribing to its policies.

Earlier she had noted that:

> these lines may be forced to take up an unfriendly attitude towards an outsider whom the conference decides to fight, even if the challenge is of African origin.

Compare these statements with the opinions on private indigenous lines expressed by the N.N.S.L. to the government (correspondence)

> the present private indigenous shipping companies which by imponderable hazards may not

On Foreign Governments and Markets

(1) The Nigerian government should maintain some trade agreements with foreign governments which may incorporate provisions for flag preferences or cargo quota allocations on the basis of encouraging foreign exchange earnings.

(2) Government's direct negotiations or support for such negotiations should help the availability of foreign exchange for acquisition of vessels or equipments or training for the Nigerian nationals.

(3) International trade channels can be adopted to ensure favorable terms for the Nigerian acquisition of tonnages from the charter or construction markets.

(4) Diplomatic channels can be used to reduce the debilitating effects of narrow national shipping policies abroad.

> make good in the shipping liner business . . . it is hardly rewarding for the government to encourage a proliferation of weak and ineffective indigenous shipping companies.

What a service to the conference!

On Miscellaneous Issues

(1) Actions should be taken to improve port services and the efficiency of the stevedores.[406] The increase in the port service efficiency will be reflected in improved turn-round of ships.[407] The development of ports in point of time, has to precede and not follow or even be simultaneous with trade which ports are called upon to handle.[408]

(2) Facilitation of clearing formalities and procedures has got to help entry and departure of ships. Reduction of formalities to a minimum to help commerce is definitely essential. Joint agreements between national shippers' councils, liner conferences and national or regional (West African) custom's councils can smooth out procedures. Such

---

[406] The recommendations made by A. A. Ayida, op. cit., are relevant.

[407] The NEDECO Report (subject to certain reservations) set out development plans for effective port service. See also, Economist Intelligence Unit, Financing and Invisibles (U.N.), p. 259.

[408] Liner Shipping in India's Overseas Trade, p. 11.

coordination of activities and procedures on information and vessels' movements can reduce delays to ships and personnel in the ports.[409]

(3) Improvements to inland transportation is one way of increasing the productivity of shipping. Studies[410] have shown that greater costs of exports or imports are due to internal transportation problems. The coordination of traffic to and from the ports by the Nigerian Ports Authority, Railway Corporation and Road Hauliers as well as shippers and marketing Boards will improve shipping productivity through reducing costs.

(4) Adequate storage facilities and warehousing for both export and import cargoes must be a prime concern of the Nigerian Ports Authority. From an analysis in Tables 44 and 45, it was discovered that over 70 percent of imports, about 56 percent

---

[409] For Convention on Facilities of International Maritime Traffic, 1965, see Ireland's Revenue Commissioner's Notice No. 1097 of March 1969 (and E645/3907/68).

[410] Couper on inland and ocean shipping in the Fiji Achipelago, Indonesia, Malaysia, and the Philippines, _op. cit_.

of exports or about 60 percent of total trade required storages and warehouses. In the absence of large scale containerization of cargoes, more storages at port areas are needed and would still be needed if the port area congestions by trucks and lorries are to be eliminated, or at least, reduced.

(5) Any scheme for expansion in shipping would be incomplete and unable to yield its full benefits in foreign exchange unless a steady flow of qualified personnel to man the vessels is ensured. Training institutions must be set up to coordinate and direct the manpower development. Such training would include navigation engineering, deck and engine room ratings and other skills. In this area, the recommendations of Kemperer[411] for a Nautical Training School for West Africa is commended. Such a school would be comprehensive and run at full capacity to optimize use of all

[411] E. Kemperer, Expert Under the Technical Cooperation Programme of the IMCO: The Feasibility and Practicability of Establishing a Nautical School in Nigeria, Ministry of Transport, Lagos, 1968.

equipments and staff. Jointly owned and run by West African countries, enrolments are expected to be high to meet the needs of inland, coastal, and ocean shipping for West African nations.

(6) Establishment of dock service and ship repair facilities at appropriate points.

National Shipping Line's Programs and Strategies

The internally planned and executed plans of the Nigerian National Shipping Line are intended to:

(1) facilitate increasing investments with a view to expanding the share of the market and probably improving the earnings picture,

(2) increasing effectiveness in matters of freight rates operating in the market,

(3) improving the net foreign exchange acquisitions from the trade,

(4) securing better market possibilities overseas for Nigerian export products.

Such programs would include:

(1) vessel acquisition

(2) staff training and skill improvement

(3) expansion of services to more routes and membership of new conferences.

Specific Programs

Vessels--Investments In

Of the estimated 2.5 million gross registered vessels needed by 1996, the Nigerian National Shipping Line should have some 1.0 to 1.5 million tons (gross registered). This should be broken into:[412]

(1) dry cargo vessels--break bulk conventionals

---

[412]Enumerated by Captain H. A. Agate, Government Inspector of Shipping, "Nigeria's Shipping Development Plans to 1980." Unpublished document, Lagos, 1968.

(2) OBO type vessels for oil, bulk ore--capable of oil or dry bulk,

(3) the lash type of vessels for lighterated containerization processes,

(4) the hinged deck vessels for general cargo, bulk cargo, motor vehicles, etc.--the hinging depending on decks,

(5) the tankers,

(6) container ships,

The distribution of number and tonnage among the different types of vessels should be subject to further detailed study of the market and its requirements. But on the basis of the calculations of the Government Inspector of Shipping[413] the National Shipping Line for its share of the 1.5 million gross registered tons would invest a total of over ₦80 million in twenty years' time, broken into:

---

[413]Estimates were above ₦140 million nationally for vessel needs.

(1) Dry cargo vessels	₦25 million
(2) Oil tankers	₦40 million
(3) Containerized vessels	₦15 million
Total	₦80 million

Financing will be based on the Berne Conventional 20 percent deposit and ten-year amortizations for new ships. The emphasis here would be on the purchase of new ships[414] or where there are financial problems, the five-year-old or under five-year-old second-hand vessels. The plan for fleet expansion should follow a definite course which accords with

(a) annual targets of share of trade expected to be carried, and

(b) categories of vessels needed for the different sectors of the national trade within the target plan.

---

[414] Computerized economic life of a new vessel is 17 years trouble free. See Agate, op. cit.

Staff Recruitment, Training and Rewards

The National Shipping Line should be able to give adequate training to its future staff on the basis of the Nautical School developed out if the IMCO expert's report. Recruitment, training, and rewards should be based on the needs of the services. The size of such staff will be determined by the company's management personnel.

Specific National Investment Targets Supervised or Aided by the Government

Vessels[415]

Based on the needs of the national trade and determined by the market trends and conditions, the estimates are: 2.5 million gross registered tons of varied vessel types--N200 million.

---

[415]Estimates revised and different from Agate's calculations.

Port Developments

Based on the recommendations of NEDECO[416] (with specific amendments) a total investment may be around N250 million.

Establishment of the Nautical School[417]

Based on the recommendations of the IMCO expert, the West African Nautical School (bi-lingual) to be established in Nigeria would involve costs of nearly N30 million with annual recurrent costs of N5 million.

Ship Repair Yard and Dry Docking Services

This can be the enlargement of Wilmot Point Workshop for the graving dock facilities or some new site appropriately selected by the government; funding and

---

[416] NEDECO recommendations included in land transportation--rail, road, water, etc.

[417] Would be borne in specified proportions by all participating West African countries.

capital could be initially joint government and private Nigerian interests which should eventually be private. Estimated costs of development would be around ₦20 million at full capacity.

Total estimates of all the investments within the twenty years should be ₦500 million between 1976 and 1996. The breakdown of the program is as per Tables 83 and 84.

Notes on the 1976-1985 Comprehensive Development Investments

This set of projects covering fleet expansion, staff developments, port development, railroad extension, provision of new inalnd roads or expansion of old ones, as well as the preliminary work on the International Nautical School are phased into two five-year periods.

Between 1976 and 1985, a total investment of ₦310 million on the projects are envisaged. The idea is to assist shipping by

(a) Relieving congestions likely to occur due to over concentration of activity in Lagos and Port Harcourt,

TABLE 83.—Detailed Analysis of Investments in Shipping and Related Matters, 1976-80 and 1981-85.

Periods	Nigerian National Shipping Line	Private Nigerian Shipping Companies	Nigerian Ports Authority	Nigerian Railway Corporation	International Nautical School	Ministries of Works and Transport
1976-80 (Phase I)	Fleet expansion (1/4 million GRT) Staff development and skill acquisition (overseas institutions).	Fleet expansion (1/8 million GRT) Staff development and skill acquisition.	Port development 1. Apapa 2. Calabar 3. Burutu 4. Warri Dry dock and repair facility.	Survey and initial work on the railroad extension 1. Minna-Warri 2. Makurdi-Calabar	1. Consultations among West African states on the proposal for a Nautical School. 2. Initial plans and details of school construction, equipment, staff, etc. to be undertaken.	New inland roads Inland waterways development: a. Hydrographic surveys b. Navigational aids c. Dredging work i. Niger River ii. Benue River iii. Cross River iv. Delta Creeks a. Warri-Lagos b. Warri-P.H.
Cost of Investments	N30 million	N15 million	N65 million	N35 million	N10 million	N10 million
1981-85 (Phase II)	Further fleet expansion (1/4 million GRT) Staff development and skill acquisition (overseas institutions).	Further fleet expansion (1/4 million GRT) Staff development and skill acquisition (overseas institutions).	Port development—various dry dock facilities.	Construction work on 1. Minna-Warri 2. Makurdi-Calabar 3. Major overhauling of existing old rail system.	Possible construction, equipping and staffing of the West African Nautical School.	New inland roads Provision of navigational aids, dredging of channels and inland port facilities on the major inland water transport systems.
Cost of Investments	N35 million	N35 million	N20 million	N30 million	N15 million	N10 million
Total Investment Costs	N65 million	N50 million	N85 million	N65 million	N25 million	N20 million
Annual Average Investment Costs	N 6.5 million	N 5.0 million	N 8.5 million	N 6.5 million	N 2.5 million	N 2.0 million
Annual Average Gross Monetary Income Flow	N16.5 million	N 6.0 million	N14.8 million	N14.5 million	N 1.1 million	N 1.3 million
Other Costs	N 6.1 million	N 0.3 million	N 3.0 million	N 5.0 million	N 0.9 million	N 0.9 million
Annual Social Costs	N 5.8 million	N 1.6 million	N 2.9 million	N 2.8 million	N 1.9 million	N 2.0 million
Annual Social Incomes	N 6.5 million	N 2.2 million	N 4.3 million	N 2.9 million	N 4.4 million	N 3.9 million
Actual Annual Net Incomes	N 4.6 million	N 1.3 million	N 4.7 million	N 3.1 million	N 0.2 million	N 0.3 million
Benefit-Cost Ratios:						
a. By individual projects	125%	119%	133%	122%	104%	106%
b. By total investments			(122%)			

TABLE 84.—Benefit-Cost Analysis of the Investments 1976-1996.

Projects	Total Capital Costs (N Million)	Annual Average Fixed and Recurrent Costs (N Million)	Annual Average Cash Income Flows (N Million)	Net Annual Incomes (N Million)	Taxes and Other Revenues Annually (N Million)	Other Benefits (quantified) (N Million)	Benefit-Cost Ratios[c] (Percent)
Investments in vessels and shipping operations	200	20[a]	17.5	5.2	1.5	3.5	105
Investments in ports and inland transportation	250	15[b]	15.75	8.5	2.0	4.2	133
Investment in the West African Nautical School Nigeria	30	5	3	-1.0	0.25	3.3	126
Dry docking and vessel repair services	20	4	10	6.5	1.6	3.5	338
Total	500	44	46.25	19.2	5.35	14.5	143

[a]Based on Agate 10 percent per year.

[b]For first year but diminishing to zero after first fifteen years.

[c]$\dfrac{\text{Annual Cash Flow + Other Benefits}}{\text{Annual Average Costs}}$ .100

For methodology see Charles J. Cicchetti, Alaskan Oil Alternative Routes and Markets, John Hopkins University Press, 1972.

(b) Cutting down the overall costs of imports and exports by provision of better inland evacuation facilities,

(c) Connecting all possible production centres and communities by the most available cheaper means to the ports and hence reducing costs of exports and imports handling and cost of transportation to the producers and consumers.

Cost-Benefit Analysis

1976-80.--Not much may be realized here due to lumpiness of capital investment and the problems of gestation. It is advisable to carry the project forward to 1980-85.

1980-85.--At the end of the second five-year period it should be possible to trace significant benefits accruing to the economy.

(a) More effective carriage of national trady by indigenous ships culminating in increased transport and freight earnings.

(b) Increased acquisition of marine skills through improved quality of Nigerian seamen's performance.

(c) Expansion of the economy with reduction of traffic bottlenecks which currently plague both internal and external transportation and trade.

(d) Improvements in incomes and government revenues from direct and indirect sources should be demonstrated.

Assessment of Investment by 1985

At the end of 1985, a formal comprehensive investment appraisal should be undertaken for the investments to justify the national economic and strategic considerations. The quantified net benefits should be positive, i.e., total costs (monetary and social) should fall below the total incomes (including quantified values of social benefits). Only on such a situation would it be justified to continue the second ten-year investment plans under the overall 1976-1996 program.

A cost-benefit analysis on the formula of Table 84 indicates that the benefit ratio would be most approximately 122 percent of the costs. Even if the ratios are below this estimate but are above 100 percent, the next ten year investment projects should be continued. This is partly the effects of gestations in lumpy investment and time lag between investments and effective returns.

Benefit-Cost Estimates of the Investment: 1976-1996

The benefits can be calculated on the basis of:

(1) net savings in foreign exchange from Nigeria's shipping operations,

(2) net incomes or profits in Nigerian currency from shipping, ports, dry docking services, and skill acquisition activities,

(3) trade expansion and earnings,

(4) government revenues and taxes, and

(5) spill-over effects of the investments.

The overall costs (capital and recurrent) would tend to be averaged out. The real benefits would be the annual cash flows and values of other benefits quantified for the purpose. The benefit-cost ratio will relate the annual fixed and recurrent costs with annual cash flows and quantified benefits (Table 84). On the estimates made, the overall benefit-cost ratio on the four investment areas turned out to be 143 percent or an excess of 43 percent. Since costs have not bee precisely assessed nor are market prices of services and incomes properly evaluated, it turns out that the benefits are apparently depressed. On higher levels of computations, the benefits-costs ratios ought to have been higher.

Even the breakdown by sectors of investments would show positive benefits-costs ratios. Shipping in particular seems to have maintained identical ratio with the overall investments. This is because it is not in a monopolistic position like the Ports investments and when the exigencies of the markets are taken care of, it seems more prudent to depress the anticipated incomes. From all calculations, nonetheless, investments in shipping expansion seem worthwhile.

Conclusion

National merchant marines have been justified on the score of national prestige, defense, strategic and security reasons apart from rendering services which may be uneconomic by monetary results. Consequent on this, national governments have taken steps to boost their national merchant marines by all types of supports, preferences, and subsidization devices. In all the countries engaged in maritime enterprises, government support had never been denied the shipping companies.

Based on the analysis, it was discovered that the one preferred option for Nigeria is to assist the Nigerian National Shipping Line to continue its operations. This means not mere cargo support for the National Line but also the manipulation of those variables which can influence the markets and gain favorable outcome for the National Line. Since the manipulation of these variables was found to be mandatory to ensure the objectives of a virile national merchant navy and, especially, the National Shipping Line with respect to fleet expansion and modernization, a program of activities has been drawn up. Such government-patronized investments will cover port development, inland

transportation improvement, naval skill acquisition by establishing a nautical school, fleet expansion, and shipping dock yard facilities. On balance of costs against benefits the investments were found justifiable.

APPENDICES

APPENDIX I

SHIPPING LINES SERVING NIGERIA

Shipping Line	Country of Origin	Conference, etc.
1. Black Star Line Ltd.	Ghana	WALCON, AWAFC, IWAC
2. Elder Dempster Line Ltd.	U.K.	WALCON
3. Guinea Gulf Line Ltd. (John Holt)	U.K.	WALCON, IWAC
4. Hoegh Line (Nigeria) Ltd.	Norway	Independent
5. Delta Steamship Lines Inc.	U.S.A.	AWAFC
6. Holland West Africa Line N.V.	Holland	WALCON
7. Nigeria National Line Ltd.	Nigeria	WALCON, IWAC
8. Palm Line Ltd. (U.A.C.)	U.K.	WALCON, IWAC
9. Scandinavian West Africa Line	Sweden	WALCON
10 Bank Line	U.K.	Independent
11 Barbar West Africa Line	Norway	AWAFC
12 Brodopas West Africa Line	Yugoslavia	Independent
13 Compagnie Maritime des Chargeurs Reunis	France	AWAFC, FEWAC, COLINAU
14 Compagnie de Naviation Fraissinet and C. Fabre	France	IWAC, COLINUA
15 F. Italo Croce Line	Italy	IWAC
16 Farrel Lines, Inc.	U.S.A.	AWAFC
17 Guiliana West Africa Line	Italy	IWAC
18 Gold Star Line Ltd.	Israel	FEWAC
19 Hanseatischer Afrika Dienst	West Germany	AWAFC
20 K.K.K. Line	Japan	FEWAC
21 Lloyd Trestino Societa per Azioni di Nagivatione	Italy	FEWAC
22 Maersk Line	Denmark	AWAFC, FEWAC
23 Mitsui, and Osaka, Schosen Kaisha Line (O.S.K.)	Japan	FEWAC
24 Nautilus Line	Switzerland	IWAC
25 Port Line Ltd.	U.K.	Independent*
26 Blue Star Line Ltd.	U.K.	Independent*
27 Shaw Savill and Albion Co. Ltd.	U.K.	Independent*
28 New Sealand Shipping Line	U.K.	Independent*
29 Royal Inter Ocean Lines	Holland	FEWAC
30 Scindia Steam Navigation Co. Ltd.	India	IWAC
31 Seven Stars (Africa) Line (Zim)	Israel	AWAFC
32 Societe Navale de l'Quest	France	COLINAU
33 Societe Navale Delmas Vieljeux	France	COLINAU
34 Societe Navale d'Importation et d'Exporation	France	COLINAU
35 South American West Africa Line	Holland	Independent
36 United Arab Maritme Company	Egypt	Independent
37 United West Africa Service	Poland	Independent
38 M. Sidarma	East Germany	Independent

*Serves Australia, New Zealand.

Source: Ministry of Information, Lagos, 1964.

Notes: WALCON--West African Lines Conference--serves the United Kingdom and Europe.

AWAFC--The American West African Freight Conference serves U.S. Atlantic, Gulf Ports, Canadian, Atlantic and St. Laurence Sea ports.

FEWAC--Far East-West African Conference is a very loose rate agreement association serving the Far East and West Africa.

IWAC--Italian West African Conference often referred to as the Mediterranean Conference serves Mediterranean and West African ports.

COLINAU--French conference consisting of French shipping lines mainly serving French speaking countries in Africa but stopping in Nigeria as well.

APPENDIX IIA

LIST OF SHIPPING COMPANIES IN NIGERIA'S SHIPPING TRADE

Foreign:

A. ASSOCIATES OF THE NIGERIAN NATIONAL SHIPPING LINE

(a) Woermann-Line Hamburg
(b) Holland West Africa LIJN N.V. Amsterdam
(c) Elder Dempster Lines Ltd. Liverpool
(d) Palm Line Ltd. London
(e) Black Star Line Accra
(f) Guinea Gulf Line Ltd. Liverpool
(g) The Scandinavian West Africa Line Gothenburg
(h) Compagnie Martime Des Chargeurs Reunis Paris
(i) Hoegh Lines, Olso
(j) Compagnie De Navigation Denis Preres Paris
(k) Societe Navale de L'Quest, Paris
(l) Societe Navale Delmas-Vieljeux, Paris

B. OTHER FOREIGN

1. Scan Unlafrica
2. Scan Polish
3. Scandinavian Shipping Agencies, Ltd.
4. MISR
5. Mitsui OSK (Palm Line of Nigeria)
6. K.K.K. Line (Palm Line of Nigeria)
7. Farrell Lines
8. ZIN (W.A.) Line

C. INDIGENOUS

1. Maritime Associates
2. Nigerian Maritime Services
3. Equitorial Lines
4. Faola Line
5. Nigeria Trans-Atlantic Line Limited
6. Eurafrica Line
7. New Africa Line

Compiled by Central Bank of Nigeria Research Department.

APPENDIX IIB

PARTICULARS OF INDIGENOUS SHIPPING LINES

Registration Number	Date of Registration	Indigenous Shipping Companies*	Nominal Share Capital (£)
5379	21/6/67	Anansa Lines Ltd.	5,000
4812	16/3/66	African Shipping Agencies Ltd.	10,000
4262	5/4/65	Ado Ibrahim & Co., Ltd.	1,000
5082	8/10/66	Atlantic Global Shipping Agencies, Ltd.	100
5515	1962	Bakado Line Ltd.	n.a.
4506	3/9/65	Eagle Line Limited	40,000
5075	3/10/66	Equitorial Line Ltd.	3,000
5416	20/7/67	Farmart Produce and Shipping Line Ltd.	3,000
5485	9/10/67	Faola Line Limited	12,000
3546	21/9/63	Ibru Sea Foods Limited	5,000
5207	30/1/67	International Shipping Line Ltd.	500
5430	9/8/67	Interlink Nigeria Limited	2,500
5496	20/10/67	Kwara Shipping Agency Ltd.	10,000
5502	25/10/67	Leragu Line Limited	10,000
5487	12/10/67	Maritime Associates (International) Ltd.	1,000
3917	29/7/64	Nigeria International Shipping Agencies Ltd.	5,000
1014	17/11/52	Nigerian Shipping and Trading Co., Ltd.	250,000
3112	15/8/62	Nigerian Maritime Services Ltd.	1,000
	1959**	Nigerian National Shipping Line Ltd.	2m.
5572	11/1/68	Nigeria Trans Atlantic Line Ltd.	1,000
4361	7/6/65	Northern Nigerian Shipping Agencies	500
5532	28/11/67	Oceanic Shipping Agencies Ltd.	5,000
5274	6/4/67	Ocean Lines Limited	20,000
5355	31/5/67	Publicolam Agencies Ltd.	1,000
5439	19/8/67	Progressive Shipping Agencies Ltd.	1,000
5436	1967	Sahara Lion Shipping Agencies, Ltd.	1,000
3937	12/8/64	Sun Africa Shipping Co., Ltd.	10,000
4072	2/11/64	Shipping Travels (Nigeria) Ltd.	200
2973	7/5/62	The Quayside Agents Ltd.	2,000
5224	10/2/67	Universal Shipping Agencies	1,000
5534	1/12/67	Union Line Ltd.	3,000
1745	4/9/58	West Africa Line Ltd.	50,000

*As on the Register of Business Names by 1967.

**Public company

Source: Ministry of Trade, Lagos.

APPENDIX IIC

SHIPPING STATISTICS

Number and tonnage of vessels entered and cleared at the ports of Nigeria from 1910.

Year	Arrived					Departed				
	British		Foreign		Total Tonnage of Vessels Entered	British		Foreign		Total Tonnage of Vessels Entered
	Vessels	Tons	Vessels	Tons		Vessels	Tons	Vessels	Tons	
1910	340	467,371	217	338,644	806,015	329	448,892	216	343,828	792,720
1911	349	476,175	202	346,544	822,719	325	439,663	201	347,596	787,259
1912	312	470,196	221	358,842	829,039	307	455,415	235	371,361	826,779
1913	310	530,876	253	351,010	881,986	300	510,910	251	342,239	853,150
1914	293	504,724	197	226,168	730,892	272	467,074	208	225,675	692,749
1915	266	530,882	70	30,889	561,771	272	537,148	69	30,444	567,592
1916	250	490,957	79	32,258	523,215	252	486,000	80	33,167	519,167
1917	241	447,181	86	26,969	474,150	242	436,267	86	28,742	465,009
1918	222	395,506	64	13,640	409,146	218	381,742	67	15,093	396,835
1919	319	490,887	76	44,655	535,542	319	495,844	76	40,762	536,606
1920	296	604,057	111	118,051	722,108	296	589,237	110	112,877	702,114
1921	277	571,571	197	263,868	835,439	270	556,729	198	265,626	822,355
1922	275	565,556	260	339,958	905,514	272	572,613	243	303,164	875,777
1923	321	687,411	236	366,432	1,053,843	318	669,303	234	363,728	1,033,039
1924	307	668,410	217	433,076	1,101,486	310	675,689	212	416,730	1,092,419
1925	320	813,818	210	521,907	1,335,725	317	808,861	204	510,415	1,319,276
1926	339	879,405	277	658,777	1,538,182	350	908,012	274	649,921	1,557,933
1927	394	960,354	351	740,426	1,700,780	387	944,160	345	722,372	1,666,532
1928	480	1,000,403	549	969,751	1,970,154	478	975,696	32	926,000	1,701,696
1929	518	1,036,726	556	981,965	2,018,691	505	1,038,308	551	961,802	2,000,110
1930	512	1,014,188	516	932,800	1,946,988	504	1,006,703	516	930,470	1,937,173
1931	407	783,708	452	868,364	1,652,072	413	791,352	448	863,028	1,654,380
1932	365	721,859	376	694,925	1,416,784	372	733,077	380	708,614	1,441,691
1933	368	722,168	411	747,135	1,469,303	362	721,481	417	759,643	1,481,124
1934	388	795,549	527	930,219	1,725,768	381	781,389	534	946,372	1,727,761

In 1913, 154 British and 225 Foreign steamers, with a total tonnage of 530,737 tons, entered at Lagos. In 1931, 276 British and 257 Foreign steamers with a total tonnage of 1,114,716 tons, entered at the same port. From 1925 inclusive the figures include the Cameroons under British Mandate.

Source: Nigeria Handbook, Chief Secretary's Office, Lagos, various issues.

APPENDIX III

FEATURES OF INDIGENOUS SHIPPING LINES
1967-1968

(a) Year of Registration

Year of Registration	Distribution of Companies
Before 1960	2
1960	-
1961	-
1962	2
1963	1
1964	3
1965	3
1966	3
1967	16
Total	30
Average Per Year	3

(b) Nominal Share Capital

Nominal Share Capital	Distribution of Companies
£ 100-£ 500	4
£ 501-£ 1,000	8
£ 1,001-£ 5,000	9
£ 5,001-£10,000	6
£10,001-£20,000	2
Over £20,000	2

(c) Office Accommodation

Distribution of Rooms	No. of Companies	Total No. of Rooms
One room	2	2
Two rooms	8	16
Three rooms	6	18
Four rooms	6	18
Five rooms	2	10
Six rooms	2	12
Eight rooms	1	8
Ten rooms	1	10
Twelve rooms	1	12
Total	29	106
Average per company	--	4

(d) Staff Strength

Staff Strength	No. of Companies	Total Staff Strength
Under 10	16	69
From 10 to 20	5	64
From 21 to 30	2	55
From 31 to 40	3	105
From 41 to 50	2	92
From 51 to 60	1	60
Total	29	445
Average per company	--	15

Source: Central Bank of Nigeria Research Department.

APPENDIX IV

PERMANENT SECRETARY
FEDERAL MINISTRY OF FINANCE
LAGOS

3RD SEPTEMBER, 1968

MEMORANDUM TO:-
ALL INSURANCE COMPANIES
ALL SHIPPING COMPANIES

CONSERVATION OF FOREIGN EXCHANGE
SHIPPING AND MARINE INSURANCE

With effect from 9th September, 1968, all applications for foreign exchange for payment of Shipping and Marine Insurance dues, as described in the Exchange Control Memorandum 14, will be considered by the Foreign Exchange Control Officer, Federal Ministry of Finance, Lagos, to whom all such applications should be addressed.

2. This new administrative procedure is designed primarily to conserve further the country's foreign exchange reserves by saving unnecessary drains which occur in these two sectors. Applications will be considered along with the following principles:-

(a) Evidence of real or reasonable charter rate between the charterers and Ship Owners/Brokers/Agents;

(b) in respect of chartered vessels for export commodities, not less than 60% of the total disbursement under the Charter Agreement should be paid in local currency;

(c) in respect of Expatriate Shipping Companies registered in Nigeria, applications will be considered on their merits as at present;

(d) in respect of chartered fishing vessels, foreign exchange applications for payment of charter and other dues will be conditional upon the Government being satisfied that their foreign exchange earnings arising from their operations outside Nigeria's territorial waters, are promptly remitted to Nigeria;

(e) applications from non-expatriate Nigerian Shipping Companies who own their own ships, will be considered on their merits, as at present;

(f) applications for overseas payment in respect of vessels carrying Nigerian groundnuts and palm kernel will be given sympathetic consideration.

3. The purpose of this memorandum is to correct the existing inbalance as detailed below:-

	Percentage of Total Shipping and Trawler Transfers
(a) Local Shipping Charter System	41.9%
(b) Local Trawler Charter System	27.2%
(c) Nigerian National Shipping Line	5.8%
(d) Foreign Shipping	25.2%
TOTAL	100.0%

4. It should be appreciated that, while Government foreign exchange measures have affected all other aspects of the economy, the two sectors to which reference is made is this release, have escaped the net.

5. Likewise, the principle governing consideration of applications for remittances in connection with Marine Insurance will be the reasonableness of the request.

6. The Government expects to receive the fullest cooperation from all concerned in ensuring that these measures are successfully carried out.

Permanent Secretary,
Federal Ministry of Finance,
Lagos.
3rd September, 1968

APPENDIX V

Ref. No. F.12393/102
Federal Ministry of Finance,
Private Mail Bag 12591,
Tinubu Square,
Lagos.

18th November, 1968.

To all Shipping Companies
operating in Nigeria.

Dear Sir,

<u>Suspension of Voyage Charter by</u>
<u>Nigerian Shipping Companies</u>

I am directed to inform you that with effect from 1st November, 1968, and until further notice, this Ministry will not entertain any application for foreign exchange from any shipping company in Nigeria in respect of vessels obtained from overseas shipowners/brokers/agents on voyage charter unless it can be demonstrated that such application are in the national interest. For those vessels which the Ministry's clearance had already been given to be loaded with Nigerian produce, due consideration will continue to be given to applications received in connection with payment of charter fees and other disbursements in respect thereof.

The Ministry will also continue to give due consideration to applications submitted by Nigerian shipping companies in respect of vessels to be hired on Time Charter provided the tenor of the charter is not less than six months and that the charter rate conforms to foreign exchange regulations.

Yours faithfully,

Exchange Control Officer
for: Permanent Secretary

APPENDIX VI

INTERNATIONAL SHIPPING SERVICES FOR NIGERIA

Questionnaires for Shippers, Shippers' Councils and Chambers of Commerce

1. Incorporation
   (a) Name of Company ____________________
   (b) Location of head office ____________________
   (c) Year of incorporation ____________________
   (d) Nationality of incorporation ____________________
   (e) Nationality of major share holders ____________________
   (f) Major areas of operation ____________________

2. Assets, capitalization etc.

	1970	1971	1972	1973
(a) Fixed capital (estimate)				
(b) Working capital (estimate)				
(c) Total assets				
(d) Total liabilities				
(e) Net worth				

   (f) Business turnover, 1972

Type	Volume	Value
Exports		
Imports		
Total		

   (g) Sources of financing—
      (i) Foreign capital?
      (ii) Local banks?
      (iii) Nigerian public?
      (iv) Others?

3. <u>Shipping services</u>

(a) Do you patronise any shipping line____ or have you a fixed patronage agreement with a specific line or group of lines?

____

(b) Any reasons for your choice in (a) above?________________

____

(c) What privileges are enjoyed by your choice in (a) above?

____

(d) Does your shipping line or group have any arrangements for ensuring your continued patronage?____________________

____

(e) If yes, which are they?
   (i) deferred rebate system?
   (ii) contract rate system?
   (iii) non-contract rate system?

(f) If deferred rebate system
   (i) what is the size of the rebate?
   (ii) what is the period of deferment?

(g) Do you join a shippers' council or organization?____________

(h) Whis is this?____________________________________

(i) What is the number of that organization?________________

(j) Have you or your members ever requested the abolition of the deferred rebate system? If so, with what result?

____

____

(k) For the shipping line or conference with which you or your members are concerned, is the dual rate contract system in operation either exclusively or as an alternative to the deferred rebate system?______________________________

____

(l) Are existing arrangements successful in ensuring you or your other members' loyalty to the shipping lines or group of lines?

____

(m) Do the lines you patronise give firm undertaking to provide space at all times for loyal (tied) shippers?_____________

(n) If not, are you or other members promptly given access to engage any other shipping line where your regular lines have no immediate space?______________________________

(o) Do the loyalty agreements cover f.o.b. and f.a.s. shipments in addition to c.i.f. shipments? ________________

(p) Do you find these provisions (if any) inconvenient to your business? ________________

(q) What penalties have to your knowledge been imposed on disloyal shippers by your shipping line or group of lines for breach of loyalty agreements? ________________

____

4. Adequacy of Service

(a) Are you generally satisfied with the frequency and standard of service of the lines you patronise? ________________

(b) If not, what is the nature of the dissatisfaction you experience? ________________

(c) Do shipping lines consult with you or members of your organization on the frequency or rescheduling of services? ________________

____

(d) Where services are inadequate, are you prepared to pay higher rates for better quality of services? ________________

(e) Do your shipping lines offer a choice to you between a better service at a higher price? ________________

(f) Do you find the shipping agents of your patronised lines helpful in your activities? ________________

(g) In what ways? ________________

____

(h) Are the agencies indigenous? ________________

(i) Do you prefer foreign or indigenous agencies in your shipping activities? Why? ________________

____

5. Freight Rates

(a) Do the lines you patronise make tariff books available to you and other shippers? ________________

(b) If no, have you asked for it? ________________

(c) If yes, do you have practical difficulties in interpreting the tariff books? ________________

(d) What are the criteria for fixing rates which you consider objectionable? ________________

(e) Are you and other member shippers always given advance notice of rate changes?____________________

(f) Have your objections been over taken into account in the final fixture of rates?____________________

(g) Are you generally satisfied with the rate changes when properly apprised of the reasons?____________________

(h) Are shippers generally notified--
  (i) before a decision to change rates is taken?
  (ii) between dates of decision and eventual coming into effect of the new rates
  (iii) none of above?

(i) Do you find the rate levels generally eroding your profit margins--
  (i) seriously?
  (ii) moderately?
  (iii) none at all?

(j) Do you discover the notices of general rate changes to be too regular? At what time intervals?____________________

____

(k) Are general cargo rates applied to other commodities by your shipping lines?____________________

(l) Do you find this objectionable?____________________

6. <u>General</u>

(a) Do you generally experience difficulties in securing adequate shipping space for your shipment purposes--
  (i) all times of the year?
  (ii) certain times of the year?
  (iii) none at all?

(b) Besides shipping problems, which other services do you find inconvenient to your business activities--
  (i) warehousing/storage?
  (ii) customs clearances?
  (iii) other?

(c) What suggestions do you offer on the above?____________________

____

____

(d) Which do you find more efficient and suitable to your activities--
  (i) Nigerian shipping companies?
  (ii) Foreign shipping lines?
  (iii) Nigerian shipping agencies?
  (iv) Foreign shipping agencies?

(e) What assessments do you have on the--
  (i) forwarding/clearing agencies,
  (ii) road transport agents,
  (iii) rail transport,
with respect to efficiency of your business?

(f) What other points do you have on the general shipping and port operations?______________________________________
____
____
____

APPENDIX VII

INTERNATIONAL SHIPPING SERVICES FOR NIGERIA

Questionnaires for Shipping Companies and/or Shipping Agencies

1. Incorporation
   - (a) Name of Company __________
   - (b) Location of head office __________
   - (c) Year of incorporation __________
   - (d) Nationality of incorporation __________
   - (e) Nationality of principal share holders __________
   - (f) Major areas of operation __________

2. Assets, capitalization etc.

Assets, capitalization etc.	1970	1971	1972	1973
(a) Fixed capital (estimate)				
(b) Working capital (estimate)				
(c) Total assets				
(d) All liabilities				
(e) Net worth				

   - (f) Business turnover (last year)

Type	Volume	Value
Exports		
Imports		
Total		

   - (g) Gross profit or loss (last year) __________
   - (h) Source of financing--
     - (i) Foreign capital?
     - (ii) Local banks?
     - (iii) Nigerian public?
     - (iv) Others?

3. Tonnage Fleet (ocean going)

   (a) Fleet strength--(i) No. of ships?
   (ii) Gross dead weight tons?
   (iii) Bale capacity?

   (b) No. owned ______________________

   (c) No. on long-term charter ______________________

   (d) No. of dry cargo ships ______________________

   (e) No. of specialised liquid cargo ships ______________________

   (f) No. of oil tankers ______________________

   (g) Others (unspecified above) ______________________

4. Shipping market organization (Business allignment)

   (a) Is Company conference member? ______________________

   (b) Which conference ______________________

   (c) No. of lines in the conference ______________________

   (d) Have all members equal powers of decision making? ____________

   (e) If no, how are voting rights determined? ______________________
   ____

   (f) What is situation with associate members? ______________________
   ____

   (g) What criteria are applied in accepting applications of new lines for membership? ______________________
   ____

   (h) Have such applications been rejected within last five years?
   ____

   (i) Is conference open to acceptance of new members for now? ______
   ____

   (j) What machinery is there for conference scheduling vessels of member lines? ______________________

   (k) Any arrangements for berthing additional ships in peak periods?
   ____
   ____

(l) Has conference restrictions on berthing rights of individual members in relation to—(i) ports of call
(ii) number of sailings
If so what are they? ______________________________

____

(m) How are existing shares (if any) in pool arrived at? __________

____

(n) What penalties are possible for lines not keeping strictly to quota or share of ports/sailings? ______________________________

____

(o) Is conference considering palletization and containerization in trades served by conference? ______________________________

(p) What are the changes considered necessary to effect these? _____

____

____

5. <u>Freight Rates</u>

(a) How are freight rates charged? ______________________________

(b) If conference member, have member lines agreed to charge some rates? ______________________________

(c) Are tariff books made available to shippers in advance of implementation? ______________________________

(d) If no, any objections to doing so? ______________________________

(e) How are overall new rates determined? ______________________________

____

(f) Under what circumstances does the line or conference consider general rate changes, necessary? ______________________________

____

(g) How is conference rate change intention notified to shippers?

____

(h) Are shippers consulted (a) before or (b) after a decision to change rate is arrived at? ______________________________

(i) Are governments of country served notified of rate change intentions? ______________________________

(j) Give details of rate changes between 1960-1970.

Effective date	Size of Increase	Reason for increase

(k) Under what circumstances is an individual rate in the tariff changes?______________________________

(l) Are there hearings from shippers before such rate changes?

(m) Has line or conference any special rates on certain commodities based on quantity and shipment regularity?____________

(n) Are shippers supposed to enter into contract to enjoy such advantages?______________________________

(o) On what criteria are commodities selected for such special rebates?______________________________

(p) Has line or conference any special rates for government cargoes?______________________________

6. Loyalty arrangements

(a) Has line or conference any special arrangement to ensure continued patronage of shippers?____________________

(b) If deferred rebate system--
  (i) what is the size of rebate?
  (ii) what is the period of rebate?

(c) Has line or conference objections to abolishing such deferred rebate system and relying on other loyalty arrangements e.g. dual rates?______________________________

(d) Is the dual rate contract system in operation either exclusively or as alternative to deferred rebate system?__________

(e) What is the differential between the freight rate for contract and a non-contract shipper?________________

(f) Are existing arrangements successful in securing the complete loyalty of shippers?________________

(g) How does the line or conference detect instances of disloyalty by shippers?________________

(h) What are the options open to a line or conference in dealing with suspected disloyal shippers?________________

(i) Do loyalty provisions cover f.o.b. as well as c.i.f. shipments of your shippers?________________

(j) Do shippers complain of this provision?________________

(k) Has line or conference given undertaking to provide space requested by loyal (tied) shipper on line or conference vessel within a reasonable time of such request?________________

(l) What is considered reasonable time here?________________

(m) If line or conference is not in a position to provide such space within a reasonable time of request, is shipper given dispensation to accept non-line or non-conference opportunities?________________

7. <u>Non-Conference Lines (specifically)</u>

(a) Why is your line outside the conference?________________

(b) Have you applied for entry?________________

(c) What was the result?________________

(d) If unfavourable, what were the reasons?________________

(e) Are there conference practices to which you object?________________

(f) Which are they?________________

(g) In what ways are they objectionable?________________

(h) What suggestions do you have for rectifying these objectionable practices?________________

8. Gener

(a) W

o

(b) W

(c)

(d

8. General

(a) What are the problems your firm encounters in its shipping operations?______________________________

(b) Which of them are attributable to--

(i) port structure/operations?

(ii) stevendoring activities?

(iii) customs clearing duties?

(iv) others?

(c) What advice would you offer to rectify these constraints?

____

____

(d) Other remarks?______________________________

____

____

____

APPENDIX VIII

A. SUMMARY OF QUESTIONNAIRE SURVEY ON SHIPPING SERVICES IN NIGERIA

Notes

The survey covered the twelve states with a total population of 327 registered major shippers (Business Register of 1971). Also a total of 25 shipping companies were included in the survey out of a reasonably large undetermined number.

The shippers' population was stratified into states and the state samples derived from the following formulae.

(1) Forty and over shippers in a state, 10 samples were randomly selected.
(2) Between 30 and 39, select 6 samples.
(3) Between 20 and 29, select 4 samples.
(4) Below 20, select 3 samples.

All told, a total sample of 69 was selected per this distribution.

States	Total Number of Shippers	Samples
Lagos	47	10
North Central	20	4
Rivers	20	4
South East	9	3
Kwara	10	3
Benne-Plateau	16	3
Western	49	10
Kano	40	10
East Central	62	10
North Western	9	3
North Eastern	10	3
Mid West	35	6
Country	327	69

Response was 40 out of 69, or 57.9 percent. The scatter of the response by states is as follows:

States	Samples	Response	Response Index
Lagos	10	7	.70
South East	3	2	.67
Mid West	6	5	.83
Rivers	4	2	.50
East Central	10	4	.40
Western	10	6	.60
Kwara	3	2	.67
Benue-Plateau	3	2	.67
Kano	10	4	.40
North Central	10	4	.40
North Eastern	3	1	.33
North Western	3	1	.33

The overall mean response is .57 and since 60 percent of the states had response indices above the general mean and the response, how be it, were scattered covering all the states, the overall response was found satisfactory. Even though the sample nationally was only 21 percent of population, the high response index had tended to invalidate any downward bias.

B. TABULATION OF RESPONSES TO SELECTED QUESTIONS

ON SHIPPING SERVICES IN NIGERIA

Response	40/69		12/25	
Questions	Shippers		Shipping Co.	
	Positive	Negative	Positive	Negative
1. Is shipping service considered to be adequate to needs of trade?	22	18	11	1
2. If not, do conferences allow their clients resort to tramps in cases of some pressing needs?	14	26	10	2
3. Do you consider the standards of service generally satisfactory?	28	12	11	1
4. Are rates generally too high for level of service?	34	6	0	12
5. Are increases in freight rates too regular and most frequent?	34	6	0	12
6. Are shippers consulted in advance of proposal to introduce new rates?	11	29	9	3
7. Are tariff books made available to shippers in advance of implementation?				
(a) Special Rates	13	27	6	6
(b) Contract rates	13	27	6	6
8. Are dual rates and deferred rebates used simultaneously?	31	9	12	0
9. Are there tying agreements to ensure shipper loyalty?	37	3	7	5
10 Do such tying agreements cover c.i.f. and f.o.b. traffic?	39	1	4	8
11 Do you consider shipping services changing with changes in export-import trade needs?	13	27	10	2
12 Are such changes found satisfactory to your trade needs?	13	27	12	0
13 Do you experience service difficulties with reference to				
(a) customs clearances	40	0	4	8
(b) stevedoring operations	40	0	11	1
(c) Intra-port traffic?	40	0	11	1
14 If pilferage is a menace would you accept higher tariff charges for containerized services?	31	9	6	6
15 Are there regular consultations between shippers and shippping lines on				
(a) individual basis	40	0	12	0
(b) representative basis	0	40	0	12
16 Have you found the services of the Nigerian ports authority satisfactory?	15	25	3	9
17 Would you prefer abolition of dual rate and deferred rebate systems?	32	8	4	8
18 Do you find the private tramp rates higher then the conference rates?	16	24	5	7

BIBLIOGRAPHY

BIBLIOGRAPHY

Books

Akpan, N. U. The Struggle for Secession 1966-70: A Personal Account of the Civil War. Frank Cass, London, 1971.

Bain, Joe S. Price Theory. Henry Holt and Co., New York, 1953.

________. Barriers to New Competition. Harvard University Press, Cambridge, Massachusetts, 1956.

________. Conditions of Entry and the Emergence of Monopoly in E. H. Chamberlain (ed.), Monopoly and Competition and Their Regulation, MacMilland and Co., Ltd., London, 1954.

Bauer, Peter T. West African Trade. Routledge and Kegan Paul, London, 1963.

Baumol, W. J. Economic Theory and Operations Analysis. Englewood, New Jersey, 1961.

Benathan, Ezra and Walters, A. A. The Economics of Ocean Freight Rates. Paregar, New York, 1969.

Boulding, Kenneth. Economic Analysis. Revised Edition. Harper and Brothers, New York, 1958.

Bowersox, D. J., Smykay, E. W., and LaLonde, B. J. Physical Distribution Management. MacMillan and Co., Ltd., London, 1970.

Cichetti, Charles J. Alaskan Oil: Alternative Routes and Markets, published by Resources of the Future Inc., John Hopkins University Press, Baltimore, 1972.

Clark, J. M. The Economics of Overhead Costs. University of Chicago Press, Chicago, 1933.

Couper, A. D. The Geography of Sea Transport. Hutchinson University Library, London, 1972.

Cuffley, C. E. H. Ocean Freight Rates. Cornell Maritime Press, Cambridge, Maryland, 1956.

Danforth, Paul M. Transportation: Managing Men on the Move. Doubleday and Company Inc., New York, 1970.

Goss, R. O. Studies in Maritime Economics. Cambridge University Press, 1968.

Grossman, W. L. Ocean Freight Rates. Cornell Maritime Press, Cambridge, Maryland, 1956.

Gunston, Bill. Transportation: Problems and Prospects. E. P. Dutton, New York, 1972.

Hedden, Walter P. Mission: Port Development--with case studies. American Association of Port Authorities, Washington, D.C., 1967.

Henderson, James M. and Quandt, Richard E. Microeconomic Theory: A Mathematical Approach. McGraw-Hill Book Company, New York, 1958.

Hinrichs, Harley H. and Taylor, Graeme, M. Program Budgeting and Benefit-Cost Analysis--Cases, Text, and Readings. Goodyear Publishing Company, Inc., Pacific Palisades, California, 1969.

Holt, John and Co., Limited. The Merchant Adventure. Liverpool.

Kelley, Harry X. (Chairman of Executive Committee, Missisippi Shipping Company). Merchant Shipping Policy. Cornell Maritime Press, Inc., Maryland, 1963.

Kilby, Peter. Industrialization in an Open Economy: Nigeria 1945-1966. Cambridge University Press, 1969.

Kimble, George H. T. Tropical Africa Vol. I. Land and Livelihood. Doubleday and Company, New York, 1962.

Koch, Arne. Current Pricing Behaviours in Liner Shipping. Bergen Institute for Shipping Research, 1968.

Krxyzanowski, M. An Economic Analysis of Shipping Lines Connecting European and West African Ports. Ed. Maritime Institute, Gdenst. Vol. III, No. 3, Gdansk. 1964.

Lawrence, Samuel A. International Sea Transport: The Years Ahead. D. C. Heath and Co., Lexington, Massachusetts, 1972.

________. United States Merchant Shipping Policies and Politics. The Brookings Institution, Washington, D.C., 1966.

Leubuscher, Charlotte. The West African Shipping Trade 1909-1959. A. W. Sythoff, Leyden, 1963.

Machlup, Fritz. The Economics of Seller's Competition. John Hopkins Press, Baltimore, 1952.

Maizels, A. Industries' Growth and World Trade 1899-1959. Cambridge University Press, 1963.

Mance, Sir Osborne. International Sea Transport. Oxford University Press, 1945.

Marx, Daniel Jr. International Shipping Cartels: A Study in Industrial Self Regulation by Shipping Conferences. Princeton University Press, Princeton, N.J., 1958.

McKenna, J. P. Intermediate Economic Theory. Holt, Rinehart and Winston, Inc., 1958.

Metexas, B. W. The Economics of Tramp Shipping. Anthone Press, University of London, 1971.

Metcalfe, James Vernon. The Principles of Ocean Transportation. Simmons-Boardmen Publishing Corporation, New York, 1959.

Needham, Douglas. Potential Entry into Oligopoly: Economic Analysis and Industrial Structure. Holt, Rinehart and Winston, Inc. 1969.

O'Loughlin, Carleen. The Economics of Sea Transport. Pergamon Press, Oxford, 1967.

Pribram, Karl. Cartel Problems. The Brookings Institution, Washington, D.C., 1935.

Schatz, Sayre P. South of the Sahara: Development in African Economies. Temple University Press, Philadelphia, 1972.

Singh, Nagendra. Achievements of UNCTAD-I and UNCTAD-II in the Field of Shipping and Invisibles. S. Chand and Co., New Delhi, 1969.

Stocking, George W. and Watkins, Myron W. Cartels in Action. The Twentieth Century Fund, New York, 1946.

Stolper, Wolfgang F. Planning without Facts--Lessons in Resource Allocation from Nigeria's Development. Harvard University Press, Massachusetts, 1966.

Sturmey, S. G. British Shipping and World Competition. University of London, The Athlone Press, London, 1962.

Sylos, Labini P. Oligopoly and Technical Progress. Harvard University Press, Cambridge, Massachusetts, 1962.

Journals, Periodicals, and Documents

Aluko, S. A. How Many Nigerians? Analysis of Nigeria's Census Problems 1901-1963. Journal of Modern African Studies, Vol. III, No. 3, October 1965.

Archibald, G. C. Large and Small Numbers in the Theory of the Firm. The Manchester School of Economics and Social Studies, 1959, pp. 104-109.

Ayida, A. A. Report on the Reorganization of the Dock Labour Industry in Nigerian Ports. Federal Ministry of Information, Lagos, 1968.

Bain, Joe S. A Note on Pricing in Monopoly and Oligopoly. American Economic Review, March 1949.

Benathan, Ezra and Walters, A. A. Revenue Pooling in Cartels. Oxford Economic Papers, 1969.

Central Bank of Nigeria. Annual Report and Statement of Accounts. Various issues 1962-1971, Lagos.

________. Monthly Report. Various issues, Research Department, Central Bank of Nigeria, Lagos.

________. Economic and Financial Review. Various issues 1964-1971, Lagos.

________. Annual Survey of Shipping and Airlines Operations in Nigeria (Unpublished data), Research Department, Central Bank of Nigeria, Lagos.

________. International Shipping and Its Effects on Nigeria's Balance of Payments 1964-68 (Unpublished manuscript). Research Department, Central Bank of Nigeria, Lagos, 1969.

________. Port Congestion and Nigeria's Export Produce Evacuation to the Ports (Unpublished manuscript). Research Department, Central Bank of Nigeria, Lagos, 1968.

Chenery, Hollis B. The Application of Investment Criteria. Quarterly Journal of Economics, No. 47, February 1953, pp. 76-96.

________. Patterns of Industries' Growth. American Economic Review, September 1960, pp. 639-641.

Croner. World Directory of Freight Conferences, London, 1972.

Economic Associates. Nigerian Ports: Traffic and Development, Vols. I and II, London, 1967.

Economic Commission for Asia and the Far East. Report of the ECAFE Working Party on Shipping and Ocean Freight Rates and Related Papers. E/CN.11/839. New York, 1968.

________. Criteria for Allocating Investment Resources among Fields in Underdeveloped Countries. Economic Bulletin for Asia and the Far East, June 1961, pp. 30-33.

________. Shipping and Ocean Freight Rates. New York, 1961.

Economic Commission for Africa. Preliminary Survey of Factors Contributing to the Level of Freight Rates in the Seaborne Trade of Africa. UN publication: E/CN 14/TRANS/27, July 9, 1965.

Eke, Ifegion. Population of Nigeria 1952-1965. Nigerian Journal of Economics and Social Studies, Vol. VII, July 1966, pp. 289-310.

Essang, Sunday M. The Distribution of Earnings in the Cocoa Economy of Western Nigeria: Implications for Policy (Unpublished Ph.D. thesis), Michigan State University, 1970.

Federation of Nigeria. Review of External Trade: Federal Office of Statistics (various issues), Lagos.

________. Nigeria Trade Summary (various issues). Federal Office of Statistics, Lagos.

________. Annual Abstract of Statistics (various issues), Federal Office of Statistics, Lagos.

________. Agreement between the European Economic Community and the Republic of Nigeria, Federal Government Printer, Lagos, 1966.

________. House of Representatives Debates. Official Report, Federal Government Printer, Lagos (Issues of September 1957, November 1958, and February 1959.

________. Statement on Industrial Policy. Sessional Paper No. 6 of 1964 Federal Ministry of Information, Lagos, 1966.

________. Statement of Policy on Transport. Federal Ministry of Information, Lagos, 1965.

________. Federal Government Development Programme 1962-68. Sessional Paper No. 1 of 1962, Federal Government Printer, Lagos.

Federal Republic of Nigeria. Statement of Policy by the Federal Government of the Federal Republic of Nigeria on the Relations between the Federal Public Corporporations and the Legislature, the Government and the Public and between the State-owned Companies and the Government. Sessional Paper No. 7 of 1964, Federal Ministry of Information, Lagos, 1964.

________. Memorandum to all Insurance and Shipping Companies Operating in Nigeria. Ministry of Finance, Lagos, September 3, 1968 and November 18, 1968.

________. A Paper presenting Nigeria's Shipping Development Plans up to 1980 (Unpublished manuscript). Ministry of Transport, Lagos, 1968.

________. Registry of Business Names. Federal Ministry of Trade, Lagos.

Fay, Leonard. Elder Dempster Lines Limited, Reproduced from "Sea Breezes." Charles Birchall and Sons Limited, Liverpool, 1948.

Fair, Marvin L. and Reese, Howard C. Merchant Marine Policy--Proceedings of the Symposium of the Fifteenth Ocean Shipping Management Institute of the American University's School of Business Administration, Cornell Maritime Press, Inc., Cambridge, Maryland, 1963.

Fairplay Magazine (various issues). London.

Financial Times, London, July 14, 1959.

Food and Agricultural Organization. Agricultural Development in Nigeria. F.A.O. Report, Rome, 1966.

Hines, H. Effectiveness of Entry by Already Established Firms. Quarterly Journal of Economics, February 1967.

International Monetary Fund. Balance of Payments Manual. Third Edition, Washington, D.C., 1961.

Imperial Shipping Committee. Final Report on the Deferred Rebate System (CMD 1802), H.M.S.O., London, 1923.

Indian Institute of Foreign Trade. Ocean Freight Rates and India's Exports. New Delhi, 1967.

International Shipping and Ship Building Directory, Benn Brothers Ltd., 125 High Street, London, SW 19.2JN, 1972.

Johns, B. L. Barriers to Entry in a Dynamic Setting. Journal of Industrial Economics, November 1962.

Johnson, G. L., Scoville, O. K., Dike, G. K., and Eicher, C. K. Strategies and Recommendations for Nigerian Rural Development 1969-1985. Consortium for the Study of Nigerian Rural Development, East Lansing, Michigan, 1969.

Kemperer, E. (Expert under the Technical Cooperation Programme of the International Maritime Consultative Organization). Final Report on the Feasibility and Practicability of Establishing a Nautical Training School in Nigeria (Unpublished manuscript). Ministry of Transport, Lagos, 1968.

Kopanitas, D. E. Differential Prices for the Services of Ships belonging to the Same General Class: A Case of Oligopoly. Journal of the Royal Statistical Society Series, Vol. 121 (1958).

Lewis, W. Arthur. Notes on the Economics of Loyalty. Econometrics, February 1942.

Lloyds Register of Shipping (various issues), London.

Mann, H. M. Seller Concentration, Barriers to Entry and Rates of Return in Thirty Industries 1950-1960. Review of Economics and Statistics, August 1966.

Modigliani, F. New Developments on the Oligopoly Front. Journal of Political Economy, June 1958.

McLachlen, D. L. Index Numbers of Liner Freight Rates in the United Kingdom Trades 1946-1957. Yorkshire Bulletin of Economic and Social Research, June 1958.

________. The Price Policy of Liner Conferences. Scottish Journal of Political Economy, December 1963.

Nigerian National Shipping Line. Annual Report and Accounts, various issues, Lagos, 1962-1973.

________. A Career at Sea with the Nigerian National Shipping Line, Lagos.

________. Memorandum on the Problems Facing Indigenous Shipping Lines, 1966.

________. Information Pamphlet. Nigerian National Press, Apapa, 1961.

Nigerian Ports Authority. Annual Report 1957/58-1969/70 (various issues), Lagos.

Nigerian Produce Marketing Company. Summary of Annual Returns of Monthly Shipments. Lagos, 1964/65-1970/71.

Nigerian Indigenous Lines Conference (NICON). Memorandum to Ministry of Transport, Lagos, 1967.

Netherlands Engineering Consultants (NEDECO). Development of the Ports of Nigeria 1970-1990. A Study of Port Development and Related Subjects. The Hague, 1971.

Organization for Economic Cooperation and Development. Maritime Transport, Paris, 1965, 1966, 1967, 1968, 1969, 1970, 1971, 1972.

Osborne, D. K. The Role of Entry in Oligopoly Theory. Journal of Political Economy, August 1964.

Rochdale Committee. Inquiry into Shipping CMD. 4337, H.M.S.O., London, 1970.

Royal Commission on Shipping Rings. Report on Shipping Rings and Deferred Rebate (CMD. 4668-70, 4685-86), 5 Vols., N.M.S.O., London, 1909.

Robson, Peter. Africa and the E.E.C.: A Quantitative Note on Trade Benefits. Bulletin of Oxford University Institute of Economics and Statistics, November 1965.

Stigler, George J. A Theory of Oligopoly. Journal of Political Economy, University of Chicago, 1964.

Sturmey, S. G. Economics and Liner Services. Journal of Transport Economics and Policy, May 1967.

Scott, R. Pearson. Measurement of the Impact of Petroleum Production on the Nigerian Economy (Mimeograph), 1969.

Trace, K. Underdeveloped Countries: Shipping Problems and Policies. The World Today, May 1968.

United Kingdom and Continent/India and Pakistan Conferences. Pamphlet No. 1. The Shipper and the Conference System. London, 1963.

United Kingdom/West Africa Lines Joint Services and Continent West Africa Conference. The Liner Conference System in West Africa. The Mersey Side Printing Co., Ltd., Liverpool (obtainable from the Conference representative in West Africa).

UNCTAD (UN). West African Shipping Range. (Ed. Dag Tresselt). TD/B/C.4/32. New York, 1967.

________. Shipping and the World Economy. Report of a seminar on Shipping Economics, New York, 1966.

________. The Measurement of Development Effort. TD/B/C.3/375/Add. 1/Rev. 1. New York, 1970.

________. Level and Structure of Freight Rates, Conference Practices and Adequacy of Shipping Services. TD/B/C.4/38/Rev. 1. New York, 1969.

________. Review of Maritime Transport. TD/B/C.4/82. New York, 1969 and 1971.

________. Final Act and Report: Common Measures of Understanding on Shipping Questions. Sales No. 64.11, B 11, New York.

________. Restrictive Business Practices. TD/B/C.2/104/Rev. 1. New York, 1971.

________. Consultation in Shipping. TD/B/C 4/20/Rev. 1. New York, 1967.

________. Liner Shipping in India's Overseas Trade. (ed. T. K. Sarangan). TD/B/C.4/62/Rev. 1. New York, 1970.

________. Port Statistics. TD/B/C.4/79/Rev. 1. New York, 1971.

________. Route Study. TD/B/C.4/61/Rev. 1. New York, 1970.

________. Development of Ports. TD/B/C.4/42/Rev. 1. New York, 1969.

________. Terms of Shipment. TD/B/C.4/36/Rev. 1. New York, 1969.

________. Establishment or Expansion of Merchant Marine in Developing Countries. Shipping Reports Nos. 133, 188, 223, 280.

United States House of Representatives. Committee on Merchant Marine and Fisheries. Investigation of Shipping Combinations. Washington, D.C. 1913/14.

United States, 75th Congress, 3rd Session. Report of U.S. Maritime Commission on Tramp Shipping Service. House Document No. 520, Washington, D.C. 1938.