



## The challenges of cargo clearance at the Nigerian ports. (A service provider and shippers perspectives)

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### ABSTRACT

The objective of this research work is to x-ray the challenges of cargo clearance at the Nigeria Ports; a service provider and shippers perspective. Cargo clearance delays were brought about by several factors some which include government policy inconsistencies, which resulted in gross inefficiency and low productivity of the port system. This research examines the operational and managerial problems associated with cargo clearance. It looks at the ugly situation which attempts to impede port productivity and managerial efficiency, culminating in abysmal port performance within the confines of the maritime industry. This research work also examines some government efforts in finding lasting solutions to the problems of delays in cargo clearance in Nigerian ports system, such as the establishment of bonded warehouses and ICDs across the six geo-political zones of the country, there is need for government to adopt a re-visitation of Pre-shipment inspection policy as a way of ensuring speedy clearance at the port to curtail obvious corruptive tendencies and sharp practices by some agencies, there is need for government to invest massively in port infrastructures as a way of facilitating speedy clearance of goods at the port. The study reviewed relevant literatures on the causes of cargo delays clearance processes, its impact on terminal operations, Maritime Industry, the Nigerian economy and the solutions to speedy cargo clearance process in Nigerian ports. From the result of findings it can be concluded that cargo clearance in Nigerian ports needs strict control and management measures so that the problems can be effectively check-mated and maximum efficiency achieved. It is also recommended that, there is need for an expansion of old berths and quays into modern world class model for better accommodations of vessels.

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### 1. Background of study.

Cargo clearance is a syndicated strategy of completing all documentation processes of imported cargo which starts from discharge of goods from the vessel via the quay apron to the stalking areas, transit sheds and warehouses after a due process of customs examination and payment of duties to relevant agency of Government and also ensuring that a well coordinated delivery procedure is perfected to the consignees' warehouse through a coordinated haulage network. Cargo clearance

is also an act of passing goods through customs so that they can enter or leave the country. A document given to a shipper to show that custom duty has been paid and the goods can be shipped. Cargo clearance work involves preparation and submission of documentations of all imports required to facilitate export or import into the country, representing client responsibilities during customs examination, assessment, payment of duty to facilitate delivery of cargo to the consignees after due clearance process of the documents from the customs office. The seaports and airports are the gateway to the nation's economy, as all imports and the nation's export pass through them. This means that the survival of any economy is a function of the volume of her international trade. No doubt, the maritime industry occupies a strategic position in the nation's economy (Badejo, 1997). It is believed that the maritime sector plays

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more prominent role in the shaping of the economy of a nation, as over eighty- percent by volume and monetary value of export and imported goods pass through the seaports. In other words, the role of international trade in the implementation of the fiscal policies of the government cannot be over-emphasized. This is manifested in the crucial role played by custom service, Nigerian Ports Authority, the licensed custom agents and other port operators, in the daily activities at the water-front.

The problem of policy inconsistency in terms of high port tariff had hindered Maritime operational efficiency and services over the years. This to a large extent, had earned Nigeria, a loss of revenue and cargo through apparent diversion of Nigerian bound cargoes to other neighboring ports. Worse still, the policy inconsistency in recent times, has led to serious controversy, confusion and congestion at the port. Even at the current trend, government has not made any serious effort to resolve the problems, as the situation is worsening everyday with apparent diversion to other neighbouring ports in Cotonou, Ghana etc.

Clearance of cargo in the nation's seaports conforms to the desire of the government to simplify and shorten the time spent at our seaports for the clearance of goods. The destination inspection policy has been the "tool for the trade facilitation". To achieve the simplifying ports procedures and cargo clearance process depends on a number of considerations, including the following: the reformation of the Customs service that is responsive to the growing demands of a rapidly globalized economy in terms of human capacity and information communication technology – ICT (Muyo, 2007), which are sine qua non to effective trade facilitation. According to Muktar (2007) steps taken in trade facilitation process includes the following: the use of fast tracking process, post clearance audit, upgrading of information technology (IT) to ASYCUDA ++, the adoption of destination inspection policy and the use of scanners.

Ndikom (2004) pointed out that the destination inspection regime allows imports into the country seaport to be inspected locally on arrival and not by the pre-shipment inspectors. Furthermore, as the goods are inspected and appropriate duties are assessed and as soon as duties are paid the whole process of goods clearance in the ports are fast-tracked, thereby enhancing trade facilitation.

Badejo (2000) in his own views noted that, the destination inspection will reduce the bureaucratic bottlenecks associated with Clean Report of Inspection (CRI) regime, which during the periods of pre-shipment inspection, has caused serious delays because the documents (CRI) most times, arrives late, or after the imported goods have landed in the port of destination. In the place of Clean Report of Inspections (CRI), the Risk Assessment Report (PAR) was introduced to facilitate trade in the nation's seaports. Furthermore, destination inspection shall put to end sharp practices perpetuated by dubious importers, inspection agents, shipping companies and other essential hands in the clearing and delivery of imported good in the seaport. This shall curb corruption, make the ports user and business friendly, check the importation of contraband items, create job opportunities for Nigerians and allow the inspectors to arrive at international market values of good duty assessment (Ndikom, 2008).

## 2. Problem statement.

Over the years the introduction of several port reform policies by the Nigerian government at its nation's port sector was that, it would aid the process of clearing cargo at the port within a reasonable speed in conformity to international regulations. Unfortunately, eight years after that exercise, many are still waiting to witness the gains of such transformation despite the fact that cargo handling operations were ceded to private terminal operators. Many still believe that, the dividends of port reform are still being limited by issues around delays of cargo clearance at the port. Complaints abound everyday by port operators and users over such delays. Cargo dwell time in Nigeria is said to be the highest in the world. Several factors have been identified for this anomaly. Some of these include corruption, inconsistent government policies, multiple government agencies at the port, multiple taxation, lack of efficient manpower and professionalism, improper documentation by port users among others. It is pertinent to understand that for a developing nation such as Nigeria to witness a great increase in importation of goods into the country through its ports, stakeholders have said the facilities at the ports, especially the Lagos ports, are grossly inadequate with its attendant problems. They said there was the need for the country to take immediate action to unlock the gridlock at the ports through proper and effective automation of the cargo release process. Sadly, the maritime industry has been infected with serious fraudulent and unwholesome professional sharp practices which have negatively affected the productivity, efficiency and operational performance of the industry at large and paints it in a bad light to the outside world. There have been efforts in the past by government and other professional stakeholders to collectively eradicate and stamp out this serious maritime bug within the confines of the maritime sub-sector of the global economy, but all to no avail (Ndikom, 2004).

## 3. Aim and objectives.

The aim of this study is to examine the challenges of cargo clearance in the Nigerian ports; a service provider and shippers perspective based on the above aim, the research will consider the following objectives.

- To examine the impact of government agencies and how it affects cargo clearance at the Port.
- To evaluate the challenges of operational hindrance to cargo clearance process in Nigerian port's industry.
- To examine the impact of port reforms and how it has been able to affect cargo clearance process so far.
- To examine the extent of operational and investment damage which the incessant delays in cargo clearance have caused investors and stakeholders in the maritime industry.

- To examine the efforts of government towards establishment of policies and regulations that will benefit port productivity and enhance economic growth of a nation. (In terms of fast and efficient cargo clearance and delivery).

#### 4. Research questions.

- What is the impact of port operational hindrance on cargo clearance process within the confines of the Port's system?
- What are the effects of port reforms on cargo clearance process so far?
- To what extent has cargo clearance delays caused the investors and stakeholders in the shipping industry?
- What is the relevant of government policies and regulations towards delays of cargo clearance process in the Nigerian ports system?

#### 5. Justification of study.

The significance of the study tends to address the followings;

- This study will explain in details the challenges of cargo clearance in Nigerian seaport.
- The study will also give a proper account of the contributions of the Nigerian Custom to effective cargo Clearance processes.
- The research will give an account of the contributions of information technology in efficient cargo clearance in Nigerian Port.
- The research will analyze the various impacts of government reform policies in the port system and the journey so far.
- This research work would contribute immensely to existing literature on the challenges of cargo clearance in Nigerian port, thereby forming a reference material for students and researchers.

Lastly, the findings of this study are envisaged to help in developing strategies that would enhance the cargo clearance in the Nigerian seaports.

#### 6. Literature review.

Over the years, one of the promises made by the Federal Government for introducing reforms in the nation's port sector was that it would aid the process of clearing cargo at the port. Unfortunately, eight years after that exercise, many are still waiting to witness the gains of such transformation despite the fact that cargo handling operations were ceded to private terminal operators. Many still believe that the dividends of port

reform are still being limited by issues around delays of cargo clearance at the port (Ndikom, 2013). He also postulated that complains abound everyday by port operators and users over such delays. Cargo dwell time in Nigeria is said to be the highest in the world. Several factors have been identified for this anomaly. Some of these include inconsistent government policies, improper documentation problems by port users among others.

#### 7. Introduction of PAAR.

As part of efforts to ease the problem of delay in cargo clearance at the port, the Nigeria Customs Service (NCS) introduced the pre-arrival assessment report (PAAR) of cargo in December 2013, as it took over destination inspection, otherwise known as cargo scanning, from the service concessionaires. The Pre-Arrival Assessment Report (PAAR) replaced the Risk Assessment Report (RAR), a post arrival system of cargo risk analysis used by the defunct service concessionaires. At Nigerian ports, the PAAR didn't start up well as the Customs was belaboured by the backlog of RAR. The NCS believed this to be a sort of sabotage by some interested parties. However, issues surrounding the PAAR have continued to be topical in the nation's trade system (Ndikom, 2013). He also contended that although, the PAAR is having teething problems, which is expected, most industry players agree that starting the risk assessment of cargoes before they arrive the port is a much faster way to get the goods off the terminals. However, some port users have said that for the government to increased revenue from international trade, it may need to re-introduce the pre-shipment inspection of cargoes destined for Nigeria in order to curb delays being witnessed at the various ports in the country (Chigozie, 2015).

#### 8. Tackling delays at ports: Stakeholders views.

Stakeholders at a one day National Dialogue on "Unlocking Shipping Gridlock at the Ports: Stakeholders Initiative," organized by the Nigeria Association of Chambers of Commerce, Industry, Mines and Agriculture (NACCIMA) in Lagos recently took turn to make suggestions on how the perennial problems of cargo delays at the nation's port can be confronted. In his own submission, a Cargo Surveyor and Chief Executive Officer, Intrass Nigeria Limited, Mr. Femi Awogbade, who spoke at the event suggested that cargoes should be inspected from their countries of origin before they are shipped into the country. He explained that the advantage in this is that delays at the ports on the cargo would have been eliminated because such cargoes would have been inspected and sealed by the approved inspectors. He also argued that PAAR, contrary to the reason for its introduction, is currently not serving its purpose because documentation of cargoes should have been concluded before the arrival of the vessel bearing the cargoes to Nigeria. "We should go back to having our cargoes pre-inspected. What we need to do differently is to get the inspectors liable and responsible for the content of the container they have inspected. You must have them sealed the container with their own seal; by

this it means they are aware of the entire content of the content. If it gets somewhere and something different is found, there are international laws that hold you liable,” he said. Also speaking, Mr. Oluyenuwo Olabisi of the Export Department of NACCIMA faulted the Nigerian Ports Authority (NPA) for failing to put its share of the seven percent port development levy to judicious use. He decried the situation where NPA appeared helpless when issues about the ports are brought to its attention because it lacked control over the ports since the ports have been concessioned out to the private operators.

The National Coordinator, save Nigeria Freight Forwarders, Importers and Exporters Coalition (SNIFFIEC), Dr. Osita Patrick Chukwu called on the government to revoke the power of customs to issue license to freight forwarders and hand it over to the Council for the Regulation of Freight Forwarding in Nigeria (CRFFN). Chukwu further called for the abolition of the continuous collection of the container deposits by the shipping companies. Ndikom is of the view that the Customs have no business issuing licenses to freight forwarder but rather to collect revenue for government as stipulated by the law in this current change mantra. He also argued that it is the duty of the Council for the Regulation of Freight Forwarding in Nigeria (CRFFN) to issue custom licenses to his members in order to have absolute control of some of the excesses that could have come out from whatever shabby practices that would have emanated from some of freight forwarders in the process of Port documentation and clearance of goods (Ndikom, 2015).

Another participant at the event, Mr. Lucky Amiwero, a frontline freight forwarder and Chief Executive Officer of Eyis Resources Limited, said that Nigeria’s failure in complying with international conventions has resulted in gridlock at the ports. He advocated for Non-Intrusive Inspection (NII) of cargoes adding that it would eliminate importation of arms and ammunitions, which are entering into the country unknown to the authorities. He further argued that “Nigerian ports system is not in line with global best practices. He further emphasized that all our imports are supposed to have been pre-inspected before they arrive the country. When you look at the level of ammunitions in this country, you will know that we contravene international conventions. Every country is supposed to know what is coming into their country and this is what is called Pre-Arrival Assessment Report,” he said. For a country that witness importation of about 80 million metric tonnes of goods into the country through its ports, stakeholders have said the facilities at the ports, especially the Lagos ports, are grossly inadequate with its attendant problems. They said that there was the need for the country to take immediate action to unlock the gridlock at the ports through proper and effective automation of the cargo release process (Amiwero, 2015) Similarly, Awogbade urged the Federal Government to revisit PAAR by ensuring that inspectors are made liable for wrong contents adding that time accountability in port operations should also be encouraged so that resources would not be wasted.

## 9. Nigerian shippers- The Challenges of Clearing by Sea Times Africa.

As Nigeria, a country with huge trade volumes contemplates adopting the single window (SW) platform for cargo clearance, experts have identified it as the solution government needs to eliminate sharp practices, revenue leakages and boost the nation’s march towards full compliance with international best practices.

Two major challenges have been identified to cause a setback to Nigeria’s adoption of a single window platform for cargo clearance-lack of transparency and inadequate infrastructure. But experts say if the country adopts the SW platform, which is a tool for simplifying cargo clearance processes and eliminating unnecessary bottlenecks, it will result in surge in economic growth. Transparency is still a luxury agencies of government cannot afford willingly and since the SW works effectively on it, different strategies will be used to frustrate its adoption in the country. Infrastructural challenge will also threaten the system once it ensures fast clearance of cargoes from the port, which may clog the deplorable roads network.

Meanwhile the Nigeria Customs Service is still battling to fully automate its systems and procedures. In spite the destination inspection regime, it still carries out 100 percent examination on more than 80 percent cargoes at the seaports, airports and land borders. This has effectively rendered scanning operations redundant, operating at less than 10 percent capacity utilization according to industry sources. Inability of customs to reduce the human element in cargo clearance, a booster for sharp practices currently the hallmark in the ports is what has also been identified as a challenge to adopting the SW platform. Revenue leakages in the system going to the individual pockets will now go to government coffers.

For Valentino Mintah, a Ghana born British citizen who spoke during a workshop organized by Nigeria Customs Service on single window, she noted that with Nigeria’s sheer size and strategic position, Single Window platform for cargo clearing is the elixir needed to move the country forward. It would significantly remove the human touch points, by which the manual processes have been used to encourage some amount of leakages. “Those who want to serve the nation in the most transparent manners would find it a great environment. But for those who may have something to hide, the SW may pose an issue to them.” She said. According to Mintah, SW is for creating an enabling effective environment for importers, exporters and agencies that are involved in international trade to make a simple, fast and cost effective choice, in the course of moving their goods from one country, across the border into another country. She said the implementation of the SW platform will not involve the surrendering of some degrees of relevant agencies autonomy or independence as being speculated, stressing that there would in fact, be no power loss. All that would happen, according to her, is that there would be need by all agencies involved in trade facilitation to increase their level of transparency. At the moment, there may not be need yet, for such a high level of transparency. At that point, there may have to be a higher demand for transparency, collaboration and in-

formation sharing (exchange) so that traders could have a full grasp of control of what they are doing, as they would become better informed especially in terms of how long and how much it could take or cost them to complete their documentation and move their goods. “It is going to simplify the clearing process by effectively automating them. But the SW is not going to take away anybody’s mandate, powers or control.

She also observed that the cost of initiating the measure was minimal once the right model was identified and chosen. The authorities could either go for a purely Public Private Partnership (PPP) model, a Build, Operate and Transfer (BOT), donor model or a combination of the options, so as to ensure that the country begins to enjoy its widespread benefits on time. She added that it was good that the legal environment in Nigeria allows a PPP; which could be one of the most cost effective options. The SW, she notes, is a policy that would benefit everyone; from the man on the street, right up to the government. And that is why a lot is dependent on the issue of having a true understanding of what the whole concept is all about. That is the main challenge.

Once this is understood, and responsibilities are well defined, there can be a good start. However, not all the stakeholders might be equally informed or enlightened on day one; so that means, there must also be a program for sensitization, while the real program is running, she said.

“The SW would also be a great environment to compliant traders. But it may not provide a hiding place for those who may want to indulge in sharp practices. Obviously, while the SW may however not solve all problems, it would go a long way in creating a highly effective environment for importers, exporters and other operators to rapidly grow the country’s economy” she highlighted, debunking the notion that its implementation could in any way further increase the cost of running business in the ports.

“The SW also takes away a lot of cost, uncertainty, unpredictability and unnecessary stress because from your smart phones, you can access how far your documents have gone.

## 10. Recommendations.

- There is need for government to adopt a re-visitation of Pre-shipment inspection policy as a way of ensuring speedy clearance at the port to curtail obvious corruptive tendencies and sharp practices by some agencies.
- There is need for government to invest massively in port infrastructures as a way of facilitating speedy clearance of goods at the port.
- As a matter of policy government should adopt the concept of PAAR as a shipping document to enhance efficiency, productivity and output of the ports system in terms of cargo clearance.
- There is need for government to streamline the custom units and select appropriate department of custom that should be involve in the documentation and clearance of

goods which will remove cargo clearance delay at the end.

- Government should implement full scale reduction and removal of agencies that are not relevant in the documentation and clearing process from the port as this will reduce corruption, cargo dwell time, ports operational efficiency at the end.
- Government should be seen to carry the stakeholders alone in the implementation of some certain enduring policies within the confines of the shipping project. This will reduce rancor and incessant obvious bottlenecks that will arise in the operational modalities of the ports system. This is because; shipping business all over the globe is international in nature, its contents and reflects fundamental best practices.
- It is also recommended that stakeholders should show a high sense of commitment towards conforming to international best practices, shipping regulations and laws.
- There is need for government to adopt the concept of Public Private Partnership (PPP) in the present port cargo clearance procedures. This will help to facilitate a formidable synergy amongst stakeholders of the industry and government in fashioning out a way forward in handling delays of cargo clearance at the port

## Conclusions

Over the years the issue of delays in cargo clearance at the Nigerian port has been a major source of concern to stakeholders and successive government alike, which has affected port efficiency, productivity, revenue generation and output at the end of the day. The successive governments have over the years paid lip services to massive investments in relation to infrastructural buildup for the ports, as this has resulted to obvious delays in cargo clearance at the port which is most unfortunate. There is need for government to adopt the concept of Public Private Partnership (PPP) in the present port cargo clearance procedures. This will help to facilitate a formidable synergy amongst stakeholders of the industry and government in fashioning out a way forward in handling delays of cargo clearance at the port. The continued absence of an enduring shipping policy has its own toll in the delays of cargo clearance process at the Nigerian ports. This is because; there is no definite policy checks that will regulate the operational modalities of some of the excessive behavior of stakeholders and agencies in line with International best practices.

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