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ASSESSMENT OF THE IMPLICATION OF FULL SCALE DEREGULATION OF THE DOWNSTREAM OIL SECTOR ON THE NIGERIAN ECONOMY: THE NEOLIBERALISM APPROACH

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ABSTRACT: *Neoliberalism has eviscerated governance in Nigeria to the point that the basic welfare of the people seems no longer the priority of the government but the fulfillment of the western neoliberal ideals such as deregulation of the entire Nigerian economy and the privatization of the government's erstwhile owned enterprises. This trend however, has caught up with the Nigerian oil sector, leading to the clamour for full scale deregulation; a fall out of the partial deregulation embarked upon since 1st January, 2011, which arose out of the sorry state of the Nigerian petroleum industry. This article therefore, examines the implication of the downstream oil sector on the Nigerian economy. It discusses the implication of deregulation of the downstream oil sector of Nigerian on her economy by highlighting the main thesis of the proponents and that of the opponents of deregulation and fuel subsidy removal. A likert-type scale was used in designing the questionnaire for data collection administered to the three core Niger-Delta states (Delta, Rivers and Bayelsa) where 1177 respondents were randomly selected for opinion sampling. Descriptive and chi-square was used and result revealed that deregulation of the downstream oil sector is a good policy that was wrongly implemented hence the existing four refineries are left in their comatose state with promises of a total turn around mentainance. Explicitly, it is recommended that Nigeria should embark on deregulation of the sector but only after the existing refineries have been resuscitated through commercialization to ensure a fair and stable price of the product as well as its availability and stop importation of refined oil into the country.*

KEYWORDS: Deregulation, Downstream Oil Sector, Subsidy Removal, Nigerian Economy, Neoliberalism

INTRODUCTION

Stakeholders in the oil and gas industry have called for the total deregulation of the downstream sector as a way out of the lingering fuel scarcity sweeping across the country, hence the news agency of Nigeria (News agency of Nigeria, 2012) reported that a multi-phased deregulation process is the only way out of the scarcity, and while decrying the lingering scarcity, called for adequate enlightenment and the provision of cushioning measures before the total removal of subsidy because without full scale deregulation, the scarcity would continue until the first quarter of 2013 as the demand for the product has over-shot supply" necessitated perhaps by the delay in the payment of subsidy arrears to most marketers which has resulted in only NNPC importing oil needed in the country.

The above claim was supported by Olawore, (2012) who averred that the full deregulation of the downstream sector would bring about efficiency in the sector and signal an end to the perennial fuel crises, as most oil marketers have stopped importation of the product since the beginning of the year due to what they described as "discrepancies in subsidy payment'' which they said was responsible for the current scarcity.

Abiodun, the Chairman, Depot and Petroleum Products Marketers Association of Nigeria (DAPPMA) , also called for the deregulation of the sector as a way of sanitizing the downstream oil sector of Nigeria. However, calls from various quarters within the masses have been of disapproval of the fuel subsidy removal let alone total deregulation hence the observation that twelve months after partial deregulation, there is nothing to show for it but hardship and high cost of living; and that the fuel scarcity was instigated by Goodluck Jonathan led government to have their will imposed on the people hence they have no feelings for the masses; they are selfish, squanders, looters and liars hence they have failed to implement petroleum sector scandal reports of various committees established just to dupe and pretend to show the world that they are fighting corruption, instead of fighting the cabals. Others upheld that the cabals are the same government officials employed by the government itself; and that the beneficiaries of the subsidy payment are the PPPRA and the NNPC top officials who use the marketers as frontiers as well as the eminent government officials and their cronies; hence the solution to the perennial oil saga is just to allow the system to run normally while the existing refineries are fixed with additional new ones built and not deregulation because deregulation is secondary (Abiodun , 2012).

Okafor (2012) averred that the sticky issue of oil is no longer a new phenomenon in the global political lexicon hence deregulation policy has globally been embraced by several countries in order to lessen public sector dominance and for developing a liberalized market while ensuring adequate supply of products. For this policy to be successful in these countries, they planned and mapped out an effective policy response which transcended into full deregulation. Such is the story in Peru, Argentina, Pakistan, Chile, Philippine, Thailand, Mexico, Canada, Venezuela, Japan and USA, all of which have systematically dismantled their State-owned oil companies, for a significant turning point in the story of their oil industry reform efforts.

Most fundamental, she identified that the economic reforms of the government (deregulation and privatization) become rather imperative since they are geared towards reviving the ailing sectors. The precedence of some sectors that have been fully deregulated and their achievements are so tremendous that Nigerians had forgotten the scars of the initial experiences. Judging from the above mentioned countries, Nigeria is not alone in this global trend of attempting to revitalize and develop its downstream sector through liberalization and deregulation in order to increased private sector participation. Thus, deregulation of the downstream petroleum sector, as conceived in 2003, involved not just the removal of government control on petroleum products prices, but also the removal of restrictions on the establishment and operations refineries, jetties and depots, while allowing private sector players to be fully engaged in the importation and exportation of petroleum products and allowing market forces to prevail hence if Nigeria should borrow a leaf from these nations and allow the downstream sector to be fully deregulated, she is sure to have a success story to tell, otherwise, she becomes an onlooker in the polity of oil producing nations. As the recent events unfold, deregulation becomes inevitable. There is no point running away from grasping the reality, hence effort should instead be made to face the challenges stoically than postponing the evil day that will eventually come (Okafor 2012).

The need to deregulate the downstream oil sector of the Nigerian economy arises from the sorry state of the nation's existing refineries with its concomitant inefficiency in distribution, ineffective and fluctuating price of the petroleum product and the negative tendency of monopolistic structure which has had tremendous adverse effects on the economy. This has been a contentious issue in national discourse hence the non-availability of petroleum products found beneath our soil in quantum as well as poor pricing mechanism as the price of petroleum product in Nigeria has but fluctuated and skewed against the masses while the government top officials smile to the bank.

As a way out, it is believed in some quarters, that the deregulation of these strategic sectors will bring success to Nigeria and make the product rapidly and readily available as well as cheap since it will engender competition as witnessed in the telecommunication sector in Nigeria which gave way for more competition and eventually lower tariffs.

The thrust of this paper therefore is to examine the problem with the deregulation policy hence a great policy wrongly implemented, by answering the following questions-will deregulation of the downstream oil sector sanitize the downstream oil sector and improves the Nigerian economy? What are the challenges associated with the deregulation of the downstream oil sector in Nigeria? What are the implications of the deregulation of the downstream oil sector in Nigeria?

THE CONCEPT OF DEREGULATION

Deregulation is the gradual withdrawal or removal of regulation in the way of liberating the economy. The concept is also referred to as the system of removing impediments to trade; control of the movement of goods and services, thereby allowing free flow interplay of the forces of demand and supply in the determination of the price of commodities and wages of services rendered (Ojo, and Adebusuyi, 1996). From the dictionary perspective, the Oxford Advanced Learners' dictionary (2005) defined deregulation as the act of freeing a trade or business outside of the rules and controls. Deregulation therefore occurs when the government seeks to allow more competition in an industry that allows more competition in an industry that condoles near monopolies hence, a general word that refers to the practice of transforming an economy to one that is open to all interested players and is usually driven by market forces. Akinwumi et a (2005), sees deregulation as the removal of government interference in the running of a system. This means that government rules and regulations governing the operations of the system are relaxed or held constant in order for the system to decide its own optimum level through the forces of supply and demand (Ekundayo, and Ajayi, 2008),.

REASONS FOR THE DEREGULATION OF THE NIGERIAN DOWNSTREAM OIL SECTOR

The most contentious issue in Nigeria in recent times is unequivocally, the question of deregulation of the oil sector which has been generating heated debates from several quarters.

The proponents of deregulation of the downstream oil sector of the Nigerian economy like Okafor (2012) posit that the liberalization and deregulation of the downstream oil sector would finally actualize the objective of ending perennial fuel scarcity and maintaining sustainable fuel supply across the polity. They also added that liberalization and deregulation of the sector would open it up for foreign investments; and the incidents of petroleum products smuggling and inefficiencies in the sector will fizzle off. They also argued that petroleum products in Nigeria were the lowest in the world and with deregulation, the government would be able to channel funds to other sectors of the economy. They further posit that deregulation would break the monopoly of fuel supply by the Nigerian National Petroleum Corporation (NNPC) as the refineries are reportedly, not working and that the liberalization and deregulation would enable oil sector stakeholders, including major and independent marketers, to import and market the products. This is because as the NNPC lacks the capacity to import enough petroleum products for the country, couple with the perennial malfunctioning of the refineries, the government, through the introduction of the Petroleum Support Fund (PEF), from which it draws money to pay the excess expenditure incurred by the marketers for importing and selling petrol at regulated price and distributing it to every part of the country costs the nation a fortune which should otherwise be channeled into other sectors for basic amenity and infrastructural development across board.

The major proponents of this thesis include the Federal Government, the Presidential Steering Committee on the Global Financial Crisis, the Nigerian Economic Summit Group (NESG), and so many individual scholars such as Odidison (2003) who opined that deregulation of the downstream oil sector would bring sanity into the oil industry since smuggling of petroleum products, vandalization of pipeline and all other vices in the sector will be totally removed. He however agreed that the domestic price of oil will increase but averred that the rationality is that the smugglers are likely to reduce their activities. According to Akinmade (2000), the causal factors responsible for the call for deregulation include corruption, illegal bunkering and managerial problems which contributed to the large scarcity of petroleum products recently experienced. Ogunade (2003), supporting the corruption claims, documented that the Revenue Mobilization and Fiscal Commission is still emphatic that NNPC stores the nation's oil earnings in illegal dedicated accounts, and Akinmade (2000) added that about 200,000 barrels of crude oil per day, representing 1% of Nigeria's export quota are stolen on a daily basis by mid-scan thieves and their official collaborators. This stolen crude valued at N618,530 daily, has been traced to Cameroon, Cote d'Ivoire and Brazil; and therefore concludes that with deregulation, there would be new investment opportunities for both current and new participants in terms of private refineries that would meet the demand of the federal government, and averred that this is the essence of deregulation of the downstream oil sector.

He further stated that the effectiveness of the deregulation policy in the oil sector would generate funds, reduce smuggling of petroleum products and remove economic malaise that emanates as a result of tax evasion, duties and tariffs evasions as well; and that the incidence of perennial increase in the price of petroleum product would face out since price mechanism would b e attained through deregulation policy.

According to Adagba et al (2012), the rising demand for petroleum products has made deregulation in the downstream oil sector compelling for efficiency in the sector, as it would ensure increased opportunity to control business flows through integration of marketers ability to be involved in a broad range of activities from refinery to the actual sales point. He furthered that the government controlled downstream oil sector has created simulative situation that has shot up the price of products far above government fixed price and efficient supply and distribution of fuel in the downstream sector is only guaranteed when deregulation or even privatization is adopted, competition will definitely determine an actual price for a produce.

However, the pressure on Nigeria and the urgent need to finance a number of key national projects are the major driving force behind government urgency to deregulate the downstream oil sector. This is because Nigeria's long term energy depend on the ability to deliver products in the domestic markets at cost relative prices and this can only be attained in an environment where clear rules are set and oligopoly are removed.

On the other hand, the opponents such as Izeze (2013) believe that the Nigeria petroleum industry must not be liberalized, deregulated, or privatized completely, for whatever reason and that the status quo should remain, maybe with minor fine tuning "here and there" to improve efficiency, as appropriate, "in the overall national interest". Their main thesis is that the low capacity utilization of Nigeria's state-owned refineries and petrochemical plants in Kaduna, Warri and Port Harcourt, the sorry state of despair, neglect and repeated vandalization of the state-run petroleum product pipelines and oil movement infrastructure nationwide, are no excuse for the collateral damage of the economy imposed upon by institutionalized corruption, with the frightening emergence of local nouveau riche oil mafia that controls and coordinates crude oil, and refined petroleum product, pipeline sabotage and theft (illegal bunkering) nationwide, as well as the insatiably corrupt task force operatives that assist diversions of both crude oil and petroleum products, large–scale cross–border smuggling of petroleum products, all of which are the root causes of the protracted and seemingly intractable fuel crises that have bedeviled the polity relentlessly for close to a decade now.

Along this line, some scholars and pressure groups in the country strongly believe and argue that deregulation of the downstream oil sector will have negative impacts on the Nigerian economy. One of them is Eson (2002) who sees deregulation of the downstream oil sector as not following the normal trends involving systematic removal of regular structure and operational guidelines, hence deregulation might give marketers the opportunity to fix their prices out of the government regulation to the detriment of the masses. According to Agbonyi (2009), the products were sold to friends of the NNPC officials who have private depots/pumps where they sell at high cut-throat prices is the actual cause of the petroleum scarcity cited by the opponents as the reason for deregulation calls. He further stated that the petroleum marketers have been noted to divert petroleum products meant for some state to private hands far away from the states, for which they are meant for, is part of the causes of the lingering issues in the downstream oil sector necessitating the call for deregulation.

However, the zeal with which this call is made calls for answers to the question- what are the benefits of deregulation of the downstream oil sector of Nigeria.

BENEFITS OF THE DEREGULATION OF THE DOWNSTREAM OIL SECTOR OF NIGERIA

From the countries mentioned earlier in this work that have duly deregulated, it becomes obvious that Nigeria is not alone in this global trend of attempting to sanitize and develop its downstream sector through liberalization and deregulation to ensure increased private sector participation[4], hence deregulation of the downstream petroleum sector, as conceived in 2003, involved not just the removal of government control on petroleum products prices, but also the removal of restrictions on the establishment and operations including refining, jetties and depots, while allowing private sector players to be engaged in the importation and exportation of petroleum products and allowing market forces to prevail. Nigeria, ever before this reform had weighed her pros and cons and there is no place in the world where reforms are embraced without agitations. If statistics of nations who have already adopted deregulation is taken, it will be shocking to know that its take-off met with lots of road blocks. Today, it had paid off, and they are reaping the benefit of their perseverance, hence Kwaye's observation that the benefits of deregulation outweighs the cost. Feblowitiz (2000) feels it is true from the consumer's perspective that the benefits of deregulation may not be intuitively obvious, especially with the hassle factor of making sense of various offers and the confusion of meeting the challenges of price increase on commodities and services in the immediate term. In the same vein, Ramsey & Haskett (2002) believe in the long term advantages of deregulation and it is worth the attendant short-term disruption and confusion. They continued that the negative perceptions of Nigerian public that arose from the sensitization campaigns to deregulate the downstream oil sector which were registered through protest and strike by labour union were resisted by the government, who defended her position by pointing to the successes of other countries such as USA, Germany, Mexico etc which runs a deregulated downstream oil sector as her models and adhering to the policy.

Barkido (2010) stresses that the benefits of deregulation are enormous as it is meant to eradicate huge revenue spent as subsidy and that between 2006 and 2009, about N25 trillion was spent which is why its removal have become so imperative. Therefore, the following are the benefits enjoyed from deregulation policy:

1. Products are now available all over the country and no one needs to queue for days at filling stations waiting for non-existing products.
2. Motorists no longer hoard fuel in their homes or carry jerry cans of fuel when travelling; and this has eliminated the fuel-induced accidents and fire outbreak that claimed thousands of lives in the regulated economy.
3. Marketers are now investing in new facilities such as tanks, retail outlets, trucks, the railway rolling stock etc.
4. There is now competition among the marketers who now treat the consumer as king.
5. The marketers, who in the past depended on NNPC for all products, now import their own; some are planning to build refineries in Nigeria.
6. Jobs have been created in the sector, for example, NNPC is now confident enough to build its own retail outlets (Mega Stations) and has already built an operating one each in all states of the federation.

7. Apart from new investment in new facilities, old ones are being expanded because of increased activities.
8. Investment in the downstream oil sector is now more attractive to the international and local business communities as evident in the interests expressed in the refineries privatization programme.

While the above cited benefits may appear to be short-term benefits which could be experienced within the first few months of deregulation, Kwaye (2005) in agreement with Ramsey & Heskett (2002) identified the following benefits as the flip side of the costs of subsidization in regulated economy, such as:

1. Deregulation frees resources for government to spend on productive ventures and social sectors such as education, road and health
2. The market price will encourage efficiency in the use of petroleum products which would in turn reduce traffic congestion and loss of productive time and save the country money in Terms of reducing oil import.
3. Removing the subsidy will reduce the incentive to smuggle as the domestic price approaches or even equals those in the neighbouring countries where the smuggled oils are sold. This will also save the country foreign exchange which would have been used to replace the smuggled portion and also allow government to realize the full complement output which would have been lost to smugglers
4. Fundamentally, deregulation will depoliticize petroleum pricing and eliminate the speculations, rent-seeking and other practices usually associated with government announced price increases
5. Automatic pricing would allow the benefits of cost reductions through world oil price fall passed on to the consumers. (Jega, 2000)

Other commentators acknowledged the benefits of deregulation from different perspectives. For example, Ihenacho holds that deregulation makes it possible to recover the full amount of the projected subsidy per annum which would now be spent on life improvement projects for the Nigerian masses. More to it is the fact that it would remove the current incentive which exists for people smuggling oil elsewhere. Removal of the smuggling incentive would greatly improve local product availability and this would in turn exert a downward pressure on products within the economy.

Irrespective of how convincing the benefits of deregulation policy looks, it cannot go unchallenged hence almost every economic reform policies are usually challenges. Thus, the next section identifies some of the challenges that deregulation policy have faced in Nigeria especially in the downstream oil sector.

CHALLENGES OF DEREGULATION OF THE DOWNSTREAM OIL SECTOR OF NIGERIA

Every time the issue of oil price increase comes up in Nigeria, there is bound to be general uprising leading to strike actions by the Nigerian Labour congress and other pressure groups; thus, that of deregulation (fuel subsidy removal) of the oil downstream sector did not come without such uprising (Okafor, 2012). In fact, the uprising that followed the announcement of subsidy removal in Nigeria on January 1st 2012 has never been witnessed in the annals of the country's conflict management. The reason for such uprising was underlined by the opponents of deregulation and the following are the challenges that deregulation faces in this country hence what we have is still partial deregulation; awaiting full deregulation which the opponents and some ardent scholars and commentators have affirmed is the solution to Nigeria's perennial petroleum product problems:

A. Lack of trust for Nigerian leaders based on their erstwhile failed promises as well as misleads, misdeeds and misrepresentation
B. Corruption in the system especially at the political realm as the whole governance paraphernalia have been compromised, leading to outright lack of trust for any policy irrespective of its prospect and the cited examples.
C. The sorry state of Nigerian refineries which ought to be revamped for maximum domestic refining of oil as well as the lack of new one in the system instead of its privatization
D. The role of labour unions in fighting the course of the masses as against the governments' whims and caprices which is usually the highest restraining factor in the Nigerian government/masses relationship
E. We are oil producing and exporting country and should not be running comparative analysis with those who are non oil producing and exporting countries
F. The obvious claim that IMF policies and development cum economic reformatory strategies are anti-masses hence without human face; and deregulation of the downstream oil sector in Nigeria is an offshoot of their deregulation policy bequeathed to Nigeria during the Babangida era hence Jega noted that adherence to the structural adjustment programme policy prescription worsened Nigeria's economic crisis resulting in a generalized dearth of social welfare facilities such as healthcare, education etc. Therefore, the deregulation policy is heavily challenged (Okafor, 2012).

So far, there are mixed assertions on the importance and essence of deregulation, as well as its challenges. Therefore a review of literature on the implication of deregulation of the downstream oil section on the Nigerian economy suffices.

IMPLICATION OF DOWNSTREAM OIL SECTOR DEREGULATION ON THE NIGERIAN ECONOMY

The implication of downstream oil sector deregulation on the Nigerian economy has been classified into domestic and international by Onyishi, et al (2012) thus: In the domestic dimensions, the campaign for the removal of the petroleum products through deregulation of the downstream oil sector of the industry having been consummated first had fuel stations shut down and throw the general public into panic. In the interim, fuel was sold in the black market and prices reached the roof, hence reports across Nigeria had it that motorists bought fuel between N138 and N250 per liter on Monday, January 2, 2012. In Kano State, black market operators sold at N250 per litre. But the Nigeria National Petroleum Corporation (NNPC) stations had a uniform price of N138 across the country. They further observed that that this sharp and huge increase provoked hyper inflation of prices in the consumer products market and thus compounded the already impinging poverty situation of the majority of Nigerian masses. For instance, according to Daily Nation, the fare from Ilorin to Abuja ranged between N3, 500 and N4,000 for busses and N5,000 for cars as against the extant price N2,000. Ilorin to Lagos cost

N5, 000 instead of the N1, 600 charged by private operators. A trip from Kano to Lagos cost N8, 500 as against the old N5, 500. Kano to Ibadan rose from N4, 500 to N7, 750. Kano to Bayelsa, which was N8, 500 is now N17, 000.

They additionally, stressed that the removal of fuel subsidy equally affected the cost of commodities at the various markets in the metropolis. Commercial motorcyclists instantly adjusted their fares as soon as the subsidy removal was announced. There could also be increase in fire incidents nationwide as people are likely to store Premium Motor Spirit at home. Thus, lives and properties could be lost.

The government posited that the prices would only rise in the interim and stabilizes afterwards but not returning to the former, thus making the comparison with the telecommunications industry untenable, because the government argues that the only way to arrest and correct the structural distortions in the sector is liberalization that would encourage businessmen to invest in building refineries and importing products to sell at prices dictated by the market, not sure, if the price will come below the existing N65 per litre. This argument is not supported by any empirical evidence as Diesel and engine oil have been deregulated for years, yet unlike the situation in the telecommunication industry, the prices have been going up and the cost of doing business has equally responded to the trend; and as a result, businesses in the past few years have been relocating to Neighbouring countries, with Ghana as the major beneficiary (Salaudeen, 2011). According to Eme (2011), the Manufacturers' Association of Nigeria (MAN) reported that 834 industries closed shop in 2010 and relocated. It cited erratic power as the major reason for these closure and relocation as many industries ran to neighbouring West African countries because of low production cost.

Explicatively, the Kano chapter of MAN reported that 86 industries have closed down in the state due to unfriendly government policies. The branch chairman, Alhaji Sanni Umar lamented that thousands of workers have lost their jobs, saying "we consider it necessary to associate the current problems bedeviling the development of industries in Kano to absence of clear government's industrial policy" (Ofikhenua, 2011), such as deregulation of the downstream oil sector of the economy.

Implicatively, Nigeria has lost many small scale industries that are supposed to serve as the backbone of her economy as business enterprises with lofty ideas hardly survives in this country because they have to source their own energy supply by spending fortune on diesel to power their machines and struggle to pay staff salaries. The implication is that Nigeria encourages small scale industries to grow in other countries at the expense of our economy and the growing unemployment at home.

Related to the above is the fact that since many companies have official cars that then have to be fueled for their senior officers, the operating environment may be more stuffing and stifling in post-subsidy removal epoch. The middle class that is just about bouncing back to life is likely to be at the receiving end from the new policy. While the low income earners can only be indirectly hit by the policy, the upper class can easily absorb the effect as their employers will bear the cost. But, for the middle class that has no access to alternative transport, an increase of more than

100 percent rise in price can only make life more difficult. Artisans and technicians who rely on PMS to power generators to earn their daily meal will be forced to pass the cost to customers where this is feasible. Otherwise, they will be forced to close shop, with the consequent implication for unemployment – one of the evils the government says subsidy removal will fight (Oladesu et al 2011).

Also considered critical to the economy as the fuel subsidy issue is the provision of employment for teeming Nigerian graduates being churned out yearly by tertiary institutions. Unemployment has resulted in so much brain-drain that there are so many Nigerians working in, and contributing to the development of other countries. But since it is not everybody that has the ability to leave the shores of the country, unemployment has continued to rise in the country (Okafor, 2012). According to Salaudeen (2011), the national unemployment rate rose from 4.3 percent in 1970 to 6.4 percent in 1980; 40 percent in 1992 and 41.6 percent in 2011. The high rate of unemployment recorded last year is attributed largely to depression in the economy. Such are the domestic implication of deregulation of the downstream oil sector of the Nigerian economy.

Remedially, President Goodluck Jonathan has repeatedly said that subsidy withdrawal is necessary to safeguard Nigeria's future and that total deregulation of the downstream sector will open the oil industry for foreign investments, which will lead to massive jobs creation and development. For instance, the government's Subsidy Reinvestment and Employment Programme (SURE-P), under which it listed among other projects, the construction or completion of eight major roads and two bridges, provision of health care for three million pregnant women, six railway projects, youth employment, mass transit, 19 irrigation projects, rural and urban water supply (Akanbi, and Agbo, 2012) are still missing after one whole year of partial deregulation with its concomitant hardship.

Finally, Oladesin et al (2011), posits that anti-subsidy protests weaken the already fragile Nigerian economy, hence Employers of labour had warned of the implication of protests over the removal of fuel subsidy. According to the Director General of the Nigerian Employers Consultative Association (NECA), Mr. Olusegun Osinowo, any crisis worsens the economic situation because salaries are paid form the daily income of the companies and it will be difficult for the employer to honour his salary obligations if businesses are put on hold due to labour protest. For instance, Nigeria lost about 4.75 million Man-days to strike in six years. Also the President of National Industrial Court, Justice Babatunde Adejumo, disclosed that no less than four million, Seven Hundred and Fifty Thousand, One Hundred and Ninety-One man-days (4, 750,191) were lost to industrial actions in six years in Nigeria.

Summatively, the Central Bank Governor, Lamido Sanusi Lamido put the loss incurred during the period of strike at $617million daily, translating into about N100 billion (Umeano, 2011).

THEORETICAL ANALYSIS

Neo-liberalism theory to the deregulation of the downstream oil sector of Nigerian economy heralds that the Nigerian government should stop regulating the price of fuel and allow the market to fix the price of fuel. The essence is to ensure that the government no longer spends the stupendous amount of money it does in subsidizing the fuel for the Nigerian masses; hence according to Izeze (2013) quoting the federal government “the country’s economy would be truncated if the full deregulation of the downstream sector of the petroleum industry is not carried out”. This move becomes quintessential because, according to Umeano (2011), statistics from the PPPRA reveal that as at August 15 2011, the landing cost of a litre of petrol was N 129.21, the margin for transporters and marketers was N 15.49 the expected pump price is N 144.7 while the official pump price today is N 65 per liter this shows that the Federal Government spends N 79.70 as subsidy on each liter of petroleum consumed in Nigeria with about 32 Million liters consumed daily. It means the country spends 2.66 billion as subsidy every day.18.2 billion per week and 72.8 billion monthly. According to the presidential letter, a major component of the policy of fiscal consolidation is government’s intent to phase out the fuel subsidy beginning from 2012 fiscal year.

It should be understood that this quest is only to complete the exercise, as the first phase was carried out on 1st January 2012. The insistence from the government to continue this exercise could be said to be born out of the current administration’s avowed commitment to western neo-liberal ideas which openly requests all governments to deregulate and privatize their publicly or government owned organizations to enable competition which will in turn generated success.

The term "neoliberalism" was originally coined in 1938 by the German scholar Alexander Rüstow at the Colloque Walter Lippmann (2007). The colloquium defined the concept of neoliberalism as “the priority of the price mechanism, the free enterprise, the system of competition and a strong and impartial state.” To be "neoliberal" meant that – in the name of liberalism – a modern economic policy is required. Adam Smith, Friedrich Hayek, Milton Friedman, Ludwig Erhard, David Harvey and Noam Chomsky are the chief proponents of neoliberalism.

The underscoring tenets of neo-liberalism are sound macroeconomic policy, trade liberalization, Labor market flexibility, privatization, deregulation and export-oriented sectoral policies.

However laudable it may sound in the orifice of the proponents, this theory has always been kicked against even in the USA where it was promulgated and propagated (Obasi, 1999). Same also applies in Nigeria as many scholars have questioned the tenability of deregulation to save the country from truncation because they see corruption in the oil sector as the monster; not subsidy as subsidy is a way of giving back to the populace who has little or no gain from the common wealth of the nation-oil. Hence the opponents of neoliberalism argue that liberalization subvert nations' ability for self-determination. They further posited that neo-liberal economics promote exploitation and thus have negative economic consequences such as inequality. It benefits the upper classes over the lower classes (Okeke, 2001), just as Onyishi et al (2012), Izeze (2013), Ovaga (2012), Umeano (2011) etc. had criticized the deregulation of the downstream oil sector in the context of fuel subsidy removal. But just like Margret Thatcher, even when the house of assembly advised the President to rescind his moves on deregulation as it is considered anti-mass hence the mass protest from all quarters, he refused and instead embarked on partial subsidy removal and promised a full scale deregulation by 2013. A move he had started already only to be stopped temporarily however by the court recent verdict.

The Supreme Court sitting in Abuja on March 19 2013 declares oil sector deregulation illegal. A judgment, many human right activists and civil society organizations and the entire masses applauded, leading to the critical question Umeano (2011) asked “whose interest was the president protecting”, perhaps by insisting on deregulation even when the entire country rejects it? A question that prompted another question- how reliable and valid is the neoliberalism theory especially to the Nigerian situation?

The appropriateness of the neo-liberalism to this study- deregulation of the downstream oil sector in Nigeria; its implication on the Nigerian economy, lies in its ability to answer the two questions raised and explain the government’s avid intention to regulate, and the masses protestations for resistance of the policy. It clearly shows whose interest the president is protecting (IMF and the World Bank, his friends and cronies who are the sacred cows that are untouchable).

The theory (neoliberalism) fundamentally, recognizes the importance of deregulating the sector but did explain what happens when neoliberalism gets corrupt as may be the case of Nigeria. But if most fundamentally, recognizes the right of the people to protest.

But the real question which the study focuses to answer – who feels the impact of this deregulation- the theory did not answer, even though it recognized that people will feel pinged by the deregulation; which may be why President Goodluck Jonathan and his predecessors have blindly sought to implement the policy without recourse to who bears the brunt. Besides, whatever the reason they may give, there is no one best way to solve a problem. Economists recognized this and espoused alternatives and choices. But President Goodluck Jonathan had said that it is only full deregulation or the nation’s economy truncates (Agboyi, 2009).

METHOD

This paper utilized survey research design which according to Obasi (1999) elicits data from a target population through either questionnaire or interview instrument and subjecting each data to statistical analysis for the purpose of drawing conclusions”. The essence according to Okeke (2011) is that it studies both large and small populations, usually as samples that are representative of such populations.

The hypotheses of the study are empirically tested. The sources of data used for this research were both primary and secondary approach. In gathering and collating the data, a two-dimensional approach was adopted was adopted. The primary source of data was the study questionnaire and the secondary source were the internet, dailies, magazines, journals and books. The respondents were residents of the three states- Delta, Bayelsa and Rivers selected using two-stage stratified random sampling.

Because it is impossible to study the whole population hence the scope of this study, one local government was selected to represent each of the states and within the three local governments, based on the 0.05 formula as espoused by Yamene, 400, 399 and 400 respondents were selected to serve as the sample size. The sample size is 1199 respondents randomly selected amongst the three core Niger Delta states- Delta, Bayelsa from one local government each.

Below is the statistical method used in determining the sample size for the research.

$$n - \frac{N}{1 + N(.05)2}$$

Source: Yamane in Glenn cited in Obi and Ugwu (2012)

For Bayelsa state (Yenegua)

$$n - \frac{353{,}344}{1 + (353{,}344X0.0025)}$$ ------ The total population of Yenogua local government of Bayelsa state

$$n - \frac{353{,}344}{1 + 883.36}$$

$$n - \frac{353{,}344}{884.36}$$ = **399.5** ♎ **400** people

For Delta state (Warri South)

$$n - \frac{303{,}417}{1 + (303{,}417X0.0025)}$$ ----- The total population of Warri South Local government of Delta State

$$n - \frac{303{,}417}{1 + 758.5424}$$

$$n - \frac{303{,}417}{759.5424}$$ = **399.4** ♎ **399** people

For Rivers state (Port-Harcourt)

$$n - \frac{541115}{1 + (541115X0.0025)}$$ ----- The total population of PortHarcourt local government of Rivers state

$$n - \frac{541115}{1 + 1352.7876}$$

$$n - \frac{541{,}115}{1{,}353.7876}$$ = **399.7** ♎ **400** people

Therefore, the sampling size becomes 400+399+400= **1199** people. This figure was generated from the total population of the three local governments representing the three core Niger Delta states as shown in the 2006 census population documented as appendices. Therefore a total of 1199 copies of the questionnaire were administered and 1157 were returned. Data were analyzed using chi-square tests and descriptive analyses.

Chi-Square

The chi-square (**X^2)** test is utilized for the analysis of data generated from the second part of the questionnaire which according to Sowunmi et al (2013) is used to investigate if there is any discrepancy between two frequencies (observed and expected) of a given event, in order words, to determine the frequencies between what is expected from the event and what is observed when the event occurs. Chi-square can also be used to show whether two sample characteristics are independent.

Below is the formula for the use of chi-square;

$$X^2 = \frac{(fo\text{-}fe)}{fe}$$

Where: X^2 = Chi-square
fo = Observed frequency
fe = Expected frequency $\left(\frac{\text{Row total x Column total}}{\text{Grand total}}\right)$

The expected frequency was shown in parenthesis
R = Row total
C = Column total
GT = Grand total
The expected frequencies (fe) in the tables were approximated.

The following hypotheses were tested to achieve the objective of the study

Null Hypothesis 1: Deregulation of the downstream oil sector in Nigeria would not contribute to the sanitization and improvement of the Nigerian economy.
Hypothesis 1: Deregulation of the downstream oil sector in Nigeria would contribute to the sanitization and improvement of the Nigerian economy.

Null Hypothesis 2: Deregulation of the downstream oil sector in Nigerian will not bring an end to the problems of oil and lead to the development of the economy.
Hypothesis 2: Deregulation of the downstream oil sector in Nigerian will bring an end to the problems of oil and lead to the development of the economy.
Null Hypothesis 3: Deregulation of the downstream oil sector in Nigeria will not lead to more hardship to the people and stagnation to the economy.

Hypothesis 3: Deregulation of the downstream oil sector in Nigeria will lead to more hardship to the people and stagnation to the economy.

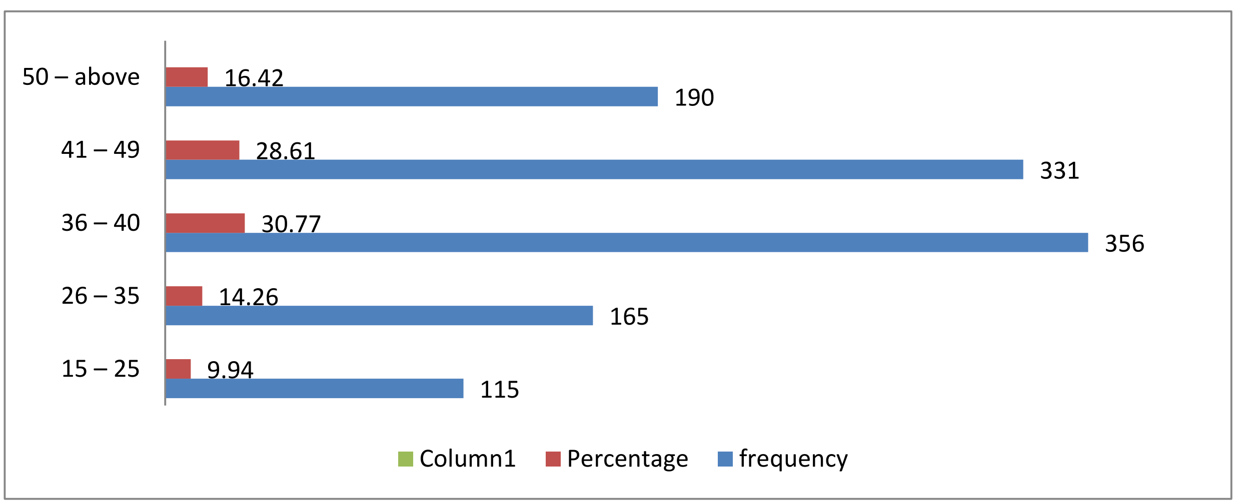

Fig. 1: Age-Year Distribution of Respondents

Empirical Findings

The result of the analysis showed that 68.63% were male whereas 31.37% were female. Out of this, 56.03% are married, while 35.01% are single, and 7 respondents with a percentage of 8.96 percent are divorced. Fig. 1 shows the age distribution of respondents. Majority of them (31%) fall within the age bracket of 36-40, whereas only 10% fall within 15-25 years. Moreover, the majority of the respondents (31.20%) were B.Sc and HND holders, 27.32% were Diploma/ NCE holders. But 16 % apiece are SSCE and MSC holders. Finally, majority of the respondents (49%) are civil servants, seconded by self employed at 40% left with only 11% who are students.

TEST OF HYPOTHESES

Test of Hypothesis I:

Table 1: Cross Tabulation of Responses to Questions from Hypothesis 1:

Item	Question	Strongly Agree	Agree	Undecided	Strongly Disagree	Disagree	Total
1	Deregulation of the oil sector is a very good economic policy for the sanitation and improvement of the economy	251 (247) 20.70%	235 (230) 20.32%	35 (34) 3.03%	325 (350) 28.08%	311 (296) 26.87%	1157 100%
2	Deregulation policy is only made manifest in the subsidy removal in Nigeria	340 (247) 29.40%	320 (230) 27.65%	16 (34) 1.38	241 (350) 20.83%	240 (296) 20.74%	357 100%
3	Both deregulation and subsidy removal will improve the nation's economy through the monies saved from subsidy removal plugged back into other sectors of the economy	270 (247) 23.34%	220 (230) 19.01%	30 (34) 2.60%	322 (350) 27.83%	315 (296) 27.22%	1157 100%
4	The deregulation exercise will sanitize the Nigeria downstream oil and gas sector as it will reduce corruption	246 (247) 21.26%	222 (230) 19.18%	40 (34) 3.46%	336 (350) 29.68%	313 (296) 27.05%	1157 100%
5	It is a good policy for a good economy whose enemies are hiding behind regulation	225 (247) 19.45%	232 (230) 20.05%	50 (34) 4.32	407 (350) 35.18%	243 (296) 21.00%	1157 100%
	Total	**1233**	**1149**	**171**	**1750**	**1482**	**5785**

Source: Field Study, 2013

Table 2: Calculation of X^2 Test of Hypothesis I

Fo	Fe	fo-fe	$(fo-fe)^2$	$\left(\frac{fo-fe}{fe}\right)^2$
251	247	4	16	0.06
235	247	-12	144	0.58
35	247	-212	44944	181.96
325	247	76	6084	24.63
311	247	64	4096	16.58
241	330	-85	792	24.00

240	330	-90	8100	24.55
16	330	-314	98596	298.77
340	330	10	100	0.30
320	330	-10	100	0.30
270	34	230	55696	1638.12
220	34	186	34596	1017.53
30	34	-4	16	0.47
322	34	286	82944	2439.53
315	34	281	78961	2322.38
246	350	-104	10816	30.90
222	350	-128	16384	46.81
40	350	-310	96100	274.57
336	350	-14	196	0.56
313	350	-37	1365	3.91
224	296	-71	5041	17.03
232	296	-64	4096	13.84
50	296	-246	60516	204.45
407	296	111	12321	41.63
243	296	-53	2805	9.49
			Total	**8,632.95**

Source: field survey (2013)

From chi-square distribution table, we have (0.05, 16) = 26.2962. The result showed that the deregulation of downstream oil sector in Nigeria would contribute to the sanitization and improvement of the Nigerian economy, because the calculated X^2 value (8,632.95) is greater than the critical X^2 tabulated value (26.2962), we reject H0 (null) hypothesis and accept H1 (alternative) hypothesis. Therefore, we reject H0 (null) hypothesis and accepted H1 (alternative) hypothesis.

Test of Hypothesis 2

Table 3: Cross Tabulation of Responses to Questions From Hypothesis II

Item	Questions	Strongly Agree	Agree	Undecided	Strongly Disagree	Disagree	Total
6	Deregulation of the oil sector will bring an end to fuel scarcity and long queues in the nation's petrol retail stations	210 (228) 18.15%	220 (212) 19.01%	64 (59) 5.53%	336 (314) 29.04%	327 (342) 28.27%	1157 100%
7	The price of fuel will becomes relatively low in the long-run, not minding the hike in the short-run	245 (228) 21.17%	218 (212) 18.84%	30 (59) 2.59%	285 (314) 24.63%	379 (342) 32.77%	1157 100%
8	Because a regulated economy does not develop easily like deregulate ones, Nigeria needs to embrace deregulation with both arms in order to develop	240 (228) 20.74%	220 (212) 19.01%	30 (59) 2.60%	340 (314) 29.04%	327 (342) 28.26%	1157 100%
9	Because the Nigerian economy is tied to oil, the deregulation of the oil sector will lead to its development	242 (228) 20.92%	200 (212) 17.29%	102 (59) 8.81%	282 (314) 24.37%	331 (342) 28.61%	1157 100%
10	Deregulation of the Nigerian economy, oil sector inclusive, is the solution to all the problems.	204 (228) 17.64%	205 (212) 17.72%	73 (59) 6.31%	327 (314) 28.26%	348 (342) 30.07%	1157 100%
	Total	**1141**	**1063**	**295**	**1570**	**1712**	**5781**

Source*: Field Study, 2013*

Table 4: Calculation of X^2 Test on Data of Hypothesis II

Fo	Fe	fo-fe	(fo-fe)²	$\left(\frac{fo-fe}{fe}\right)^2$
210	228	-18	324	1.42
220	228	-8	64	0.28
64	228	-164	26896	117.96
336	228	108	11664	51.16
326	228	99	9801	42.99
245	212	33	1089	5.17
218	212	6	36	0.17
30	212	-182	33124	156.25
285	212	73	5329	25.14
379	212	167	27889	131.55
240	59	181	32761	555.27
220	59	161	25921	439.34
30	59	-29	841	14.25
340	59	281	71824	1338.32
327	59	268	5184	1217.36
242	314	-72	12996	16.51
200	314	-114	44944	41.39

102	314	-212	1024	143.13
282	314	-32	289	3.26
331	314	17	25	0.92
204	342	-138	19044	55.68
205	342	-119	14161	41.41
73	342	-269	72361	211.58
327	342	-15	225	0.66
348	342	6	36	0.11
			Total	**4,611.28**

Source: *Field Study, 2013*

From chi-square distribution table, we have (0.05, 16) = 26.2962. The test revealed that the deregulation of the downstream oil sector in Nigeria will bring an end to the problem of oil in Nigeria and lead to the development of the economy hence the calculated X^2 calculated value (4,611.28) is greater than the critical X^2 tabulated value (26.2962), we reject H0 (null) hypothesis and accept H1 (alternative) hypothesis. Therefore, we reject H0 (null) hypothesis and accepted H1 (alternative) hypothesis.

Test of Hypothesis 3

Table 5: Cross Tabulation of Response to Questions from Hypothesis III

Item	Questions	Strongly Agree	Agree	Undecided	Strongly Disagree	Disagree	Total
11	Deregulation of the oil sector is exploitative hence favours the rich and impoverishes the poor as it kills entrepreneurial spirit by obliterating the small and medium scale industries in the country	336 (325) 29.04%	327 (231) 28.26%	64 (25) 5.53%	210 (234) 18.15%	220 (234) 19.01%	1157 100%
12	As a result of deregulation and its implications, many manufacturing industries have closed shop in Nigeria and relocated to neighbouring states	335 (325) 29.39%	329 (231) 28.26%	30 (25) 2.59%	245 (234) 21.18%	218 (234) 18.84%	357 100%
13	It is because a deregulation of the economy is anti-people, that it has never received support from the people of Nigeria	340 (325) 29.39%	327 (231) 28.26%	30 (25) 2.59%	240 (234) 20.74%	220 (234) 19.01%	357 100%
14	The Nigerian economy is dwindling, not because fuel is subsidized, but because of deregulation of the oil sector	342 (325) 29.56%	331 (231) 28.61%	72 (25) 6.22%	242 (234) 20.92%	270 (234) 23.34%	357 100%
15	Deregulation of the oil sector is not the solution to the problems associated with oil in Nigeria, but building more refineries and resuscitating the existing ones up to capacity	327 (325) 28.26%	348 (231) 30.07%	23 (25) 1.99%	274 (234) 23.68%	285 (234) 24.63%	357 100%
	Total	1680	1662	219	1211	1213	5985

Source: *Field Study, 2013*

Note: Null Hypothesis : Deregulation of the downstream oil sector in Nigeria will not lead to more hardship to the people and stagnation to the nation's economy

Table 6: Calculation of X^2 Test on Data of hypothesis III

Fo	Fe	fo-fe	(fo-fe)²	$\left(\frac{fo-fe}{fe}\right)^2$
210	234	-24	576	2.46
220	234	-14	196	0.84
64	234	-170	28900	123.50
336	234	102	10404	44.46
327	234	93	8649	36.95
245	234	11	121	0.52
218	234	-16	256	0.09
30	234	-204	41616	177.85
335	234	-101	10201	43.59
329	234	99	9025	38.56
240	25	215	46225	1845.00
220	25	195	38025	1521
30	25	5	25	1
340	25	315	99225	2969.00
327	25	302	91204	3648.26
242	325	-83	6889	21.19
270	325	-55	3025	9.31
72	325	-253	64009	196.95
342	325	17	289	0.89
331	325	6	36	0.11
274	321	-47	2209	6.88
285	321	-36	1296	4.04
23	321	-298	88804	276.64
327	321	6	36	0.11
348	321	27	729	2.27
			Total	11,971.37

Source: *Field Study, 2013*

From chi-square distribution table, we have (0.05, 16) = 26.2962. The result of the analysis show that the deregulation of the downstream oil sector in Nigeria will lead to more hardship to the people and stagnation to the nation's economy, unless more refineries are built and the old ones resuscitated up to capacity since the calculated X^2 calculated value (11,971.37) is greater than the critical X^2 tabulated value (26.2962), we reject H0 (null) hypothesis and accept H1 (alternative) hypothesis, hence null hypothesis was rejected alternative hypothesis was accepted. Therefore, we conclude that the deregulation of the downstream oil sector in Nigeria will lead to more hardship to the people and stagnation to the nation's economy, unless more refineries are built and the old ones resuscitated up to capacity.

DISCUSSIONS

Discussions is effected on the basis of the three hypotheses separately as heralded below

Deregulation of the downstream oil sector of Nigeria would contribute to the sanitization and improvement of the Nigerian economy.

According to the Chairman, Depot and Petroleum Products Marketers Association of Nigeria (DAPPMA), deregulation of the sector is the only sure way of sanitizing the downstream oil sector. Hence as the 6th largest producer of petroleum, it is a paradox that in the past decade, supply of all products has been erratic and on sharp decline. Ironically, as supply declined, products' prices have been on the increase as successive governments searched for "appropriate pricing", but due to the sustained devaluation of the Naira on account of the implementation of the Structural Adjustment Programme (SAP) coupled with the non-maintenance of the refineries, domestic production was undermined making it imperative for demand to be met through imports. The shortages of petroleum products escalated in spite of increases in prices of products since 1990.

The concern by government to overcome this lack of policy and total dependency on oil companies led to policy shift towards regulations. Government therefore introduced uniform pricing to satisfy domestic demand, strengthen self-reliance and avoid a situation in which the oil companies could hold the country to ransom.

The Obasanjo administration on coming on board decided to gradually withdraw the subsidy on petroleum products to allow the mechanics of market forces to take its full course. The government of Goodluck Jonathan swore to ensure total subsidy removal on oil sector and implement total deregulation policy as majority of Nigerians oppose the continued siphoning of our collective wealth by just few people in and near the Presidency (Agboyi, 2009) hence the federal government assertion that "without deregulation, you will never have a sustainable downstream sector of the economy; we cannot generate jobs in the sector; and we cannot have an orderly market,".

In the words of Maku (2013) "if we insist that government is the one that will be refining products for the Nigerian market, we will remain truncated. The potential the oil and gas sector is supposed to unleash on this country has been completely truncated. "The government money that should have been used for development is paid to marketers, who turn around to get more money from Nigerians; so, in the end, the government and Nigerians are losing, the sector is also losing."

According to the pricing template of the (PPPRA) as at august 15 2011 the landing cost of a litre of petrol was N 129.21, the margin for transporters and marketers was N 15.49 the expected pump price is N 144.7 while the official pump price today is N 65 per liter this shows that the Federal Government spends N 79.70 as subsidy on each liter of petroleum consumed in Nigeria with about 32 Million liters consumed daily. It means the country spends 2.66 billion as subsidy every day.18.2 billion per week and 72.8 billion monthly. According to the presidential letter, a major component of the policy of fiscal consolidation is government's intent to phase out the fuel subsidy beginning from 2012 fiscal year. The accrual to the sovereign wealth fund [S.W.F] as a result of subsidy withdrawal will also augment funds for critical infrastructure as government had said it will save 1.2 trillion naira in 2012 alone which would be used for the provision of safety nets for the poor to ameliorate the effects of the subsidy removal

Deregulation of the downstream oil sector of Nigeria will bring an end to the problems of oil and lead to development of the economy.

The fallout of the efforts at oil sector reform is the conclusion that deregulation of the sector would serve the best economic interest of the polity. Corroborating the view of the senate, the National Economic Council (NEC), the highest economic policy organ of the government in Nigeria, in its analysis stated that it costs the country's treasury one trillion Naira yearly to subsidize petroleum products in Nigeria. NEC stated therefore that it would be better if this huge sum of money spent on subsidy is used in smoothing potholed roads, providing hospitals, rehabilitating and building health facilities and schools or supplying portable drinking waters (T-John, 2013).

Already, the deregulation effort had earlier received the support of the largest oil and gas industry unions, National Union of Petroleum and Natural Gas Workers (NUPENG), Independent Petroleum Marketers Association of Nigeria (IPMAN), the multinational companies as well as oil companies operating in industry. Largely, their thesis is that deregulating the downstream sector of the industry will finally end the perennial fuel scarcity as well as maintain sustainable fuel supply across the nation (Ovaga, 2012).

The Executive Secretary, Major Oil Marketers Association of Nigeria (MOMAN)[2], upheld that the full deregulation of the downstream sector would bring about efficiency in the sector and signal an end to the perennial fuel crises. On the causes of fuel scarcity, he explained that most oil marketers stopped the importation of the product since the beginning of the year due to what they described as "discrepancies in subsidy payment'' which they said was responsible for the current scarcity.

Furthering the argument, the Chairman, Depot and Petroleum Products Marketers Association of Nigeria (DAPPMA), also called for the deregulation of the sector as a way of sanitizing it (T-John, 2013). These point of views may have been instigated by the Finance Minister and Head of the Economic Team, Ngozi Okonjo-Iweala's warning that Nigeria may be plunged into the type of turmoil currently faced by Greece and other euro-zone countries; and that of the Central Bank of Nigeria Governor, Lamido Sanusi, that Nigeria will "never" develop unless the subsidies are stopped.

In the words of the Information Minister, Laraban Maku "If we insist that government is the one that will be refining products for the Nigerian market, we will remain truncated. The potential the oil and gas sector is supposed to unleash on this country has been completely truncated. This was due to the statement of the Federal Government on Wednesday March 20 2013 that the country's economy would be truncated if the full deregulation of the downstream sector of the petroleum industry was not carried out; the President's declaration that came barely 24 hours

from an Abuja Federal High Court ruling that declared deregulation illegal, unconstitutional, null and void.
The Punch Editorial averred that President Goodluck Jonathan and his officials have opted for the alarmist theory that Nigeria's economy will "collapse" unless the subsidy on petroleum products is removed immediately; a postulation that has generated heated verbal missiles and cacophony associated with oil subsidy and its removal which in the words of Umeano (2013) can easily derail a government that is as weak as GEJ led Federal Government (www.vanguardngr.com)
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Deregulation of the downstream oil sector of Nigeria will lead to more hardship to the people and stagnation to the economy.

The contemporary passion and tension that usually characterize petroleum discourse is due to inexplicable deprivations and sufferings of Nigerians amidst plenty and abundance of these products. As the 6th largest producer of petroleum, it is a paradox that in the past decade, supply of all products has been erratic and on sharp decline. Ironically, as supply declined, products' prices have been on the increase as successive governments searched for "appropriate pricing".

The combined impact of erratic and inadequate supply and unending price increases have brought untold hardship to the citizenry and worse too, prevented economic recovery as promised by the present democratically elected government given that capacity utilization in the manufacturing sector nose-dives due to shortages of industrial products. Indeed many industries have been compelled to close due to non-availability of some of these products.

In the bid to solve the problem in Nigeria, structural reform of petroleum markets has become a critical component of macroeconomic liberalization policies dubbed deregulation and subsidy removal hence the role of the government in the petroleum sector is being redefined, and markets are being deregulated (i.e state interventions such as special treatments of state-owned oil companies, price controls and monopolies are being broken up).

But unexpectedly, the outcome of the deregulation has not been encouraging. There has been continuous increase in petroleum prices with persistent scarcity of petroleum products. It was expected that deregulation would give room for competition which would transform into price reduction and excellent supply and distribution network.

Having evaluated the deregulation exercise; critically appraising its impact on petroleum pricing, consumption and the general living standard of the people, Bamidele Aturu, a lawyer and human right activist took the federal government to court to ascertain that the deregulation of the sector is unlawful and unconstitutional. Thus, a Federal High Court sitting in Abuja, on Tuesday 19th March 2013, gave an order restraining the Federal Government from continual deregulation of the downstream oil sector which it had embarked upon. The court, however, declared that deregulation of the downstream sector of the petroleum industry was unconstitutional, illegal, null and void. Although the AGF had raised an objection against the application, delivering judgment in the suit, the presiding judge, Justice Adamu Bello, issued an order restraining the Federal Government from deregulating the downstream sector of the petroleum industry or from failing to fix the prices of petroleum products as mandatorily required by the Petroleum Act and the Price Control Act.

He further held that the policy of government to deregulate the downstream sector of the petroleum industry by not fixing the prices at which petroleum products might be sold in Nigeria was unlawful. Justice Bello also held that the deregulation policy was in conflict with Section 16(1)(b) of the Constitution of the Federal Republic of Nigeria, 1999 which provided that the government should control the national economy in such manner as to secure the maximum welfare, freedom and happiness of every citizen on the basis of social justice and equality of status and opportunity. The court also ruled that the policy of government to deregulate the downstream sector of the petroleum industry by not fixing the prices at which petroleum products should be sold in Nigeria was unlawful, illegal, null, void and of no effect whatsoever being in vicious violation of the mandatory provision of Section 6 of the Petroleum Act, Cap P.10, Laws of the Federation of Nigeria, 2004.

According to him, "That the policy decision of the Defendants to deregulate the downstream sector of the petroleum industry by not fixing the prices at which petroleum products may be sold in Nigeria is unlawful, illegal, null, void and of no effect whatsoever being in flagrant violation of the mandatory provision of section 4 of the Price Control Act, cap P28, Laws of the Federation of Nigeria, 2004".

Perhaps, the judgment was based on the facts and figures which Umeano (2011) glaring gave unknowingly when he averred that the money realized from removal of subsidy may still not be found in the delivery of infrastructure for the benefit of the citizens because of the worsening level of corruption in Government at all levels. Also the citizens who were 'benefitting' from the subsidy were made to suffer unduly because virtually all prices including food items has hit the roof and the down trodden are badly affected.

Again, Prof. Tan David west, Buhari's petrol & Energy minister argued against deregulation of the downstream oil sector when he said that removal of subsidy is poverty of idea, since the money used to import fuel can build many refineries in Nigeria by Government. He also challenged Jonathan to publish the names of those importing fuel and how much they are paid. He said that Nigeria will go ablaze if he did. He did not (Eson, (2002).). The Nigerian youth is restive because of the level of decay in the infrastructure, unemployment, hard time and huge gaps in our social classes. The society has created two wide social groups, too rich and too poor. No person that is educated and gainfully employed in an organized society will be planning to blow himself up in a suicide bomb.

Therefore, deregulation of the downstream oil sector will lead to more hardship on the people and stagnate the economy.

RECOMMENDATIONS

Having established that deregulation of the Nigerian downstream oil sector, will lead to the sanitization of the sector and further improves the economy; also bring to an end the problems of oil and thus lead to development of the economy; and that it will lead to more hardship to the people and stagnation to the economy unless more refineries are build and the existing ones resuscitated to installed capacity, we therefore recommend the following:

1. That first, the government should commercialize the existing four refineries to the likes of Dangote, Otedola, Ifeanyi Mba, Adenuga, who are successful businessmen and have them tender their terms, such that oil will be refined in Nigeria and importation of refined oil will become a thing of the past.
2. That if the four existing refineries cannot provide enough fuel for domestic consumption, the federal government can license another serious bidder to build one or two to augment the four existing ones. The essence is to ensure that the refineries are operating from its generated revenue to serve Nigerians and also add to her income generation and relief the federal government of the expenses of subsidization.
3. That as soon as these refineries are ready, Nigeria can deregulate, in the context of removing subsidy. Countries abound who are OPEC members whose pump price are far below Nigeria's erstwhile N65 per litre. Therefore, I still believe that if Saudi Arabia is selling at $0.12 (N18), Kuwait sells at $0.21(N32), United Arab selling at $0.37 (N57), Venezuela selling at $0.05 (N7), Qatar sells $0.22 (34), Iran sells at $0.11 (N17), Algeria sells at $0.2 (N31)[30], there is no reason on earth for Nigeria to sell currently at (N97) from the erstwhile N65 following the pace of the United States of America who is not an OPEC member, instead of emulating their fellow OPEC members like Venezuela.

CONCLUSION

Full deregulation of the downstream oil sector of Nigeria, the sine qua non to the economic dwindling, had in time past generated unexpected debate but on the 19 march, 2013, the Supreme Court sitting in Abuja has declared the policy and its implementation illegal, unconditional and null and void. This court verdict has rekindled hope on the path of those who blatantly opposed the deregulation policy. But the president reiterated his avowed commitment to the deregulation policy.

In discussing the findings hypothesis by hypothesis, we stated that the decision to deregulate the nation's downstream oil sector, is born from the perennial problems of fuel scarcities leading to long queues in our filling stations and the dire quest to solve them which is why since the days of Ibrahim Badamosi Babangida, all administration, has sought to remove the deregulation policy which according to them cost a fortune that should be invested in other sectors to help boost the economy and ensure more employment opportunity.

Again, the people who pose as independent marketers who import these oils and sell to Nigerians and those who smuggle the already subsidized oil out to the neighbouring countries to make great profit at the expense of the federal government and the entire Nigerian masses has to be stopped. The corruption has to be stopped. Deregulation becomes the only way to sanitize the system and therefore engenders the nation's economic development.

Lastly, we espoused that the same deregulation of the Nigerian downstream oil sector will lead to more hardship and economic stagnation. A point everybody agrees with but the proponents say it is only of a short time after which the benefits come and will overshadow us. But Prof. Tan David West does not think so. He referred to it as poverty of idea since the money used to import fuel can build many refineries in Nigerian by the same government.

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