Policy of Deregulation and Liberalization of the Downstream Oil Sector in Nigeria: 
The Implication on the Nigerian Economy in the 21st Century

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Abstract: The focus of this study is on the over-dependence on oil as the mainstay of Nigeria. We are in the days of debate. The somehow chaotic Nigerian political terrain has thrown up several challenges, has thrown up issues, many issues that are subjects of debate. Since the emergence of the nascent democracy in 1999, this nation has witnessed several deregulations of oil downstream for which few Nigerians has benefited from it and majority of others are languishing in abject poverty. Starting from January 1, 2012, the Federal Government has stopped subsidizing Premium Motor Spirit and jacked up the price from N65/L to a minimum of N141. In some states, retailers dispense it at N160/L and there is already, widespread anger and resentment against the policy across the country. Therefore, any break in its chain of availability and price rationality, automatically follows a negative effect on the living standards of the citizens as their economic life shift downwards. An increase in fuel price essentially leads to increase in the cost of transportation of both persons and goods, and the final consumer bears the brunt through the purchasing of domestic food items or necessities. The increase in fuel will always lead to higher cost of production, a burden consumers will have to bear too. Landlords definitely increases house rents while workers agitates for higher wages. These have always provoked industrial unrest which has a negative impact on the economy. Without bias, a general increase in prices of goods and services (any time) reduces the standard of living of Nigerians and more people will be dragged into the bracket of poverty line living below one dollar per day. These Nigerians have suffered prior to the democratic governance from 1999 to date. Democratic governance with the underlying emphasis on the alleviation of the citizenry to realize the ‘common good’ has not taken root in the popular consciousness of Nigerians. Everyone appears to be for himself. The thrust of this study therefore, is to investigate the recurring decimal of flawed political and economic woos with the Federal Government announcement of fuel subsidy early 2012 with a view to pinpoint its nature, form, causes and proffer solutions for Nigeria democracy to strive.

Keywords: Deregulation, economy, exorbitant, government, landlords, subsidy

INTRODUCTION

Nigeria is Africa’s largest oil producer, exporting about 2.5 million barrels of oil a day, almost entirely from the Niger Delta. It is the United States’ fifth largest oil supplier and the proceeds from sales of crude oil made up 80% of Nigeria’s national revenue and nearly all its foreign currency earnings (Wikipedia, 2012). Petroleum product is crucial to the Nigerian Economy in two ways; crude oil earns over 90% of the nation’s foreign revenue and the processed oil provides the fuel (now in question) that powers the basic infrastructures to wit-transportation and electricity that run both the industry and the homes of Nigerians. Therefore, every aspect of the functioning of the Nigerian economy has a multiplier relationship with petroleum products, be it domestic or global. The Nigerian economy is basically run by petroleum products sourced energy unlike other western countries that supplements this with solar. Petroleum products does not only cover the importance of revenue generation to the Federal Government under which the political structure survives, but unavoidably relevant to the comfort of households (Okoro, 2006).

Basically, petroleum products include processed fuel for automobiles, minimum duty generators, etc., diesel for long and heavy trucks engine oil, gas and kerosene for domestic cooking. Every home in Nigeria in one way or the other uses either of the above, as well as the manufacturing companies in the production of their goods. The cost of construction and award of contracts is dependent on the prevailing market price of petroleum products used in moving their heavy duty equipments, market prices of imported goods is determined by the cost of import duty and cost of flight etc. Also, jobs are created and employments effected as
a result of market expansion subject to the nature of petroleum products in the economy. Services demanded and rendered have a direct effect on the availability of petroleum products in an economy, because its determined wage rate is subject to some other factors or expected expenses in the process of rendering such services (Okoro, 2006).

The significance of petroleum products in the economy is by no means exhaustive. Therefore, any break in its chain of availability and price rationality, automatically follows a negative effect on the living standards of the citizens as their economic life shift downwards. An increase in fuel price essentially leads to increase in the cost of transportation of both persons and goods, and the final consumer bears the brunt through the purchasing of domestic food items or necessities. These, Nigerians have suffered prior to the democratic governance from 1999 to date. Having perceived this downward mobility in the living standard of Nigerians, on the 23rd May, 1999 at an inter-denominational Church service to mark the beginning of the former President, Chief Olusegun Obasanjo’s inauguration in Abuja, the President renewed his campaign pledge to alleviate the sufferings of Nigerians. He continued that no area of national life would be neglected most especially electricity supply, water availability, fuel scarcity will disappear, roads that are impassable will be rehabilitated, corruption will be tackled (Adebiji and Ojiobor, 1999). The above promises of the President was based on the live terrorizing factors inherited from the long military leaderships of President Babangida, late General Sanni Abacha and General Abdusalami Abubakar, resulting from acute fuel scarcity.

With the strong determination to correct the above problems, while presenting the year’s appropriation bill to the National Assembly in 1999, the President affirmed that his administration “would not participate in the determination of petroleum products prices” (Wabara, 2001). He stressed that in the past, pump prices reviews have not achieved any purpose other than making some people richer. But the then Chief Economic Adviser to the President Obasanjo, Chief Philip Asiodu once pointed out that the present administration cannot run away from an upward price adjustments. It will be a mere question of realism to contextualise price regimes because of the unique national variables that affect pricing. Hence, the President on the 23rd of August, 1999 had a meeting with members of the Senate House Committee on Petroleum Resources at the Government House, Abuja; where he pledged to turn around the fortunes of the beleaguered Nigerian National Petroleum Corporation (NNPC) and make it solvent within three years i.e., on or before 2003 (Nwankpa, 1999). He was mindful of the breakdown of the refineries in Nigeria and all their associational problems. Unfortunately, the intermittent scarcities in fuel availability and the serial increases in fuel prices have extended up to 2004, which the volcano of reactions is now championed by the Nigeria Labour Congress (Okoro, 2006).

Public policy: Public policy according to Parsons (1995) is concerned with how issues and problems come to be defined and constructed and how they are placed on political and policy agenda. Public policy is also the study of how, when and to what effect governments pursue particular course of action and inaction. Just the way Dye (1976) put it, public policy is what government’s do, why they do it and what difference it makes. Therefore, the economic reform on the downstream oil sector by the Federal Government here justifies a fundamental public policy. But the issue or problems attached to this paper are: Is the increases in fuel pump prices by the Federal Government over time actually necessary? The time frame of these economic reforms since 1999 ought to have been considered. The fact that Nigerians are managing to recuperate from long years of military political and economic retrogressions arising from corruption, required some consideration for improved living standard. One question which is eager for immediate answer is: has the Federal Government derailed in considering what appropriate timing its economic policy reforms are suitable for public acceptance? The economic reform policies of the Federal Government since 1999 have always attracted public resistance, the same way the aborted Local Government proposed reforms (political) delayed election into Local Government Councils as at when due. Timing seems to be a major problem of the former administration looking at the way and form its programmes and policies are packaged. Citing the opinion of Professor Afolabi (2007), the periodic disruptions to social and economic life of the people through the cutting back on the subsidies government was giving to fuel consumption thereby leading to price increases is attributed to lack of the need for detailed planning. Oghenero observed that:

“The latest increase in pump price of petroleum products is badly timed. The President should have known that Nigerian people are angry, frustrated and confused because the poverty level has increased as a result of previous and recent increase in price of fuel” (Oghenero, 2006).

Fusing the contributions of Ebri (2002) to the above in his publication titled “Nigerians are suffering”,
predicted tougher times for the people of Nigeria arising essentially from frequent hikes in prices of petroleum products. Answering the question of how long the Nigerian masses will continue to prolong in the hardship, he further posited that pains and agony of the poor citizens have been based on patience and tolerance with the exercise of the leadership. The so called N 18,000.00 salary increases have been made so much nonsense of and that is even when the government manages to pay it.

Always not moved by the impact of the fuel pump price increases on the living standard of the poor Nigerians, on Tuesday, 5th October, 2004, the former President, Chief Olusegun Obasanjo in his address at the 34th Annual Accountants Conference declared that, the resistance to economic reforms in Nigeria following the recent fuel increase, would not move his government. The beauty of new ideas of economic reform is that they come with teething challenges, which are surmountable. From the onset, we did not expect the process of adaptation to be smooth sailing. However, irrespective of the pockets of resistance and inevitable occasional operational hiccups, the government shall not waver (Ajani, 2004). Unmindful of time factor in policy changes, the Federal Government’s termination of the Turnaround Maintenance contracts for the repair or servicing of the Port-Harcourt, Kaduna and Warri refineries, gave the picture that the country will survive only at the mercy of imported and constant increases in the prices of fuel. In 2004 also, the price of fuel was increased following the economic liberalization policy of the oil downstream sector, and the final and complete withdrawal of any fuel subsidy by the government to the Nigerian consumer. More hardship and hunger is inflicted on the masses, but the Federal Government will not waver for the time has come. According to Agboko (2004), if previous increases in fuel pump price have reached the limits of what Nigerian workers and working families could endure, then the latest increase in fact amounts to a moral equivalent of a death sentence inflicted on the people through an insensitive pricing policy.

Objectively, there is hardly any industrialized nation of today that never went through this kind of tough economic reforms. To achieve a strong economic base of a country against other countries, these reforms are necessary and good. But the empirical questions taking Nigeria as a case study are: Is the introduction and execution of these economic reforms through increases in price of petroleum products ideal and timely in a process of economic development? Is the total removal of government subsidy on essential economic product like fuel, go same time, period when the domestic refineries are closed of operations? Is there any hope that the evangelism of deregulation, liberalization and privatization of the oil downstream sector will drop the current price of fuel and other petroleum products in another three to five years? How long are the Nigerian people expected to achieve an improved life subject to reduced prices of food items in the market, as a result of government economic policy intervention? Do we access the Federal Government’s track record of economic policies on deregulation and market liberalization since 1999-2012 on petroleum products, as ideal and timely?

Renewed policy of deregulation of the oil downstream sector: The low capacity utilization of Nigeria’s state-owned refineries and petrochemical plants in Port-Harcourt, Kaduna and Warri; the sorry state of disrepair, neglect and repeated vandalization of the state-run petroleum product pipelines and oil movement infrastructure nationwide, the collateral damage of institutionalized corruption with frightening emergency of a local nouveau riche oil mafia that controls the sales of illegal crude; are factors that informs Federal Government’s idea about reforming the downstream sector of the Nigerian petroleum industry (http://www.nigerdeltacongress.com/marticles/modes of deregulation in the dow.htm). Also, the co-ordination of crude oil sales, refined petroleum products pipeline sabotage, the theft (illegal bunkering) nationwide, that insatiably corrupt Military Task Force operative that assist diversions of both crude oil and petroleum products (Braide, 2004), and large scale cross-border smuggling of petroleum products; all of which are the root causes of the protracted and seemingly intractable severe fuel crisis, that have bedeviled the country relentlessly since 1991.

Deregulation pre-supposes market forces as the determinant of prices rather than a decision to fix price by administrative fiat. Deregulation is therefore seen as the process of freeing federal government of its concurrent control and involvement in the businesses of refining, importation and distribution of refined petroleum products in the Nigeria market. The intention of the Federal Government since 1991 (President was that, the planned deregulation of the downstream petroleum industry in Nigeria was to be implemented in phases, so as to enable the state-owned monopolies to regain efficiency before its full privatization. Although the policy of deregulation and liberalization pre-dates the administration of Chief Obasanjo. The campaign for the deregulation of the oil sector got a serious consideration in 2001 as the likely way to solving the scarcity problem of petroleum products most especially fuel. Professor Jerry Gana in early 2001, at a press
briefing, disclosed government’s intention to deregulate the oil industry hinging the stance on distortion, which the smuggling syndicates exploit to cause scarcity. In same vein, the Group Managing Director (then) of NNPC, Mr. Jackson Gaius Obaseki accused the petroleum marketers of creating artificial scarcity via diversion, hoarding and smuggling of products to neighboring countries. Professor Jerry Gana concluded the session by stating that the government considered all shades of opinion, before deciding that deregulation is the answer to the problem confronting the oil sector (Ibah and Oladipo, 2001).

But the Nigeria Labor Congress is of the opinion that the problems identified with price deregulation are many giving the current economic realities of Nigeria which are caused by:

- Profound supply problem occasioned by the abysmal neglect of local refineries
- Exorbitant import parity prices for products
- Every increase in price of petroleum product has a profound economy wide effect
- The two basic reasons common to all the increases in petroleum product prices since the introduction of the Structural Adjustment Programme in Nigeria are:
  - Depreciation of the value of the Naira to the dollar and other in International currencies
  - The increase in the price of crude oil in the international market. The Nigeria Labor Congress suggested some alternatives to the planned deregulation chiefly, the effective and efficient rehabilitation of the local refineries (Ugbechie, 2001)

But the Federal Executive says, Nigeria Labor Congress cannot stop them. See also, Dare (2001), Deregulation: NUJ backs NLC’s position; Ogundalapo (2001). Of important note is that, the policies of deregulation and liberalization of the Federal Government pre-dates President Obasanjo’s administration. The problem with the administration’s economic policy, is the aggressive nature in implementing the policies without adequate alternatives. Femi Falana reconfirmed the disclosure of Alhaji Abubakar Alhaji that Nigerians are campaigning against policy dictated by the IMF and World Bank, which Obasanjo's regime implemented (Nwachukwu, 2003).

**Policy of market liberalization:** Liberalization essentially deals with free entry into and exit from the business or marketing of petroleum products by individuals who will have the economic capacity to do so with less governmental restrictions of manipulations. With deregulation and liberalization, private enterprise initiative and capital is deployed to achieve competitive efficiency and pricing system. But this is contrary to the attitudes of the Federal Executive Council. The pricing mechanism for imported fuel is derived from the government’s import parity pricing which relies on the interplay of forces of demand and supply at the international spot market to determine the cost of supply. Against the background of the Federal Government’s integrated subsidy initiative (Ezigbo, 2006), the intension was to bail out Nigerian consumers from the vagaries of the international market occurrences, but the PPPRA could not ensure strict and regular monitoring of the market trends to provide the public with up-to-date data. Table 1 which illustrate the increment during Obasanjo Administration.

We will recall that towards the last quarter of the year 2001, the then Minister of Finance, Mallam Adamu Ciroma during budget preparations, had assured Nigerians that the Federal Government has decided not to tax the products sold at stations, the calculation being that once the tax element was removed, fuel will still be sold at filling stations at the prevailing prices. With obvious contradictions, on 1st January, 2002, Chief Rasheed Gbadamosi led Petroleum Products Prices Regulatory Committee (PPPRC) announced a new increase in petroleum products from N22 to N26/L for petrol, which covers 18.2% increase from the old price N26/L for diesel pf 36.84% and N24/L for kerosene from N17/L covering 41.18%. At this time, the Federal budget of 2002 has not been approved. Addressing Journalists on the New Year day (1st January, 2002), Chief Gbadamosi insisted that the marginal increase signaled the commencement of liberalization of the downstream sector, hinting that prices would be

<table>
<thead>
<tr>
<th>Year</th>
<th>Petrol (%)</th>
<th>Diesel (%)</th>
<th>Kerosene (%)</th>
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<tbody>
<tr>
<td>1999</td>
<td>20</td>
<td>19</td>
<td>17</td>
</tr>
<tr>
<td>2000</td>
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<td>10</td>
<td>19</td>
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<tr>
<td>2001</td>
<td>22</td>
<td>0</td>
<td>19</td>
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<tr>
<td>2002</td>
<td>26</td>
<td>18.20</td>
<td>26</td>
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<tr>
<td>2003</td>
<td>34.42</td>
<td>30.8/23.52</td>
<td>38</td>
</tr>
<tr>
<td>2004</td>
<td>49</td>
<td>16.72</td>
<td>50</td>
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<tr>
<td>2005</td>
<td>65</td>
<td>24.68</td>
<td>90</td>
</tr>
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</table>

Table 1: Fuel increases under president Obasanjo

Vanguard of 23rd June, 2004
The impression from the government is that the liberalization policy is intended to break the monopoly of NNPC on the oil sector, but reading the disposition of Chief Gbadamosi led PPPRC liberalization advantage theory, the intention of the Federal Government was to shore up its revenue. For a proper follow up, the following are the given advantages of liberalization policy as envisaged by government:

- Diversification of Petroleum supply sources
- Improve transparency on petroleum products cost structure
- Elimination of fuel scarcity with the possibility of re-establishing fuel supply-demand balance
- Remove distortions in the macro-economy
- Provision of adequate margins for NNPC, Marketers, Dealers and transporters in order to create adequate return on their investment
- Create competition for improved customer service levels
- Allow Government full recovery of Market value of crude oil refined locally, thereby enhancing government revenue
- Provide government the needed freedom to impose additional products taxes in order to match products prices across the borders
- Setting the stage for privatization and possibly coordinate export to West African Sub-region

Therein, Chief Gbadamosi assured the Independent Marketing Companies that he wants them to prosper, asserting expressly that, he wants them to be able to compete with NNPC, realize their potential and be the owners of tomorrow’s refineries (Igbudu, 2002). The empirical question here is: Are the Federal Government point makers on policies unmindful of some policy statement to the public and its associational timing? This is because a caring government should insist on promoting the living standard of the citizenry through empirical question here is: Are the Federal Government point makers on policies unmindful of some policy statement to the public and its associational timing? This is because a caring government should insist on promoting the living standard of the citizenry through infrastructure development and thus stimulate economic growth. This is the sacrifice the President is asking Nigerians to make for the overall interest of the country. But while it is calling on Nigerians to sacrifice for a better future, the government itself is not willing to curb its own extravagance and waste, as components in the 2012 budget proposal currently awaiting the approval of the National Assembly have shown (Wikipedia, 2012).

Every government policies and actions are geared towards providing the general welfare of the citizens. Hence, the idea and effort to implementing the deregulation policy of the downstream sector of the petroleum industry is, to providing the accompanying social welfare measures meant to cushion the effect of high cost of living, construct and maintain roads, provide infrastructural facilities etc. Amid all warnings to the Federal Government on the planned fuel price hike, President Obasanjo on 1st October, 2003, posited that the Federal Government has terminated all Turn Around Maintenance (TAM) contracts of the refineries to press ahead with its planned liberalization of the downstream sector of the petroleum industry and quoted over N56 billion was spent on the rehabilitation of the Port-Harcourt, Warri and Kaduna refineries in the last four years (Ahiuma-Young and Ugwuanyi, 2003). The argument of Government officials have always been hinged on crude oil and the need for higher margins to meet operational and capital cost. For example, subject to the 2003 fuel price increase, Chief Rasheed Gbadamosi of the Petroleum Products Pricing Regulatory Agency (PPPRA) explains that, based on the exchange rate of N128 to a U.S Dollar, the PMS landing cost was N28.64/L while the NNPC pays N0.50 k/L for demurrage and financing, jetty depot N1.00, landing cost was N28.64/L while the NNPC pays N0.50 k/L for demurrage and financing, jetty depot N1.00, distribution margins N7.36 k and Highway Maintenance N1.50 k. But N0.80 k/L that goes to the Petroleum Equalization Fund (PEF) was tactically avoided (Aneato, 2003). Table 2 which speaks for itself on the increment based on price supplied.

Reasons for government policies and actions:
Although President Goodluck Jonathan would want Nigerians to believe that his government will collapse if the contentious issue of subsidy on imported refined petroleum products is not resolved on his own terms, available evidence shows that the government’s extravagant and wasteful lifestyle constitutes a greater threat to the economic survival of the country. Starting from January 1, 2012, the Federal Government has stopped subsidizing Premium Motor Spirit and jacked up the price from N65/L to a minimum of N141. In some states, retailers dispense it at N160/L and there is already, widespread anger and resentment against the policy across the country. Jonathan believes that the withdrawal of subsidies—which means paying more for imported refined petroleum products—will free N1.3 trillion (which the government said it spent to subsidize the products in 2011) to be ploughed into massive infrastructure development and thus stimulate economic growth. This is the sacrifice the President is asking Nigerians to make for the overall interest of the country. But while it is calling on Nigerians to sacrifice for a better future, the government itself is not willing to curb its own extravagance and waste, as components in the 2012 budget proposal currently awaiting the approval of the National Assembly have shown (Wikipedia, 2012).

President Olusegun Obasanjo once told a delegation of Market Women who visited him at the
Aso Rock Villa, that his government would not shift ground over the price hike because the level of fuel subsidy was no longer justifiable. He explained that he could no longer continue to subsidize fuel to the tune of N12/L. We must fight relentlessly to get fuel sold without subsidy so that the extra money made would be spent on providing infrastructure, insisting that the fuel liberalization of the downstream sector of the petroleum industry was the only way forward (Ishiekwene, 2002). Still justifying the fuel price hike, President Obasanjo changed the falling economic power and conditions of the poor Nigerian masses that are hungry?

As time the issue of Nigeria’s debt problem comes into the front line of economic issues, internal price adjustments have always been the argument of the multilateral institution International Monetary Fund (IMF), World Bank, Paris and London Clubs. In all cases of debt rescheduling, one of the conditions given to the Federal Government by these creditors above is the need to reduce the level of subsidy in the economy to cut down on wastage (their target is petroleum products). According to Alhaji Abubakar Alhaji-Finance Minister under General Ibrahim Babangida’s administration disclosed that the Federal Government could not admit in public that the PDP led Federal Government. Table 3 which reflects the effect of petroleum on other commodities.

Federal Government to reschedule Nigeria’s debt is the driving force behind price adjustments, leaving the government with no alternative than to swallow pills of petroleum price adjustments just as the Babangida’s administration did in 1988 that almost crippled the nation (Omoh, 2003). This is still as valid today as it was in 1988.

On the 23rd of September, 2004, after the National Executive Council meeting in Abuja, the new pump prices of petroleum products were increased from N42 to N53/L by the President being the 7th increase in a series of five years (Time Series of Record) into democratic governance in Nigeria after 16 years of military dictatorships. Prior to September, 23 2004, Nigerians had cried for poverty eradication to reduce suffering, supporting a better Nigeria through loyalty and obedience to law, managing the economic difficulties arising in domestic petroleum products by the PDP led Federal Government. Table 3 which reflects the effect of petroleum on other commodities.

The nation is not heading to any good destination with the trend of things. According to the President of World Bank, “the world could be an equitable and safe place to live if only poverty is eradicated, better environmental stewardship and education of the youth of the world”. We lose sight of the long-term and equally urgent cause of our unsecured world; poverty, frustration and lack of hope. If we want stability in our planet, we must fight to end poverty. Eradication of poverty is central to peace and stability (Aderinokun, 2004). Are our leaders promoting poverty or reducing it through the frequent quarterly hiking of petroleum pump prices?

Impact of fuel increase on the market economy: In each of the petroleum price adjustments, the resultant price hike always impact negatively in all sectors of the

### Table 2: Effect of petroleum on other commodities

<table>
<thead>
<tr>
<th>Year</th>
<th>Benin-Lagos transport fares N</th>
<th>Basic food items per 3 cups N</th>
<th>House rent per month N</th>
<th>Generator saloon N</th>
<th>Single phase electricity</th>
<th>Per bag of cement N</th>
<th>Per tin of bean N</th>
</tr>
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<tbody>
<tr>
<td>2019</td>
<td>20 10 400 10 25 50 40 300 2000 30 20 300 800 175</td>
<td>450 2500 40 30 300 800 175</td>
<td>500 3000 40 30 500 1000 200</td>
<td>80 40 900 1200 240</td>
<td>1000 200</td>
<td>1280 260</td>
<td>1400 280</td>
</tr>
<tr>
<td>2020</td>
<td>22 20 450 10 25 55 50 500 5000 80 40 500 1050 220</td>
<td>600 3000 80 40 900 1200 240</td>
<td>700 5000 50 40 500 1000 200</td>
<td>1000 200</td>
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<td>1400 280</td>
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</tr>
<tr>
<td>2021</td>
<td>30 30 550 20 30 60 60 700 7000 100 40 700 1500 300</td>
<td>800 4000 100 40 900 1200 240</td>
<td>900 6000 100 40 900 1200 240</td>
<td>1500 300</td>
<td>1280 260</td>
<td>1400 280</td>
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<tr>
<td>2022</td>
<td>40 40 700 30 75 90 70 1000 10000 120 60 1000 2000 450</td>
<td>1000 5000 120 60 1000 2000 450</td>
<td>1000 5000 120 60 1000 2000 450</td>
<td>2000 450</td>
<td>1280 260</td>
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<tr>
<td>2023</td>
<td>50 50 900 40 120 180 100 1500 15000 140 80 1500 3000 650</td>
<td>1200 6000 140 80 1500 3000 650</td>
<td>1200 6000 140 80 1500 3000 650</td>
<td>3000 650</td>
<td>1280 260</td>
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Federal office of statistics, Benin city
Ogundipe Sola fuelled violent protests etc. for N300; Ebonugwo Mike, Nderibe Okey and Life grinds to a halt in Cross River as petroleum sells from the economic perspective, the opportunity to sell (Oghenero, 2006). The demand for fuel/petrol like that affects the prices of other goods and services a multiplier effects on the economy as any increase in the market. This is because its prices (always upward) have increased. Inter and intra-city transportation has risen by over and above 100%. People that traveled during Christmas and New Year festivities are stranded. Also, realizing that the Nigerian economy kiss run on generators, factories, hospitals, homes, small business etc., all run on generators as PHCN or NEPA fails to deliver regular power supply. In all these, the consumers will always bear the brunt of the increases. The increase in fuel will always lead to higher cost of production, a burden consumers will have to bear too. Landlords definitely increases house rents while workers agitates for higher wages. These have always provoked industrial unrest which has a negative impact on the economy. Without bias, a general increase in prices of goods and services (any time) reduces the standard of living of Nigerian and more people will be dragged into the bracket of poverty line living below one dolor per day (Omoh, 2003). Adefaye rightly observed that in any economy where consumption overstrips production, where money is thrown at problems, it is obvious that something must give way. When the government agreed to a further 12.5% salary increment or N 18,000 minimum wage of Federal worker, we knew it has to be financed from some sources. The obvious is oil and that the President has done (Adefaye, 2003). See also Aziken et al. (2004) -Senator begs Obasanjo to revert fuel price to N42; Ogunwusi (2003) 12.5% salary increment withdrawn through the fuel price increase; Adesina (1999) -Labor hinges living wage on improved Naira value; Ezekwokwo (2000) -Prices of consumer items on the rise; Obateru (2003) -Day hunger and anger, Taye (2003). More hardship as strike continues; Edukugbo (2003), fuel hike is anti-people, Adeleji; Onah (2003) -Life grinds to a halt in Cross River as petroleum sells for N300; Ebonugwo Mike, Nderibe Okey and Ogundipe Sola fuelled violent protests etc.

Petroleum products especially fuel and kerosene are value-unique unlike other commodities in general. This is because its prices (always upward) have a multiplier effects on the economy as any increase affects the prices of other goods and services (Oghenero, 2006). The demand for fuel/petrol like that of any other normal goods, follow the same pattern. From the economic perspective, the opportunity to sell a commodity increases if the price goes down because it would now come under the range of buyers who could not afford it at the previously high prices. Economists have also observed that “price increases are to the greatest extent self regulatory—that is, an increase in price due to demand exceeding supply leads to a reduction in sale which in due course restores equilibrium”; whereas the decrease in price which may have caused the previous price level to give way will readily be accepted by an expanding market. The tendency to react in such a manner to price fluctuation has been called elasticity, and the more elastic a market is, the less will be the price fluctuation (Eyiyyere, 1980).

Ironically, in Nigeria, neither of these scenarios appears to apply in the case of petroleum products. Its price can without reason be increased without anything like a commensurate drop in sale. Therefore, since the demand for petrol is inelastic, high prices do not lead to a cut in demand, moreso when fuel is the vein that moves today’s technology. This is exactly what the Federal Government, oil marketers and multilateral institutions are taking undue advantage of to exploit Nigerians. As a result, the arbitrary fixing of fuel prices in Nigeria (most especially under the democratic governance of President Obasanjo has always been the prerogative of the Federal Government. In effect, the forces for demand and supply have never determined the pump prices of fuel (Adams, 2001).

CONCLUSION

We have justified the use of Time Dimension in Social Science Research as an approach to the study of President Obasanjo’s economic reforms since inception into office in 1999. This we have done by briefly looking at the various years in which the pump prices of petroleum products were increased, and the reactions of the Nigeria people against the perceived idea and plans or targets of the governments. We equally discovered the reform tactics of the government by gradually withdrawing subsidies at one time over a sequence periods of time till its final termination. We also discovered the inefficiency of the Federal Government to genuinely repair and maintain the domestic refineries since 1999, until its final decision to hand off any further intentions to rehabilitate them. Increases in fuel prices over time since 1999, is associated with economic packages to civil servants, for example, 1999 salary increase, 2002 additional 25% request of minimum wage, 2003/2004 monetization policy of civil servants, 2010/2011 salary increment of N 18,000 by President Good luck Jonathan, foreign exchange rate and increase in price of crude oil. The question of economic reforms and privatization of the oil downstream sector is not a bad idea, based on the experience of hardship of the populace as a result of smuggling of petroleum products by dealers to neighboring countries, but the obvious government’s failure to manage the domestic refineries well through its logical repairs of the local refineries to its logical
conclusion before implementing the reforms policies. Therefore, we recommend that all domestic refineries be put in productive capacity so that fuel from NNPC can check the inflated prices of imported fuel to achieve stable and lower price levels for domestic consumption.

REFERENCES


