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Between Theory and Experience: Privatisation of State-Owned Enterprises and Service Delivery in Nigeria - a Case Study of Benin Electricity Distribution Company (BEDC)

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Abstract

Privatisation of State-owned enterprises has emerged globally as a public policy aimed at reversing the appalling trend of public and social services provisioning. This paper therefore examines the different theoretical justifications for privatization side by side the actual experiences sequel to the policy implementation in the electricity industry in Nigeria. The research was conducted using survey method. In-depth interviews were conducted with identified respondents in addition to data gathered from the secondary sources. Qualitative analyses of the data were done and the findings include the existence of a wide gap between theory and the experience. It was found out a woeful failure of the policy at the three levels of the unbundled electricity industry and especially with the BEDC that is our case study. The work recommends policy somersault that will truly reduce the scope of the DISCOs monopoly and allow for public private partnership arrangement at the three levels of electricity products and service provisioning.

Keywords:
Privatization
Monopoly
Enterprises
Bureaucracy
Electricity
Power Stations
Efficiency

Background to the Study

Among the major consequences of the world wars I and II was the weakness and near collapse of the market. The circumstances of market failure and the urgent need for the reconstruction of many devastated and badly damaged economics of the west made most capitalist countries embrace or resort to the maximalist public sector orientation of welfare state development administration paradigm (Odukoya, 2007). The capitalist development agenda was thus humanized by the welfare state leading to the reconstruction of the European economies on the very bases of Keynesian economic theory. This incontrovertible fact of economic history is a profound testimony to the utility of the public sector as important development engine and not a natural congenial development liability as it is being presently portrayed and there and then, state interventionist economic management theory became world dominant consequent upon which the establishment of public enterprises was given rare impetus (Laleye, 2002). Laleye comments further that:

> The weakness of the private sector, lack of infrastructure, low level of social and human development and the unfavourable social, economic, and financial environment have been evoked to explain the proliferation of public enterprises in all areas of economic and social development. Other explanations include, the urge of generate revenue, to limit foreign economic domination and to provide a substitute for private initiative where it was not forthcoming (Laleye, 2002:33).

Flowing from the historical imperatives of the economic situation that precipitated state intervention is the bequeathing of this developmental strategy as a colonial legacy to most African countries that became independent in the late 1950s and 1960s and that sector continued to blossom till late 1970s. Consequent upon that, Nigeria had about fifty (50) state owned enterprises (SOEs) at independence; by 1970, the number had risen to 200 and by the time the country embarking on economic reforms in 1987, the number had risen to 1,500. Consequent upon the proliferation, SOEs had covered virtually all aspects of the Nigerian social and economic lives among which are health, education, housing and town-planning, information, power, transportation, communication, manufacturing, commerce and finance. As noted by Omoleke (2010) SOEs from early 1970s became the tools of government intervention in the development process. They played major roles in the country's quest for national economic independence and self-reliance and so, they mostly operated as “quasi” commercial organizations (Imhonopoi and Urion 2010). According to Oji, Nwachukwu and Eme (2014), the SOEs were actually performing creditably well and meeting the hopes and aspirations of the members of the public up to the early 1980s in Nigeria. In fact, their failure to meet the targeted developmental goals set for them was a matter of the late 1980s and early 1990s.

All the sectors where SOEs predominated as at 1980 accounted for over 80% of government expenditure. The economy was consequently in trouble and the attack on hitherto popular state interventionist developmental strategy became rife. The situation was poignantly articulated in Idahosa and Mustapha (2002). Here them:

> Just as the world moved into the eighties, the SOEs became notoriously unpopular with the people particularly in Britain and several other countries. The SOEs which had been purposed for accelerated development were in fact becoming impediments to progress… most of them had become heavy burden on the public treasuries … they incur losses and public treasuries are always there to provide subsidies which in most cases make up for huge financial losses. Apart from that, several other anti-development such as ill-conceived investments, political interference in decision-making… diversion of credits and other resources from the private sector, its effective monopoly often denies choice by law… the publicly-owned industries are effectively owned by their administrators because they manipulate those enterprises to their own advantage… (Idahosa and Mustapha 2002:3).

Reinforcing the foregoing argument against the SOEs, (Obadan 2000, Egonmwon 2014) opined that SOEs in many developing countries such as Nigeria have been attacked for being economically inefficient and wasteful of resources. They make significant demands on government resources and yet have been associated with low or non-profitability. They have always operated on deficits which are financed by government transfers and subsidies. In 1998, the Nigerian government was responsible for over 5000 Board appointments for 588 SOEs yet to be privatized. According to IMF, the drain they constituted on government finances was equal to 5 percent of the Nation's Gross Domestic Product. The amount spent on the SOEs was N265 billion which would have naturally accrued to the government coffers as income and could have been utilized for very important developmental and socio-economic projects that would have bettered the lives of Nigerians (Imhonopoi and Urion 2010). The debate on the urgent need for privatization of SOEs had engaged the academic discourse till date.

Objective of the Study

The study examines the impact of privatization of state-owned enterprises on services delivery in Nigeria.

Conceptual Literature

Privatization of SOEs: A Conceptual Clarification

Privatization as a concept has been a global policy reform targeted at reversing the appalling trends in public service and social provisioning. Literature is replete with different views of the concept by scholars. Privatization to Egonmwon, “is the transfer of operational control and responsibilities for government functions and services to the private sector”. If viewed from a wider perspective, it encompasses a wide range of policies that encourage private sector participation in public services provision so that monopoly status of public enterprises can be eliminated or at least modified (Egonmwan, 2014). In a similar vein, it can be the sale of state owned enterprises to the private sector through private placement, public offerings or competitive bidding by strategic investors, breaking up monopoly into various branches of activities to stimulate competition; transfer of the management of SOEs from public to private hands through contracts, leases or concessions (Idahosa and Mustapha 2002). It can be said to be divestment of government interest in the enterprises hitherto financed, operated and controlled and allow such to be taken over by the private sector with the intent that the latter is more competent to provide such goods and services efficiently. A good number of state-owned enterprises have been privatized world-wide since the concept gained ascendancy in the 1980s (Todaro and Smith 2011).

Our present concern is the electricity industry in Nigeria. The industry has been unbundled into the generating, transmission and distribution in order to turn around the moribund nature of the sector typified by the Power Holding Company of Nigeria. A number of theories have provided assumptions for the justification of the privatization of SOEs. A few of such theories are examined in this work.

Theoretical Literature

Theoretical Foundation of Privatization

One of the theories relevant to the condemnation of SOEs is the public choice theory. The theorists here are pessimistic of the workings of government and the high probability of its failure when it intervenes (Todaro and Smith, 2011). Part of its intent is to reject the idea of policy formulation premised on societal welfare. They advocate efficiency in the accomplishment of specifiable objectives or a higher level of performance at least cost. In the quest for efficiency, the citizens must have the opportunities of choice and expression of preferences in the purchase of public goods and services. These efficiency and choice are not guaranteed under the arrangement of SOEs as providers of such public goods and services. They are characterized by bureaucratic monopolies which abhor diversity, fragmentation that are capable of optimizing citizens' expression of preferences. According to Ostrom, one of the leading theorists of the public choice persuasion:

> Professionalization of public services can be accompanied by a serious erosion in the quality of those services. This is especially true when professionals presume to know what is good for people rather than provide people with opportunities to express their own preferences… Higher expenditures for public services supplied by trained cadres of professional personnel may contribute to service paradox, where the better the services are as defined by professional criteria the less satisfied the citizens are with the service. (Ostrom 1977 cited in Sapru 2013:419)

Apart from all these, they also conceive of the SOEs as the paragon of corruption, primitive accumulation and political patronage by both the bureaucrats and political office holders. They opined that politicians give redundant jobs in SOEs to their political supporters and constituents the moment they are made Board members of such SOEs. Market, to the public choice theorists, is more efficient than the government and where market fails, the performance of government will be worse. The theory contends that privatization, which is essentially market-oriented becomes a way of moving activity from a less efficient to a more efficient terrain.

Sharing some theoretical characteristics with the public choice theory as regards privatization of SOEs is the New Public Management (NPM) theory. The theory is an offshoot of the free-market conservative ideology that called for a minimalist state organized according to efficiency practices copied from the private sector, embraced and popularized by Margaret Thatcher United Kingdom and Ronald Reagan United States marking the beginning of the NPM. The state or its bureaucracy, according to NPM, cannot precipitate socio-economic development either in developed or developing economies and that it is only the private sector markets that can make this development happen (Adamolekun and Kiragu 2002). The state or its bureaucratic agencies will regress development process in developed economies while the situation will even be worse in developing and transitional economies. They argue that the pre-NPM public sector economic arrangement of social-welfare provisioning had made government simply too big, consuming scarce resources without commensurate service delivery; the government had involved itself in too many services which could better be competently provided by the private sector; and that bureaucratic monopolies greatly restrict the freedom of choice by individual and characterized by gross inefficiency in contrast to the market (Sapru, 2013).

The initiators then proposed the structural adjustment policy that targeted public sector downsizing, control of public wage bill, privatization and economic liberalization as part of its core reforms of the 1980s and 1990s. The foremost reformers along the precepts of NPM were Britain New Zealand, Australia and the United states. (Adamolekun 2002). They initiated on a very large scale the privatization of SOEs with the strong determination to implement the economy, efficiency and effectiveness dicta of the NPM reform agenda.

Expatiating on the theory, Britain referred to it as “managerialism” (Olowu and Adamolekun, 2002) while the American brand of the reforms is termed “entrepreneurial government” (Osborne and Gaebler 1992). Rhodes, while arguing managerialism in Britain identified the central doctrines of NPM as “focus on management, not policy; on performance appraisal and efficiency; disaggregation of public bureaucracies into agencies which deal with their customers on user-pay basis; the use of quasi-markets and contracting out to foster competition; cost-cutting…” etc.

The entrepreneurial government has propounded by Osborne and Gaebler in their book “Reinventing Government” argued that most entrepreneurial governments: “…promote competition between service providers… empower citizens by pushing control out of the bureaucracy, into the community… measure the performance of their agencies, focusing not on by their rules and regulations… redefine their clients as customers and offer them choices… put their energies into earning money, not simply spending it… prefer market mechanism to bureaucratic mechanism (Osborne and Gaebler 1992: 165).

The World System theorists link the issue of privatization to the weak institutions that characterize the less developed societies like Nigeria. To the world system theory, especially as propounded by Wallenstein, there exist two world forces to which every country of the world must belong (Sanderson 1991:142). These are the metropole populated by developed countries and the satellite used to refer to the underdeveloped ones. They theorized that the metropole also known as the "core" are dominant in that they are technologically advanced, pay higher wages, have very strong states and a relatively free market. The satellite or the periphery on the other hand, have backward and simpler technology, very low wages, weak and fragile states, less functioning institutions and cheap labour. The situation aforementioned necessitated the weak and inefficiency of SOEs in less developed countries like Nigeria and hence their privatization to ensure their effectiveness and efficiency similar to what is obtainable in the metropole.

The world system theoretical explanation of privatization of SOEs in a country like Nigeria and elsewhere is too simplistic and less rigorous. In the first place, the very front-liners in the privatization policy world-wide are Britain and America who blaised the trail by embarking on massive privatization of their SOEs despite that they have always been part of the world system theorists 'metropole' or the 'core'. Even though most SOEs in Nigeria and elsewhere were not actually performing optimally, for example the cases of Nigeria Telecommunications Limited (NITEL) which had become moribund and National Electric Power Authority (NEPA) which could not supply steady electricity, explaining their non-performance through the world system theoretical is pedestrian and puerile.

The human resources management point of view to the whole argument identified the Douglas McGregor theory X and Y on motivation. The debate centres on the theory X and assumes workers are basically theory X individuals who are inherently lazy, indolent, lack initiative, indiscipline and unwilling to work. Consequently they need serious and meticulous monitoring, policing and iron-hand in order to coax them to achieve organizational goals (Stoner, Freeman and Gilbert 2008; Sapru 2013). It is only the privatized SOE that can bring about a reversal of all the ills that characterize the theory X personnel typical of public sector organizations so that the organization hitherto run by the government can now deliver quality services to the customers and equally create surplus that would continue to sustain the enterprise as a business. The implication o this is that control is lacking in the public sector organizations or at the best ineffective and hence lack of efficiency in service delivery. Managers ordinarily must be motivated by having access to the surplus created in the work place. But because such surpluses are rarely created tangibly in the public sector and particularly when the SOEs run with allocation from government rather than being business-oriented, privatization becomes the option that can guarantee the realization of the residual claimants.

Another theory that has been given consideration in the privatization discourse is the Marxist. The Marxian critics of the role of state intervention that gave rise to SOEs find state as the captive of the capitalist interest (Miliband, 1969), couple with the existence of unproductive labour in state services sectors (Gough, 1979) and the tendency of government spending to exceed government receipts under the demand both from capital and labour for state funds and resistance to taxation. Furthermore, the SOEs to the Marxian theorists are nothing but bureaucracies. The bureaucrats develop in the SOEs a sense of alienation of the masses because of former fail to understand the parasitic and oppressive nature of the job. Incompetence is an inherent feature of bureaucracies. A bureaucrat, according to Marx, lacks initiative and imagination. Bureaucracy is self-aggrandizing characterized by struggle for promotion, careerism and infantile attachment to trivial symbols and status (Sapru 2013).

As can be gleaned from the above and enunciated in Adelaja (2007), Marxism condemns the state and the bureaucracy, it would be a misinterpretation of the Marxian postulation to insinuate its theoretical endorsement of privatization which is an enunciation of capitalism in content and essence. Marx was quoted aptly as saying that:

> In a capitalist society, bureaucracy operates in such a way as to support and consolidate the class division and domination. It is the handmaiden of the dominant class. The bureaucracy has the essence of the state, the spiritual life of society, in its possession as its private property. It attempts to privatize the civil society as a whole (Adelaja 2007:128).

By all intents and purposes, Marx's condemnation of the state which is an interpretation of the SOEs, the bureaucracy which operates the SOEs cannot be a call for privatization of the SOEs. If it is so, it would be a strong contradiction of Marxism and an elevation of the capitalist state the abolition of which has always topped the Marxian postulations.

Economic nationalism theory is yet another. The theory posits that the wealth or resources of the country should first go to the citizens. Each country within the international system will ordinarily want to maximize its comparative advantage and the government invariably becomes the shield behind which people take refuge where individuals and private firms are not strong enough to survive competition. The economy becomes populist. This theory ordinarily appears to be a justification for existence of SOEs, its populist postulation can be a justification for privatization especially in a brand that places the majority shareholding and control in the nationals. The privatization process therefore enables the locals to buy and own substantial portion of shares in the SOE being privatized. By so doing, it becomes debureaucratized, truly publicly owned and controlled and a business enterprise that will not only provide services but will also make return on the public investment and pay tax to the government.

Methodology

The research is essentially a survey. Primary data were gathered through in-depth interviews with a high-ranking staff of Niger Delta power Holding Company (NDPHC), the body responsible for building power stations under the National Integrated Power Project (NIPP); electricity consumers on protest at BEDC headquarters; and conveniently sampled electricity consumers in Benin City. Secondary data were gathered from newspapers, BEDC website and NDPHC publications. The data gathered were qualitatively analyzed to arrive at our findings upon which we drew our conclusions and proffered policy directions and recommendation.

Theoretical Assumptions

1. Efficiency in the service provision. This means there will be higher level of performance at least cost.
2. The customers will have the opportunity of choice and expression of preferences in the purchase of public goals and services as privatization would have broken the bureaucratic monopolies.
3. Bureaucratic procedure will be eliminated in service provision and so, there will be prompt response…?
4. The people will truly become the controller of the service provision either as share holders in population capitalism or customers who must be satisfied as the 'king' in the process. The government will now earn through taxation rather than the SOEs that were convert pipes draining the government resources.
5. The supervision of personnel will be more effective and hence better efficient.

Privatization of State-owned Enterprises: The Electricity Industry Experiences

Contrary to the theoretical assumption that privatization will take the business off the neck of the government, the nature of electricity industry as the hub of economic development has placed much responsibility in that sector on government. In fact, part of the assessments of the immediate past administration of Nigeria under President Goodluck Jonathan as having being abysmally poor was because of its failure to fix electricity industry. The industry under the Power Holding Company of Nigeria (PHCN) as was then commercialized was unbundled and privatized. Each of the three emerging from the unbundled are the generating companies (GENCOs), the transmission companies (TRC) and the distribution companies (DISCOs). Despite privatization, government still continues to feel the heat of dismal performance of poor electricity supply to final consumers. Government still spends fortune building power generating stations under its National Integrated Power Project (NIPP) being implemented by the Niger Delta Power Holding Company Limited (NDPHC). The company's mandate is to build power stations and sell to private sector organizations that will generate and wheel to the Discos through the TRCs. The latest that had been built and put up for sale are ten (10) notably: Alaoji Power Plant in Aba, Abia State; Ihovbor Power Plant in Benin-City, Edo State; Calabar Power Plant, in Calabar, Cross River State; Gbarain Power Plant near Yenagoa, Bayelsa State; Geregu II Power Plant in Ajaokuta, Kogi State; Sapelle II Power Plant in Sapele, Delta State; Olorunsogo II Power Plant in Olorunsogo, Ogun State;

Omoku II Power Plant, near Port-Harcourt, River state; and Omotosho II Power Plant in Okitipupa, Ondo State. All these stations are open cycle gas turbine power plants. These power stations have been put up for sale only for the prospective buyers to withdraw their bid bonds (The Nation 19 August, 2015). The position of the NDPHC is that the bidders could not have been genuine investors. The trends in the past had always been buying and still rely on government, who had divested, for financial and technical support. This had been the scenario with power sub-stations where the DISCOs would tell the NDPHC that they do not have the technical competence to handle the stations. Even though already privatized, the government normally sent technical experts to such sub-stations because it (the government) would not watch the power infrastructure it had built to waste away. Another untold experience of government is the pressure on it to provide gas for most of the power stations. The owners insist the Nigeria National Petroleum Corporation (NNPC) must provide them with gas. An expert had posited that the onus to source for gas should be that of the companies even if it means sourcing internationally. He posits further that Nigerian gas reserves can last the country for at least another 40years and there was no reason why the government cannot develop the gas industry to meet our demand (The Nation, June 8, 2015:37-38).

Rather than privatise the Transmision, the Federal Government has brought in expatriate management contractorts, Manitoba Hydro International (MHI) of Canada to team up with the Nigerians in that sector to run the TCN. Part of the contract agreement is the training of Nigerians, improvement of transmission and the wheeling capacities of the transmission lines. The contract has just recently been renewed for another one year to terminate in 2016 (the Nation, 7 Sept. 2015:37). The union in the industry has however criticized on government on this renewal without first assessing the performance of the MHI vis-a-vis the purpose for which it was contracted in the first place (Ibid).

The DISCOs who are to relate directly with electricity consumers also have their own experiences that are at variance with the intent of privatization efforts. The bidders from the initial stage were to be capable of system upgrades and improvement. The prices were predetermined while the bidders were expected to showcase their experience, understanding of the assets on sale and business plan for improved service delivery (Eribake 2015). The winners who eventually became service providers complained that all attempts to go beyond the data room to verify the state of the assets were frustrated by the electricity workers Unions who were bent on fair treatment of their members by the PHCN before handing over to DISCOs. This situation the DISCOs have attributed mainly to their non-performance. In other words, they could not ascertain the proper conditions of the electricity infrastructure that they took over.

The Benin Electricity Distribution Company (BEDC) that is the focus of this study especially in relation to the final consumers might not have fared well. The transformers and other distribution equipment to get electricity to consumers are not in good working conditions. Majority of them are too old and need replacement. The network infrastructures are not of good standard. The distribution network from the transformers cannot distribute quality electricity to the users hence low voltage complaints; lack of manpower to handle the distribution facilities and substations. All these complaints ought to have been factored into the bidding process by the team of experts available to the bidders because most of these infrastructure and equipment could be inspected in the process of bidding.

Part of the experiences of the BEDC is the challenge associated with 12-15 percent meter infractions and 22-25 percent illegal consumption by their customers. BEDC covers Edo, Ekiti, Ondo, and Delta States. The company has not enjoyed compliments in any of the states where it operates. Another ugly experience of the DISCOs as noted by the BEDC is the attitude of government agencies not paying electricity bills when the services were being rendered by the PHCN. BEDC inherited this problem. As at the time of conducting this study, most states and Federal Government Ministries, Departments, Agencies (MDAs), Military, Paramilitary Agencies, the police and other security agencies are owing electricity bills (The Guardian 2,Sept., 2015) running into several billions of Naira in the four states covered by BEDC. The company, according to its Chief executive officer when the Ekiti State Governor met her, suffers shortage of supply of electricity from the GENCOs. According to her, only 9% of electricity generated in the country is wheeled to BEDC to be distributed in the four (4) states it covers. 9% of 4,500Mw being generated currently is grossly inadequate. From the interview conducted at NDPHC, it was gathered that BEDC was at a time notorious for not accepting electricity wheeled to it from GENCOs through the transmission companies on the basis of non-availability of funds to pay for the products. According to our informant, electricity is not a storable product. When it comes from GENCOs through the TRCs, it must be distributed otherwise; it is lost and must be paid for. So, BEDC had refused to accept the product a number of times and the National Electricity Regulatory Commission (NERC) had given querry to BEDC on a number of occasions as regards this.

Customer satisfaction is supposed to be the main purpose of privatization especially on the index of service delivery. On the part of the customers to BEDC, BEDC corporate headquarters in Benin City, especially the main entrance, is a theater of protest on regular basis. Groups and communities throng the place protesting one form of malfeasance or another against the company. A group of youth from a community in Benin on Tuesday, 14th July, 2015 besieged the office, made burn-fire at the gate preventing the vehicular movement along the street where the headquarters is located. Their protest was hinged on the facts as stated by their leaders that they are supplied electricity for only three (3) hours in a day when the light comes at all; that BEDC is only interested in collecting electricity tariff while neglecting making crucial investments to improve power supply; that instead of replacing faulty transformers as advised by the technical experts over-aged and non-functioning transformers are taken to Lagos for repairs and brought back worse than they had been and that BEDC has refused to supply digital pre-paid metres to the community so the company could continued to give them outrageous estimated bills for services not rendered. There had been similar protests by the residents of Irhirhi community, Evbuotubu community in Oredo and Egor Local Government Areas respectively and Ikpoba-Okha Local Government Area of Edo State in recent time.

It was also discovered during this period, among the myriad of cases of customers' dissatisfaction, the persistent black-out being experienced by the entire Igarra town, the headquarters of Akoko-Edo Local Government Area of Edo State. It was alleged that the BEDC had disconnected the town from the National grid and on that basis, the Edo State House of Assembly summoned the management of BEDC for interrogation and discussion of the probably solution. The situation was not different in Ekitii state. On 13th August, 2015 in Aramoko Ekiti, The Guardian Newspaper reported it that the Monarch of the town led his subjects to protest the 6-months power outage while in the same vein the Regent of Erio-Ekiti, in the same Ekiti West Local Government Area with Aramoko, led the indigenes of the town in a similar protest. So was the protest in other parts of the state that the state government felt terribly embarrassed about the situation. It was so bad that the state Governor had to visit the BEDC headquarters to complain about the persistent poor electricity supply in his state. According to the report which was corroborated by the BEDC Executive Director, Commercials, the Governor had funded and revived the 150KVA transmission live from Ilesha to Ado-Ekiti when Governor Ayo Fayose was Governor eight years earlier. It could not be of any assistance to ameliorate power supply situation in Ekiti because it was abandoned. So, no single area in the whole of Ekiti State enjoys stable power supply.

Ondo State case is not an exemption. Despite that it is generally bad all over, the situation in Ondo South Senatorial District was pathetic. On a programme monitored on Adaba FM 88.9 radio transmission from Ilara-Mokin, Akure, Ondo State, on Thursday, 20th August, 2015 from 10:00am to 11:00am, it was reported that the whole five (5) Local Governments in that Senatorial District had not seen electricity for nine (9) months. The anger of the people could be felt even as expressed on radio.

Closing the Existing Gap: Some Critical Considerations

The experiences of the government that embarked on the privatization of electricity industry; the private sector organizations that took over the unbundled SOE in the power sector typified by BEDC; and the customers who are to have the best of services from the private sector handlers have shown that there is a wide gulf between the theories and the practical realities on ground in the electricity industry. The hopes of the three have been severally shattered judging by the empirical evidences. There, of course, is the need to bridge the gap that does exist between the theory and the experience.

There exists a gap in the theoretical assumption that there will be efficient service provision and what the nation is experiencing. Electricity supply is planned according to population. The CEO of BEDC estimates electricity generation at one thousand megawatts (1000Mw) to one million (1,000,000.00) population. The United States of America generates 750,000Mw of electricity per day. The US has a population of approximately 319 million people as at 2014. South Africa of 53million people as at 2013 generates 70,000Mw per day which is 17,000Mw in excess of 1000Mw per million people. US obviously generate more than double her requirement considering her population. Nigeria with approximately 173.6million population as at 2013 generates about 4,500Mw of electricity per day. If the 1000Mw generation per million people is used as yardstick, Nigeria is generating approximately 168,000Mw deficit that she needs to add to its generating capacity to be at par with countries like South Africa. The scenario that we are confronted with here is that of "load suppression".

Bede Opara, the National President of the Senior Staff Association of Electricity and Allied Companies (SSAEAC) in an interview with Toba Agboola of the Nation newspaper explained "suppressed loads" to mean electricity loads that exist but cannot be fed because there is no power to feed them. That is why load shedding or rationing is done by DISCOs. When there is no light, people switch on their generators and disconnect many of their equipments. When light comes, the generators are switched off and more equipments will be connected. The loads earlier carried by their generators and the ones supposed to be used by the equipments switched off are suppressed loads. In economic terms, the excess of demand for electricity that our supply cannot meet is the suppressed loads. This means that electricity industry in Nigeria has a lot of potential for investment which if pursued vigorously can yield a lot of return on investment.

The implication of this huge shortfall in generating capacity is that there are a lot of investment opportunities in that sector of the power industry. The government should sustain the NIPP and encourage the NDPHC to build more power stations. The government should equally create a conducive and secured investment atmosphere that will motivate foreign investors to come into the three sectors of the electricity industry and most especially the generation and transmission sectors.

The DISCOs as we have them today, typified by BEDC, are still monopolies. The choice and expression of preferences in the electricity market copiously inundated in the theories have turned out to be contrary. The practical reality on ground points to the fact that BEDC does not have the managerial and technical capabilities to distribute electricity effectively to the four states allotted to it apart from inadequate generation. The government may need to revisit the privatization agreement with a view to reducing the monopolistic scope of the DISCOs. No DISCO should be given a distribution scope as wide as the type given to BEDC. In effect, more companies should be brought into the distribution sector. A DISCO should be limited to a state and it should be made known to the company that the operational license can be revoked or withdrawn if performance is unsatisfactory. Alternatively, the DISCO can be patterned along public-private partnership where the State Government, the strategic technical partners and the people would be shareholders. When the state is part of the share holding…

Pending when there will be improvement in the nation's generation capacity, experts have equally pointed out that the quantity being generated is not being effectively and efficiently managed. Ugwuanyi had posited emphatically that grid system is one of the problems of electricity industry in Nigeria (Ugwuanyi 2015). He had decried a situation where power generated must first get to national control centre before being distributed. According to him about 37% of the generated power is lost in that process. He posited "embedded power" as part of the solutions. Embedded power is the dedicated power plant not to serve the entire country but a designated area and more importantly, it must be off-grid. He said it is important that load centres must be identified and that already Lagos has been identified as one of such and further to that, Egbin thermal station can be removed from grid to serve Lagos. Afam plant can also be removed from grid to serve the south-east. The same approach can be extended to the rest part of the country vis-à-vis their proximity to each of the power generation stations.

Another major gap is the orientation that electricity is "government light" and it should not be paid for especially the government agencies particularly the military and other agencies that the DISCOs cannot easily disconnect. There should be a complete change of orientation towards privatization and all its attendant consequences where government must pay for its consumption. A situation where BEDC is being owed several billions of naira electricity bills is unacceptable. They cannot be owed and still expect them to be able to upgrade distribution infrastructure to enhance optimal performance. Perhaps, that is why they are asking for N100b subsidy from government after privatization. It was reported that they have got N5b from CBN (the Nation, Thursday, 10 Sept.). We should be careful not to fall into another ugly type of NNPC fuel subsidy regime.

Following this is the statistical declaration by BEDC to justify the company's claim that it has been running at a loss. The national population commission in its website put the population of the four states covered by BEDC at 13,205,645. BEDC claimed to have 800,000 customers in the four states. Out of this, it further claimed to have metered only 300,000 as at 13 December, 2014. The difference between over 13million people and 800,000 is so wide that we conclude that BEDC might not have had reliable data base of its customers. Apart from that, to have metered only 300,000 meant that the company has been comfortable with estimated billing system that has largely been discredited as fraudulent. In corroborating this fact, some customers who had come to complain about the malfunctioning of their pre-paid meters said when interviewed that the practice of the company is to condemn the meter so they could embark on estimated billing system for as many customers as possible because that pays them (the Company) better since they do not supply electricity substantial enough to guarantee enough revenue for them. Related to this is the sale of meters to customers. Meters are the property of BEDC through which the consumptions of their customers are determined for billing. It is equally fraudulent or rip-off on the customers for DISCOs to sell the same instrument. Further to that is the N750 service charge imposed on customers even when no service is rendered at all. This charge, according to customers, constitute a serious disincentive to the DISCOs to render services for them to generate revenue. They disagreed with the position that DISCOs are running at a loss especially that people are charged, forced to pay the N750 in arrears on the number of months that services were not rendered which led to the credits on the pre-paid meters to last for many months. These are some of the areas where relevant institutions of the state responsible for the protection of customers/consumers are inefficient and weak. The customers are always at the mercy of service providers contrary to the theoretical assumption that the customer is 'king' in the privatized SOEs. The gap does exist between the theory and experience here. The Consumers Protection Commission and the National Electricity Regulatory Commission and other relevant institutions are to fill the gap.

Conclusion

There is no doubting the fact that privatization policy in the electricity industry in Nigeria as empirically determined in our study of BEDC is a failure. This is not to cast aspersion on privatization as a global policy to turn around the dwindling fortunes of SOEs neither is it to construct an anti-thesis to the theoretical explanations. At least, we can see some measure of success in the liberalization of the communications sector even though the privatization of NITEL has not proved quite successful. The electricity industry might have been prematurely privatized as the industry was not healthy at all at the point of privatization neither were those who took over financially and technically healthy. There had been success stories about privatization in advanced democracies and economies with very strong institutions and fewer incidences of corruption. Nigeria may have blindly copied and accepted the policy from her foreign allies without taking into consideration the Nigerian peculiarities especially the problem of corruption. This scenario is aptly captured by Jeyifo when he asserts that:

> "Corruption and mediocre performance are afflictions of both private and public enterprises in Nigeria… in many of the full blown capitalist countries of the world, the fundamental rationale for privatizing public enterprises has been the claim, the assertion that privately – owned and run enterprises perform much better than SOEs. That is why they say, the business of government is not business but governing… it would be laughable to make such a claim in Nigeria. When Daily Times was privatized, it became even worse than it had been before privatization. PHCN has performed more or less on the same level of satisfaction of customers as the old NEPA. Transcorp, the biggest multinational corporation ever started in our country, has been the laughing stock of multinational corporations all over the world; no sooner was it incorporated than it began to flounder" (Jeyifo, 2015)

The privatization of the electricity industry especially the distribution to final consumers has not improved the service delivery as anticipated. The post-privatization service delivery is even worse than what it was before privatization. That is the gap between the theories and our collective experience. It is however not too late in the day to fill the existing gaps thus, matching the theory with positive consequences of privatization that will lead to improved service delivery synonymous to what civilized countries of the world are experiencing.

Recommendations

The policy through which more power generating plants are built under NIPP by NDPHC should be sustained. The huge financial resources involved make it imperative for the state to continue to play a leading role in that respect. The government should then make it a matter of policy to redeem her indebtedness to NDPHC promptly and commission it to build more plants with generating capacities that are much higher than the ones currently completed.

It is also strongly recommended that there should be a kind of policy somersault concerning the privatization of distribution sector. There should be reversal to public-private partnership in which the ownership will be the real 'public', that is, the government, the people and the technical partners. The reversal should make DISCOs single-state based or at most two states that have geographical contiguity and their state governments are willing to collaborate to be part of the DISCO shareholding. The terms and conditions of operation should be clearly stated so that undue political interference will be avoided.

Further to that is our recommendation that legislation about electricity should be transferred to the concurrent list. This major policy shift will enable states participating in the industry the opportunity not only to legislate to give legal status to its participation but also with the power to make laws that will protect DISCOs infrastructure and installations. The Federal Government policy on her investment in gas industry should be consolidated. Gas production should be increased tremendously so that the demand of power plants with gas turbines can be met so they are able to generate at optimal capacity. There should also be deliberate policy that will marry our gas industry, as part of our economic strongholds, with our military or security and protect it from vandalism so that gas can get to power plants (Ugwuanyi, 2015). The mistake of the past government where the functions of the military and other security agencies were contracted to ethnic militias and ex-militants in the Niger Delta is regrettable and shameful. That aberration must not be allowed to continue. We must be able to protect the industries and installations that are important to our economic development as a nation.

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