

ESKOM WAGE ARBITRATION

Economic Arguments to back up
the Trade Unions' Demand
for a higher wage increase
than that implemented by Eskom
from 1 July 1988

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prepared by the
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SUMMARY

1. This document sets out the economic arguments to back up the trade unions demand for a higher wage increase in 1988 than that implemented by the Eskom management.
2. Eskom increased the wages of all general workers by 10% from 1 July 1988, after the unions had rejected a 12% offer.
3. The trade unions declared a dispute with Eskom, and have demanded a 20% wage increase (including the 10% increase implemented unilaterally), to be backdated to 1 July 1988.
4. The Eskom offer was below the annual rate of inflation as measured by the Consumer Price Index. This stood at 12,4% for July 1988.
5. The Eskom offer did not take account of the effects of future inflation, during the currency of the wage agreement, on the buying power of the workers' wages. The inflation rate in December 1988, half way into the agreement is expected to rise to 14,2% and to increase further in 1989.

A 7,1% increase (half of this expected rate of inflation), on top of the 12,4% increase needed to compensate for inflation in 1987/88, takes the required wage increase to 20%.

The 20% wage increase demanded by the unions can thus be justified on inflation grounds alone.

6. The 20% increase for the 23 549 general workers would cost Eskom an additional R20 million in wages per year. (R850 per worker)
7. Eskom can afford to pay such a wage increase. In 1987 (the latest financial year), Eskom made a profit of R702 million. This is R12 352 per worker, averaged over all of Eskom's 56 830 employees.

8. Eskom says that it is "a leader in the market" in its wages for general workers. The Eskom negotiators continually harp on "Eskom's relative position in the labour market." This is the main reason advanced by Eskom for their refusal to offer a wage increase above 12%.

The unions' case for a more substantial wage increase is not based on "market wages", which have no relation to the needs of workers and economic justice. The unions' wage demands are based on the need for workers to earn a living wage. Progress towards a minimum living wage for workers in South Africa is the challenge the unions put to employers.

Eskom has made progress towards a living wage in its "equal opportunity" exercises (between races, sexes and regions) over the last few years. To sustain this progress a wage increase above the inflation rate is essential.

9. Since July 1988, the Eskom minimum wage has been R612 per month (R141 per week; R3.14 per hour). This wage is above the average minimum wage for labourers in South Africa, but it is well below the leaders. The appendix to this document lists one hundred and fifty wage agreements negotiated between employers and trade unions for 1988 which set minimum wages above the Eskom level.

There are 128 wage settlements above the R667 minimum reflected in the union demand for a 20% wage increase.

Eskom's minimum is two thirds of that at Rolfes Limited (R946 per month) which tops the list.

This reference to "market wages" shows that Eskom has a lot of ground to catch up before it can claim the status of a market leader.

- 10 99,5% of Eskom's general workers are presently on wage scales with minimum rates below R850 per month - which may be used as an indicator of a "living wage". The union's demand for a wage increase of 20% will merely reduce the percentage of workers in wage grades with a minimum below R850 to 94%. It is a reasonable demand for continued progress towards a minimum "living wage". Eskom is a wealthy, capital intensive enterprise which can afford to meet the unions' wage demand.

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4. INTRODUCTION

Eskom increased the wages of general workers by 10% from 1 July 1988, after the unions had rejected a 12% offer. The trade unions declared a dispute with Eskom, and have demanded a 20% wage increase (including the 10% increase implemented unilaterally), to be backdated to 1 July 1988.

This document outlines the case for a higher wage increase than that granted by Eskom. All the wage calculations and projections assume that the increased wage will be back-dated to 1 July 1988.

This report has been written by the Collective Bargaining Department of the National Union of Mineworkers in collaboration with the Labour Research Service in Cape Town.

2. INFLATION

The annual rate of inflation has been falling for some time.

That is to say, the speed at which prices are rising, has slowed down.

But prices are still rising!

The rate of inflation in July 1988, Eskom's annual wage review date, was 12,4%. This means that prices were, on average, 12,4% higher in July 1988 compared to July 1987.

This means that wages needed to go up by 12,4% in July 1988, simply to compensate workers for the loss in buying power since the previous wage settlement, a year before.

Anything less than 12,4% from July 1988 will reduce the real value of workers' wages in the industry. Their buying power will be lower.

What matters to workers is not the amount of cash in the pay packet, but the buying power of that cash. Inflation reduces the buying power of cash. Wages - in cash terms - must go up by the same percentage as prices have gone up, to preserve the buying power of the wage.

The minimum wage for Grade 1 Group 2 workers at Eskom was set at R556 per month in July 1987. The ten percent increase implemented by Eskom means that the buying power of this minimum rate in July 1988 was lower than a year before.

Eskom management is thus making use of the high inflation rate to lower the base rate of pay.

For reasons that are outlined below, the trade unions maintain that Eskom ought to increase the buying power of the base rate of pay every year.

Future inflation

It is not enough to get compensation for *past* inflation, that is, the increase in prices since the last wage settlement. Prices will rise during the period of the wage agreement.

Workers need an *allowance for future inflation* from July 1988 because prices have continued and will still continue to rise.

This allowance should be equal to *half the expected rate of inflation* in 1988/1989.

The exact extent of price increases will, of course, be known only in the future. We have to rely on economic forecasts to estimate how severe price increases will be in the period up to July 1989.

The Consumer Price Index (CPI) is the best available measure of price increases. Most economists expect there to be a rising trend in the CPI up to the end of 1989.

The *Financial Mail* surveyed the forecasts of twelve eminent economists in September 1988.¹ Although the August 1988 figure for the CPI reflected the lowest percentage increase in several years (12,3%), the economists said "the figure will rise to about 14,2% in December 1989 and 15,2% in December 1989."

First National Bank conducted an opinion survey amongst twenty eight economists in September 1988 which reflected a similar result: a median inflation estimate for December 1988 of 14,3%, rising to 16% in December 1989.²

1. *Financial Mail* 30 September 1989

"The inflation rate is just going to keep rising from now on"

- Dr Azar Jamine, Econometrix (*Financia1 Mail* 30 September 1988)

"The Bureau for Economic Research (BER) at Stellenbosch University warns the public to prepare for a period of more rapidly increasing inflation"

- *The Star* 27 September 1988

If we accept that the annual rate of price increases will be about 14,2% in December 1988, half way through the agreement, and that it is likely to rise in the following 12 months, a 14,2% estimate of the rate of inflation during the currency of the 1988/89 Eskom agreement is conservative.

This conservative estimate indicates that workers need an additional 7,1% increase from July 1988 to compensate them for the effects of inflation on their buying power in the twelve months to July 1988.

The inflation demand

The total inflation increase that Eskom workers need is therefore:

1. 12,4% for past inflation
2. An additional 7,1% for future inflation

Total demand justified by inflation: 20,4%³

2. *Finansies & Tegniek* 30 September 1988

3. Let 100 be the cash value of a wage in July 1987

The need for wages to be protected against future inflation is illustrated in Graph 1, below. This takes the minimum wage for Grade 1 workers as an example.

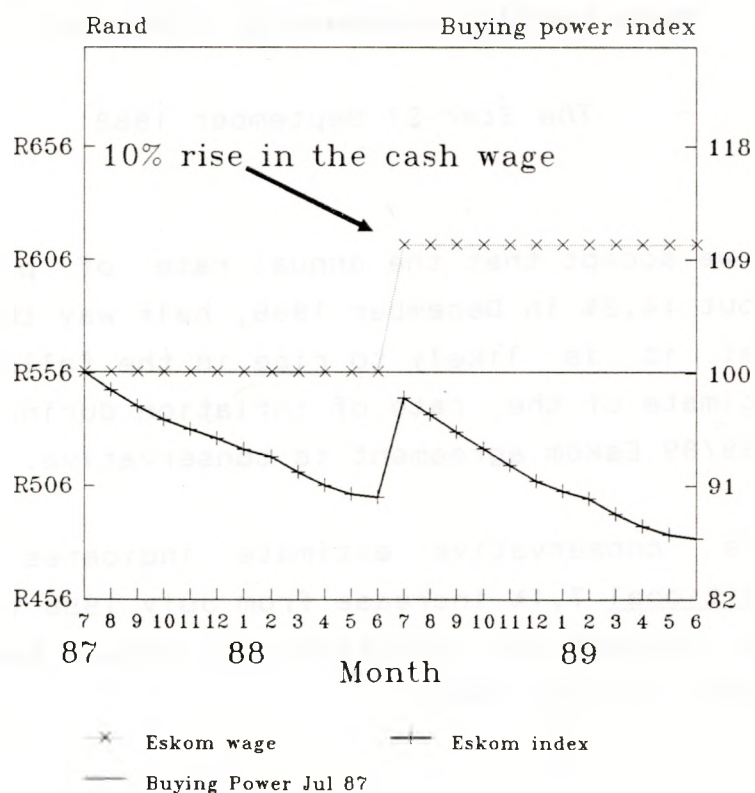
The graph plots the cash wage at Eskom from July 1987 to June 1988 as a horizontal line. This steps up 10% with the increase of July 1988.

The effect of inflation on the buying power of wages is shown in the sloping lines at the bottom. Each month the buying power falls further from its base level of July 1987.

(The index of buying power is calculated by re-basing the CPI to July 1987).

Graph 1

The Eskom Wage and Inflation Buying power compared with cash wages



The graph shows how the buying power of the Eskom wage fails to reach its 1987 base point with only a 10% adjustment 1988, and then declines once more, to the wage agreement's end in June 1989

The annual rate of inflation in June 1989 is estimated at 14,2%.

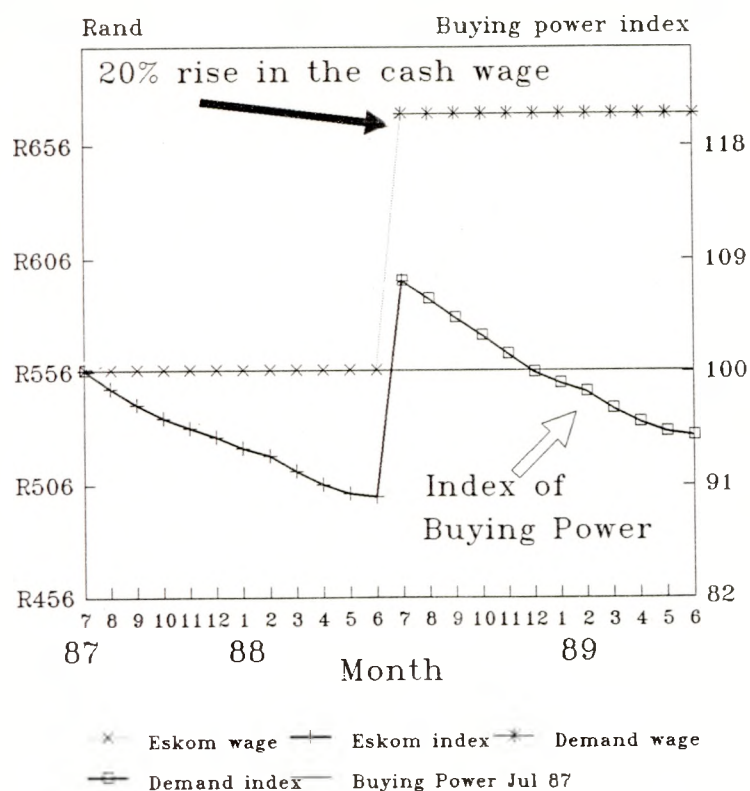
A 12,4% increase takes the value to 112,4
A 7,1% increase on top of this takes the value to 120,4,
which is 20,4% more than the cash value in July 1987.

Graph 2 shows how the unions' demand for a 20% increase in July 1988 compensates for the effects of inflation on wages.

Graph 2

The Unions' Demand and Inflation

Buying power
compared with cash wages



From July 1988 to November 1988, the buying power of wages will be above the July 1987 level (but approaching it more closely every month).

From January to June 1989, the buying power of wages will be below the July 1987 level, but workers will have been compensated for this fall by the six months of higher buying power up to December 1988.

The buying power of any basic wage rate will then be the same in December 1988 as in July 1987.

The entire amount of the unions' 20% wage demand at Eskom can thus be justified simply because of the high inflation rate in South Africa.

(Of course, in future years, an annual increase in line with the annual inflation rate would be sufficient to maintain the average real value of the "target wage", here taken as the rate in July 1987.⁴ There is no suggestion that workers need to be

compensated for future inflation by an increase above the inflation rate every year. There are other, quite separate reasons to support regular real wage increases for workers. These are dealt with below.)

4. See Martin Nicol, *How to Protect your wage agreement against inflation*, SALDRU, University of Cape Town, October 1985, pages 11-12.

3. POVERTY DATUM LINES AND THE "LIVING WAGE"

Poverty Datum Lines (PDL's) were first used by researchers to judge how bad the poverty problem was in an area. They collected information on incomes and said that all those earning less than the PDL were living in poverty.

Today, employers use PDL's as a guideline in setting wages, a purpose for which they were never intended.

The two major brand names of PDL's come from universities:

Bureau of Market Research, University of South Africa

Brand Names: Minimum Living Level (MLL)
Supplemented Living Level (SLL)

The MLL is a purely theoretical figure. A family would have to spend every cent of its income in exactly the correct way to survive on this wage. The SLL is about 30% above the MLL and provides for additional expenditure on food, recreation and transport. But it is still a very low figure. Unisa describes the SLL as "determining a modest low-level standard of living". The SLL is the most widely used poverty datum line in South Africa. Most large companies' names are listed as sponsors of the reports. The figures are calculated twice a year for certain towns and cities.

The latest SLL figures for August 1988, for an average sized black family, are as follows

THE SUPPLEMENTED LIVING LEVEL

August 1988	Average SLL
-------------	-------------

MONTHLY

Cape Peninsula	R639
Durban	R662
East London	R579
Johannesburg	R621
Port Elizabeth	R586
Pretoria	R635

South Africa	R610
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The current Eskom minimum wage is R612 per month. This sets it above the average SLL for August for South Africa as a whole, but below the SLL figures for the major urban areas. By February 1989, when the next SLL survey is conducted, we can be certain that price increases will have raised the SLL above the current minimum wage paid by Eskom.

 Institute of Planning Research, Port Elizabeth University

Brand Names: Household Subsistence Level (HSL)
Household Effective Level (HEL)

The HSL is a bare theoretical minimum. A family could survive only for a very short while on such a wage. The HEL is calculated as the HSL plus 50% and aims to provide for "an adequate but minimum standard of living". The HEL is the correct figure to use in judging how bad a wage is.

The latest, March 1988, figures for an African family of five were as follows:

THE HOUSEHOLD EFFECTIVE LEVEL

March 1988	Monthly HSL	Monthly HEL (HSL + 50%)
Cape Peninsula	R415	R622
Durban	R415	R622
East London	R395	R593
Johannesburg	R450	R675
Port Elizabeth	R390	R585
Pretoria	R403	R605

The IPR does not publish a national average figure, but the figures for the main urban areas are above the Eskom minimum wage of R612. The figures will all rise in the September 1988 and March 1989 surveys.

Two other poverty measures may be considered:

Pennington's Township Cost-of-Living Survey

A new estimate for the wage a worker needs for "a modestly low standard of living" was issued in March 1988. This is the "monthly budget national average" issued by Steuart Pennington & Associates, a Johannesburg firm of management consultants. It stands at R810 per month.

The Pennington figure is based on a cost of living survey involving 1 000 black households in 20 major townships. It is said to reflect "how households actually spend their money as opposed to how they 'should' spend their money".

"Total cost of living" figures for a family of 5 are given for each of the townships. For example:

PENNINGTON'S PDL - March 1988

Soweto	R984
Atlantis	R825
Gugulethu	R764
Khayelitsha	R790
Mitchells Plain	R950
W. Cape Average	R832
National Average	R810

For their estimated figure they say "We merely set out what income is required to sustain a modestly low standard of living."⁵

5. *Sunday Star*, 13 March 1988

A household in Khayelitsha, near Cape Town, is found to spend R141 per month on food, while the same size of household in Mitchells Plain spends R376, over twice as much!

It is clear that Pennington's survey simply reports on the wage a worker needs to be about as poor as his neighbour. The survey shows that poor people have less money to live on - which is nothing new! It does not say how much families need.

Pennington estimates only R60 per month for rent. This figure would have to be R100 to R200 higher if workers were paying off bonds on houses.

Pennington criticises other poverty datum lines. He says that "much of the current work being done on minimum living levels reflects a theoretical bias (much of it based on American research and then 'adapted' to SA) and while these figures are legitimate in that sense, they do not reflect the reality of township life and the additional expense that this 'reality' requires."⁶

The Pennington budget is described as "modest to say the least", but it is now the highest of the poverty datum lines for black families produced for management. It is above the poverty datum lines calculated by the university professors - and paid for by employers!

All the Pennington figures are well above both the current Eskom minimum and the minimum demanded by the trade unions.

6. Introduction to *Cost of Living Survey*, March 1988

Human Sciences Research Council

A fourth poverty datum line is published by the Human Sciences Research Council (HSRC), a government research body in Pretoria. This is calculated to help social workers determine the needs of white families. It indicates what the government would see as a poverty level for whites. The HSRC assumes that food costs should not absorb more than one third of a family's income. They thus calculate their estimate for costs of maintaining of a family by multiplying food costs by three. Food needs are derived from internationally accepted calorie requirements for different age groups.⁷

In mid-1986 (the last time the figures were calculated), a family of five in Pretoria was said to need R1257 per month to be above the poverty level!

The HSRC estimates are clearly designed for white families. They are an indication of what a government research agency regards as a "living wage"!

Comment

Poverty Datum Lines can be a useful measure of wages in negotiations. Wages below the PDL's are starvation wages. But the PDLs are not presented as an acceptable standard to guide wage settlements. None of the PDL's pretend to set a "living wage" or a decent standard of living for workers.

7. E Nawrotski, 'n Verkorte handleiding by die bepaling van die onderhoudskoste van 'n gesin, HSRC S-160, 1987

The "Living Wage"

The earliest reference to a trade union demand for a "living wage" was made over 100 years ago, in 1874:

"The first thing that those who manage trade societies should settle is a minimum which they should regard as a point below which they should never go .. Such a one as will secure a sufficiency of food, and some degree of personal and home comfort to the worker; not a miserable allowance to starve on, but *living wages*.⁸

In South Africa, the demand for a "living wage" came to the fore in 1981 when the Federation of South African Trade Unions (FOSATU) launched the first systematic campaign for a living wage. In 1981, this was set at R2 per hour.

According to FOSATU, a living wage:

- * must cover workers' actual needs, not the minimum required to keep him/her alive;
- * must provide for a reasonable standard of living and not a continual struggle with poverty;
- * must provide a secure income which means that a worker must also have job security; there should be training; service allowances; redundancy pay; and benefits such as pension and medical aid schemes;
- * must be equitable compared to company profits.⁹

8. Lloyd Jones in *The Beehive* quoted in Sidney Webb *Industrial Democracy*, London, 1897; p.587

9. *Policy on a Living Wage*, FOSATU, 1981

In 1985, the Congress of South African Trade Unions (which was formed on the dissolution of FOSATU) carried forward the demand for a national minimum living wage. COSATU resolved:

- * To initiate and conduct, in alliance with other trade unions in the country, an ongoing national campaign for a legally enforced national minimum living wage for all workers in South Africa, through worker action and negotiation in every industry;
- * To fight for this minimum living wage to be automatically linked to the rate of inflation.

In 1986, COSATU affiliates demanded a minimum living wage of R3,50 an hour and a 40 hour working week.

The COSATU Living Wage Campaign, launched in March 1987, did not embody a national wage demand in Rands and cents, but the National Union of Metalworkers of SA (NUMSA) conference set an authoritative living wage demand of R4.50 per hour in 1987.

In 1988, NUMSA's living wage demand was for a minimum of R5 per hour and a 40 hour working week.

An alternative "living wage" estimate was produced in early 1987 by the Labour Research Service, a trade union research group based in Cape Town. The Labour Research Service estimate was based on housing costs:

Housing is the biggest single item in a worker's budget, but housing should never use up more than 25% of a worker's wage.

So if we can work out the cost of decent housing, we can estimate a living wage.

The Labour Research Service have found out that a modest family home, with all the necessary amenities, privacy, sanitation, internal doors and walls etc., will cost about R25 000. The bond repayment will be R212.50 per month if the first-time home buyer's subsidy is taken into account.

Now R212,50 multiplied by 4 is equal to R850. R850 per month is the Labour Research Service estimate of a living wage.

The LIVING WAGE is not a subsistence wage like the Supplemented Living Level. It should provide for certain comforts and amenities of life, not mere survival. The LRS living wage estimate will give a worker more than R100 per month more than the SLL, after housing costs have been paid. In addition to this extra R100, the worker on a LIVING WAGE will be getting a decent family home, not the matchbox which is provided for in the SLL and other poverty datum lines.¹⁰

We thus have the following guidelines as to the value of a minimum living wage:

MINIMUM LIVING WAGE ESTIMATES

NUMSA	R5,00 per hour R867 per month (40 hour week)
Labour Research Service	R4,36 per hour (45 hour week) R4,91 per hour (40 hour week) R850 per month

10. *Bargaining Monitor 3*, Labour Research Service, April 1987

The Labour Research Service estimate is over a year old, and could be adjusted for inflation and recent increases in interest rates.

It seems, therefore, reasonable to set R850 per month as the lower limit of a national minimum living wage in 1988.

The only Eskom wage scales above R850 per month are:

Grade 5 non-shift	R916 per month	80 workers
Grade 5 shift	R999,50 per month	3 workers

99,5% of Eskom's 24 000 general workers¹¹ are thus presently on wage scales with minimum rates below R850 per month, our estimate of a living wage.

The implementation of the full trade union demand would reduce this percentage only to 94% !

The trade union demands would raise the minimum for the following job grades up to the minimum living wage level:

Grade 4 non-shift	R848 per month	650 workers
Grade 5 non-shift	R1 000 per month	80 workers
Grade 3 shift	R870 per month	566 workers
Grade 4 shift	R922 per month	34 workers
Grade 5 shift	R1 090 per month	3 workers

Eskom's maximum payments for each of the wage grades is above R850 for grades which encompass 10 244 general workers (43% of the total - these are in wage grades 3 to 5 non-shift and 2 to 5 shift).

If all workers earn the maximum for their grade, 57% of Eskom general workers still earn basic wages below R850 per month.

11. "Minutes of meetings with Trade Unions: General Workers 1988", Eskom Industrial Relations Department; pp.64-66

Comment

These comparisons with the actual Eskom wage scales underline the reasonableness of the trade unions' wage demand. There is no demand for the immediate payment of a minimum living wage. There is a demand, however, for continued progress towards a minimum living wage for all Eskom workers.

The demand is for Eskom to take another step forward towards a minimum living wage, rather than the step backward seen in the below-inflation wage adjustment implemented in July 1988.

4. ANALYSING ESKOM'S WAGES

PRESENT ESKOM WAGE SCALES

(unilaterally implemented from 1 July 1988)

Non-shiftworkers

	Minimum (per month)	Maximum (per month)
Grade 1	R612,00	R699,50
Grade 2	R683,50	R807,00
Grade 3	R733,00	R910,50
Grade 4	R778,00	R1 085,00
Grade 5	R916,00	R1 232,00

Shiftworkers

	Minimum (per month)	Maximum (per month)
Grade 1	R667,50	R763,00
Grade 2	R745,50	R880,00
Grade 3	R799,00	R992,50
Grade 4	R848,50	R1 183,50
Grade 5	R999,50	R1 343,00

ESKOM WAGE SCALES BEFORE THE UNILATERAL 10% INCREASENon-shiftworkers

	Minimum (per month)	Maximum (per month)
Grade 1	R556,00	R635,91
Grade 2	R621,00	R733,64
Grade 3	R666,00	R827,73
Grade 4	R707,00	R986,36
Grade 5	R833,00	R1 120,00

Shiftworkers

	Minimum (per month)	Maximum (per month)
Grade 1	R604,00	R693,64
Grade 2	R678,00	R800,00
Grade 3	R725,00	R902,27
Grade 4	R768,00	R1 075,91
Grade 5	R908,00	R1 220,91

TRADE UNIONS' WAGE DEMAND FROM 1 JULY 1988:Non-shiftworkers

	Minimum * (per month)	Maximum * (per month)
Grade 1	R667,00	R763,00
Grade 2	R745,00	R880,00
Grade 3	R799,00	R993,00
Grade 4	R848,00	R1 184,00
Grade 5	R1 000,00	R1 344,00

Shiftworkers

	Minimum * (per month)	Maximum * (per month)
Grade 1	R725,00	R832,00
Grade 2	R814,00	R960,00
Grade 3	R870,00	R1 083,00
Grade 4	R922,00	R1 291,00
Grade 5	R1 090,00	R1 465,00

* rounded to the nearest Rand

ADDITIONAL INCREASE DEMANDED BY THE TRADE UNIONS

(on top of the wage rise already implemented by Eskom)

Non-shiftworkers

	Minimum extra (per month)	Maximum extra (per month)
Grade 1	R55,00	R63,50
Grade 2	R61,50	R73,00
Grade 3	R66,00	R82,50
Grade 4	R70,00	R99,00
Grade 5	R84,00	R112,00

Shiftworkers

	Minimum extra (per month)	Maximum extra (per month)
Grade 1	R57,50	R69,00
Grade 2	R68,50	R80,00
Grade 3	R71,00	R90,50
Grade 4	R73,50	R107,50
Grade 5	R90,50	R122,00

Eskom's wages compared

Since July 1988, the Eskom minimum wage has been R612 per month (R141 per week; R3.14 per hour). This wage is above the average minimum wage for labourers in South Africa, but it is well below the leaders.

The unions have assembled a list of over one hundred and fifty wage agreements negotiated between employers and trade unions for 1988 which set minimum wages above the new Eskom minimum.

The agreements include the chemicals, engineering, food, glass, metal, mining, paper, and printing industries. The list is not even complete, being based on the Labour Research Service AWARD database which incorporates only a sampling of wage agreements and information supplied by the Chemical Workers Industrial Union.

There are 128 wage settlements above the R667 minimum reflected in the union demand for a 20% wage increase.

Eskom's minimum is two thirds of that at Rolfes Limited (R946 per month) which tops the list.

The full list of wage agreements is given in an appendix to this document.

Eskom's wage offer compared

The Eskom wage offer of 12%, and the implemented increase of 10%, are well below wage settlements negotiated by trade unions in 1988.

A Labour Research Service survey of 86 wage agreements taking effect from January to July 1988 revealed an average annual increase of 22,9% and a median increase of 21,2% in the minimum wage rate.¹²

Andrew Levy's "Wage Settlement Survey" is published by South Africa's leading labour relations consultancy. In February 1988, the survey revealed an average level of settlement in wage negotiations of 19,7% (calculated as the percentage increase on the payroll). The June 1988 survey reported that on average, 1988 wage settlements were 17,6% above their previous levels.¹³

More recently, the September 1988 survey found that "wage settlements between employers and trade unions in the first nine months of the year averaged 17,9% - higher than the average for the previous three years"¹⁴

The annual salary survey conducted by the remuneration division of P-E Corporate Services covers more than 1 000 organisations employing 1,25 million people. Salaries for general staff were found to have risen by 16,4% in the year to June 1988.¹⁵

The Labour Research Service figure is higher because it covers only the minimum wage rate for labourers, whereas the Andrew Levy

12. "Wage Settlements in 1988: Wage analysis for unions participating in AWARD, January to July 1988", Labour Research Service, Cape Town, 1988

13. *Wage Settlement Survey: Bargainers' Bulletin*, June 1988, Andrew Levy & Associates (Pty) Ltd

14. *Business Day* 12 October 1988

15. *Sunday Times* 25 September 1988

survey covers the increase in the total payroll. The P-E survey covers all wage increases, not only those negotiated with trade unions. Historically, unions have succeeded in ensuring a higher than average level of wage settlement.

The Eskom percentage wage increase for 1988 is way below the average level of increase both in collective agreements and in the economy as a whole.

Eskom wages and "the market"

Our earlier reference to wages negotiated in 1988 shows that Eskom has a lot of ground to catch up before it can claim the status of a market leader.

Yet Eskom says that it is "a leader in the market" in its wages for general workers.¹⁶ The Eskom negotiators continually harp on "Eskom's relative position in the labour market."¹⁷ This is the main reason advanced by Eskom for their refusal to offer a wage increase above 12%.

But, in essence, the unions' case for a more substantial wage increase is not based on "market wages". Market wages bear no relation to the needs of workers and to economic justice in South Africa. The unions' wage demands are based on the need for workers to earn a living wage.

The laws of supply and demand that contest in the labour market do not ensure a fair wage for workers.

Progress towards a minimum living wage for workers in South Africa is the challenge the unions put to employers.

16. "Minutes of meetings with Trade Unions: General Workers 1988", Eskom Industrial Relations Department; p.55

17. "Minutes of meetings with Trade Unions: General Workers 1988", Eskom Industrial Relations Department; pp.66

Eskom has made progress towards a living wage in its equal opportunity and parity exercises (between races, sexes and regions) over the last two years. To sustain this progress, regular wage increases above the inflation rate are needed.

5. ESKOM'S PROFITABILITY AND ABILITY TO PAY

Up until December 1986 Eskom used a system of accounting which was completely different from that used by normal companies. This system of accounting was called fund accounting. Fund accounting does not show the profits being made.

With the restructuring of Eskom it decided to change its method of accounting to the method used by privately owned companies. Profits made will now be shown. The 1987 annual report which was published in April 1988, showed Eskom's financial results using the new method of accounting.

The following analysis of Eskom's financial results refers occasionally to results based on its old accounting policy.

Key statistics

	1982	1983	1984	1985	1986	1987
Electricity sales (R million)	R2 695	R3 302	R3 832	R4 625	R5 845	R7 046
Profit (R million)					R781	R702
Money earned (R million)	-	-	R1 423	R1 558	R2 133	
Money borrowed (R million)	R2 605	R2 550	R3 512	R5 783	R5 041	
Total electricity sold by Eskom (mill.kw.h)	96136	98251	106904	112306	117353	122524
Coal burnt (million tonnes)	55,2	55	58,7	59,5	58,9	65,8
Staff employed at 31 December	58850	62420	64560	66000	60800	55830

Note we do not have enough information to calculate the "money earned" in 1982 and 1983.

"Money earned"

While the "money earned" (see the table of Key Statistics) by Eskom does not represent profits made it is an indication of profits.

Eskom uses this money to pay interest to the banks on money that it has borrowed. It also keeps some of this money to pay for the construction of the large power stations.

The "money earned" by Eskom is after it has paid all its costs like wages and the coal that it buys from the mines.

The "money earned" by Eskom in 1986 showed a massive R575 million (37%) increase on the "money earned" in 1985. We do not have comparable figures for 1987 because of the change in the basis of accounting.

Profits

In 1986 Eskom's Net Income (profit) was calculated at R782 million, the figure for 1987 was R702 million.

During the negotiations, the General Manager (Human Resources) of Eskom implied that Eskom's profits were not real profits. He described them as "so-called profits". (Minutes, p.55)

The 1987 annual financial statements issued by Eskom and from which the unions obtained the profit figure of R702 million, are approved by Dr J B Maree (Chairman of the Electricity Council), I C McRae (Chief Executive) and B M Murray (Accounting Manager). The auditors report that the annual financial statements have been prepared "in conformity with generally accepted accounting practice".

Generally accepted accounting practice is a body of rules which lays down the standards under which financial statements are prepared and presented. These rules and standards get their authority from the Companies Act of 1973. Section 286 (3) of the Companies Act states:

"The annual financial statements of a company shall, in conformity with generally accepted accounting practice, fairly present the state of affairs of the company and its business as at the end of the financial year concerned and the *profit or loss* of the company for that

financial year...." [our italics]

'We can safely assume that the accounts accurately reflect Eskom's financial results as approved by the Chairman, Chief Executive and Accounting Manager and as certified by the joint auditors, Deloitte Haskins & Sells and Aiken & Peat.

Eskom's 1987 income statement, which forms part of the annual financial statements, records "electricity revenue" as R7 046 million, "operating expenditure" as R4 207 million and "interest and finance charges" as R2 137 million. This results in a "net income" of R702 million.

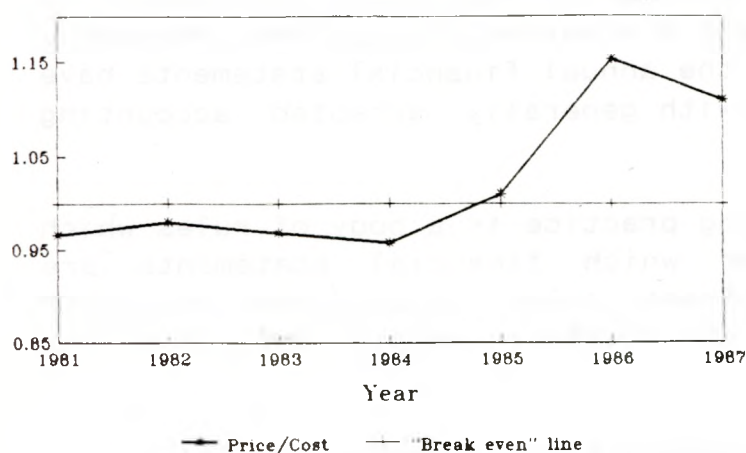
The income statement clearly shows that income exceeded expenses by R702 million. This is what is known as profit.

The 1987 result was described as "encouraging" by Dr J Maree, the Eskom chairman, in his report to the Electricity Council. He said:

"The volume of electricity sold rose by a healthy 4,4%, producing R7 046 million in revenue and a net income of R702 million."

The increase in the volume of electricity sold was accompanied by a 20,5% increase in revenue from electricity sales.

Eskom - profit margin
Ratio of price of Electricity to cost



Source: Eskom Annual Reports

Eskom greatly increased its profit margin, measured as the ratio of average price per kW.h sold to the average cost per kW.h sold, in 1986 and 1987.

In 1948, Eskom saw its task as "to render, by the provision of power *without profit* [our italics], a worthy and ever-increasing contribution to the development of South Africa and the welfare of her peoples".¹⁸

But today, Eskom does not just supply electricity at the lowest possible price, as a public utility might be expected to do, it makes profits.

Professor Brian Kantor of the School of Economics at the University of Cape Town says that "there can be no doubt about the financial viability of the major publicly-owned corporations (such as Eskom) in South Africa"¹⁹

Eskom and the profits of the coal companies

Eskom's profitability cannot really be assessed without making reference to the coal mining companies.

The current profitability of Eskom-tied collieries varies widely, depending on the date of commissioning, the specific financial arrangement with Eskom and the quality of the coal mined.

The current working profit on the older collieries normally ranges from 80 cents to 220 cents per tonne. Working profit on the recently completed power stations varies from 235 cents to 355 cents per tonne. The working profit on the most recently announced coal supply contracts (such as Kendal) is around 355 cents to 590 cents per tonne.²⁰

This means that the profits of the coal mines from supplying coal to Eskom are around R150 million per year.

18. Eskom, *Twenty Five Years* (Johannesburg, Eskom, 1948) p.35 quoted in Christie, *R Electricity, Industry and Class in South Africa* (London, Macmillan, 1984)

19. "The economics and finance of public enterprises in South Africa", 29 May 1986

20. Alan Hill, *Coal Review*, Max Pollak & Fremantle, November 1987

Eskom and the mining companies are not only linked through their trading. While the older tied collieries were financed by the coal mining companies the trend for recent contracts has been for Eskom to provide up to 50% of the finance required. Eskom is therefore helping to build the collieries for the mining companies as well as helping them to making large profits.

The chairman of Eskom in an interview with Leadership stated that "the South African cost of electricity is less than half of the European cost of electricity." This again suits the mining companies as they purchase a large amount of the electricity sold by Eskom. The table below shows the breakdown of electricity sold.

Sales of electricity (mill.KW.h)	1985	1986	1987	% of total
Bulk	37 568	40 570	45 418	37%
Domestic	1 203	1 252	1 279	1%
Industrial	38 123	39 170	38 284	31%
Mining	30 825	31 860	32 849	27%
Traction	4 587	4 501	4 049	4%
Total	112 306	117 353	122 524	100%

Note that the bulk sales include sales of electricity to domestic users (retailed by the municipalities) and traction represents sales of electricity to SATS.

Over a quarter of all electricity generated is used by the mining industry. The cheap electricity swells the profits of the mines.

Productivity

The table below shows the key productivity statistics for Eskom.

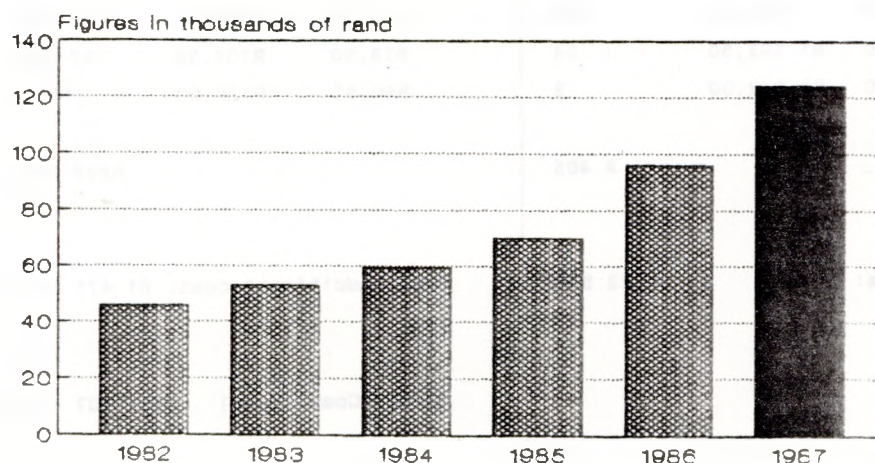
	1982	1983	1984	1985	1986	% change 1985 to 1986		% change 1986 to 1987
Sales per worker	R45 794	R52 900	R59 356	R70 076	R96 135	+37%	R123 984	+29%
Money earned per worker	-	-	R22 041	R24 137	R35 082	+45%	n.a.	
Profit per worker	-	-	-	-	R12 645	n.a.	R12 353	-4%
Electricity sold per worker (mill.kw.h)	1,63	1,57	1,66	1,70	1,93	+13%	2,16	+12%

Between 1985 and 1986 worker's productivity improved considerably with large increases in "sales per worker" and "money earned per worker".

The value of sales per worker improved still further in 1987 with a 29% increase over 1986.

The graph below shows worker's productivity represented by sales per worker.

Eskom - worker's productivity Sales per worker



National Union of Mineworkers 1988

Eskom's ability to pay

In the table below, we have used information supplied by Eskom on the number of workers in each of the different wage grades to estimate the increased wage cost of the trade unions' 20% demand.

We calculate two figures, one based on the minimum wage in each grade and the other based on the maximum wage. The actual cost will lie somewhere between these two extremes.

PRESENT ESKOM WAGE SCALES (unilaterally implemented from 1 July 1988)				ADDITIONAL INCREASE DEMANDED			
<u>Non-shiftworkers</u>				Minimum extra (per month)	Maximum extra (per month)	Minimum Total cost (per month)	Maximum Total cost (per month)
	Minimum (per month)	Maximum (per month)	Number of Workers				
Grade 1	R612,00	R699,50	4 554	R55,00	R63,50	R250 470	R289 179
Grade 2	R683,50	R807,00	8 270	R61,50	R73,00	R506 605	R603 710
Grade 3	R733,00	R910,50	6 590	R66,00	R82,50	R434 940	R543 675
Grade 4	R778,00	R1 085,00	650	R70,00	R99,00	R45 500	R64 350
Grade 5	R916,00	R1 232,00	80	R84,00	R112,00	R6 720	R8 960
			20 144			R1 246 235	R1 509 874
<u>Shiftworkers</u>				Minimum extra (per month)	Maximum extra (per month)	Minimum Total cost (per month)	Maximum Total cost (per month)
	Minimum (per month)	Maximum (per month)	Number of Workers				
Grade 1	R667,50	R763,00	501	R57,50	R69,00	R28 807	R34 569
Grade 2	R745,50	R880,00	2 301	R68,50	R80,00	R157 618	R184 080
Grade 3	R799,00	R992,50	566	R71,00	R90,50	R40 186	R51 223
Grade 4	R848,50	R1 183,50	34	R73,50	R107,50	R2 499	R3 655
Grade 5	R999,50	R1 343,00	3	R90,50	R122,00	R271	R366
			3 405			R229 382	R273 893
Total number of workers:				Total additional cost: R1 475 617 R1 783 767			
				Annual Cost: (x12) R17 707 410 R21 405 204			
				Midpoint: R19 556 307			

The table above proves that a 20% increase for the 23 549 general workers would cost Eskom an additional R20 million in wages per year. This is an average increase of R850 per worker.

But Eskom can afford to pay such a wage increase. In 1987 (the latest financial year), Eskom made a profit of R702 million. This is R12 352 per worker, averaged over all of Eskom's 56 830 employees.

It is a reasonable demand for continued progress towards a minimum "living wage". Eskom is a wealthy, capital intensive enterprise which can afford to meet the unions' wage demand.

APPENDIX 1 ESKOM WAGE ARBITRATION: TABLE OF COMPARATIVE MINIMUM WAGES FOR LABOURERS

RANK	COMPANY	MONTHLY WAGE	DATE	HOURS	UNION
1	ROLFES LTD	R946	Jul-88	45	CWIU
2	REEF CHEMICAL PE	R932	Jul-88	43	CWIU
3	REEF CHEMICALS TVL	R932	Jul-88	43	CWIU
4	COLGATE PALMOLIVE	R924	Jul-88	40	CWIU
5	ELIDA PONDS	R915	Jan-88	42	CWIU
6	GILLETES	R915	May-88	41	CWIU
7	TOYOTA SA (NATAL)	R911	Jul-88	45	NUMSA
8	CALTEX OIL	R890	Apr-88	44	CWIU
9	SUPACRYL	R890	Mar-88	44	CWIU
10	PROPAN GENERICS	R888	Jul-88	42.5	CWIU
11	MERCEDES BENZ (PINETOWN)	R885	Oct-88	43	NUMSA
12	MERCEDES BENZ (EAST LONDON)	R885	Oct-88	42	NUMSA
13	VOLKSWAGEN	R883	Jul-88	42	NUMSA
14	RECKITT & COLEMAN	R877	Jan-88	40	CWIU
15	CIBA GEIGY SPARTAN E	R874	Jan-88	40	CWIU
16	BP SOUTHERN AFRICA	R870	Jul-88	42	CWIU
17	MOBIL OIL TRANSVAAL	R867	Mar-88	41.25	CWIU
18	MOBIL OIL S. NATAL	R866	Mar-88	42	CWIU
19	SHELLCHEM	R861	Mar-88	40	CWIU
20	SAPREF	R861	Mar-88	42	CWIU
21	SHELL OIL S.NATAL	R861	Mar-88	42	CWIU
22	HOESCHT	R860	Jan-88	42.5	CWIU
23	REVERTEX JACOBS	R860	Jul-88	45	CWIU
24	ASSOCIATED VEHICLES-LEYLAND	R858	Jan-88	44	NUMSA
25	MAN DIESEL	R858	Jul-88	44	NUMSA
26	REVERTEX ALRODE	R856	Jan-88	45	CWIU
27	MATHEY R.R.	R856	Jan-88	43.5	CWIU
28	SMITHS MANUFACTURING (JACOBS)	R852	Jul-88	45	NUMSA
29	CIBA GEIGY SPARTAN N	R851	Jan-88	40	CWIU
30	CADBURY	R839	Jul-88	44	FAWU
31	MULLER & PHIPPS	R839	Jul-88	40.75	CWIU
32	NICHOLAS KIWI	R838	Jul-88	42.5	CWIU
33	METAL BOX TVL	R833	Jul-88	44	CWIU
34	PILKINGTON FLAT GLASS	R829	Sep-87	45	CWIU
35	SHELL OIL E. CAPE	R821	Mar-88	42	CWIU
36	SA TIOXIDE	R819	Jan-88	42	CWIU
37	PILKINGTON S.S.S. NEAVE	R810	Sep-88	44	CWIU
38	PILKINGTON S.S.S. SPRINGS	R810	Sep-88	44	CWIU
39	PILKINGTON S.S.S. STRUANDALE	R810	Sep-88	44	CWIU
40	WILSON ROWNTREE (DURBAN)	R802	Sep-88	44	FAWU
41	SIEMENS	R792	Jul-88	45	NUMSA
42	NAMPAK PAPER BELLVILLE	R791	Jul-88	46	PPWAWU
43	COATES BROTHERS NATAL	R790	Jan-88	43	CWIU
44	EXPANDITE	R786	Jan-88	41.25	CWIU
45	PG GLASS TVL	R786	Jan-88	44	CWIU
46	CERA OIL	R784	Apr-88	43.5	CWIU
47	PLESSEY S.A. (CAPE)	R784	Jul-88	45	EAWU
48	RENAK	R782	Jul-88	45	EAWU
49	UNILEVER	R781	Jan-88	43	CWIU
50	BMW	R780	Jul-88	40	NUMSA
51	FIRESTONE SOUTH AFRICA (BRITS)	R780	Apr-88	45	NUMSA
52	HARDGLASS	R780	Jan-88	45	CWIU
53	COATES BROTHERS W. CAPE	R775	Jan-88	43	CWIU
54	S & C I DURBAN	R775	Jan-88	43	CWIU

RANK	COMPANY	MONTHLY WAGE	DATE	HOURS	UNION
55	S & C I TRANSVAAL	R775	Jan-88	43	CWIU
56	TASTIC RICE	R767	Apr-88	44	FAWU
57	CIBA GEIGY BRITS	R764	Jan-88	40	CWIU
58	DAREX	R764	Sep-88	42	CWIU
59	CHROME CHEMICALS	R764	Jan-88	43	CWIU
60	LIQUID AIR TVL	R763	Jan-88	44	CWIU
61	PILKINGTON S.S.S. GA RANKUWA	R763	Oct-87	44	CWIU
62	STERLING DRUG	R763	Jun-88	44	CWIU
63	CONSOL GLASS CLAYVILLE	R760	Aug-88	45	CWIU
64	CONSOL GLASS PRETORIA	R760	Aug-88	45	CWIU
65	CONSOL GLASS WADEVILLE	R760	Aug-88	45	CWIU
66	DPI DUROPENTA	R759	Jul-88	46	CWIU
67	MONDI PAPER (MEREBANK)	R759	Jul-88	45	PPWAUWU
68	RENOWN FRESH MEAT	R758	May-88	44	FAWU
69	CARLTON PAPER (ENSTRA)	R757	Jul-88	42	PPWAUWU
70	CARLTON PAPER (WADEVILLE)	R752	Jul-88	42	PPWAUWU
71	COOKSONS	R751	Jan-88	46	CWIU
72	ANIKEM	R750	Jan-88	44.5	CWIU
73	CARLTON PAPER (ROODEKOP)	R750	Jul-88	42	PPWAUWU
74	CARLTON PAPER (DURBAN)	R746	Jul-88	44	PPWAUWU
75	ROBERT BOSCH	R746	Jul-88	44	NUMSA
76	SA CYNAMID WITBANK	R744	Sep-87	44	CWIU
77	ERGO SHIFT	R741	Jul-88	48	NUM
78	MONDI BOARD MILLS (PIET RETIEF)	R738	Jan-88	46	PPWAUWU
79	ROBERTSONS	R736	Jul-87	42.05	CWIU
80	ACCOUSTICAL FIBREGLASS SPRINGS	R735	Apr-88	42.5	CWIU
81	NAMPAK PAPER (ROSSLYN)	R734	Jul-88	46	PPWAUWU
82	P G WOOD CAPE	R732	Oct-88	46	PPWAUWU
83	CONSOL FLEXIBLES GERMISTON	R731	Jul-88	45	CWIU
84	CONSOL FLEXIBLES WADEVILLE	R731	Jul-88	45	CWIU
85	MANDER KIDD	R727	Jan-88	42.5	CWIU
86	ATLANTIS DIESEL ENGINES	R725	Jul-88	45	EIWUSA
==>	ESKOM GROUP 1 SHIFT	R725	Jul-88	45	UNIONS' DEMAND
87	PPS DUROPENTA NATAL	R723	Jul-88	45	CWIU
88	C.I.CARAVANS	R722	Oct-88	44	NUMSA
89	CEREBOS FOODS	R715	Jul-88	40	FWAWU
90	RUTO MILLS -(PRETORIA)	R712	Jan-88	46	FAWU
91	AECI PAINTS E.CAPE	R710	Jan-88	45	CWIU
92	FOSECO	R710	Jul-88	45	CWIU
93	FOSROC	R710	Jul-88	45	CWIU
94	DUNLOP TYRES (DURBAN 1)	R708	May-88	45	NUMSA
95	PG SILVERING TVL	R707	Jan-88		CWIU
96	PG GLASS W.CAPE	R706	Jul-88	45	CWIU
97	SA NYLON SPINNERS	R703	Jan-88		ACTWUSA
98	PG GLASS NATAL	R702	Jul-88	45	CWIU
99	VEETECH	R701	Jan-88	43	CWIU
100	PLASCON MOBENI	R700	Jan-88	45	CWIU
101	SA CYNAMID ISANDO	R698	Sep-87	41.3	CWIU
102	LIQUID AIR MOBENI	R698	Jan-88	44	CWIU
103	LIQUID AIR PE	R698	Jan-88	44	CWIU
104	LIQUID AIR RICHARDS BAY	R698	Jan-88	44	CWIU
105	FASHIONTEX	R696	Jan-88	45	CWIU
106	PLASCON PE	R696	Jan-88	43.75	CWIU
107	AECI PAINTS DURBAN	R694	Jan-88	45	CWIU

RANK	COMPANY	MONTHLY WAGE	DATE	HOURS	UNION
108	KYNOCH FERTILISERS	R694	Jan-88	45	CWIU
109	ERGO NON-SHIFT	R694	Jul-88	45	NUM
110	EPOL - BETHAL/PITERMARITZBURG	R693	Jun-88	46	FAWU
111	PVC COMPOUNDERS	R690	Jan-88	45	CWIU
112	AFRICAN PRODUCTS	R690	Jan-88	46	FAWU
113	SASOL 2	R690	Jul-88	46	CWIU
114	SASOL 3	R690	Jul-88	46	CWIU
115	SASOL EXPLOSIVES	R690	Jul-88	46	CWIU
116	SASOL FERTILISERS	R690	Jul-88	46	CWIU
117	SASTECH	R690	Jul-88	46	CWIU
118	ALLIED COLLOIDS	R686	Jan-88	44	CWIU
119	FEDGAS ALRODE	R686	Jan-88		CWIU
120	G & W BASE	R684	Apr-88	45	CWIU
121	BROMOR FOODS - EAST	R680	Apr-88	44.7	FAWU
122	BEIER PLASTICS	R680	Apr-88	45.5	CWIU
123	SAPPI CAPE KRAFT	R680	Jan-88	46	PPWAWU
124	ASSOCIATED GLASSWORKS	R675	Jan-88	45	CWIU
125	MEGA PLASTICS	R675	Jul-88	45	CWIU
126	FEDMIS PHALABORWA	R670	Apr-88	46	CWIU
127	ESKOM GROUP 1 SHIFT	R667	Jul-88	45	<-----
128	BEACON SWEETS & CHOCOLATES	R667	Feb-88	40	FAWU
129	BREMCO	R667	Jul-88	44	NUMSA
==>	ESKOM GROUP 1 NON-SHIFT	R667	Jul-88	45	UNIONS' DEMAND <=====
130	NAMPAK CORRUGATED (ROSSLYN)	R666	Jan-88	46	PPWAWU
131	CONSANI ENGINEERING (CAPE)	R664	Jul-88	46	NUMSA
132	NAMPAK PROCHART	R663	Mar-88	45	PPWAWU
133	UME	R663	Jul-88	45	NUMSA
134	ALGORAX	R663	Jul-88	42.5	CWIU
135	RAND REFINERY	R658	Jun-88	42	NUM
136	PG GLASS W.CAPE COUNTRY	R653	Jul-88	45	CWIU
137	NAMPAK RECYCLING (AMALGAM)	R645	Feb-88	45	PPWAWU
138	TUBATSE FERROCHROME	R645	Jul-88	45	NUM
139	MONDI PAPERWASTE TULISA ALRODE	R640	Jan-88	46	PPWAWU
140	DUNLOP INDUSTRIALS	R638	Jan-88	45	CWIU
141	R & R INDUSTRIA	R635	Apr-88	42	FAWU
142	AEG	R634	Jul-88	45	NUMSA
143	RECYCLING PLASTICS	R634	Jul-88	45	CWIU
144	INCOLABS	R633	Oct-88	44	CWIU
145	PICK 'N PAY	R630	Apr-88		CCAWUSA
146	NAMPAK RECYCLING (PRETORIA)	R630	Jul-88	46	PPWAWU
147	PUTCO	R629	Jul-88	48	TGWU
148	B B BREAD : MILLING DIVISION	R628	Jun-88	46	FAWU
149	BTR RUBBER AND WHEEL	R628	Jul-88	45	NUMSA
150	DEUTZ DIESEL	R626	Jul-88	45	NUMSA
151	LIGHT MASTER	R626	Jul-88	45	NUMSA
152	STEINMULLER	R624	Jul-88	45	NUMSA
153	CARIBONUM	R623	Jan-88	43.7	PPWAWU
154	PETROCOL TVL	R622	Apr-88	44.3	CWIU
155	NAMPAK PAPER RECYCLING C.T.	R620	Jul-88	46	PPWAWU
156	NAMPAK POLYFOIL	R617	Apr-88	40	PPWAWU
157	NAMPAK LAMINATED & COATED PROD	R615	Jan-88	46	PPWAWU
158	ESKOM GROUP 1 NON-SHIFT	R612	Jul-88	45	<----- ESKOM MINIMUM

APPENDIX 2

SOURCE TABLE FOR GRAPHS 1 AND 2

THE EFFECT OF INFLATION ON WAGES, 1987-1989

19-Oct-88

DATE	CPI [1980=100]	CPI JUL [7/88=100]	Estimated inflation rate	A ESKOM WAGE	B	C	D
				CASH	REAL	CASH	REAL
JUL 87	138.2	100.0		556	556	556	556
AUG	140.2	101.4		556	548	556	548
SEP	142.0	102.7		556	541	556	541
OCT	143.6	103.9		556	535	556	535
NOV	144.8	104.8		556	531	556	531
DEC	145.9	105.6		556	527	556	527
JAN 88	147.2	106.5		556	522	556	522
FEB	148.2	107.2		556	518	556	518
MAR	150.2	108.7		556	512	556	512
APR	151.9	109.9		556	506	556	506
MAY	153.1	110.8		556	502	556	502
JUN	153.6	111.1		556	500	556	500
JUL.	155.3	112.4	12.4%	612	545	669	596
AUG.	157.4	113.9	0.014329758	612	537	669	588
SEP.	159.7	115.5	Projections	612	530	669	579
OCT.	161.9	117.2		612	522	669	571
NOV.	164.3	118.9		612	515	669	563
DEC.	166.6	120.6		612	508	669	555
JAN.89	168.1	121.6		612	503	669	550
FEB.	169.2	122.5		612	500	669	547
MAR.	171.5	124.1		612	493	669	539
APR.	173.5	125.5		612	488	669	533
MAY.	174.8	126.5		612	484	669	529
JUN.	175.4	126.9		612	482	669	527
JUL..	177.4	128.3					

The CPI figures up to August 1988 are the official figures supplied by Central Statistical Services in Pretoria. From September, the rate of inflation is projected to increase, to reach 14.2% in December 1988, and to hold at this level until July 1989.