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GOVERNMENT NOTICE

MINISTRY OF TRANSPORT

No. 2251 1 December 1972

COMMISSION OF INQUIRY INTO THE DISPUTE BETWEEN THE SOUTH AFRICAN RAILWAYS AND HARBOURS ADMINISTRATION AND THE STAFF ASSOCIATION REPRESENTING GROUP D SERVANTS OF THE SOUTH AFRICAN RAILWAYS

The Report of the Commission of Inquiry, appointed by the State President as notified in *Government Gazette* 3675 of 6 October 1972, is hereby published for general information.

1. In terms of Government Notice 1813 of 6 October 1972, this Commission was appointed to investigate the causes of a dispute which has arisen between the Artisan Staff Association and the Administration of the South African Railways and Harbours, and to make recommendations in regard thereto. The Staff Association represents Group D of the Railway servants, viz. trade hands and artisans, on a wage notch that varies between R150 and R253 per month.

2. The dispute arose out of a request for a wage increase. The last increase in this group took place on 16 May 1970, when the maximum wage was fixed at R253 per month, including a service increment.

3. The Association has a voluntary membership of nearly 20 000, which represents 83 per cent of the possible membership. Although the request for an increase emanated from this Association only, it is obvious that the remaining workers, who are organised in six other Associations, could rightfully lay claim to a similar increase were it to be granted in this instance. The Commission, therefore, is not actually concerned with only 20 000 men but with more than 200 000. Indeed, it must also be borne in mind that other services outside the Railway will possibly stake their claims should this request succeed.

4. The claim for an increase rests upon the rise in the consumer price index from May 1970 to September 1972. The two parties are in agreement that the rise can be fixed at approximately 15,68 per cent. This figure is derived from official statistics.

A—7358

GOEWERMENTSKENNISGEWING

MINISTERIE VAN VERVOER

No. 2251 1 Desember 1972

KOMMISSIE VAN ONDERSOEK NA DIE GESKIL TUSSEN DIE ADMINISTRASIE VAN DIE SUID-AFRIKAANSE SPOORWEE EN HAWENS EN DIE PERSONEELVERENIGING VERTEENWOORDIGENDE DIENARE GROEP D VAN DIE SUID-AFRIKAANSE SPOORWEE

Die Verslag van die Kommissie van Ondersoek wat deur die Staatspresident aangestel is soos in *Staatskoerant* 3675 van 6 Oktober 1972 bekendgemaak, word hiermee vir algemene inligting gepubliseer.

1. By Goewermentskennisgewing 1813 van 6 Oktober 1972 is hierdie Kommissie aangestel om ondersoek in te stel na die oorsake van 'n geskil wat ontstaan het tussen die Ambagspersoneelvereniging en die Administrasie van die Suid-Afrikaanse Spoorweë en Hawens en om aanbevelinge daaromtrent te doen. Die Personeelvereniging verteenwoordig Groep D van die Spoorwegdienare, nl. vakwerkers en ambagsmanne, op 'n loonkerf wat wissel tussen R150 en R253 per maand.

2. Die geskil het ontstaan uit 'n aansoek om loonsverhoging. Die laaste verhoging in hierdie groep het plaasgevind op 16 Mei 1970, toe die maksimum-loon vasgestel is op R253 per maand, insluitende 'n diensverhoging.

3. Die Vereniging het 'n vrywillige lidmaatskap van byna 20 000, wat neerkom op 83 persent van die moontlike lidmaatskap. Hoewel die aansoek om verhoging net uit dié Vereniging gekom het, lê dit voor die hand dat die oorblywende werkers, wat in ses ander vereniginge georganiseer is, regmatig op 'n gelyke verhoging sal kan aanspraak maak indien dit in hierdie geval toegestaan word. Die Kommissie het dus in werklikheid nie te doen met slegs 20 000 man nie maar wesenlik met meer as 200 000. Daar moet trouens ook in gedagte gehou word dat ander dienste buite die Spoorweë moontlik ook met aansprake sal kom indien hierdie aansoek slaag.

4. Die aanspraak op 'n verhoging berus op die styging in die verbruikersprysindeks wat ingetree het sedert Mei 1970 tot September 1972. Dit is gemene saak tussen die partye dat die styging gestel kan word op ongeveer 15,68 persent. Hierdie syfer is uit amptelike statistiek afkomstig.

1—3722

5. On 14 September 1971, the Association applied, in writing, to the Minister of Transport for (i) an increase in the holiday bonus; (ii) a wage adjustment from April 1972, to counter the rise in the cost of living; and (iii) a further increase of 5 per cent for the preceding two years to bring about an "increase in the standard of living". The Minister declined request (i) because the Government was bound to combat inflation and the financial position of the Railway was continually deteriorating. The other two requests were merely noted.

6. On 21 December 1971, the rand was devalued by 12,28 per cent and a further rise in the cost of living seemed inevitable. On 17 February 1972, the Association again wrote to the Minister requesting (i) a "devaluation transition allowance" based on the rise in the consumer price index; and (ii) an increase of 2½ per cent per annum in the basic wage for a rise in the standard of living. The Minister replied on 24 February that the request could not be granted because the Railway finances had continued to decline, and a wage rise would set in motion a chain reaction which would seriously harm the economy of the country. A wage rise would require an increase in tariffs and this would accelerate the rate of inflation to such an extent that all possible benefits from devaluation would be wiped out.

7. At the Association's Annual Conference at Cape Town from 21 to 24 March 1972, attention was again directed to the ever-rising cost of living and the alarming depletion of the Rates Equalization Fund, which has always been regarded by the trade unions as a guarantee against a decline in real wage levels. The Conference asked that the Minister reconsider the matter and forthwith review the uneconomic tariffs in order to find the necessary money for a wage increase.

8. On 9 May 1972, the Federal Consultative Council of Staff Associations met in Johannesburg and confirmed that a wage increase was considered essential and must be financed, *inter alia*, out of an increase of certain uneconomic tariffs. An interview with the Minister was requested and this took place on 10 August 1972. In the meantime, the Association's Executive Council, in expectation of the aforementioned interview, decided on 24 July that although an increase of 20 per cent was justified, an increase of R50 per month for all must be requested, irrespective of the wage or salary level. A general increase of 20 per cent would push up the wage bill by approximately R133 000 000, whilst an equal R50 for all would limit the jump to a more reasonable figure of R66 000 000.

9. At the interview on 10 August between the Minister and the Federal Consultative Council of Staff Associations, the Minister conceded that a good case had been made out for a wage increase. On the other hand, the revival in the economy that was expected to follow upon devaluation had not yet materialised. He closed the 1971-72 financial year with a deficit of R43 000 000, and for the current year a deficit of R39 000 000 was being budgeted for. This is R2 000 000 more than what remained in the Rates Equalization Fund. If tariffs were to be increased at this stage, the average rise would have to be between 15 and 20 per cent. This, in the opinion of the Minister, would disrupt the cost structure of the country and cause an inflationary tidal wave that would be fatal to the country's economy. The request was, therefore, again declined.

10. Notwithstanding the repeated refusals, the Executive Council of the Artisan Staff Association once again raised the subject during an interview with the Minister. The Minister again conceded that an increase was justified

5. Op 14 September 1971 het die Vereniging skriftelik by die Minister van Vervoer aangevra (i) 'n verhoging van die vakansiebonus; (ii) 'n loonaanpassing vanaf April 1972 om die styging in die lewensduurte teen te werk; en (iii) 'n verdere verhoging van 5 persent vir die voorafgaande twee jaar om "verhoging van die lewenstandaard" te bewerkstellig. Die Minister het versoek (i) geweier omdat die Regering gebonde was om inflasie te bestry en die geldelike toestand van die Spoorweë standhoudend versleg het. Van die ander twee versoeke is bloot kennis geneem.

6. Op 21 Desember 1971 is die rand gedevalueer met 12,28 persent en 'n verdere styging in lewensduurte het onvermydelik gelyk. Op 17 Februarie 1972 het die Vereniging weer aan die Minister geskryf en gevra (i) 'n "devaluasie-oorgangstoelaag" gebaseer op die styging in die verbruikersprysindeks; en (ii) 'n verhoging van 2½ persent per jaar in die basiese loon vir 'n verbetering van die lewenstandaard. Die Minister het op 24 Februarie geantwoord dat die versoek nie toegestaan kan word nie omdat die Spoorweë geldelik nog steeds afgedaal het en 'n loonstyging 'n kettingreaksie aan die gang sou sit wat die ekonomie van die land ernstig sou benadeel. 'n Loonstyging sou 'n tariefverhoging verg en dit sou die inflasiekoers sodanig versnel dat alle moontlike voordele van devaluasie uitgewis sou word.

7. Op die Vereniging se Jaarkonferensie te Kaapstad van 21 tot 24 Maart 1972 is die aandag opnuut gevestig op die steeds toenemende lewensduurte en die ontstellende uitputting van die Tariewereserwefonds, wat deur die vakbonde altyd beskou is as 'n waarborg teen 'n daling in reële loonpeile. Die Konferensie het gevra dat die Minister die saak heroorweeg en onekonomiese tariewe onverwyld in hersiening neem ten einde die nodige geld vir 'n loonsverhoging te vind.

8. Op 9 Mei 1972 het die Federale Raadgewende Raad van personeelverenigings in Johannesburg vergader en bevestig dat 'n loonsverhoging noodsaaklik geag word en gefinansier moet word onder andere uit 'n verhoging van sekere onekonomiese tariewe. 'n Onderhoud met die Minister is aangevra en dit het plaasgevind op 10 Augustus 1972. Intussen het die Vereniging se Uitvoerende Bestuur op 24 Julie, in afwagting van die voorgename onderhoud, besluit dat hoewel 'n verhoging van 20 persent geregverdig is, daar 'n gelyke som van R50 per maand verhoging vir almal aangevra moet word, ongeag die loon- of salarisvlak. 'n Algemene verhoging van 20 persent sou die loonrekening met omtrent R133 000 000 opstoot terwyl 'n gelyke R50 die sprong tot 'n meer redelike syfer van R66 000 000 sou beperk.

9. In die onderhoud van 10 Augustus tussen die Minister en die Federale Raadplegende Raad van S.A.S. en H.-personeelverenigings het die Minister toegegee dat 'n goeie saak vir 'n loonsverhoging uitgemaak is. Daarenteen het die herlewing in die ekonomie wat na verwagting op devaluasie sou volg, nog nie ingetree nie. Hy het die boekjaar 1971-72 afgesluit met 'n tekort van R43 000 000, en vir die lopende jaar word vir 'n tekort van R39 000 000 begroot. Dit is R2 000 000 meer as die restant wat oorgelyk het in die Tariewereserwefonds. As tariewe op hierdie stadium verhoog sou moet word, sou die gemiddelde styging tussen 15 en 20 persent moet wees. Dit sou in die oordeel van die Minister die kostestruktuur in die land ontwrig en 'n inflasiegolf opstoot wat fataal vir die lands-ekonomie sou wees. Die versoek is derhalwe weer afgewys.

10. Ondanks die herhaalde weieringe het die Uitvoerende Bestuur van die Ambagspersoneelvereniging die saak nog 'n keer in 'n onderhoud met die Minister aangevoer. Die Minister het weer toegegee dat 'n verhoging

but maintained his point of view that the financial predicament of the Railway made it impossible. He reminded the workers that subsequent to the increase of 1970 there had, in fact, been a concession of 3,5 per cent in that compulsory pension contributions had been reduced with retention of existing pension benefits. He said that the requested increase would cost an additional R130 000 000 and would result in an average tariff increase of 25 per cent. This would slow down the economic growth rate and could even cause a collapse of the economy. He realises that an increase in tariffs is unavoidable but it would have to wait for a general upsurge in the economy of the country.

The Staff Association, on the contrary, was of the opinion that all the taxpayers should carry the burden of uneconomic tariffs and not only the railwayman.

The result of the discussion was that an increase in wages and tariffs was in any case inevitable within the foreseeable future.

11. On the same day, 8 September, the Staff Association declared a dispute as intended by section 28 of the Railways and Harbours Service Act, No. 22 of 1960, and asked that the Minister request the State President to appoint a Commission of Inquiry. The appointment of this Commission was announced in the *Government Gazette* on 6 October, and the Chairman immediately directed that the Staff Association submit its case, in writing, before or on 13 October.

12. The Commission viewed the workshops at Koedoespoort on 3 November, and the written plea and reply of both sides were ready on 15 November. The Commission heard oral representations on 16 November.

13. The Staff Association built its case on the rise in the cost of living and referred to other industries that had already been granted increases at the beginning of 1972, including the municipalities of Pretoria and Johannesburg, and Escom. In October Iscor also granted an increase. All of them were intended to meet the cost of living. Again, an equal amount of R50 was requested, but the Staff Association stated clearly that it was intended as a concession to the Administration and there was no objection to the principle of a percentage increase. It is conceded that an equal amount to all ranks would disturb the balance of the wage structure.

14. It was soon apparent that no dispute existed in principle between the parties over the question of whether there should be an increase. The Administration conceded this tacitly if not specifically. We are also convinced that on social grounds of justice the request for an increase is strongly defensible. The question consequently was how large the increase must be to meet the worker materially without thereby seriously disrupting the general economy.

15. An extraordinary heavy responsibility rests upon the Commission because the Administration is legally bound to carry out the Commission's recommendation. Subsection (6) of section 28 provides, namely:

(6) The Administration shall be obliged to give effect, as expeditiously as reasonably possible, to every recommendation of the Commission subscribed to by at least two of its members.

16. We had decided at an early stage that there must be an increase for the following reasons:

1. Because of the rise in cost of living it would, in any case, have to come, and it would be better to make a smaller adjustment now than to take a large upward jump at a future time.

2. Commerce and Industry are, in any case, prepared for a rise in tariffs. A climate has already been created in the country in which such a rise is obviously expected.

geregverdig is maar het sy standpunt gehandhaaf dat die geldelike penarie van die Spoorweë dit onmoontlik maak. Hy het die werkers daaraan herinner dat daar na die verhoging van 1970 tog wel 'n toegewing van 3,5 persent was deurdat verpligte pensioenbydraes verlaag is met behoud van die bestaande pensioenvoordele. Die aangevraagde verhoging, het hy gesê, sou 'n bykomende R130 000 000 kos en 'n gemiddelde tariefverhoging van 25 persent meebring. Dit sou die ekonomiese groeikoers afrem en sou selfs 'n ineenstorting van die ekonomie kan veroorsaak. Hy besef dat 'n tariefverhoging onvermydelik is maar dit sal moet wag op 'n algemene opswaai in die landseconomie.

Die Personeelvereniging daarenteen was van oordeel dat al die belastingbetalers die las van onekonomiese tariewe moet dra en nie alleen die spoorwegman nie.

Die slotsom van die bespreking in ieder geval was dat 'n verhoging van lone en tariewe wel in die afsienbare toekoms onvermydelik sou wees.

11. Op dieselfde dag, 8 September, het die Personeelvereniging 'n geskil verklaar soos bedoel deur artikel 28 van die Spoorweë en Hawens Dienswet, No. 22 van 1960, en gevra dat die Minister die Staatspresident versoek om 'n Kommissie van Ondersoek aan te stel. Die aanstelling van hierdie Kommissie is op 6 Oktober in die *Staatskoerant* aangekondig, en die Voorsitter daarvan het onmiddellik gelas dat die Personeelvereniging sy saak skriftelik moet instuur voor of op 13 Oktober.

12. Die Kommissie het die werkplase te Koedoespoort op 3 November besigtig, en op 15 November was die skriftelike betoog en replieke van albei kante gereed. Die Kommissie het op 16 November mondelinge vertoë aan-gehoor.

13. Die Personeelvereniging het sy saak gebou op die styging in lewensduurte en gewys op ander bedrywe wat aan die begin van 1972 reeds verhogings toegestaan het, waaronder die munisipaliteite Pretoria en Johannesburg en Evkom. In Oktober het ook Yskor gekom met 'n verhoging. Almal was bedoel om die lewensduurte die hoof te bied. Daar is weer 'n gelyke bedrag van R50 aangevra, maar die Personeelvereniging het dit duidelik gestel dat dit as 'n toegewing aan die Administrasie bedoel word en daar geen beginsel beswaar teen 'n persentasieverhoging is nie. Daar word toegegee dat 'n gelyke bedrag vir alle range die balans van die loonstruktuur sou verstoer.

14. Dit het spoedig gebyk dat daar in beginsel geen verskil tussen die partye bestaan oor die vraag of daar 'n verhoging moet wees nie. Die Administrasie het dit, indien nie uitdruklik nie, dan tog stilswyend toegegee. Ons is ook oortuig daarvan dat op maatskaplike regverdigheidsgronde die versoek om 'n verhoging sterk verdedigbaar is. Die vraag het gevolglik daarop neergekom hoe groot die verhoging moet wees om die werker wesenlik tegemoet te kom sonder om daarmee die algemene ekonomie ernstig te ontwrig.

15. Daar rus 'n buitengewoon swaare verantwoordelikheid op die Kommissie omdat die Administrasie wetlik gebonde is om die Kommissie se aanbeveling uit te voer. Subartikel (6) van artikel 28 bepaal naamlik:

(6) Die Administrasie is verplig om, so spoedig as wat redelik moontlik is, gevolg te gee aan elke aanbeveling van die Kommissie wat deur ten minste twee van sy lede onderskryf is.

16. Ons het op 'n vroeë stadium besluit dat daar wel nou 'n verhoging moet wees om die volgende redes:

1. Vanweë die styging in die lewensduurte sal dit in elk geval moet kom, en dit is beter om nou 'n kleiner aanpassing te maak as om op 'n toekomstige tydskip 'n groot opwaartse sprong te moet doen.

2. Die handel en nywerheid is in ieder geval gereed vir 'n styging in tariewe. Daar is reeds 'n klimaat in die land geskep waarbinne so 'n styging as vanselfsprekend verwag word.

17. We, therefore, assumed a specific increase and in consequence judged to what extent it could be carried out in practice. This was 15 per cent. We are not in favour of an equal amount for everyone because it would look like an emergency and cause inequality in the wage structure. The figure of 15 per cent is chosen for the following reasons: The increase must be in relation to the rise in cost of living, and it was already 15,68 per cent higher in September than it was in May, 1970. By the time the increase can be made operative, the index, according to tendencies of the immediate past, will stand at an estimated 18,2 per cent. According to this we would have to go beyond 15 per cent, but we took into consideration that the workers received compensation in 1971 of 3,5 per cent to 4 per cent in the form of smaller pension contributions. The 15 per cent will, therefore, place the worker a little ahead of the rise in cost of living.

18. We now deal with the question of and how the 15 per cent increase will be borne by the Railway and the country. It will result in the following additional expenditure:

	R
Group D alone.....	12 000 000
Other White staff.....	77 800 000
Non-White staff.....	10 200 000
	<u>100 000 000</u>

Regard must also be had to the fact that the cumulative deficit must be wiped out and, consequently, an additional amount to the order of R170 000 000 per annum is necessary.

19. There are sources of income that are more or less static, such as the realisation of investments, and there are also only certain tariffs that are susceptible to increase. On such tariffs there will have to be an average increase of 20 per cent to obtain the necessary R170 000 000. It will have to be much more on certain articles. The following table gives an idea of the effect on prices:

Product	Average haulage distance Km	Tariff increase %
Coal.....	470	18,5
Mealies, local.....	415	24,0
Mealies, export.....	854	36,4
Fertilizer.....	640	37,2
Fruit, local.....	900	53,8
Fruit, export.....	800	36,4
Vegetables.....	770	57,4
Livestock.....	—	60,0
Mealie-meal.....	483	36,4
Ore, export.....	650	23,3
Ore, local.....	550	23,3
Butter.....	699	31,7
Cheese.....	728	31,7
Eggs.....	981	59,2
Lucerne.....	698	50,6
Hay.....	441	50,6

These increases will not increase the price of the article concerned to the same degree because the railage component forms only a small part thereof. It is calculated that the primary effect of the tariff increase on the global price level will be only 1 per cent. It could, as a result of normal business practices, rise to about 2 per cent in the hands of the consumer.

20. The required sum must emanate from the general economy of the country, either by way of higher tariffs or a contribution by the State—possibly a combination of the two. It speaks for itself that it will result in further inflationary pressure, but the economists on whom we could call for advice in the short time available to us view it with equanimity. We take, for example, the following

17. Ons het derhalwe 'n bepaalde verhoging veronderstel en vervolgens beoordeel in hoeverre dit prakties uitvoerbaar sal wees. Dit was 15 persent. Ons is nie ten gunste van 'n gelyke bedrag vir almal nie omdat dit lyk na 'n noodmaatreeël en oneffenhede in die loonstruktuur sal skep. Die syfer van 15 persent is om die volgende redes gekies: Die verhoging moet verband hou met die styging in lewensduurte, en dit was in September reeds 15,68 persent hoër as in Mei 1970. Teen die tyd dat die verhoging in werking gestel kan word, sal die indeks volgens tendense van die onmiddellike verlede na skatting op 18,2 persent te staan kom. Daarvolgens sou ons hoër as 15 persent moet gaan, maar ons het in aanmerking geneem dat die werkers in 1971 'n tegemoetkoming van 3,5 persent tot 4 persent gekry het in die vorm van ligter pensioenbydraes. Die 15 persent sal die werker dus wesenlik effens voor die lewensduurtestyging plaas.

18. Ons behandel nou die vraag of en hoe die 15 persent verhoging deur die Spoorweë en die land gedra sal kan word. Dit sal die volgende addisionele uitgawe meebring:

	R
Groep D alleen.....	12 000 000
Ander Blanke personeel.....	77 800 000
Nie-Blanke personeel.....	10 200 000
	<u>100 000 000</u>

Daarby moet in ag geneem word dat die opgehoopte tekorte uitgewis moet word en daar gevolglik 'n bykomende bedrag in die order van R170 000 000 per jaar nodig is.

19. Daar is inkomstebronne wat min of meer staties is, soos opbrengste van beleggings, en daar is ook net sekere tariewe wat vatbaar vir verhoging is. Op sodanige tariewe sal daar 'n gemiddelde verhoging van 20 persent moet wees om die benodigde R170 000 000 te kry. Op sommige artikels sal dit veel meer moet wees. Die volgende tabel gee 'n idee van die uitwerking op pryse:

Produk	Gemiddelde vervoer- afstand Km	Tarief- verhoging %
Steenkool.....	470	18,5
Mielies, plaaslik.....	415	24,0
Mielies, uitvoer.....	854	36,4
Kunsmis.....	640	37,2
Vrugte, plaaslik.....	900	53,8
Vrugte, uitvoer.....	800	36,4
Groente.....	770	57,4
Lewende hawe.....	—	60,0
Mieliemeel.....	483	36,4
Ertse, uitvoer.....	650	23,3
Ertse, plaaslik.....	550	23,3
Botter.....	699	31,7
Kaas.....	728	31,7
Eiers.....	981	59,2
Lusern.....	698	50,6
Hooi.....	441	50,6

Hierdie verhoginge sal nie in dieselfde mate die prys van die betrokke artikel verhoog nie, omdat die spoorvrag-komponent maar 'n klein gedeelte daarvan uitmaak. Daar word bereken dat die primêre effek van die tariefverhoging op die globale prysvlak net 1 persent sal wees. As gevolg van normale besigheidspraktyke kan dit in die hande van die verbruiker tot ongeveer 2 persent styg.

20. Die benodigde bedrag moet kom uit die algemene landseksonomie, hetsy by wyse van hoër tariewe of 'n bydrae van die Staat—moontlik 'n kombinasie van die twee. Dat dit verdere inflasionêre druk sal meebring spreek vanself, maar die ekonome wat ons in die kort tyd tot ons beskikking te rade kon roep, betrag dit met gelykmoedigheid. Ons neem byvoorbeeld die volgende passasies

passages from the *Survey of Contemporary Economic Conditions and Prospects for 1973*, issued by the Bureau of Economic Research of the University of Stellenbosch:

"We expect a fairly drastic increase of approximately 14½ per cent in employees' remuneration in 1973 particularly in view of our assumption that adjustments in the remuneration for labour will be made in the public sector."

After discussion on the strong inflationary factors, amongst others, wage increases over a wide front, the Review nevertheless continues:

"It is encouraging that the composition of the GDP is busy changing in favour of a greater relative importance of the gross trading surplus which consists mainly of profits. If this trend continues, it will mean that profits and profit expectations, the primary determinants of investment, are improving to such an extent that, at least as far as these factors are concerned, the climate for an investment upswing will become more favourable."

The purport of the Review is that these favourable expectations will not be counteracted by wage increases. On the contrary, wage increases are part of the general pattern that is being judged. The certainty with which an increase is seen is apparent from this passage in a chapter on spending patterns:

"What is more, urgent representations have been made to the South African Railways and Harbours Administration for wages and salaries to be increased, and it seems reasonable to expect an upward adjustment of railway tariffs in 1973. In addition, the expected higher rate of economic activity will result in an increase in the physical volume of passenger and goods traffic, with the result that the total expenditure in this regard will show a further large increase in 1973."

This anticipated development is not at all being approached with alarm.

21. We invited Professor Dr F. van den Bogaerde, Professor in Economics at the University of South Africa, to express his views on the expected effect on the general economy. His point of view can be summarised as follows:

There will be no serious set back in the economy and it is even likely that the increase would have a favourable stimulating influence. The growth potential of the South African economy is not nearly being utilised to the full. There has, because of the particularly low growth rate in 1971, been an unused production capacity potential or surplus capacity in different sectors of the economy. There has been, for example, large investment in buildings, sections of which are standing empty. There is growth capacity without additional investment being necessary, possibly even for a whole year. A similar position exists in the durable and semi-durable secondary sector. When one has to do with demand inflation (demand pull), a tariff increase is even desirable. Unfortunately, we now have a cost inflation (cost push), but also as far as this is concerned there are favourable aspects of an injection of an additional R100 000 000 into the economy.

22. He agrees with the following opinion of Mr A. T. Moolman, Chief Rates Officer of the Administration:

According to the Stellenbosch Bureau of Economic Research, a survey done in October revealed that factory production can be increased globally by 27 per cent before additional investment is necessary. There is unused capacity of 20 to 22 per cent of the optimum, and there is even unused labour that has not been dismissed. As factory production is approximately R3 500 million, it means that the manufacturing industry could produce additional goods representing 27 per cent thereof, or R900 million, without new investment, and certainly at lower

uit die *Survey of Contemporary Economic Conditions and Prospects for 1973*, uitgegee deur die Buro vir Ekonomiese Navorsing van die Universiteit van Stellenbosch:

"We expect a fairly drastic increase of approximately 14½ per cent in employees' remuneration in 1973 particularly in view of our assumption that adjustments in the remuneration for labour will be made in the public sector."

Na bespreking van sterk inflasionêre faktore, waaronder loonsverhoginge oor 'n wye front, gaan die Oorsig niemin voort:

"It is encouraging that the composition of the GDP is busy changing in favour of a greater relative importance of the gross trading surplus which consists mainly of profits. If this trend continues, it will mean that profits and profit expectations, the primary determinants of investment, are improving to such an extent that, at least as far as these factors are concerned, the climate for an investment upswing will become more favourable."

Die trant van die Oorsig is dat hierdie gunstige verwagtinge nie deur loonsverhoging verydel sal word nie. Intendeel, loonsverhoging is deel van die algemene patroon wat beoordeel word. Die sekerheid waarmee 'n verhoging tegemoet gesien word, blyk uit hierdie passasie in 'n hoofstuk oor bestedingspatrone:

"What is more, urgent representations have been made to the South African Railways and Harbours Administration for wages and salaries to be increased, and it seems reasonable to expect an upward adjustment of railway tariffs in 1973. In addition, the expected higher rate of economic activity will result in an increase in the physical volume of passenger and goods traffic, with the result that the total expenditure in this regard will show a further large increase in 1973."

Hierdie verwagte ontwikkeling word hoegenaamd nie met verontrusting benader nie.

21. Ons het prof. dr. F. van den Bogaerde, professor in ekonomie aan die Universiteit van Suid-Afrika, uitgenooi om sy beskouing te gee oor die verwagte uitwerking op die algemene ekonomie. Sy standpunt kan soos volg saamgevat word:

Daar sal geen ernstige terugslag vir die ekonomie wees nie en dit is selfs waarskynlik dat die verhoging 'n gunstige stimulerende invloed sal hê. Die groeipotensiaal van die Suid-Afrikaanse ekonomie is nog geensins ten volle benut nie. Daar het weens die besonder lae groeikoers van 1971 'n onbenutte produksievermoë of surplus-kapasiteit in verskillende sektore van die ekonomie ontstaan. Daar was bv. hoë investering in geboue, waarvan gedeeltes leeg staan. Daar is groeivermoë sonder dat bykomende investering nodig sal wees, miskien selfs vir 'n hele jaar. Daar bestaan 'n dergelike toestand in die duursame en semi-duursame sekondêre sektor. Wanneer jy te doen het met vraag-inflasie (demand pull) is 'n tariefverhoging selfs goed. Ongelukkig het ons nou 'n koste-inflasie (cost push) maar ook wat dit betref is daar gunstige aspekte van 'n inspuiting van 'n addisionele R100 000 000 in die ekonomie.

22. Hy stem saam met die volgende beskouing van mnr. A. T. Moolman, hoof-tarieweamptenaar van die Administrasie:

Volgens die Stellenbosse Buro vir Ekonomiese Onderzoek het 'n opname wat in Oktober gedoen is, getoon dat fabrieksproduksie globaal verhoog kan word met 27 persent voordat bykomende investering nodig is. Daar is onbenutte kapasiteit van 20 tot 22 persent van die optimum, en daar is selfs onbenutte arbeid wat nie ontslaan is nie. Aangesien fabrieksproduksie ongeveer R3 500-miljoen is, beteken dit dat die fabriekswese 27 persent daarvan, of R900-miljoen, se goedere addisioneel kan produseer sonder nuwe investering, en wel teen laer koste

cost than today because their unit costs will be lower. On the other hand, the wage and salary increase will not create an additional demand of only R100 000 000, because it will be multiplied by the amount of bank credit that will become available by that means. In that way the demand is stimulated. The manufacturers who have an over capacity will want to use it and will prefer to be competitive rather than to push up prices above the purchasing power. There is, therefore, reason to expect that because of the over capacity the increased tariffs will not cause a marked price increase. The increase must, however, not exceed the over capacity.

Professor Van den Bogaerde is of the opinion that there is unused capacity not only in the secondary industry but also in the services industry. This makes the picture even more favourable.

Professor Dr D. J. J. Botha, Professor in Economics at the University of the Witwatersrand, agreed with Mr Moolman's theory.

23. Professor Botha's general view can be interpreted as follows: An increase is unavoidable and even indisputable. The result will be an increase in tariffs and costs. We raise the economy to a higher monetary plateau with higher prices, higher incomes and, possibly, unchanged real positions. As Dennis Robertson, the prominent economist from Cambridge, said: If everybody at the horse races stood on fruit boxes, nobody would see better.

24. By way of interest, we quote the following verbatim passages from his evidence:

Justice Hiemstra: I understand you to say that this injection of another R100 million or more must be accepted and there is no reason to be alarmed at the effect.

Professor Botha: I would not add the latter part of your sentence, Mr Chairman. We should be alarmed, but there is nothing we can do about it, because we devalued our Rand in 1971, and the position was aggravated by a further 5 per cent devaluation more recently. We should have stood fast, and we should have defended the Rand more steadfastly than we had done. We were alarmed by the sharp drop in our gold and foreign exchange reserves and one of the reasons given for this drop, as stated by the Minister, was that foreign capital inflow had diminished. This is exactly the kind of reaction that one can expect from the outside world when the currency of a country is in a position of an impending devaluation, because the rule is: Stay away from countries that are likely to devalue, and move your money into those that may revalue, for then you stand to gain by repatriating your money. We were in the position of an impending devaluer, and it is not surprising that our foreign capital inflow decreased to the extent that it did. If we had stuck to our guns, foreign investors might have invested more in the country at that time.

I would not say that we should not be worried about an extra R100 million injected into the economy. Our cost structure will increase (assuming that this sum is raised through an increase in tariffs) and our competitiveness on international markets may be affected. Any cost increase will have a deleterious effect on our ability to compete on international markets. A further point is the fact that the gold mining industry, our most important industry, is very sensitive to changes in the local cost structure.

Justice Hiemstra: One must bear in mind that not only will there be a substantial additional wage bill. The Railways are in the red by about R70 million and that will also have to be collected by way of tariffs. Now if one considers that the gross national product is R17 000 million and this R170 million is only 1 per cent of the gross national product, is the figure very significant? Would you comment on that?

as vandag omdat hulle eenheidskoste laer sal wees. Hierteenoor sal die loon- en salarisverhoging nie net R100 000 000 se addisionele vraag skep nie, want dit sal vermenigvuldig word met die hoeveelheid bankkrediet wat daardeur beskikbaar word. So word die vraag gestimuleer. Die fabrikante wat sit met 'n oorkapasiteit sal dit wil benut en sal verkies om mededingend te wees liewer as om pryse bo die koopkrag op te stoot. Daar is dus rede om te verwag dat vanweë die oorkapasiteit die verhoogde tariewe nie 'n opvallende prysstyging sal veroorsaak nie. Die verhoging moet egter nie by die oorkapasiteit verbystoot nie.

Prof. Van den Bogaerde meen dat daar nie alleen in die sekondêre nywerheid onbenutte kapasiteit bestaan nie, maar ook in die dienstebedrywe. Dit maak die prent selfs gunstiger.

Prof. dr. D. J. J. Botha, professor in Ekonomie aan die Universiteit van die Witwatersrand, het met mnr. Moolman se stelling saamgestem.

23. Prof. Botha se algemene beskouing kan aldus weer-gegee word: 'n Verhoging is onvermydelik en selfs onbetwisbaar. Die gevolge sal wees 'n verhoging van tariewe en 'n verhoging van koste. Ons lig die ekonomie op na 'n hoër monetêre plato met hoër pryse, hoër inkomstes en miskien onveranderde reële posisies. Soos die vooraanstaande ekonoom van Cambridge, Dennis Robertson, gesê het: As almal by die perdewedrenne op vrugtekissies staan sal niemand beter sien nie.

24. Interessantheidshalwe gee ons die volgende passasies uit sy getuienis woordelik weer:

Justice Hiemstra: I understand you to say that this injection of another R100 million or more must be accepted and there is no reason to be alarmed at the effect.

Professor Botha: I would not add the latter part of your sentence, Mr Chairman. We should be alarmed, but there is nothing we can do about it, because we devalued our Rand in 1971, and the position was aggravated by a further 5 per cent devaluation more recently. We should have stood fast, and we should have defended the Rand more steadfastly than we had done. We were alarmed by the sharp drop in our gold and foreign exchange reserves and one of the reasons given for this drop, as stated by the Minister, was that foreign capital inflow had diminished. This is exactly the kind of reaction that one can expect from the outside world when the currency of a country is in a position of an impending devaluation, because the rule is: Stay away from countries that are likely to devalue, and move your money into those that may revalue, for then you stand to gain by repatriating your money. We were in the position of an impending devaluer, and it is not surprising that our foreign capital inflow decreased to the extent that it did. If we had stuck to our guns, foreign investors might have invested more in the country at that time.

I would not say that we should not be worried about an extra R100 million injected into the economy. Our cost structure will increase (assuming that this sum is raised through an increase in tariffs) and our competitiveness on international markets may be affected. Any cost increase will have a deleterious effect on our ability to compete on international markets. A further point is the fact that the gold mining industry, our most important industry, is very sensitive to changes in the local cost structure.

Justice Hiemstra: One must bear in mind that not only will there be a substantial additional wage bill. The Railways are in the red by about R70 million and that will also have to be collected by way of tariffs. Now if one considers that the gross national product is R17 000 million and this R170 million is only 1 per cent of the gross national product, is the figure very significant? Would you comment on that?

Professor Botha: Mr Chairman, yes. That is not a large figure, but this is not the question. If we were to consider the effect on the economy as a whole, we must go further and speculate on the possible effects of an initial increase at this stage. But to answer your question more specifically, no apparently not. I obtained some figures from the Railways Administration on the effect of a 15 per cent increase on the various industries in the country. For agriculture, forestry and fishing, the increase would amount to less than 5 per cent (costwise that is), for mining and quarrying 2,3 per cent, industry 1,8 per cent, construction 1,4 per cent, transport 1,1 per cent. So the initial effect may be assumed to be low, because R100 million is not a large sum of money for the economy, but the real question is what will be the secondary effects of this increase? It will have a ripple effect in other sectors.

We seem to be entering a new wage-price spiral to which there is really no end; it is a process that continues. We must not see it as a static situation; it is a continuing situation. There is always competition between wages and prices. This goes on year after year and the tendency has always been, through history, for prices to increase, on a long-term basis."

25. After further questioning on the placing of an additional R100 000 000 in the hands of the Railway staff, Professor Botha added:

"It will be a good thing to stimulate demand. I do not know how large the effect will be, but it will be there nevertheless. I think one can say that the advantages will outweigh the adverse effects because if one reads the financial press one gets the impression that not only Cabinet Ministers but also leaders of industry are trying their level best to talk the economy back into an optimistic mood and this may perhaps be a more tangible kind of fact for full optimism."

26. In the light of the foregoing considerations we found that the economy could absorb the increase of 15 per cent without serious disruption. Our recommendation will affect only the group of workers before us. Whether it must be extended to others is a matter which rests in the discretion of the Administration. That increases will not be confined to the Railways appears to be certain, and to us the full development cannot be foreseen. But when borne in mind that the total G.D.P. for 1973 is estimated at more than R17 000 million, an injection of R100 million is not inabsorbable, even should it create a chain reaction.

27. The Staff Association pleaded strongly not only for the cost of living to be caught up with but also for an additional 2½ per cent per annum for a "rise in the standard of living". That the standard of living of the whole population should continually rise, speaks for itself. But it goes hand in hand with the general economic growth rate, viz. the increase in total production. As an industry yields greater profits, so should the staff share therein. However, we are concerned not only with an industry that is yielding insufficient income but also with a general growth rate in the country that is unsatisfactory. There was a growth of 3,6 per cent in 1971, and for 1972 it will reach an estimated 4,1 per cent, but in view of the increase in population, the growth *per capita* was minimal. Whilst the worker can rightly expect a permanent rise in his standard of living, it is, in the present circumstances, obviously not practicable. It will have to wait for a general increase in wealth *per capita*. We cannot, at this stage, go higher than 15 per cent. That will place the worker on a footing equal to that of May-June 1970.

Professor Botha: Mr Chairman, yes. That is not a large figure, but this is not the question. If we were to consider the effect on the economy as a whole, we must go further and speculate on the possible effects of an initial increase at this stage. But to answer your question more specifically, no apparently not. I obtained some figures from the Railways Administration on the effect of a 15 per cent increase on the various industries in the country. For agriculture, forestry and fishing, the increase would amount to less than 5 per cent (cost-wise that is), for mining and quarrying 2,3 per cent, industry 1,8 per cent, construction 1,4 per cent, transport 1,1 per cent. So the initial effect may be assumed to be low, because R100 million is not a large sum of money for the economy, but the real question is what will be the secondary effects of this increase? It will have a ripple effect in other sectors.

We seem to be entering a new wage-price spiral to which there is really no end; it is a process that continues. We must not see it as a static situation; it is a continuing situation. There is always competition between wages and prices. This goes on year after year and the tendency has always been, through history, for prices to increase, on a long-term basis."

25. Na verdere ondervraging oor die plasing van 'n bykomende R100 000 000 in die hande van die Spoorwegpersoneel het prof. Botha bygevoeg:

"It will be a good thing to stimulate demand. I do not know how large the effect will be, but it will be there nevertheless. I think one can say that the advantages will outweigh the adverse effects because if one reads the financial press one gets the impression that not only Cabinet Ministers but also leaders of industry are trying their level best to talk the economy back into an optimistic mood and this may perhaps be a more tangible kind of fact for full optimism."

26. In die lig van die voorgaande oorweginge het ons bevind dat die ekonomie wel die verhoging van 15 persent kan absorbeer sonder ernstige ontwrigting. Ons aanbeveling sal net die groep werkers raak wat voor ons is. Of dit na andere uitgebrei moet word berus by die goeddunke van die Administrasie. Dat verhoginge nie by die Spoorweë sal bly nie, skyn seker te wees en die totale prent is vir ons onafisienbaar. Maar wanneer in gedagte gehou word dat die totale BBP vir 1973 op meer as R17 000-miljoen geskat word, is 'n inspuiting van R100-miljoen, selfs al skep dit 'n kettingreaksie, nie onverwerkbaar nie.

27. Die Personeelvereniging het sterk gepleit dat nie alleen die lewensduurte ingehaal moet word deur 'n verhoging nie, maar dat daar 'n bykomende 2½ persent per jaar moet wees vir "verhoging van die lewenstandaard". Dat die lewenstandaard van die hele bevolking voortdurend behoort te styg spreek vanself. Maar dit hang saam met die algemene ekonomiese groeikoers, d.w.s. die toename in totale produksie. Namate 'n bedryf groter winste afwerp behoort ook die personeel daarin te deel. Ons het egter nie alleen te doen met 'n bedryf wat onvoldoende inkomste lewer nie maar ook met 'n algemene groeikoers in die land wat onbevredigend is. Daar was wel 'n groei van 3,6 persent in 1971 en vir 1972 sal dit na skatting 4,1 persent wees, maar met die oog op die bevolkingstoename was daar slegs minimale groei *per capita*. Hoewel die werker tereg 'n standhoudende verhoging van sy lewenstandaard kan verwag, is dit klaarblyklik in die huidige omstandighede nie doenlik nie. Dit sal moet wag vir 'n algemene toename in rykdom *per capita*. Ons kan op hierdie stadium nie hoër gaan as 15 persent nie. Dit sal die werker op dieselfde voet plaas waar hy in Mei-Junie 1970 verkeer het.

28. The question arose whether the required R170 million should be found wholly or partially by means of taxation or only by way of higher tariffs. An increase in tariffs has the disadvantage that it allows the price of an article to escalate in the hands of each middleman until it reaches the consumer. The petitioners pleaded strongly for the interest burden which had to be carried by the Railways in respect of capital provided by the State to be written off, even were it for only one year, so as to spread the additional expenditure evenly over the population. The amount is R150 000 000 and it will, for one year at least, eliminate the increase in tariffs. The Commission is not called upon to express an opinion in regard to the matter, which is one of high policy.

29. We refer to the addenda submitted by two members of the Commission, Messrs Rutherford and Purvis.

30. The Commission expresses its thanks to all the representatives of the two parties, to the two expert witnesses and to Mr M. Viljoen for his excellent services as Secretary.

31. The Commission's recommendation in terms of section 28 of the Railways and Harbours Service Act, No. 22 of 1960, is:

That the wages of Railway servants Group D be increased by 15 per cent. Should tariffs also be increased for this purpose, it must be done as early as possible, and the wage increase will come into effect on the first pay-day after such tariff increase.

V. G. HIEMSTRA, Chairman.

W. E. PURVIS, Member.

T. C. RUTHERFORD, Member.

Johannesburg, 24 November 1972.

Addendum A

ADDITIONAL COMMENT ON THE REPORT OF THE COMMISSION SUBMITTED BY MR RUTHERFORD, MEMBER OF THE COMMISSION

Owing to the financial circumstances in which the South African Railways and Harbours finds itself at present, I agree with the final recommendations but disagree with the Report to the extent indicated:

1. Arising from paragraph 27 of the Report, I recommend that as soon as the financial position will permit, the submission of the Administration, as quoted, be given practical effect:

"The Administration does not contest the long term endeavour, not only to keep the real wages constant but to increase real wages to allow for an increase in the standard of living. The motive for this long term aid should, however, not be to raise the standard of living as such but to compensate the staff for greater productivity. The rise in the standard of living is, therefore, not the sole object but follows only if the staff are compensated for greater productivity".

This implies that the proper level of real wages must first be determined by utilising the consumer price index (115,8) on which the recommendation of the Commission is based, and that the Administration's calculation of a 5,3 per cent increase in productivity from May 1970, to September 1972, must be taken into account.

2. Arising from paragraph 28 of the Report, the following is a further quote from the submission of the Administration:

"The most important factors which have given rise to the unsatisfactory financial position of the Railways, are the effect on expenditure of an environment of continually increasing prices and the relatively high level of capital expenditure concomitant with the need to provide the economy with the necessary infrastructure".

28. Die vraag het ontstaan of die benodigde R170-miljoen geheel of gedeeltelik by wyse van belasting gevind moet word of net deur verhoogde tariewe. 'n Verhoging van tariewe het die nadeel dat dit die prys van 'n artikel laat eskaleer in die hande van elke tussenganger totdat dit die verbruiker bereik. Die petisionarisse het sterk gepleit dat die rentelas wat die Spoorweë moet dra ten opsigte van kapitaal wat deur die Staat verskaf is, afgeskryf moet word, al is dit net vir een jaar, ten einde die addisionele uitgawe gelykmatig oor die bevolking te versprei. Die bedrag is R150 000 000 en sal vir een jaar altans die verhoging van tariewe uitskakel. Die Kommissie is nie geroepe om oor hierdie aangeleentheid, wat 'n saak van hoë beleid is, 'n mening uit te spreek nie.

29. Ons verwys na die Addenda deur twee lede van die Kommissie, mnre. Rutherford en Purvis.

30. Die Kommissie betuig dank aan al die verteenwoordigers van die twee partye, aan die twee deskundige getuies en aan mnre. M. Viljoen vir sy uitmuntende dienste as Sekretaris.

31. Die Kommissie se aanbeveling ingevolge artikel 28 van die Spoorweë en Hawens Dienswet, No. 22 van 1960, is:

Dat die lone van Spoorwegdienare Groep D met 15 persent verhoog word. Indien tariewe met die oog daarop ook verhoog word moet dit so gou moontlik geskied en die loonsverhoging tree in werking op die eerste betaaldag na sodanige tariefverhoging.

V. G. HIEMSTRA, Voorsitter.

W. E. PURVIS, Lid.

T. C. RUTHERFORD, Lid.

Johannesburg, 24 November 1972.

Addendum A

BYKOMENDE KOMMENTAAR OP DIE VERSLAG VAN DIE KOMMISSIE VOORGELÉ DEUR MNR. RUTHERFORD, LID VAN DIE KOMMISSIE

Weens die finansiële omstandighede waarin die Suid-Afrikaanse Spoorweë en Hawens hom tans bevind, stem ek saam met die finale aanbevelings maar verskil van die Verslag in die mate aangedui hieronder:

1. Voortspruitend uit paragraaf 27 van die Verslag beveel ek aan dat sodra die finansiële stand dit toelaat, uitvoering gegee word aan die betoog van die Administrasie, soos aangehaal:

"The Administration does not contest the long term endeavour, not only to keep the real wages constant but to increase real wages to allow for an increase in the standard of living. The motive for this long term aid should, however, not be to raise the standard of living as such but to compensate the staff for greater productivity. The rise in the standard of living is, therefore, not the sole object but follows only if the staff are compensated for greater productivity".

Dit impliseer dat die werklike peil van reële lone eers bepaal moet word deur gebruik van die verbruikersprysindeks (115,8) waarop die aanbeveling van die Kommissie gegrond is en dat die Administrasie se berekening van 'n produktiwiteitstoename van 5,3 persent vanaf Mei 1970 tot September 1972 in ag geneem moet word.

2. Voortspruitend uit paragraaf 28 van die Verslag is die volgende nog 'n aanhaling uit die betoog van die Administrasie:

"The most important factors which have given rise to the unsatisfactory financial position of the Railways, are the effect on expenditure of an environment of continually increasing prices and the relatively high level of capital expenditure concomitant with the need to provide the economy with the necessary infrastructure".

This submission by the Administration indicates that the Railway should not be responsible for the specific cost of rendering this essential service to the economy as a whole. The burden should be shared by the taxpayers in the form of a reimbursement by the Treasury to the Railways of the actual cost involved. The burden would then be shared on a basis *pro rata* to the financial benefit they reap from this service. On the contrary, an increase in Railway rates will result in all consumers, whether on an affluent, economic or sub-economic standard, having to share the actual cost, not only of the tariff increases but also the enhanced profits which will accrue therefrom to private enterprise in accordance with accepted business practice. For that reason any increase in tariffs should be kept as low as possible.

T. C. RUTHERFORD.

Addendum B

ADDENDUM BY MR W. E. PURVIS

Bearing in mind the deficits sustained in the operation of the Administration services during 1970/71 and 1971/72, when deficits of R10 990 358 and R43 439 050 respectively, were sustained, together with the even more serious financial working results of the current financial year i.e. 1 April to 30 September, reflecting a deficit for the six months of 1972/73 of R29 183 070, various submissions were made to the Commission as to the factors which have contributed to or have been responsible for the development of this situation.

At the outset it seems useful to set in perspective some salient features of the financial position of the South African Railways at the present time.

When the Hon. Minister of Transport presented his Budget Speech to Parliament on 8 March 1972, he forecast a revised figure of the deficit anticipated for 1971/72 (originally estimated at R6 307 000) of R38 961 000. In the event the final figure was R43 439 050.

The estimates presented for 1972/73 reflected an anticipated deficit after net revenue appropriation of R38 989 000.

It is of interest to note that this estimated deficit was determined on the following basis:

<i>Main service</i>	<i>Surplus (+) Deficit (-)</i>
	<i>R, 000's</i>
Railways (including subsidiary services).....	-74,204
Harbours.....	+21,135
Airways.....	- 4,341
Pipelines.....	+45,579
Gross deficit.....	11,831
Expenditure on Net Appropriation Revenue Account	27,158
Net deficit.....	38,989

At the time the Minister also announced that in formulating these Estimates, the Renewals Fund Contributions in respect of Pipelines "which is a relatively new asset" was being suspended for the year 1972/73 and the contribution to the Permanent Way Section of the same Fund "which is sound", was being rebated by 50 per cent. In other words the following amounts would not be brought to charge in 1972/73:

<i>Rebated contribution to Renewal Fund</i>	<i>R, 000's</i>
Pipelines.....	2,708*
Permanent Way and Works Section.....	14,235
Total.....	R 16,943

*This is the full amount charged in 1971/72 but Capital and Betterment expenditure was incurred on Pipelines during that financial year in the amount of R4 510 560,

Die betoog van die Administrasie dui daarop dat die Spoorweë nie verantwoordelik behoort te wees vir die spesifieke koste om hierdie noodsaaklike diens aan die volkshuishouding in sy geheel te lewer nie. Die las moet ook deur die belastingbetalers gedra word by wyse van 'n terugbetaling deur die Tesourie aan die Spoorweë van die werklike koste wat aangegaan is. Die las sou dan gesamentlik gedra word op 'n grondslag wat in verhouding staan tot die finansiële voordeel uit hierdie diens. Daarenteen sal 'n verhoging in spoorwegtariewe tot gevolg hê dat alle verbruikers hetsy op 'n oorvloedige of sub-economiese standaard die werklike koste gesamentlik sal moet dra, en dit geld sowel die tariefverhogings as die verhoogde winste wat private ondernemings sal toeval ooreenkomstig aanvaarde sakegebruike. Om dié rede moet alle tariefverhogings so laag moontlik gehou word.

T. C. RUTHERFORD.

Addendum B

ADDENDUM DEUR MNR. W. E. PURVIS

Gedagtig aan die verliese wat in die eksploitasie van die Administrasie se dienste gedurende 1970/71 en 1971/72 gely is, toe die tekorte onderskeidelik R10 990 358 en R43 439 050 bedra het, tesame met die selfs ernstiger finansiële bedryfsresultate van die huidige boekjaar, d.w.s. 1 April tot 30 September, wat 'n tekort van R29 183 070 aantoon vir die ses maande van 1972/73, is verskeie betoë aan die Kommissie voorgelê oor die faktore wat bygedra het tot of verantwoordelik was vir die ontwikkeling van hierdie situasie.

Ter aanvang is dit klaarblyklik van nut om sekere uitstaande aspekte van die huidige finansiële stand van die Suid-Afrikaanse Spoorweë in perspektief te stel.

Toe Sy Edele die Minister van Vervoer sy begrotingsrede op 8 Maart 1972 in die Volksraad gelewer het, het hy die hersiene bedrag van die verwagte tekort vir 1971/72 as R38 961 000 in die voortsig gestel. (Die oorspronklike raming was R6 307 000.) Die finale bedrag het uiteindelik R43 439 050 beloop.

Die begroting wat vir 1972/73 voorgelê is dui 'n verwagte tekort van R38 989 000 aan nadat aanwending uit die netto inkomste gemaak is.

Dit is van belang om daarop te let dat hierdie geraamde tekort op die volgende grondslag bereken is:

<i>Hoofdiens</i>	<i>Surplus (+) Tekort (-)</i>
	<i>R, 000's</i>
Spoorweë (insluitende aanvullende dienste).....	-74,204
Hawens.....	+21,135
Lugdiens.....	- 4,341
Pypleidings.....	+45,579
Bruto tekort.....	11,831
Uitgawe aan Aanwendingsrekening van Netto Inkomste	27,158
Netto tekort.....	38,989

Terselfdertyd het die Minister aangekondig dat by die formulering van hierdie begroting die Vernuwingsfondsbydraes ten opsigte van pypleidings "wat 'n betreklik nuwe bate is", opgeskort is vir die jaar 1972/73 en dat die bydrae tot die Spoorbaanafdeling van dieselfde fonds, "wat gesond is", met 50 persent verminder is. Met ander woorde, die volgende bedrae sal nie in 1972/73 in rekening gebring word nie:

<i>Verminderde bydrae tot Vernuwingsfonds</i>	<i>R, 000's</i>
Pypleidings.....	2,708*
Afdelings Spoorbaan en Werke.....	14,235
Totaal.....	16,943

*Dit is die totale bedrag wat in 1971/72 gehê is, maar kapitaal- en verbeteringsuitgawe van R4 510 560 is gedurende dié boekjaar vir pypleidings aangegaan sodat,

so that, in round figures, a total of R17 million was not brought to account by way of depreciation charges as would normally be the case.

In addition to this it is noted that although in the Estimates of Expenditure on Capital and Betterment Works an estimated R29,5 million is reflected as being financed from the Betterment Fund, the Net Revenue Appropriation in 1972/73 for this Fund (which is fed from Revenue sources) is only R20 million i.e. R9,5 million less than is expected to be spent during the financial year.

As at 31 March 1972, there was a small balance in the Betterment Fund viz. R7 474 509 but not only does this fall short of the last mentioned figure but, apart from the normal practice of a balance being carried forward to the subsequent financial year, the Commission has been informed that expenditure to be defrayed from the Fund will be greater than originally estimated.

In other words the deficit for the year 1972/73 is likely to be over R60 million. Of this, a deficit of R29 183 070 has already been recorded for the first six months of the year and it may be noted that the deficit for September 1972, of R6 474 577 is the largest sustained in any individual month of the financial year so far.

As at 1 April 1970, surpluses earned in preceding financial years had been such as to enable a credit balance of R91 838 359 to be accumulated in the Rates Equalisation Fund.

This Fund was established at the time of Union and is now provided for by the terms of section 104 of the Republic of South Africa Constitution Act, 1961 (Act 32 of 1961), which reads as follows:

Establishment of fund for maintaining uniformity of Railway rates.—Notwithstanding anything to the contrary contained in section 103, the Board may establish a fund out of railway and harbour revenue to be used for maintaining, as far as may be, uniformity of rates notwithstanding fluctuations in traffic.

As a consequence of the deficits of 1970/71 and 1971/72 the resources of the Fund have been substantially reduced, viz. to a figure of R37 408 951. It is palpably clear that this credit balance is threatened with obliteration by the end of March next in view of the accumulating deficit.

In the submissions tendered to the Commission and in the discussions between the parties precedent to the appointment of the Commission, there were suggestions that the Administration should be relieved of liability for certain charges at the cost of the general taxpayer.

These suggestions referred to capital expenditure and related fixed charges, particularly interest payments to Treasury, as well as uneconomic tariffs and the possibility of the Administration being reimbursed for direct and/or other costs where the tariffs do not yield sufficient revenue to cover such costs. Reference was also made to the recommendations of the Committee on Railway Rating Policy and Industrial Location in South Africa (The Schumann Committee, 1964) especially as regards uneconomic tariffs where the revenue received amounted to less than direct costs, in addition to those where total costs were not being recovered. It was noted that these items represented about 70 per cent of the goods traffic conveyed.

I agree with my Colleagues on the Commission that such matters are beyond the scope of its investigations. My opinion is, however, that these matters should form the subject of further serious and comprehensive investigation jointly by the Administration and Treasury. Such investigations should have regard to the changes in the environment in which the Administration's services are conducted since the original charter of South African Railways was first prescribed by the Act of Union.

in 'n ronde som uitgedruk, 'n totaal van R17-miljoen nie by wyse van waardeverminderingkoste in rekening gebring is nie, soos normaalweg die geval sou gewees het.

Daarbenewens is bemerk dat alhoewel daar in die Begroting van Uitgawe aan Kapitaal- en Verbeteringswerke aangedui is dat 'n geraamde bedrag van R29,5-miljoen gefinansier word uit die Verbeteringsfonds, die Netto Inkomsteaanwending in 1972/73 vir hierdie fonds (wat gevoed word uit inkomstebronne), net R20-miljoen bedra, d.w.s. R9,5-miljoen minder is as wat na verwagting gedurende die boekjaar bestee sal word.

Op 31 Maart 1972 was daar 'n klein saldo in die Verbeteringsfonds, nl. R7 474 509, maar hierdie bedrag is nie alleen minder as die laasgenoemde bedrag nie maar, afgesien van die normale gebruik om 'n saldo na die volgende boekjaar oor te dra, is die Kommissie meegedeel dat die uitgawe wat uit die Fonds bestry moet word, groter sal wees as wat oorspronklik geraam is.

Met ander woorde, die tekort vir die jaar 1972/73 sal waarskynlik meer as R60 000 000 wees. Hiervan is 'n tekort van R29 183 070 reeds aangeteken vir die eerste ses maande van die jaar, en daar kan opgemerk word dat 'n tekort van R6 474 577 vir September 1972 die grootste is wat tot dusver in enige afsonderlike maand van die boekjaar opgedoen is.

Op 1 April 1970 het die surplusse van vorige boekjare tot gevolg gehad dat 'n kredietsaldo van R91 838 359 in die Tariewereserwefonds opgebou kon word.

Hierdie Fonds is met die totstandkoming van die Unie gestig en tans word daarvoor voorsiening gemaak kragtens artikel 104 van die Grondwet van die Republiek van Suid-Afrika, 1961 (Wet 32 van 1961), wat soos volg lui:

Instelling van fonds ter handhawing van eenvormige spoorwegtariewe.—Ondanks andersluidende bepalings in artikel 103, kan die Raad uit spoorweg- en hawe-inkomste 'n fonds instel om niesteenstaande skommeling in die verkeer sover moontlik eenvormige tariewe te handhaaf.

As gevolg van die tekorte in 1970/71 en 1971/72 is die Fonds aansienlik verminder naamlik na R37 408 951. Dit is klaarblyklik dat hierdie kredietsaldo bedreig word met uitwissing teen Maart aanstaande jaar as gevolg van die toenemende tekort.

In die betoë wat aan die Kommissie voorgelê is en in die besprekings tussen die partye wat die aanstelling van die Kommissie voorafgegaan het, was daar aanbevelings dat die Administrasie onthef behoort te word van aanspreeklikheid vir bepaalde koste, wat deur die algemene belastingbetaler gedra behoort te word.

Hierdie aanbeveling verwys na kapitaaluitgawe en die betrokke vaste koste, veral rentebetalinge aan die Tesourie, asook onekonomiese tariewe en die moontlikheid daarvan dat die Administrasie vergoed word vir regstreekse en/of ander koste waar die inkomste uit die tariewe nie genoeg is om sodanige koste te dek nie. Daar is ook verwys na die aanbevelings van die Komitee insake Spoorwegtariefbeleid en Nywerheidsvestiging in Suid-Afrika (Die Schumann-komitee, 1964) veral ten opsigte van onekonomiese tariewe waar die inkomste minder was as die regstreekse koste, asook dié waar die totale koste nie verhaal is nie. Daar is opgemerk dat hierdie items ongeveer 70 persent van die goederenverkeer verteenwoordig het.

Ek stem saam met my kollegas in die Kommissie dat sodanige sake buite die bestek van sy ondersoek val. Ek is egter van mening dat hierdie aangeleenthede gesamentlik deur die Administrasie en die Tesourie verder ernstig en omvattend ondersoek moet word. Sodanige ondersoek moet betrekking hê op die veranderinge in die omgewing waarin die Administrasie se dienste gelewer word sedert die oorspronklike oktrooi van die Suid-Afrikaanse Spoorweë vir die eerste keer by die Uniewet bepaal is. Wetgewing

Legislation may be required to enable any changes that may then be decided upon to be put into effect and this obviously entails the passage of time.

In addition to the Commission's recommendation of an award of 15 per cent increase in pay it is essential also that the Administration be put in a position by means of a tariff increase also to help counter the shortfall of revenue and commence restoring the balances, particularly, of the Rates Equalisation Fund, Betterment Fund and General Renewals Fund.

We have been informed by the Administration's officials that a further 10 per cent increase on tariffs, making a total increase of 25 per cent would enable this to be achieved, provided that the expected revival of the national economy is, in fact, realised.

It is, therefore, my considered opinion that a tariff increase of 25 per cent be effected on the basis of selective increases on various tariffs which the Administration is in the best position to determine. I consider, further, that the tariff increase should be brought into operation as from 1 January 1973 and that the increase in pay of the staff should have effect as from the January, 1973, paymonth.

In view of evidence obtained during the Commission's deliberations I am concerned that, consequent upon the working deficits sustained during 1970/71 and 1971/72 (and, particularly over the first six months of the 1972/73 financial year) there has been a drain on the Administration's cash resources of very substantial proportions.

Ordinarily a deficit is financed by utilising the balances of funds not placed on investment, known as working balances as explained in the next paragraph.

The Administration is required by section 5 of Act 2 of 1969 to place all Railways and Harbour Fund moneys as well as other moneys pertaining to Superannuation, Pension Fund or of the nature of trust moneys on investment with the Public Debt Commission, subject, however, to the retention of reasonable working balances of which a portion may be invested with the National Finance Corporation or an approved financial institution outside the Republic in terms of section 52 of the Exchequer and Audit Act, 1952.

It should be noted though that in the case of the Sinking Fund the balances of the two accounts i.e. the Redemption Account and the Reserve Account are invested separately in terms of the relevant legislation.

When a loss is sustained in the year's working this affects the amount *pro tanto* that can be placed or left on investment. This amount, coupled with the amount of cash on hand or at bankers (i.e. a cash float) can be regarded to all intents and purposes as the Administration's "cash" position.

The Administration has been compelled to realise, at a loss of some magnitude, substantial amounts of securities held in its investment portfolio. In this regard it may be noted that, ignoring investments representing balances in the Sinking Fund Accounts—which relate to capital resources—the Administration's investments which stood at R896 777 000 as at 31 March 1970, had declined to a figure of R787 618 000 by 30 September 1972. A further R32 million of investments is at present in the course of being converted to meet cash requirements, one item of which is the Holiday Bonus payment made at this time of the year.

The investment figure of R787 618 000 as at 30 September 1972, includes an amount of R632 442 000 in respect of Superannuation and other moneys not falling within the category of Railway and Harbour Fund moneys. There is thus a pronounced urgency for the Railway Administration to be placed in a position to supplement its cash receipts without delay.

mag nodig wees om veranderings waartoe daar dan besluit mag word, ten uitvoer te bring, en dit neem klaarblyklik tyd in beslag.

Benewens die Kommissie se aanbeveling van 'n loonsverhoging van 15 persent is dit noodsaaklik dat die Administrasie deur middel van 'n tariefverhoging in staat gestel word om die tekort aan inkomste te help teenwerk en om die saldo te begin herstel, veral dié van die Tariewereserwefonds, Verbeteringsfonds en Algemene Hernuwingsfonds.

Ons is deur die Administrasie se amptenare meegedeel dat met 'n verdere tariefverhoging van 10 persent wat die totale verhoging op 25 persent te staan sou bring, hierdie doel bereik sal kan word mits die verwagte oplewing in die volkshuishouding verwesenlik word.

Dit is derhalwe my oorwoë mening dat die tariewe met 25 persent verhoog word op die grondslag van selektiewe verhogings van verskeie tariewe wat die Administrasie die beste kan bepaal. Ek is ook van mening dat die tariefverhoging op 1 Januarie 1973 in werking behoort te tree en dat die loonsverhoging van die personeel geld vanaf die betaalmaand Januarie 1973.

Met die oog op die getuienis wat gelewer is gedurende die Administrasie se beraadslagings is ek besorg oor die feit dat daar, na die bedryfsverliese gedurende 1970/71 en 1971/72 en veral gedurende die eerste ses maande van die boekjaar 1972/73, aansienlike eise aan die Administrasie se kontantbronne gestel is.

Gewoonlik word 'n tekort gefinansier deur die gebruik van die saldo's van fondse wat nie belê is nie, wat bekend staan as bedryfsaldo's soos verduidelik in die volgende paragraaf.

Ingevolge artikel 5 van Wet 2 van 1969 moet die Administrasie alle Spoorweg- en Hawefondse asook alle ander gelde wat betrekking het op die Superannuasiefonds, Pensioenfonds of trustgelde belê by die Staatskuldkommissie, onderworpe daaraan egter dat redelike bedryfsaldo's teruggehou word waarvan 'n gedeelte belê mag word by die Nasionale Finansiële korporasie of 'n goedgekeurde finansiële instelling buite die Republiek kragtens artikel 52 van die Skatkis- en Ouditwet, 1952.

Daar moet egter gelet word daarop dat in die geval van die Delgingsfonds, die saldo's van die twee rekenings, d.w.s. die Delgingsrekening en die Reserwerekening, afsonderlik belê word soos bepaal in die betrokke wette.

Wanneer die jaar se bedryf 'n verlies toon raak dit die bedrag *pro tanto* wat op belegging geplaas of gelaat kan word. Hierdie bedrag tesame met die hoeveelheid kontant voorhande of by bankiers (d.w.s. die kaskontant) kan vir alle doeleindes beskou word as die stand van die Administrasie se "kontant".

Die Administrasie was verplig om groot bedrae aan sekuriteite wat in sy beleggingsportefeulje gehou word, teen 'n aansienlike verlies te realiseer. In dié verband kan daar gemeld word dat as beleggings wat saldo's in die Delgingsfondsenrekenings verteenwoordig—wat betrekking het op kapitaalbronne—buite rekening gelaat word, die Administrasie se beleggings verminder het van R896 777 000 op 31 Maart 1970 na R787 618 000 op 30 September 1972. Nog beleggings ten bedrae van R32 000 000 word tans omgeskep om te voldoen aan die vraag na kontant, waarvan een item die vakansiebonus is wat gedurende hierdie tyd van die jaar uitbetaal word.

Die beleggingsyfer van R787 618 000 op 30 September 1972 sluit 'n bedrag van R632 442 000 in ten opsigte van superannuasie- en ander gelde wat nie binne die kategorie van Spoorweg- en Hawefondsgelde val nie. Dit is derhalwe gebiedend dat die Spoorwegadministrasie sonder versuim in staat gestel word om sy kontantontvangste aan te vul.

In these circumstances, although the possibility of revised financial arrangements as between the Administration and Treasury (in effect between the railway-user and the general taxpayer) may be investigated, I am convinced that the situation demands the introduction of a 25 per cent tariff increase at the earliest possible date (and it takes approximately six weeks from the date of a decision to implement such a change). In my view this is not only essential but, in fact, the only available alternative at the present stage.

W. E. PURVIS.

Ofskoon ondersoek ingestel mag word na die moontlikheid van hersiene finansiële reëling tussen die Administrasie en die Tesourie (in werklikheid tussen die spoorweggebruiker en die algemene belastingbetaler) is ek in hierdie omstandighede oortuig daarvan dat die situasie sodanig is dat 'n tariefverhoging van 25 persent op die vroegste moontlike datum noodsaaklik is (ongeveer ses weke van die datum van 'n besluit om so 'n verandering ten uitvoer te bring). Na my mening is dit nie net noodsaaklik nie maar trouens ook die enigste beskikbare alternatief in die huidige stadium.

W. E. PURVIS.

CONTENTS

No.	Page
Ministry of Transport	
Government Notice	
2251. Commission of Inquiry: South African Railways ...	1

INHOUD

No.	Bladsy
Ministerie van Vervoer	
Goewermmentskennisgewing	
2251. Kommissie van Onderzoek: Suid-Afrikaanse Spoorweë ...	1