

POWER CUTS Fin.Mail 12 June

Cahora dimension '81

Power from Mozambique's Cahora Bassa dam — interrupted by sabotage since April — amounted to under 10% of SA's total usage and is not the only reason for the power shortages. Escom warned years ago that shortages would occur in view of increasing demand (averaging 8,8% a year) unmatched by new power station construction.

However, Escom's power reserves are now only 13% above demand level. This is 12% below the supply/demand ratio normally considered to be "acceptable." Reserve power well in excess of peak demand is needed because some generating sets are always out of action for maintenance or through breakdowns.

The effects of the shortage are being felt in staggered electricity cuts in parts of Johannesburg with possible adverse effects on productivity. Escom says SA does not depend on the Cahora Bassa source to a very large extent, but "one would be grateful to have that. We need relevant service agencies. Admittedly mortgage interest payments (as opposed to capital costs) generate more up-to-date assessments of the running costs of living. But the paradox occurs that while house prices soar on the strength of low mortgage rates, the housing index drops.

Furniture and vehicles are generally "consumed" over a long period of time, and often financed on the same basis as houses. Yet the latest prices of these goods are monitored quarterly, thereby overstating their true effects on the average cost of living. And so on.

It is a truism that no methods of economic measurement are foolproof, and all are hamstrung by the fact that the average is an abstraction. But when the abstraction that emerges at the end of a long statistical series is one upon which crucial decisions of monetary and fiscal policy are based, it is worth ensuring that the method of derivation avoids the more glaring imperfections.