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| **Submission by COSATU on the 2015 Medium Term Budget Policy Statement** |
| **26 October 2015** |
| Cosatu logoSubmitted to the Joint Standing Committee on FinanceParliament |

**COSATU’s response to the Medium Term Budget Policy Statement**

**The MTBPS represents a missed opportunity to resuscitate our ailing economy**

COSATU has noted the Medium Term Budget Policy Statement {MTBPS},delivered by Minister of Finance, Mr Nhlanhla Nene today in Parliament today.  Whilst, we welcome certain aspects of the MTBPS, we are deeply concerned about Treasury’s failure to abandon its discredited conservative fiscal and monetary approach.

There is nothing in the statement that showed that Treasury have its antennae on the ground to pick up the edginess of the population and the dying pulse of the country’s economy. They missed an opportunity to bring about radical policy interventions to stimulate the economy and make a dent in the persistent unemployment, deepening poverty and growing inequality.

Whilst we are sympathetic to the difficult balancing act forced upon our government by this precarious economic climate, we however do not believe that now is the time to reduce state expenditure. We agree that wasteful and unproductive expenditure must be reduced but the economy demands that we increase state expenditure and government investments in order to expand infrastructure, support vulnerable industries and create decent permanent work for all. So we welcome government’s commitment to not reduce socio-economic expenditure and to approach the possibility of any tax increases with caution.

**Sustaining Progress in a Low-Growth World**

We have seen nothing from the statement that points to government’s commitment to reducing unemployment, poverty and inequality. There is no evidence of government undertaking sufficient steps to boost weak economic sectors, reindustrialise the economy and lay the foundations for a radical economic transformation.  The interventions proposed are too few given the challenges we face.

COSATU appreciates the need for sustainable debt management and to avoid a reckless approach to deficit expenditure.  However we do not believe that the economy can afford to reduce the deficit expenditure as rapidly as planned by Treasury.  We believe there is still sufficient fiscal space within which to avoid a drastic reduction in the deficit.

COSATU appreciates government’s commitment to ensure that expenditure grows at a faster rate than inflation.  We applaud the doubling of public spending in real terms over the past decade.

We support government’s call to reduce wasteful expenditure and eradicate the scourge of corruption.  We believe that much more needs to be done in this regard.  We welcome the progress made so far and urges that errant departments and municipalities be dealt with.

Whilst, we welcome government’s commitment to explore reforms that will support a progressive and efficient tax system, this cannot include an increase in VAT or income taxes on lower and middle income workers.  We also reject any above inflation hikes in electricity and water tariffs.

We are happy with the allocation of R520 billion for infrastructure expenditure targeting roads, transport, housing, water, schools, tertiary education, health and energy.  We want to see amplified efforts in this regard.

We are satisfied about government’s commitment ,to ensure that this expenditure is linked to reforming state owned enterprises, supporting labour market stability, increasing energy supplies and supporting job creation.  However government needs to be tougher in its enforcement of these correct objectives.  Adherence to local content procurement needs to be rigorously enforced, in both the public and private sector.  Tax avoidance by the wealthy and companies needs to be dealt with.

**Economic Outlook**

The private sector needs to be confronted on its investment strike.  Government has repeatedly offered a wide variety of tax subsidies and other incentives to the private sector over the last 21 years.  Yet ,e have not seen a sufficient commitment to the development of the economy by the private sector. What we have seen is the rush to poach economic giants, that were built on the backs of the exploited South African workforce, out of the country and list them in foreign stock exchanges of London and New York.  Government needs to be tougher on the private sector to ensure that it meets its responsibilities to South Africa.

COSATU remains deeply distressed that whilst government recognises the massive unemployment crisis, we do not see anything new in the MTBPS to address this ticking time bomb.  It cannot simply be business as usual ,when one out of 3 South Africans are condemned to unemployment and we experience jobless growth year after year.

COSATU welcomes government’s engagements and support towards addressing labour market strife and towards achieving a national minimum wage at Nedlac.  However business must now come to the party and accept their responsibility to help move South Africa forward.  It cannot be workers, who must continually make all the painful sacrifices.

Businesses must pay workers a decent minimum living wage.  Temporary jobs must become permanent.  Bosses must approach wage negotiations in good faith.  The days of outsourcing by government and the private sector must come to an end and be replaced by permanent decent work.  It cannot be profit at all costs ,whilst workers live in abject poverty.

**Fiscal Policy**

COSATU welcomes government’s commitment to ensure that socio-economic expenditure grows above inflation.  We remain concerned that it is rushing too soon, too fast to reduce expenditure deficit from 4.8% to 3% in three years.

**Tax Reform**

COSATU strongly rejects government’s threatened VAT increase.  Government must not hide behind the Judge Davis Tax Commission’s recommendations in this regard.  An increase in the VAT will have a massive debilitating impact on the poor, the middle class, economic growth and job creation.  It cannot and must not happen no matter what.  There are other less damaging ways to increase revenues and reduce expenditure.

Company taxes can be increased.  Taxes on luxury goods can be provided.  A wealth tax on millionaires would be supported.

Increases in VAT, income taxes upon lower and middle income earners, electricity and water are regressive and rob the poor of their hard earned meagre wages.

COSATU awaits the proposed Carbon Tax.  This matter must be handled sensitively to avoid any loss of jobs.

**Public Service Wage Bill**

COSATU rejects out of hand Treasury’s fear mongering on the public service wage bill.  The wage bill is in line with international norms.  The public service has not grown out of size.  In fact it has decreased by 12 000 over the past year.  Treasury and government must rather focus on wiping out ghost employees.  The Premier of the North West Province stated last month, that 36 000 ghost employees had been uncovered in the North West.  This must be dealt with across all departments and provinces.

The massive wage gap within the public service must be eradicated.  The disgraceful fleecing of parastatals by CEOs and top management ,to pay themselves exorbitant salaries must be stopped by government.  These very same parastatals pay their CEOs millions and then retrench hundreds of lowly paid workers, when their finances fall short.  Government must intervene to put a decisive end to this once and for all.

**Southern African Customs Union**

Government must stop bailing out the anti-democratic Swazi monarchy.  SACU revenues must be utilised to convince the Swazi King of the need to embrace the virtues of democracy.  It is immoral to continue to prop up the Swazi King whilst he cracks down on his people for demanding a democratic government.

**Contingency Reserves**

COSATU welcomes government’s reduction in the contingency reserves to fund badly needed expenditure.  The existing reserves were too high given the challenges we face.

**Sale of State Owned Assets**

Whilst COSATU appreciated the need for government to inject badly needed capital into ESKOM, we urge government not to sell off the family silver or engage in any attempts at privatisation or the stripping of state owned assets.

**State Owned Enterprises**

**Eskom**

Whilst COSATU welcomes government’s interventions in the crisis ridden SOEs, we demand that much more needs to be done.  Managerial incompetence, corruption, outsourcing, insufficient state funding, the wage gap, labour broking in SOEs need to end.  The retrenchment of SOE workers must stop.  It’s unacceptable that the Post Office no longer pays its staff in full or on time.

Government has done well to stabilise energy supplies over the last two months.  It must redouble its efforts in this regard.  These achievements have been made on the backs of renewable energy.  More renewable energy must be pursued.  Nuclear energy must be rejected. The achievements in increased energy levels are commended.

The failure by the Department of Energy to spend R250 million on solar energy is unacceptable. This is a key growing energy source and industry.  Government must deal with this blockage.

**SANRAL**

SANRAL must be reined in.  e-Tolls have proven themselves to be an overwhelming failure.  The public has rejected them in massive numbers.  Government must cancel this shameful privatisation of public roads and commit to never privatising South Africans’ access to roads again.

SAA’s managerial problems must be addressed.  Its planned retrenchment of 800 staff must be stopped.

**Expenditure Priorities and the Division of Revenue**

Government’s efforts to eradicate corruption and ensure transparency in state procurement are strongly supported.  All departments must be made to fall into line.  Local content targets must be adhered to.

Under expenditure and rollovers by the Departments of Cooperative Governance and Traditional Affairs, Basic Education, Social Development, Correctional Services, Energy, Defence and Military Veterans, and Water Sanitation must be dealt with.  Government cannot in this climate of poverty, unemployment and low growth afford rollovers of over R10 billion.

Provincial surpluses of R6 billion whilst millions are unemployed, hungry, homeless etc, is shocking and unacceptable.  Government must intervene and provide the necessary capacity to ensure that departments’ budgets are correctly aligned and spent.  However this must not be done through fiscal dumping.  Savings through the eradication of wasteful expenditure is welcomed.

**Health and Social Development**

COSATU welcomes the increase in social grant recipients from 16.7 million to 18.1 million by 2018.  However the below inflation increases will not assist those vulnerable recipients to survive.  It equates to a cut in real terms for them.

Government must do more to reign in municipalities and Eskom ,who continue to push far above inflation increases in the electricity, waters and other service charges.

We welcome government’s promise to release the long promised NHI white paper before February 2016.  We hope that this commitment will be met this time.

COSATU applauds the massive achievements realised by government in reducing HIV/ AIDS infection rates, malnutrition and increasing life expectancy levels.  These are huge victories.

We welcome the plans to build  four {4} substance abuse centres.  But this is a drop in the ocean given the large numbers of persons addicted to drugs and alcohol.  More are needed urgently.

**Education**

COSATU is deeply worried by the massive management problems in the Department of Basic Education.  These need to be dealt with.  Mud schools need to finally come to an end.  Decent toilets must be provided for all schools and excuses are not acceptable in this regard.  Government needs to come up with a plan and programme to deal with the massive crisis of gangsters stripping schools in many townships.

Government, the universities management and private sector need to address the student fees crisis.  The students are correct to protest against the excessive fees and increases that being forced down the throats of students and their families.  Government needs to seize this moment to ensure free tertiary education is accessible for all.

**Expanded/ Community Works Programmes**

Whilst COSATU appreciates government’s efforts to create work for the long term unemployed, COSATU remains distressed that many departments and municipalities are abusing this programme as a form of cheap labour. They are replacing what should be permanent decent work with temporary cheap vulnerable labour.  We also expect to hear about the issue of skills transfer if any has happened under this programme. The EPWP/ CWP posts should be absorbed in the departments and municipalities and converted to permanent decent jobs.

It is deeply worrying that government has fallen far behind its EPWP/ CWP targets by more than half this financial year due to new reporting systems.

**Justice and Correctional Services**

The MTBPS is silent on how government will deal with the massive levels of overcrowding, crime and corruption in our prisons.  More prisons are needed urgently.

We welcome the Assets Forfeiture Unit’s success in freezing R412.5 million of suspect assets.  More must be done.

**Transport**

South Africa needs an affordable, safe, reliable and accessible public transport system.  The ad-hoc and piece meal approach so far is not sufficient.  This has resulted in costly projects such as the Gautrain which does not cover townships and E Tolls which punishes commuters and provides no alternatives.

Government investment is needed in the rail, bus and taxi industries.  The train procurement programme must be based upon local production and not imports, let alone those that do not meet local technical requirements.

**Rural Development**

Whilst COSATU appreciates government’s efforts to assist emerging farmers and advance land reform and restitution; much more must be done.  We are concerned that insufficient funds have been allocated to support these important objectives.  The backlog of land restitution cases of more than 80 000 needs to be dealt with.  At current rates, it will only be dealt with in 30 years.

**Housing and Basic Services**

The under expenditure of R400 million in housing grants is deeply concerning given the large backlog.  Failure to spend R700 million allocated for water infrastructure is shocking.  These failures need to be addressed.

The delay in ensuring that all South Africans have access to clean and safe water and toilets is distressing.  This target has been repeatedly shifted.  We are not convinced that municipalities will meet the new target of February 2017?  If so, will this include informal areas on occupied private and parastatal land?  Such land needs to be expropriated to ensure that these settlements can be upgraded into proper human settlements.

**Tourism**

The significant decrease in tourist levels in the recent quarter highlighted in the MTBPS is extremely worrying.  Tourism has created large numbers of jobs over the past 20 years.  Cabinet’s task team assessing the new migration regulations’ impact must look into this urgently and find the right balance between tourism and job creation and security and migration management.

**Home Affairs**

COSATU commends the improvements in Home Affairs’ delivery levels.  However the practises of outsourcing must end.  In house capacity must be built.

**Police Service**

The R1 million allocated towards the SAPS education trust for fallen police officers’ children is far too low.  More is needed to honour the sacrifices of our fallen heroes and their children.