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| **COSATU Submission on the 2016/ 17 Budget** |
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| Cosatu logoSubmitted to the Standing Committee on FinanceParliament |

1. **Introduction**

COSATU notes government’s 2016/17 budget. COSATU appreciates the difficult economic, fiscal and expenditure constraints and environment that faces not only government but in fact South Africa as a whole. We appreciate that heavy conflicting challenges and pressure is facing government for many different angles and that there are no easy magical solutions to these. COSATU is keen for government to succeed. The achievement of the ANC’s 2014 electoral manifesto and a better life for all our people depends upon this.

COSATU applauds government for not increasing VAT despite intense pressure from the rating agencies and various right wing commentators to do so. COSATU however does not support tax increases upon lower and middle income workers even if it is through tax bracket adjustments or “tax creeping”.

COSATU condemns the misguided attacks upon public servants for simply wanting to earn a decent living wage. Government must engage with unions through the Public Service Bargaining Council on conditions of service and not seek to intimidate them or present a fait accompli.

COSATU appreciates government’s commitment not to freeze critical public service posts vacancies, e.g. nurses, doctors, teachers and police officers. However such decisions must be arrived at through engaging unions at the PSCBC and not simply through managerial dictates. The bloated elements in the state are all too often found at the top and not at the front line delivery level.

COSATU appreciates government’s recognition that an austerity at the expense of economic stimulus and growth approach will be counterproductive and in fact have disastrous effects. However we remain concerned that in spite of this recognition, elements of austerity first have been found in certain departmental budgets.

1. **Economic Outlook**

South Africa’s fundamental challenge remains our perennial 34% unemployment level. If we do not tackle this we will not be able to reduce our massive levels of poverty and inequality. All of government’s efforts to achieve a better of life for all will not be realised if we do not ensure all South Africans have decent permanent jobs. Whilst some government departments are doing excellent work to create jobs, too many departments, provinces and municipalities do not seem to view this as their mandate. These errant departments and municipalities must be dealt with.

COSATU believes that government’s National Development Plan is not achieving the economic targets we need to realise. It is not stimulating economic growth above population growth. It is not creating the 100 000 new jobs needed per annum. We are now seeing inflation push upwards towards 7%. This is a crisis for workers. Government needs to act decisively to deal with this. It cannot remain business as usual with mild tweaking here and there.

COSATU appreciates government’s efforts to increase revenues, stabilise debt levels, reduce the deficit and prioritise infrastructure and service delivery.

Unfortunately we remain concerned that this budget will not be able to deliver the economic growth and job creation levels that we need to develop as a nation.

1. **Revenue Proposals**

COSATU supports the proposals to increase revenues through excise duties, capital gains taxes, transfer duties, sin taxes and environmental levies. However we have to caution government not to create unintended consequences whilst pursuing noble goals.

The proposed sugar tax may be claimed to help reduce excessive sugar intake, but it may also threaten agriculture’s fragile sugar sector which is already battling to survive in the face of cheap imports. If government is not careful, it may have unintended consequences and result in retrenchments for farm workers on sugar plantations.

COSATU applauds government’s decision not to increase the VAT. COSATU appreciates that government abandoned its earlier intentions to increase VAT. However COSATU notes that government has raised the possibility of a future VAT increase in the budget and condemns it in the strongest possible terms. VAT is a regressive tax. An increase in the VAT will impose an overwhelming burden upon the poor who are already battling to make ends meet. COSATU will not accept any future increase in the VAT. Government must not shift its fiscal management challenges and failures on to the poor.

COSATU notes the limited fiscal drag relief provided to lower and middle income earners. Whilst it is appreciated that it is in effect a smaller income tax increase than last year’s, it will still mean less disposable income for lower and middle income earners.

COSATU believes that government can significantly increase revenue and thus providing more resources in support of economic stimulus, job creation and developmental objectives by:

* Introduction of progressive tax system, with an introduction of a tax category for the super rich.
* Introduction of solidarity tax, whose aim is to cap the growth of earnings of the top 10% and to accelerate the earnings of the bottom 10%.
* Introduction of tax on both domestically produced and imported luxury items, but a higher tax on luxury items which are imported.
* Increase in the dividends tax to encourage re-investment, job-creation and to reduce the financialisation of company assets.
* Imposition of a land tax to aid the process of land redistribution.
* Zero-rating of medicines, water, domestic electricity and public education.
* Introduction of export taxes on strategic minerals, metals and other resources to support downstream industries and to promote value-addition.
* Introduction of investment tax credits to encourage local procurement of machinery and equipment.
* Increase taxes on financial transactions e.g. capital gains tax above certain levels to limit short-term capital flows and to encourage productive investment, and speed pumps on short term capital flows to discourage hot money.
* Introduction of tax on firms that resistant to closing the wage gap.
* Taxation of firms that pay below the statutory minimum wage, and the distribution of such tax proceeds back to the workers concerned.
1. **Expenditure**

COSATU appreciates that government has not applied a full on austerity budget and the need for government to drive infrastructure and stimulate the economy and maintain badly needed delivery and social services. However we are disappointed that some key delivery departments have seen expenditure cuts whilst other departments which perform less critical functions have seen significant increases.

COSATU welcomes and supports government’s efforts to reduce wasteful expenditure. However all departments need to play their role in this regard. Too many departments, especially at a provincial level and many municipalities still believe that it can be business as usual.

COSATU warns government not to undermine public servants. We must stop blaming nurses, teachers, police officers, street cleaners and other public servants who perform a badly needed public service for wanting a decent living wage. These public servants still earn a low wage, more so when compared to what top management in the government, parastatals and the private sector earn. The belts that must be tightened must be those of the high earners on top not those at the bottom struggling to feed their children.

* 1. **Cooperative Governance and Traditional Affairs**

COSATU welcomes the increase in allocations to local government. COSATU supports the merger of 21 struggling municipalities. However this alone will not solve the disfunctionality of too many municipalities. District Councils have become superfluous. They should be merged with local municipalities. Sufficient funding needs to be provided to municipalities, in particular those in rural areas with an insufficient rates base to be self-sufficient. Treasury needs to be play a more hands on role in municipal financial and procurement management as the current levels of financial mismanagement in local government threatens its very survival.

Whilst appreciating government’s efforts to create jobs, COSATU remains deeply concerned that government’s Community Works Programme is replacing permanent decent municipal jobs with temporary minimum wage work. Street cleaning, road repairs etc. must be permanent municipal jobs. The CWP must not be allowed to continue to be a form of cheap labour for cash strapped municipalities or an opportunity for municipal officials to become rich through tenders for friends.

COSATU appreciates the role that traditional leaders can play in rural communities. However South Africa is a democratic unitary state with one legal framework. The 55% increase in funds allocated to traditional leaders is deeply worrying. Government must explain how is this justified when workers are being asked and forced to tighten their belt? Government must explain who are these traditional Khoi and San leaders that it plans to add to the traditional leaders’ pay roll? How did they become traditional leaders and who appointed them? All too often these are self-appointed traditional leaders who have been inspired by the large salaries and perks that traditional leaders have been enjoying and are unknown by their claimed communities.

* 1. **Home Affairs**

COSATU welcomes the additional staff to be appointed to manage immigration. Government needs to take control of the migration situation which is threatening to become unmanageable. COSATU supports the creation of a single border management department. However this must be located within the public service and not an agency outside the public service.

COSATU appreciates the need for government to be held accountable to voters, however it may be time to debate whether we should continue to hold national and provincial separately from local elections as this is a massive duplication of costs and resources.

* 1. **International Relations and Cooperation**

COSATU is alarmed by the massive 20% increase in funding for DIRCO. Whilst it is important for South Africa to play a meaningful role in Africa and the world, we need to ask if DIRCO is playing a sufficient role in promoting and increasing South African exports. Greater emphasis and accountability must be placed on this. It cannot simply a life of attending cocktails and conferences for DIRCO.

COSATU remains concerned by the average R150 million spent on consultants by DIRCO each year. The use of consultants must be stopped by government. The massive 60% budget overspending in construction of DIRCO’s Embassies in Tanzania and Malawi is alarming. Treasury must put in place strict controls and guidelines to stop such out of control expenditure.

* 1. **Treasury**

COSATU appreciates the objectives of the Jobs Fund. COSATU welcomes the 60 000 jobs it has created so far and the further 90 000 jobs anticipated. However we remain concerned that it in fact could have achieved more.

COSATU remains strongly opposed to the Employment Tax Incentive. Treasury cannot indicate how many of these are new or existing jobs or how many older workers were displaced by young workers due to tax confidentiality laws. However what is clear is that the overwhelming majority of the tax subsidy has gone to labour brokers. The rise of labour broken has been upon the sacrifice of workers’ right to permanent decent work and wages in exchange for short term low paying insecure temporary jobs.

COSATU welcomes the work of the Chief Procurement Officer to reign in the runaway costs of building new schools. The reduction of costs of building new schools from R70 million to R35 million is welcomed. However these savings must not come at the expense of decent quality schools fit for learning.

Whilst COSATU supports South Africa’s membership of the BRICS, we must question if we can afford to contribute R14.8 billion towards the BRICS’ New Development Bank when we are asking public servants to tighten their belts.

We must also question why South Africa must pay R653 million in 2015 and further payments of up to R805 million in 2018 compensate Namibia, Lesotho and Swaziland for the pegging of their currencies to the Rand? We must further question our defacto subsidising of King Mswati’s rule in Swaziland through SACU revenue payments by South Africa.

COSATU welcomes government’s agreeing to suspend the Taxation Laws Amendment Act forced annuitisation. However this does not go far enough. Forced annuitisation must be removed in full. Workers must be allowed access to their private savings to use as their circumstances require.

COSATU welcomes government’s agreement to release for engagement the long awaited discussion paper on comprehensive social security. This must not be delayed any longer.

* 1. **Planning, Monitoring and Evaluation**

Government needs to explain how it can blame public servants for the wage bill and budget deficit, yet we see a massive 120% increase in the budget in one year for this department? To make matters worse, 5% of its budget is given to consultants.

* 1. **Public Enterprises**

The role of this department must be questioned. It appears to have virtually no control over the SOEs under its jurisdiction. The Ministry needs to table its Shareholder Management Bill as a matter of the utmost urgency. It has taken far too long. Government needs to pull the management of the SOEs into line. They cannot continue to operate in a rogue manner. Corruption, mismanagement, bail outs, service delivery failures, retrenchment, labour broking, privatisation and outsourcing have become the hallmark of our SOEs. This is done at workers’ expense. It needs to end.

Worryingly the Minister of Finance was silent upon the President’s call to rationalise SOEs. Government needs to engage workers and COSATU on this. We cannot allow strategic SOEs like Eskom, Transnet, Telkom and the Post Office to be privatised. They have key developmental mandates to deliver upon which will be discarded if they are to be privatised.

COSATU welcomes the proposal to merge SAA and SA Express. This should also include Mango. It does not make sense to have 3 state owned airlines and all are battling to stay out of debt. They and other duplicate and battling SOEs should be consolidated. However this must be on the basis that there will be no retrenchments of workers.

* 1. **Public Service and Administration**

Government needs to explain why this department, a policy and not a delivery department, was allocated a 20% budget increase.

COSATU commends DPSA for its support for the placing of 20 000 youth into learner ships.

* 1. **Public Works**

Whilst appreciating government’s efforts to create jobs, COSATU remains deeply concerned that government’s Expanded Public Works Programme is replacing permanent decent municipal jobs with temporary minimum wage work. Street cleaning, road repairs etc. must be permanent public service posts. The EPWP must not be allowed to continue to be a form of cheap labour for cash strapped departments or an opportunity for officials to become rich through tenders for friends.

* 1. **Statistics South Africa**

Stats SA’s new head office is at a cost of almost a billion Rand is an example of government wastage. This is whilst government is telling public servants to tighten their belts. There can be no justification of such wastage of tax payers’ money.

* 1. **Women**

The logic of having a separate department for women needs to be debated. It may make more sense to have a women’s directorate in each department to ensure that all departments champion women’s rights. This department needs to explain what value women are receiving from its existence. It also needs to explain why 10% of its budget is spent on travelling and international trips.

* 1. **Basic Education**

It’s time that we review the South African Schools Act which allows children to leave school at the young age of 16. These learners will not be able to find decent work to sustain their families on. The Act must be amended to make it compulsory to remain in school and complete matric. We can no longer afford to accept this mediocre situation.

COSATU welcomes the department’s literacy programmes and plans to recruit and train volunteer educators. However these should be made permanent decent jobs. Government must move faster to expand early childhood education.

Whilst government’s plans to improve school infrastructure is welcome, its silence on when it will eradicate mud schools, ensure all schools have decent sanitation and infrastructure, a safe environment and end overcrowding is deeply worrying.

* 1. **Higher Education and Training**

COSATU strongly applauds the massive work government has done to increase NSFAS funding from R3 billion in 2009 to R10 billion today. COSATU appreciates the opening and expansion of Mpumalanga and Sol Plaatje Universities as well as the building of new residences for students. The massive increase in university students across the country is a huge achievement. More must be done. COSATU strongly supports the student and workers demand for free tertiary education for lower and middle income families’ children. The NSFAS threshold of R122 000 per family per annum is too high and excludes most working and middle class families.

The department needs to act harshly on SETAs which fail to spend their monies and to ensure that these funds are used to train workers.

COSATU must raise concern on the department’s high expenditure on travelling.

* 1. **Health**

COSATU welcomes government’s release of the draft National Health Insurance White Paper. Government must not be intimidated by the medical industry which has grown rich off exorbitant medical aid premiums. COSATU urges the speedy implementation of the NHI. However we remain concerned that insufficient resources are being allocated to upgrade our public hospitals and clinics in the meantime and that this will hamper efforts to achieve the NHI in the end.

We must congratulate government for the excellent work it has done to fight the spread of HIV and AIDS and tuberculosis. This has seen our significant rise in life expectancy levels. This is a good story indeed. We do remain concerned at the length of time it is taking to establish community health teams.

* 1. **Social Development**

COSATU welcomes that government has not reduced social grants. They play a critical lifeline for millions of desperately poor families. However we are concerned that they are below inflation, in particular food and electricity price increases.

We urge government to honour its pledge to release the long awaited discussion paper on comprehensive social security for engagement.

We remain concerned by the department’s continued reliance upon consultants and excessive travelling budget.

We welcome the planned new substance abuse clinics but this will still be too little to help the thousands of persons ravaged by substance abuse.

* 1. **Correctional Services**

COSATU welcomes government’s efforts to improve conditions in our prisons. However the target to reduce overcrowding to 34% is too high. More needs to be done to eliminate gangs and criminal activity in prisons and to train and prepare convicts to become employable law abiding citizens upon release.

* 1. **Defence and Military Veterans**

COSATU applauds the critical role that SANDF has played in various peace keeping missions in Africa. The department must not allow a repeat of what happened to our soldiers in the Central African Republic when they were not provided with sufficient equipment and support with fatal consequences.

However, in the face of cost cut backs, the department must explain why Armscor needs a massive 20% increase over three years.

* 1. **Justice and Constitutional Development**

COSATU welcomes the various commitments to reduce crime and corruption, secure higher rates of convictions and sentences and reduce the courts backlog. We further welcome the renewed focus on maintenance cases. However how will these be done when posts are being frozen and personnel compensation being slashed?

* 1. **Police**

COSATU welcomes the increased budget for SAPS including for training and equipment. COSATU appreciates government’s commitment not to freeze police posts.

However the R2.6 billion being spent on bodyguards for public representatives is excessive, more so when the public is being asked to tighten its belt. Politicians must show solidarity and also tighten their belts. The allocation of VIP Protector must be done on a need and threat based assessment and not simply a perk linked to a Ministerial, MEC or Mayoral post.

* 1. **Agriculture, Forestry and Fisheries**

Government needs to combine the Departments of Agriculture and Land Reform. It does not make sense to have them operating separately and frequently duplicating each other’s work.

COSATU welcomes the funds allocated to support 145 000 emerging farmers per annum. COSATU welcomes the commitment to create 9 000 jobs in the agricultural and maritime sectors. However more needs to be done to support the sustainability and expansion of the agricultural sector as a whole. It is a key creator of jobs and source of export. Not enough has been done to enable it to compete against the heavily subsidised agricultural sectors of the EU and the US.

The Department needs to engage the Department of Higher Education to expand the veterinary sciences faculties in South African universities. The current situation of only Pretoria University having a veterinary sciences faculty is too little given the importance of agriculture to the economy.

The Department’s plans to support the rapid increase of agricultural cooperatives and to provide training for them are strongly welcomed. The plans to rehabilitate and increase agricultural and forestry land are supported.

* 1. **Economic Development**

COSATU appreciates the excellent work this department has done in supporting economic development and job creation and protecting jobs. However we remain deeply concerned that the funds allocated to it of R674 million is far too little to make the impact that the economy needs.

Despite the limited funding, COSATU welcomes the 56 774 jobs that the IDC will help protect and create over the medium term.

* 1. **Energy**

COSATU congratulates government’s hard work in tackling the energy crisis facing us. We commend government for stabilising the electricity supply and ending black outs. We applaud the investments and job creation from renewable energy projects. We believe this is where government must focus its attention.

We remain deeply concerned that government is pushing ahead with expanding nuclear energy and has allocated R1 billion to it this year. Nuclear energy is costly, time consuming, dangerous and unnecessary. Nuclear procurement internationally is riddled with corruption. We cannot afford it or its potential consequences. Government must cancel its nuclear energy expansion plans and shift those funds towards expanding our renewable energy base.

Government needs to show leadership and end Eskom’s continuous tariff increases which are on average 3 to 5 times the level of inflation and far above what workers can afford to pay. Government must not allow Eskom to make electricity unaffordable as a way of reducing the shortage of electricity crisis.

Government must work with heavy industries, the manufacturing sector and mines to ensure that they conserve electricity but have enough to remain productive and keep workers employed. Government must include labour in its Eskom War Room and not simply seek to work only with big business in resolving the electricity crisis.

Government must crack down on municipalities which collect electricity tariffs from households and then don’t pay Eskom, leaving thousands of people at risk of electricity cut offs.

* 1. **Environmental Affairs**

COSATU appreciates the department’s job creation programmes and efforts to protect the environment and wildlife. Government needs to allocate more to the department to ensure that we meet the correct objectives that government agreed to in Paris in 2015. It is working class communities which bear the brunt of pollution and climate change. Action is needed by government. Action cannot simply be taxes and policies. Taxes can be used to incentivise business to become environmentally friendly, but these additional charges must not then be passed on to consumers or workers.

* 1. **Labour**

The department is currently insufficiently resourced to fulfil its mandate. It has too few inspectors. As a consequence, too many inspections take place and too many employers ignore our progressive labour laws. Thousands of workers have paid their UIF taxes only to find out the employers did not pay this to government. Thousands of workers risk life and limb working in dangerous environments. Government needs to provide more resources to the department to make sure that workers enjoy the full protection of the law.

The department’s placing of only 5 229 work place seekers in jobs is far too low for the amount of resources allocated. The department needs to put in place a plan to address this crisis.

COSATU welcomes the department’s Unemployment Insurance Amendment Bill which will significantly expand access to the UIF. This will help reduce the UIF surplus in a progressive way and release more money into workers’ pockets and the economy as a whole. Further access to the UIF is needed, in particular to cover workers forced to resign, seasonal and long term unemployed workers.

* 1. **Mineral Resources**

The mining industry is facing a bloodbath and government appears not to have a plan. The department must act. 32 000 mine workers face retrenchment in the near future. We cannot afford to let their families be condemned to poverty. The Presidency in fact must intervene with business to save these jobs. It cannot be simply business lecturing government on what to do. Business must also play its role in saving jobs.

* 1. **Telecommunications and Postal Services**

The fragmenting of the Communications department into two different departments needs to be revisited. It’s resulted in confusion, duplication and turf battles. The departments must be consolidated as one.

The Post Office needs to be assisted to get onto a sound footing. It cannot simply be left underfunded and expect to survive. The 10% cut in funding to the department must be reversed.

The department must act on the corruption the Communications Workers’ Unions has exposed in the Post Office.

The department needs to explain what it will do to ensure that SITA plays its role and provide reliable internet services to government departments. Its failures to do so have had severe impacts upon other departments’ ability to deliver.

* 1. **Tourism**

Tourism has grown rapidly to become the largest sector of the economy and a key source of jobs. More resources should be allocated to this department to further stimulate local and international tourism and to expand the role of SMMES in townships to participate more actively. More work needs to be done to attract international tourists. COSATU appreciates the efforts by the Departments of Tourism and Home Affairs in this regard.

* 1. **Trade and Industry**

The Department of Trade and Industry has been one of government’s star performers. It was worked tirelessly to grow local industries, increase exports and protect and create local jobs. This has helped see the massive increase in exports to Africa and further afield. COSATU cannot understand then why government has chosen to cut this critical department’s budget by 14% over two years.

If we are serious about reindustrialising our economy, boosting manufacturing and taking advantage of the weak Rand through increased exports; then government needs to reverse these massive cuts to DTI.

* 1. **Transport**

COSATU strongly welcomes the increased allocations to boost passenger and freight rail transport and metro bus services. However more needs to be done to improve passenger rails. Government needs to act decisively to address the crisis in PRASA. More support needs to be given to the taxi industry. South Africa needs affordable, accessible, safe and reliable public transport. Expensive white elephants are not needed.

Government must reign in SANRAL. COSATU will not accept the privatisation of access to public roads. Government must accept E Tolls have been rejected by voters. E Tolls are dead. They must now be buried. The public will not accept profiteering from public goods.

The department must act on its long awaited scholar transport commitments. Too many rural and farm children must still walk long distances to schools. Safe accessible public transport must be provided for them as a matter of urgency.

* 1. **Water and Sanitation**

COSATU welcomes government’s increased focus on addressing our water crisis. However we remain concerned that government if focusing solely on big projects such as dams and ignoring the massive maintenance backlogs across the majority of municipalities. Government needs to act decisively. It must intervene and if necessary take over when municipalities put their communities at risk by failing to invest and maintain their water infrastructure.

Government must find new ways of encouraging water conservation. It must also start desalination projects in earnest and not wait for the water crisis to explode as it did with Eskom. Government must also not allow municipalities to seek to make water unaffordable in order to reduce demand and pay for their maintenance back logs.

COSATU strongly supports government’s plan to train 15 000 plumbers as part of these efforts.

* 1. **Human Settlements**

COSATU commends government for the tireless efforts it has made since our first housing minister, the late cde. Joe Slovo. This is a good story. We strongly support the significant increase in the housing allocation from R30 to R36 billion over two years. However the quality of public housing is all too often poor, the house too small, the plot to little to expand and too far from places of work, school or transport.

We need to debate what is the best approach to solving our housing shortage. This should include encouraging densification, building homes near CBDs and work places and providing serviced plots on land large enough for families to expand their homes. It also needs to include a state housing company which can build quality homes at affordable prices. Private sector companies have abused the system too long in pursuit solely of profits at all costs.

Government and municipalities need to address the lack of basic services in the majority of informal areas. Too often these informal areas are ignored as they are on private or government land. Government needs to provide suitable land with basic services and not to simply ignore them as has happened in the majority of cases.

* 1. **Rural Development and Land Reform**

COSATU welcomes government’s efforts to fast track land reform and assist emerging farmers. However this department needs to be merged with the Department of Agriculture to ensure greater synergy in its work.

Government must also explain how it plans to settle a potential additional 340 000 land claims (on top of an existing 70 000 cases back log) with only a 10% increase in budget allocation to the department?