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| **Submission by COSATU on** **the Medium Term Budget Policy Statement 2016** |
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**Submitted to:****Joint Standing and Select Committees on Appropriations** **Parliament****Republic of South Africa** |

1. **COSATU notes Government’s Medium Term Budget Policy Statement (MTBPS)**

COSATU appreciates the massive economic, fiscal and budgetary challenges facing government.  COSATU appreciates many of the positive aspects within the MTBPS, however we remain deeply concerned that it will not enable South Africa to  escape its long term 36% perennial unemployment crisis.  We do not see it being sufficient to stimulate economic growth to the position where the economy can create the 100 000 new jobs that are needed monthly.  We remain concerned that the demands of rating agencies reign supreme over those of 8 million unemployed South Africans.

1. **Fiscal, Financial and Monetary Policies**

COSATU appreciates that this is not a full austerity budget and that it is not accompanied by cuts to social and service delivery expenditure which would hit the poor hard.  We appreciate government’s efforts to stabilise public debt levels and maintain social expenditure above inflation levels.

However we do not see any shift in the MTBPS that will enable government to decisively reduce unemployment.  We remain concerned that the expenditure ceilings will have a negative impact upon government’s ability to deliver and the economy as a while.  Essentially this is a business as usual and consolidation approach.  It will not resolve the fundamental underlying crisises facing the economy.

COSATU urges the Reserve Bank to assist economic growth with the lowering of interest rates.  Our unaffordably high interest rates are impoverishing workers and choking economic growth.

However COSATU is deeply worried about the impact of the reductions in the public service.  20 000 public service posts have been cut through attrition and early retirement.  This has a further negative impact upon our unemployment figures and is a brain drain upon the public service.  It also places key service delivery functions in our hospitals, schools, police stations, prisons, universities etc. under further extreme pressure.

Engagements on the public service head count, the freezing of posts and the public service conditions of service need to be engaged with workers at the Public Service Central Bargaining Council.

If government wants to reduce the public wage bill then it should reduce the exorbitant packages paid to National and Provincial Cabinets, Members of Parliament, Judges and senior management in the parastatals.  Government can reduce the size of National and Provincial Cabinets and the number of Members of Parliament and Provincial Legislatures.  That is where the fat can be found, not amongst poorly paid nurses, teachers, cleaners and police officers.

COSATU appreciates that government, has not increased VAT to date.  However we want to remind and warn government that any increase in VAT will have a massive negative impact upon the poor and economic demand.  Government should not increase income taxes upon the working and middle classes again.  Workers are already battling to make ends meet.  Government should rather increase taxes upon the wealthy, luxury goods and non-essential imports.

COSATU applauds government’s commitment to invest R987 billion in public infrastructure over the next three years.  It is time that the private sector ends its investment strike and assist in building South Africa.

COSATU welcomes government’s efforts to save costs (R400 million to date) through the centralising of procurement and the work of the Chief Procurement Officer.

COSATU welcomes government’s plan to introduce lifestyle audits.  Let this start with our public representatives from national to provincial to local government.  Let this include parastatal CEOs.  It must also include the CEOs of our banks and other companies who earn obscene salaries upon the backs of the slave wages they pay workers.

1. **Expenditure**

COSATU welcomes the significant reduction in roll over and unspent funds.  This is an important achievement.  We further welcome the massive reduction in expenditure upon consultants.  Whilst welcoming the reduction in travel, COSATU does not understand why so many Ministries and Departments still feel the need to travel overseas so often.  This must simply come to an end except for trips which will generate investment and trade for South Africa.  Such galavanting at the expense of taxpayers must be stopped.  Those funds should be shifted to employ nurses, teachers, police officers etc.

**3.1 Social Security**

COSATU appreciates the increases in social grants albeit at a low level.  However COSATU is deeply disappointed that our government has failed release its long awaited Comprehensive Social Security Discussion Paper.  This has been promised since 2002 and again in the Finance Minister’s February 2016 budget speech.  Government committed to release it for engagement by July 2016.  Yet this commitment to workers has not been met.  Government must take its commitments to workers seriously.

We welcome the commitment to employ social workers.

**3.2 Health**

COSATU remains concerned about the impact of the freeze in public service posts in the Department of Health and the silence of the MTBPS on how far is government with regards to laying the foundations for the rapid realisation of a progressive pro-poor National Health Insurance.

COSATU applauds government for its continued roll out of ARVs.  More must be done to combat TB, drugs and alcohol abuse and tobacco.

**3.3 Higher Education and Training**

COSATU appreciates the massive expansion inf funding for poor tertiary students by government since 2008 and in particular over the past two years.  We welcome the 0% increase in university fees for working and middle class families over the past two years.

However we remain distressed that the MTBPS does not unpack how government will meet working and middle class students’ correct demands for “free or affordable” tertiary education.  We cannot afford to continue to kick this can down the road.  It is a correct and progressive demand that needs to be meet as a matter of the utmost urgency.  Tertiary education needs to be made accessible and affordable for working and middle class students.

This can be done through a combination of state funding and company, income and graduate taxes.  However we must end the defacto commodification of tertiary education.  It may be time to reconsider the usefulness of the National Youth Development Agency and to consider if its R400 million would not be better spent on tertiary education for young people.

**3.4 Energy**

COSATU welcomes the positive work that has been achieved in massively increasing our renewable energy capacity.  This has seen our energy capacity increasing significantly, 27 000 jobs created and R190 billion invested.  It has also seen a significant drop in the cost of electricity yet Eskom has not passed this onto consumers. Instead working and middle class families have been exploited by electricity price increases far above inflation levels year after year by an unaccountable and arrogant Eskom.

COSATU applauds the MTBPS’ acknowledgement that the rapid improvement in renewable energy technology has meant that it can now be used for base load power.  COSATU remains adamant that nuclear energy is simply unaffordable, unnecessary and dangerous.  It is time government and Eskom accepted this reality and abandon its plans to expand our nuclear capacity.  The price tag of R1 trillion for nuclear energy will mean massive electricity price increases and an unaffordable debt burden upon the state.

The complete failure of the Department to meet its solar panel installation target is not acceptable and must be dealt with.

**3.5 Economic Development, Trade and Industry**

COSATU welcomes government’s progressive interventions to protect, support and grow the clothing, textiles and auto-manufacturing industries.  This has seen thousands of jobs saved and created.  COSATU calls upon government to shift more resources to such programmes.  Economic growth depends upon reindustrialising our economy.

**3.6 Labour**

COSATU urges government to allow the Department of Labour to review its freeze on vacancies and appoint more labour inspectors to ensure workers enjoy the full protection of their constitutional, labour, health and safety rights.

COSATU urges Parliament to pass the long delayed Unemployment Insurance Amendment Bill by November 2016.  This progressive will help thousands of unemployed workers and mothers on maternity leave access the UIF.  It has been delayed for far too long.  COSATU also warns government not to touch the UIF.  This is workers’ hard earned money.  It is meant to assist unemployed workers and cannot be used to balance government’s books.

**3.7 Transport**

Its time government accepts the reality that the public has rejected E Tolls.  It needs to engage the public on a more effective model to fund road and transport infrastructure.  Privatising access to public roads is unacceptable and in fact obscene when workers pay taxes.

The crisises at PRASA must be dealt with.  Train delays and accidents cannot be allowed to continue.  The governance and financial crisises at SAA, SA Airlink, SA Express and Mango must come to an end.  Government must focus its attention and resources on providing safe, affordable, accessible and reliable public transport for all.

The rollover of R275 million in transport infrastructure funds is not acceptable.

**3.8 Communications**

Government needs to assist the Post Office to stabilise.  We appreciate that postal workers are now being paid on time.  However the plans to retrench and outsource those of workers at the Post Office and Telkom must be stopped.  We cannot allow a single worker to lose their job.  Government must show leadership here.

**3.9 Basic Education**

COSATU appreciates the additional funding to improve school infrastructure.  However government must indicate when it will finally end mud schools and pit latrines and improve safety at schools?  We have seen the goal posts changed too often.

We welcome the further expansion of the school nutrition programme.

**3.10 Housing**

Whilst appreciating the delivery of housing to millions of the poor, the quality and number of housing remains bad.  There is a need for a state construction company to deliver quality housing which will last families for decades.  Our current RDP houses are too small, start to fall apart before occupation and are built upon plots that do not allow families to improve them.  We need to review our housing model to address this.

**3.11 Water Affairs and Sanitation**

COSATU appreciates the massive amount of work government has done to provide water to our people.  However the increasing backlog in water infrastructure and the above inflation increases in water tariffs are deeply worrying.  Government needs to show leadership and decisively intervene in the many crisises we are experiencing in water delivery.

Government needs to provide permanent land to all informal areas so that they can be provided with proper basic services.

**3.12 Land and Agriculture**

COSATU is deeply concerned about the snail pace to address the 70 000 cases back log of land claims.  Solving less than 400 cases a year means that we will never resolve these.  This cannot continue.

Government needs to provide great support and protection to our strategic economic sector of agriculture.  This is a key growth sector for jobs.  It cannot be expected to compete against subsidised EU and US farmers unprotected.  Support needs to be provided to it.  This needs to include land equity and ownership to farm workers.

**3.13 Public and Community Works**

The Expanded Public and Community Works Programmes must be reviewed.  They have become a source of cheap labour for cash strapped municipalities and departments.  They have moved from the idea of providing employment relief for the vulnerable and unskilled to now providing cheap labour for permanent municipal functions such as cleaning municipal buildings, fighting gangs, building roads and drains and installing electricity.  This must be addressed.

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