

Submission by COSATU on the 2017/ 18 Budget



Submitted to:

**Joint Standing and Select Committees on
Finance
Parliament
Republic of South Africa**

COSATU's response to the 2017/ 18 National Budget statement

COSATU appreciates many of the key progressive government commitments highlighted in the budget. COSATU welcomes government's commitment to allocate increased funds towards established the National Health Insurance, towards providing funding for working and middle class university and college students, towards improving school and health infrastructure and to ensuring that the majority of social grant recipients receive at least inflation linked increases.

COSATU is deeply concerned that the budget reflects government's lack of a coherent integrated and targeted job protection and creation plan that would ensure that all South Africans are employed. We need to create at least 100 000 jobs per month. Increasingly the jobs being offered to South Africans, especially low skilled workers are temporary, low wage and through labour brokers.

Whilst some departments have clear job creation programmes and have done excellent work, too many departments, provinces and municipalities are silent on this national crisis. At best they believe that unemployment can be left to public works programmes. Until government begins to match resources and programmes to its public commitments to deal with unemployment, we will not see the economy grow and our many socio-economic crises dealt with. This budget does not address our jobs crisis.

Revenue

VAT

COSATU welcomes government's decision to not increase VAT. However Treasury's continued motivation for a future increase in VAT is strongly condemned by COSATU. It will further squeeze workers' meagre wages and depress demand and thus domestic economic growth.

Income Tax

COSATU welcomes the increase in income tax for the wealthy. However we condemn government's through the back door effective income tax hike upon working and middle class families by minimising inflation adjustments for tax brackets. Thus workers are in effect handing over their annual inflation increases in their salaries to cover government's budget shortfalls. Less money in workers' pockets means less money to stimulate economic growth.

Government should have increased taxes on imports and luxury goods as well as company tax for well off companies. Its approach of continuously squeezing working and middle class families is punishing them for government's failures and further delaying badly needed economic growth. Government would have been better placed to reduce some of the wasteful expenditure in the budget to meet its revenue shortfall.

SSB Tax

We are equally opposed to government's rushing into taxing sugar sweetened beverages without adequately preparing and supporting sugar farms and mills to transition to healthier products, e.g. bio-fuels.

Government's projected 5000 job losses in the sugar industry will cause an economic crisis in rural towns in KwaZulu-Natal and Mpumalanga. Many of these towns are still feeling the pain of having lost 1000s of textiles jobs. Government needs to delay and engage with industry and labour on a plan to meet government's correct health objectives of reducing over consumption of sugar whilst protecting and creating scarce jobs.

Border Management Agency

COSATU remains opposed to government's plans to locate the planned BMA outside the public service. Our position remains that security functions must be located with public service departments. We are also concerned about government's plan to shift customs collections from SARS to the BMA and government's divided position in this regard.

COSATU Revenue Proposals

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.

Expenditure

Debt

COSATU appreciates the massive amount of funding government has availed since 2008 to stimulate economic growth and expand infrastructure. We agree with government on the need for a balanced and sustainable approach to expenditure and debt levels and that we cannot approach it through a populist or reckless manner.

Public Service Wage Bill

COSATU is worried that government's austerity approach to the public service is having a negative impact upon critical public service vacancies, in particular in health, education, social development, police and correctional services. We must not over stretch and under pay public servants performing a badly needed public service function.

Government must move away from the practise of creating new departments after every election. What is needed is to consolidate departments, municipalities, agencies and SOEs. Many of these are duplicates. Their growth has led to a fragmentation of the state and a lack of clarity over who is responsible for what. Their consolidation should be done to avoid the narrow view on how to reduce the wage bill by simply freezing posts.

Planning and engagement with unions at the public service bargaining council can go a long way towards finding ways to reduce costs without cutting needed public service vacancies.

Particular concern needs to be given to impact of government's freezing of vacancies has had in the departments of health, education and police. Unions continue to battle to ensure that teachers are paid on time in the Eastern Cape, Northern Cape, Mpumalanga and Limpopo. Municipal workers have not been paid on time in several municipalities in Limpopo.

Wasteful Expenditure and Proposed Expenditure Cuts

We had hoped to see more commitments by government to reduce real wasteful expenditure and corruption.

We applaud government's wasteful reduction e.g. reducing the costs of constructing new schools. This needs to be expanded to the inflated figures of billions cited for building new departmental head offices, regional offices and embassies as a matter of urgency. The figures of hundreds of millions of Rands allocated for such offices and embassies are clearly extravagant in a time of austerity.

COSATU believes that more wasteful expenditure can be cut from departments and municipalities' catering, travel and advertising budget lines.

COSATU proposes that catering budgets be cut to a bare minimum and solely for events involving the public and not for normal workings of those departments.

Adverts must not include photos of Ministers, MECs, Mayors etc.

Business class travel must end for all, regardless of status and length of travel. Travel allowances must be reduced. Other perks of office must be ended. There is no need to pay for daily bouquets of flowers for office bearers.

The government garage must take charge of vehicles used by members of national, provincial and municipal cabinets and executive committees. The GG must develop the specifications for such cars, the price, when they can be purchased. Such decisions must be taken away from office bearers. The GG must then allocate the appropriate car to the Minister etc. when they take office. Such cars must only be locally produced cars.

COSATU proposes that the Chief Procurement Officer (CPO) investigate the costs and prioritisation allocated to the building of numerous departmental head and regional offices, municipal offices as well as the building of new embassies and Ambassadors' residences.

Municipalities

COSATU is deeply shocked that municipalities are not adhering to government's procurement legislated requirements. Municipalities are still procuring services through manual quotes and not through government's transversal procurement system. These are subject to massive levels of abuse and corruption.

Public Representatives

With each local election, the number of Councillors is increased. Yet increasing levels of municipalities are on the verge of financial collapse or have indeed collapsed. The Constitution stipulates that the National Assembly shall be between 350 and 400 Members. Government and our political parties need to lead by example. If we expect the public service head count to be reduced, then we must reduce the public representatives, in particular cabinets and executive councils' head count. If we expect public servants to sign performance contracts, then public representatives must sign performance contracts.

COSATU welcomes the barring of public servants from doing business with the state. This probation must be extended to all public representatives.

COSATU's key areas of concern and appreciation in relation to government's expenditure plans include the following:

COSATU Proposals that:

- The CPO investigates and sets specifications for construction costs for departmental, municipal and embassy buildings. Construction budgets must be reduced.
- The CPO deploys officials to all departments, municipalities and SOEs to oversee their supply chain processes.
- All municipality and SOE procurement brought in line with government's transversal procurement system and adhere to its requirements.
- Catering, travel and advertising budgets must be overhauled with tighter regulations and reduced.
- Government garage must take over all cars for office bearers.
- Engage with unions on public service vacancies at the public service bargaining councils.
- Consolidate fragmented departments, agencies, municipalities and SOEs.
- Reduce the number of public representatives at the next elections.
- Hold national, provincial and local elections on the same date.
- Review the role of district versus local municipalities.
- Government provide a clear plan to salvage our SOEs and place them on a sound governance, economic and financial footing.
- SOE management posts are placed on fixed levels set by government.
- All procurement by the state must be required to be solely for locally made products unless such products cannot be made locally.

Economic Cluster

COSATU appreciates the excellent work done by the Departments of Trade and Industry and Economic Development to protect and support key economic sectors, e.g. textiles, car manufacturing, agriculture etc. Thousands of jobs have been protected and created here.

Excellent work has been done to protect and create thousands of jobs by the Jobs Fund. However we are surprised and disappointed that the budget proposes to decrease the funding allocated to this key and successful Jobs Fund.

However we remain deeply disappointed that government's job creation programmes seem to be left to these badly under resourced departments. Job creation is at the heart of all of South Africa's socio-economic crises. Its solutions lie in eradicating it. Allocating R9 billion to DTI is woefully insufficient if government wants to reindustrialise the economy, boost manufacturing and exports and create jobs. We are worried that DTI receives the same allocation as the Department of Science and Technology. DTI should be at the centre of the industrialisation, economic growth and job creation programmes of the country.

Government's job creation plans and policies are fragmented and incoherent. Having 5 different economic departments is a key cause of this. DTI, Economic Development Department, Science and Technology, and Small Business Development need to be consolidated as one capacitated department charged with industrialising the economy.

Government policies need to be coherent. We cannot talk about boosting agriculture and jobs on the one hand, whilst on the other we plan to massively increase a tax on sugar drinks which by government's own admission will see 5000 jobs lost. Government needs to learn the importance of engaging and planning and the need to protect and create jobs.

We had hoped to see more resources allocated to support the growth of the job creating tourism sector.

Financial Sector

COSATU welcomes Parliament's pending public hearings on the need to transform the financial sector as well as Nedlac's planned Financial Sector Summit. We also welcome the Twin Peaks Bill as a correct step in this direction. Government needs to push the sector harder to transform. We remain concerned at the slaps on the wrists that the banks will receive for their collusion to manipulate the Rand with no regard to the impact it had upon the economy and workers.

Business needs to come to the party. The leadership of BUSA, BBC etc. must lead by example and say how they will ensure that the private sector investment strike will end and how they will contribute towards job creation and paying workers a living wage.

Social Security

The budget's silence on the pending crisis of how social grant recipients will receive their payments from 1 April is deeply worrying. The Constitutional Court issued a clear judgement in 2014 that the Department of Social Development (DSD) had issued an illegal tender for CPS to pay social grants. It was given 2 years to address this matter. It was warned repeatedly by Parliament, COSATU and Treasury to do so. Yet it has not. Now CPS has informed DSD that it will cost government R3.5 billion to extend its contract for a further 18 months.

DSD needs to be held accountable for this national crisis. SASSA has clearly shown why key government functions must not be outsourced. SASSA needs to be reintegrated into DSD. The payment of social grants should be allocated to the Post Bank. Treasury must be tasked with ensuring that the Post Bank is sufficiently resourced and capacitated to undertake this function as a matter of urgency.

COSATU is equally disappointed in how government has continuously delayed engaging with labour and industry on Nedlac as it committed to do so repeatedly, on comprehensive social security, including retirement reforms. We strongly welcome government's tabling of the Comprehensive Social Security Discussion Paper for engagement at Nedlac in November 2016. As COSATU we are committed to engaging on this critical matter with government and business at Nedlac.

Health

COSATU has been deeply worried at the continuous delays in moving forward to build a progressive National Health Insurance. We are pleased with the President

and the budget's commitment to build a badly needed NHI. We hope that we will see progress this year.

COSATU welcomes government's proposed shifting of additional public funding towards the establishment of the NHI.

We remain concerned about the impact of freezing critical public service posts and the negative impact it has had on public health care. Nurse and doctors are working 36 and 48 hour shifts. Hospitals and clinics lack basic medicines, equipment and security. Government needs to move from progressive commitments towards adequately resourcing public health care.

COSATU strongly welcomes government's continued excellent work to reduce HIV/AIDS through the roll out of ARVS.

Education

COSATU applauds government for its massive shift of resources to help working and middle class university and college students. Billions have been shifted. However more needs to be done and fast. We cannot afford to continue to allow tertiary education to be unaffordable for working and middle class students. The fees commission must move with speed. We need a clear programme and plan to ensure working and middle class students are no longer denied access to tertiary education. Government must equally ensure that outsourcing is a thing of the past in all tertiary education institutions.

COSATU welcomes the increased allocations to address our school infrastructure back log. However we are disappointed that government has not indicated when will all mud schools be eradicated or when will all schools have decent sanitation, text books, staff, resources and security. We have waited too long on this national shame.

Energy

COSATU welcomes government's commitment to expand renewable energy. Eskom's recalcitrant leadership must not be allowed to continue to act as an impediment to the badly needed expansion of renewable energy.

Likewise Eskom must not be allowed by government to continue to fleece badly stretched working and middle class families and the economy with massive above inflation price increases.

We hope that government has realised, finally, that we simply cannot afford to expand nuclear energy at a price tag of R 1.5 to R3 trillion.

COSATU calls upon government to legislate that all public and private buildings install locally made solar panels, rain and grey water harvesting within 5 years as part of our plans to place South Africa on a sound energy and water basis. This will further stimulate the local renewable energy industry, create jobs, save families and business' money and assist government to meet our climate change targets.

Government needs to treat the expansion of renewable energy as a national priority. Oil is a depleting resource. In the near future cars will increasingly shift away from fuel to electricity. Our electricity supply will need to increase massively to accommodate this economic shift.

Mineral Resources

COSATU welcomes government's targets to reduce mining deaths and accidents. However government's silence on the mining jobs blood bath is shocking. Government needs to intervene and assist those mine workers with retraining and job placement programmes.

COSATU welcomes efforts to support platinum beneficiation. We hope to see more such efforts across the sector.

Agriculture

Government's efforts to alleviate drought relief and support emerging farmers are welcome. However more needs to be done in this regard. Government's continued failure to address the thousands of outstanding land restitution cases is deeply worrying. Government needs to explain how it plans to prevent job losses in the sugar industry with its planned tax on sugar sweetened beverages.

We had hoped to hear how government would free underutilised state owned land to advance land reform.

Agriculture is a critical and strategic economic sector. Half of all farms are heavily in debt. A third of all emerging farms fail. We expect to see our agricultural sector compete against the heavily subsidised sectors in the European Union, the United States and Brazil. Government needs to work with industry on what support it needs to be sustainable, expand and create jobs. This needs to include additional resources to expand aquaculture.

Human Settlements, Water and Sanitation

Government's silence on the budget crisis in the Department of Water and Sanitation is surprising. Government's lack of a comprehensive desalination programme whilst we are in the midst of a long term water scarcity crisis is reminiscent of how government previously delayed dealing with our electricity challenges till it became a national crisis.

Government needs to establish a water war room with key stakeholders that will develop a national conservation and desalination programme. Municipalities cannot be allowed to continue to dump above inflation water tariff hikes on the poor. Water tariffs must be set nationally and not be allowed to depend upon the financial status of municipalities. Government must legislate that all public and private buildings install rain and grey water harvesting within 5 years to help reduce our water consumption levels.

COSATU had hoped to hear from government as to when it will ensure that all informal areas and villages have access to decent basic services.

We appreciate the good work government has done to provide homes to millions of South Africans. However we believe that the proposed shift to rental housing stock will be a mistake. Families need to own and not to rent their homes less they be rendered homeless in the event of a bread winner losing a job.

State Owned Enterprises

COSATU is deeply concerned that the budget was largely silent on how government will turn around our SOEs, in particular SAA and the other state airlines, SABC, Eskom, the Post Office and Telkom. The SOEs have become better known for their never ending governance crises, corruption, increasing debts, outsourcing and retrenchments. We did not get a sense from government on how these SOEs will be put on a sound governance, economic and financial footing from this budget. COSATU cannot understand why government promises to not retrench workers and to insource yet it tolerates the very opposite at our SOEs year after year.

The budget speaks of further job losses at the Post Office, whilst postal workers have borne the brunt of thousands of retrenchments and outsourcing. COSATU does not understand why government says it will not retrench or outsource yet it tolerates it in its SOEs.

SOE management posts must be placed on a clear fixed level as it is done in the public service. SOEs cannot be left to pay management exorbitant salaries, whilst pleading poverty and paying workers slave wages and retrenching year after year.

Transport

COSATU welcomes government's commitment to boost our rail infrastructure. However we remain concerned about a lack of a clear plan to ensure safe, affordable and accessible public transport for working class communities.

We had hoped government would accept the collapse of the E Toll model and engage with the public on a more acceptable funding model.

Environmental Affairs

Workers are bearing the brunt of climate change and global warming. We had hoped that government would share a clear plan to ensure South Africa meets its climate change targets.

Police

COSATU applauds the massive increase in SAPS employment levels over the years. However the projected decreasing in SAPS levels over the MTEF is worrying and does not make sense in the face of increasing levels of violent crime.

Expanded Public and Community Works Programmes

COSATU welcomes government's efforts to create work relief for the long term unemployed through the EPWP and CWP. However these have now come to be abused as sources of cheap labour for cash strapped municipalities and departments and are now performing permanent government functions. These need to be stopped. Workers must not be treated as a source of cheap labour.

Conclusion

COSATU appreciates the many important deliveries and achievements that government has made from education to housing to police. However we are deeply concerned about the lack of clear time frames for the establishment of a progressive NHI, the achievement of free tertiary education for working and middle class students, the eradication of mud and under resourced schools and the silence on the crisis facing water supplies and the possible disruption of social security payments.

COSATU is deeply disappointed that government has failed to seize the moment and use this budget to drive job creation. Without a serious comprehensive plan to ensure all South Africans have decent permanent jobs, we will not be able to move forward as a nation. We do not know how this budget will shift our economy from a 1% jobless growth to one which will create a 100 000 jobs on a monthly basis.



COSATU

Matthew Parks
Parliamentary Coordinator

Tel: 021 461 3835
Cell: 082 785 0687
Fax: 021 461 4034
Email: matthew@cosatu.org.za

2nd Floor, 56 Plein Street
Cape Town 8000
South Africa