

COSATU Submission on the 2018/ 19 Budget



Submitted to:

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

COSATU Is Really Disappointed By Government's Underwhelming 2018/9 Budget

1. Introduction

COSATU is disappointed by the government's underwhelming 2018/9 budget as presented by the Minister of Finance Malusi Gigaba in Parliament today. The budget was supposed to put flesh, set targets and clear time frames in support of the progressive job creating and corruption defeating vision articulated by SONA but it failed.

It offered no concrete strategies to help us create alternatives to the neoliberal development strategy that has left many workers and poor people mired in poverty. We are not going to succeed in developing an alternative production system that is based on domestic demand and human needs with this budget.

We enthusiastically welcomed the vision and plan outlined in the State of the Nation address by President Ramaphosa last week. While the President was emphatic on the need for government to kick-start the economy, create jobs to absorb the millions of unemployed and to tackle the scourge of corruption and state capture that; the budget is deafeningly silent on how is that going to be achieved.

Unfortunately, this is another disappointing occasion, where government has failed to rise to the occasion and come with a serious plan and budget to address the nation's many crises. This budget bares little correlation with the SONA. It is yet another missed opportunity by our government.

COSATU appreciates 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.

COSATU has continued to argue that we need to move towards a people driven and people centred development since the neo-liberal policies of the last two decades

that have leaned on “market forces” have seen more and more people sliding into poverty and unemployment.

We need an alternative development strategy because pursuing economic growth for its own sake is not enough. Economic growth is only a means to an end and in itself; it is not enough to solve the triple crisis of unemployment, deepening poverty and inequality.

What matters to us as workers is the quality of growth and not necessarily the quantity. We have experienced jobless growth before that increased inequality and poverty and also introduced technology in the workplace without caring about the plight of the workers at the same time ignoring and undermining our cultural identities.

We want growth that will optimally harness our resources and increase absorption of the labour force into productive employment and income generating activities. This budget is not going to help improve the social welfare of the majority let alone promote a programme of transformation by the state. We have been calling for a politically governed redistribution of wealth and opportunities from the formal to the non formal sectors of the economy to no avail. This budget is a clear signal that nothing has changed.

Our budget is still very much biased towards the formal economy and it says very little about the survivalist informal economy that carries many of our poor citizens.

We wanted to hear about bold transformation measures and not marginal programmes that will not change anything. We have heard many of these false promises before and we are not going to fall for the appearances but we want substance and real changes to the way the economy is managed. The state must take the lead to transform the legacy of underdevelopment and we want a developmental state to implement a developmental agenda.

2. Jobs

South Africa is in the midst of a long term economic crisis where one out of three workers is unemployed, where thousands of jobs have been lost across economic sectors. Yet government clearly has no plan to arrest the growing levels of unemployment.

COSATU welcomed the President’s commitment to host the long promised Presidential jobs and investment summits. This is long overdue. COSATU has been calling for this since 2015.

However job creation cannot wait until then. The President correctly said we need to have a plan to create jobs for every sector of the economy. Yet the budget only highlights job creation targets for a handful of departments.

It appears only the Departments of Trade and Industry; Economic Development; Agriculture, Forestry and Fisheries; Rural Development and Land Reform; Environmental Affairs; and Water and Sanitation have any job creation targets.

The budget is silent on how we will move from jobless 1% economic growth to labour absorbing 3% economic growth. We expected to hear macro plans and targets for how we will grow the economy and create at least 100 000 jobs per month. We expected to hear plans for each sector.

COSATU does appreciate 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 again 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. The budget allocated to industrialisation and the DTI is woefully insufficient if government wants to reindustrialise the economy, boost manufacturing and exports and create jobs.

We are worried that government is distracted by its programme to create a 100 industrial billionaires and not the real challenge which is to reindustrialise the economy.

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.

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

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.

COSATU Proposals:

- Urgent convening of Presidential Jobs and Investment Summits to develop macro and sectoral jobs and investment plans with business and labour based upon:
 - government and industry investments,
 - incentives,
 - reskilling and absorbing workers,
 - targeting key growth areas,
 - raising import tariffs,

- compulsory buy local campaigns, and
- export boosting measures.
- Boost DTI funding to fuel industrialisation.

3. Corruption

The President was inspirationally bold on the need to crush corruption. We have been told that the Hawks have identified R50 billion in stolen assets. The Auditor General has also confirmed that R64 billion was wasted last year. Yet the budget is largely silent on what government will do to stop this.

The budget speaks of holding officials to account for delays in payments to service providers but does not say how it will recover the stolen funds and plug the holes of wasteful expenditure. Unless we deal with these crises, we will not make any progress in stabilising state finances and ensuring service delivery to a struggling public.

COSATU proposals:

- Prohibit public representatives and senior public service and parastatal executives and their immediate families from doing business with the state.
- Require public representatives and senior public service and parastatal executives to undergo life style audits conducted by the Auditor General.
- Require public representatives or at least members of national, provincial and municipal executives and senior public service and parastatal executives to publicly declare their taxes.
- Parliament to quickly pass the Auditor General Amendment Bill.
- Fast track the passing of the Public Investment Corporation Amendment Bill by Parliament in 2018.

Revenue

COSATU is sympathetic with government on the need to stabilise and fix its budget crisis. We are keenly aware that rising debt costs will squeeze service delivery and a collapse in the state or an IMF bailout will hit the workers and the poor the hardest. However we are deeply disappointed that it is doing this upon the backs of the struggling working and middle classes.

Government's response to its budget problems is to take money from workers through VAT and below inflation income tax bracket hikes. This will hurt workers and their families by taking money from their pockets and making basic food and other living expenses more expensive. We would have at least expected government to announce an increase in the number of basic foods that would now be VAT exempt as a gesture to assist workers to cope with the VAT, fuel and income tax hikes.

The 52 cents fuel hike will hurt workers massively as it will force businesses and retailers to pass that tax increase onto workers through price hikes.

COSATU rejects and condemns the VAT and fuel hikes in the strongest possible terms and calls for Parliament to defend workers and reverse them.

Whilst government has been bold in taxing workers, it has avoided increasing taxes on the rich, company tax or significantly increasing luxury goods and imports taxes. What we have is a situation where politicians and their friends have looted the state and now nurses, teachers, police officers and other lowly paid workers are forced to foot the bill.

COSATU condemns government's through the back door effective income tax hike upon working and middle class families by minimising inflation adjustments for tax brackets at below inflation levels. This is the third year in a row that Treasury is raising income taxes upon the working and middle classes through this back door.

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.

We are left with no other conclusion except that this government does not have a plan to deal with its long term debt and expenditure targets but it will be gunning for the workers , while pursuing the same policies that have created the haves and the have nots.

SARS

At the heart of our revenue shortfall is the capture of the leadership of SARS by criminal elements and tax dodgers. Whilst COSATU welcomes the planned commission of enquiry into the crisis in SARS leadership, some things cannot wait. A change to the leadership of SARS must happen immediately; otherwise we will be faced with another revenue shortfall in October.

One of the key consequences of the SARS leadership crisis is a massive drop in customs duties and penalties for clothing and textile imports from previous collections of R1 billion to R500 million to R8 million in the previous year.

We have equally seen a massive rise in the amount of illicit tobacco being sold in the informal sector. Government has taken no action to deal with this ticking time bomb. Illicit tobacco is sold to consumers for a quarter of the price of legal tobacco. It will eventually cause the collapse of the legal tobacco suppliers and thus see a massive rise in tobacco consumption. Government has not acted upon serious allegations of collusion by senior government, SARS and industry leaders in this illicit trade.

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:

- Fast track the SARS Commission of Enquiry.
- Immediately remove the compromised leadership of SARS.
- Fast track the engagement on and implementation of progressive tax proposals from the Judge Davis Tax Commission.
- Cancel the VAT tax hike to 15%.
- Increase company taxes to 30% or 32% which should generate an additional R13 to R26 billion in revenues.
- Increase the estate and inheritance taxes.
- Crack down on the massive rise in illicit tobacco sales and customs fraud, especially textile imports.
- Increase capital gains tax to 45% which should generate an additional R4 billion in revenue.
- Increase income tax for incomes above R1 million to 45% which should generate an additional R5 billion.
- 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.

SSB Tax

COSATU has, with the strong support of Parliament's Finance Committees, engaged extensively with government and business on the Health Promotion Levy at Nedlac. Whilst full consensus on the tax was not possible, we were able to agree to a jobs plan.

However since the conclusion of the tax engagements, government has not come to the party on the jobs plan. Government has shown little interest in working on the agreed measures to protect and create jobs and industry. COSATU will submit a detailed report with proposals on this issue to the Finance Committees.

4. Expenditure

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.

Whilst government is seeking to balance the budget within a difficult environment, expenditure cuts are hitting workers hard. Public service posts have been cut by 3% over the past two years and nurses and doctors are battling to cope. The police head count will be cut whilst crime is rising alarmingly and the teachers are faced with rising learner ratios, often at levels of 60 to 100 learners in a class.

Whilst government is squeezing hard working public servants, we have seen a rise in bling expenditure by politicians and no freeze on top management posts in departments and state owned enterprises. Whilst SAPS is forced to tighten its belts, we have seen a bloated Presidency, including the Department of Planning and Monitoring.

There is no sense from this budget on how wasteful expenditure will be curbed, in particular on traveling, advertisements and use of consultants. It fails to acknowledge the fact that the state has been looted by the rise of tenderpreneurs.

With a government pleading poverty and cutting critical posts, it is hypocritical that numerous departments plan to spend billions on building and refurbishing their head offices and DIRCO plans to spend R1.7 billion on 40 embassy properties.

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

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.

We had hoped to hear from government what progress it has made to meet the ANC's 2015 January 8 statement to end outsourcing in the state. We have not see much progress in this regard.

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.

4.1 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.

4.2 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. Temporary teachers have been left unpaid for months at a time in Limpopo and the Eastern Cape.

COSATU Proposals:

- Investigate alleged ghost posts.

- Engage with unions at the PSCBC where expenditure can be reduced and what posts are critical and which can be frozen.
- Reduce the public service wage gap.
- Place state owned entities under the PSCBC to ensure uniformity and stability of wages.
- Reduce executive wages amongst the public service and parastatals.
- Reduce public representatives salaries and benefits.
- Unfreeze critical service delivery posts.

5. State Owned Enterprises

The President correctly had a lot to say on the need to clean up the mess at our SOEs but the budget is very vague and timid on this matter of highest importance.

We have seen initial moves to clean up Eskom and the SABC, yet we do not get a sense that there is a plan to deal with the mass looting at Prasa, Denel, Transnet, SASSA and SAA.

COSATU is deeply concerned that the budget was largely silent on how government will turn around our SOEs. 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.

SOE management posts must be placed on clear fixed salary levels 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.

COSATU is adamant that we will not be able to clean up and save our SOEs without them being subject to comprehensive forensic audits. This must include the life style audits of politicians, senior government and SOE executives and business leaders as called for by the President in Parliament yesterday.

Arrests, asset seizures and prosecutions must happen otherwise there will be no deterrence and looting will remain the core function of the leadership of the SOEs. The end result will be the collapse of the SOEs, tariff hikes fleeced upon the poor and mass retrenchment of workers.

The President must intervene to stop the planned retrenchment of 900 workers at Prasa as stated in the budget. We equally need a commitment that no more retrenchments will take place at Telkom and the Post Office.

It is alarming to note that government is silent on its plans to grow the Post Bank. COSATU appreciates the increased funds for the Post Office, however this must include a commitment not to retrench postal workers.

COSATU Proposals:

- Comprehensive forensic audits of SOEs.
- Change of boards and executives.
- Clear funding and operational plans to place SOEs on sustainable paths.
- Engage with unions and business for ways to stabilise SOEs.
- Commit not to retrench workers or privatise SOEs.

6. Departments

COSATU is hopeful that the President will engage the Alliance on how to slash our bloated cabinet immediately and clean out the dead and captured wood bedeviling government's progress. We look forward to that dialogue on how departments can be merged and consolidated in ways that will save money and protect jobs.

6.1 DTI, EDD, SMME and Science and Technology Departments

It is long overdue that these economic departments be reintegrated. Their fragmentation has weakened government's economic programmes and duplicated and wasted badly needed funds.

In the build up to the Presidential jobs summit, government needs to engage business and labour on how these departments should be better geared towards re-industrialising the economy, boosting manufacturing and exports. They need to be aligned better towards supporting job intensive sectors ,where South Africa has natural advantages and opportunities e.g. agriculture, tourism, energy, water, transport, automotive, electronics, forestry etc.

A consolidated DTI needs to be geared towards becoming the engine driver of the economy because currently it is badly under resourced and treated as an afterthought.

COSATU Proposal:

- Urgent development of macro and sectoral jobs and investment plans with industry and unions in preparation for the Presidential Summits.

6.2 Mineral Resources

COSATU welcomes government's willingness to engage business and labour about how to save and grow the sector. This needs to include an end to retrenchments, a plan to provide decent housing and a plan to reduce fatalities and accidents.

COSATU welcomes government's commitment 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 is asking what has happened to government's plans to support platinum and other minerals' beneficiation programmes?

We had hoped to hear from government plans to prevent retrenchment and to reskill and assist with the redeployment of mine workers. We had hoped to hear from government what it will do to protect workers at Optimum who are at risk of losing their jobs.

COSATU Proposals:

- Clear plan to save mining sector, including boosting beneficiation.
- Health and safety plans to protect mine workers.
- Reskilling and absorption plans for mine workers.

6.3 Labour

COSATU welcomes the DOL's planned increase in labour work place inspections and reduction in fatalities on duty. However its targets are woefully inadequate. A 10% reduction in work place injuries in the context of daily deaths and injuries on our mines is shamefully insensitive. Again DOL needs to be adequately resourced and equipped with more labour inspectors.

More needs to be done to modernise the UIF and DOL offices and to speed up the turnaround time on the processing of claims.

COSATU Proposals:

- Increase number of DOL labour inspectors and work place inspections.

6.4 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.

We welcome the pledge to fast track the National Health Insurance and the news that Medical aid tax rebates will be reduced by R700 million and this will be shifted to the NHI. Unfortunately the budget, yet again is silent on what this means in practical terms. There is a real danger that these medical aid rebates will be used to plug holes in the department and workers will receive little benefits in exchange.

COSATU does strongly welcome the plan to refurbish all health clinics but we still want to see more being done to fix and properly resource all public hospitals.

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. It is currently estimated that we now have a shortage of 30 000 nurses.

We expected to hear the budget speak to expanding the number of doctors and nurses being trained at our universities and colleges.

We are equally disappointed with government's delays in absorbing community health workers into the public service. They are currently paid through the small allowances provided under the Expanded Public Works Programme.

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

However we are deeply disappointed that the budget is silent upon how the DOH will meet the SONA's progressive commitments to reducing cancer, diabetes, obesity and other non-communicable diseases. Government will be receiving money from its Health Promotion Levy. We expect to see a public education programme accompanying it.

COSATU Proposals:

- NHI fast tracking plan.
- Clear indication on where NHI funding will go.
- Clear plans to refurbish clinics and hospitals.
- Filling of nurse and doctor vacancies and unfreezing of posts.
- Reduction in shifts at hospitals.

6.5 Education

COSATU congratulates government on its massive increases in funding for tertiary students, including for accommodation. This is a huge achievement and a first step towards free and affordable tertiary education for the working and middle class. However, the missing middle will still largely be left out of this. This means that more medium and long term planning and sustainable funding is needed to ensure free and affordable education.

We have difficulty taking serious government's targets to eradicate mud schools and ensure all schools have decent sanitation and infrastructure, when year after year it fails to meet its targets. The past year government did not meet 50% of its school infrastructure targets. All reports so far point to the fact that school building projects are sites of looting by tenderpreneurs with little action by government.

COSATU believes that offering only 15% of teachers bursaries is woefully inadequate when there is a need to strengthen teachers' skills in an evolving economy.

COSATU Proposals:

- Clear funding model, short and long term, for free and affordable tertiary education for working and middle class students.
- Clear plan and time frames to address basic and tertiary infrastructure backlogs.
- Provision of free sanitary pads for learners and students.

6.6 Social Development

The federation has no faith in the intransigent leadership of the Department of Social Development and SASSA. We do welcome the long over due removal of the Minister.

The budget also said very little about how social grants payments will be transferred to the Post Office and Bank. The Presidency and Treasury need to take over the transfer of this function to the Post Office because pensioners cannot continue to be political footballs.

COSATU Proposals:

- Interventions by the Presidency and Treasury to ensure fast tracking of social grants payments by the Post Office.
- Clear road map for this social grants transfer to the Post Office.

6.7 Agriculture, Forestry and Fisheries; and Rural Development and Land Reform

The time has arrived for all these departments were reintegrated because their split never made sense anyway.

We do welcome government's agricultural, forestry, aquaculture and fishing job creation targets. We welcome the land reform and emerging farmer targets. However the budget is thin on how these progressive targets will be achieved. We do not believe these departments have been adequately resourced to meet these critical objectives.

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.

COSATU Proposals:

- Sufficient resourcing of the departments.
- Sufficient funding and support for emerging farmers.
- Protective measures for farmers, e.g. raising import tariffs, buy local campaigns, export boosting measures.

- Land tenure and distribution programme targeting farm workers.
- Parliament's passing of the long over due Extension of Security of Tenure Amendment Bill.

6.8 Water and Sanitation, and Environmental Affairs

South Africa is number 30 amongst the water scarce countries in the world and the three Cape Provinces are already facing a water crisis, as are parts of the Free State, KZN, Gauteng and Mpumalanga. Yet this department failed to meet the majority of its targets last year but continued to mismanage funds.

The President committed government to providing leadership to the water crisis but there is no plan to conserve, recycle and desalinate water at a national, provincial or local level. The budget merely says that the Department and the City of Cape Town must talk to each other! Government; nationally, provincially and locally; is abandoning its constitutional duty to guarantee water to its people. The President must intervene in this ticking time bomb.

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.

Government, at all three tiers, needs to have a comprehensive sustainable water plan. This is an opportunity to both protect human rights and create jobs if government is serious.

We are pleased though that the Department for Environmental Affairs takes job creation as a matter of importance. However more needs to be done to clean our townships, informal areas, rivers, oceans etc.

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.

COSATU Proposals:

- A comprehensive national, provincial and local water conservation, recycling and desalination programme.
- An inclusive national water war room.

6.9 Energy

We are alarmed by a lack of coherent leadership or plans in the energy sector. Corruption has caused havoc at Eskom and coal workers are being threatened with retrenchments. Electricity tariff hikes are far above inflation.

We applaud the President for firing the previous intransigent Minister.

We welcome the President's statement that nuclear expansion is unaffordable and off the table.

We need a serious plan to manage our energy evolution and we need to once again export electricity to the rest of Africa. Eskom needs to become a leader of renewable energy production and workers must be re-skilled and absorbed as the sector evolves. We want government to ensure that solar panels are made locally.

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.

COSATU Proposals:

- Eskom's entry into the renewable energy sector.
- A plan to reskill and absorb coal workers as the energy sector evolves.

6.10 Justice, Correctional, Police and Intelligence Services

It is deeply alarming to note the planned cuts in 3000 SAPS personnel, whilst we are battling increases in all types of crimes. This needs to stop. It does not make sense whilst most working and middle class communities are under daily threats from all levels of violent crimes.

We are concerned that the budget does not go far enough to address the backlogs in our courts. Workers wait still for 2 years to have their cases heard in the labour courts.

We also do not understand how government hopes to rehabilitate prisoners when prisons face 200% overcrowding, will cut 866 correctional service posts and only provide for 5% of prisoners to be offered training at any time.

We welcome the inclusion of the SSA's budget figures, however given the corruption allegations at the SSA, more information must be provided to the public on what it spends tax payers' money on.

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 Proposals:

- Cancel plans to reduce SAPS by 3000.
- Fast track plans to speed up court back logs, especially in the Labour Court.
- Locate the BMA within the public service.
- Leave customs as a SARS function.
- Greater Parliamentary scrutiny of state security budget.

6.11 Public Works and Provincial and Local Government, and Human Settlements

COSATU is deeply worried about how permanent government and municipal jobs are being outsourced as cheap labour through the expanded public and community works programmes. They are now being used to perform permanent government jobs e.g. cleaning streets, municipal police, electricity provision etc. This must stop and government must adequately fund municipalities and eliminate wasteful expenditure and corruption in these municipalities instead of treating workers as glorified slaves.

We applaud the budget's housing targets but we are equally worried on its silence on when will all informal areas be replaced by formal housing.

COSATU Proposals:

- Integrate EPWP and CWP workers into the public service departments and municipalities.
- End the outsourcing of permanent departmental and municipal functions to the EPWP and CWP.

6.12 Transport

We are dismayed that government still has no public transport plan and no plan to intervene at Prasa. There is no plan to address the crises at Metro Rail and there is still this silly and denialist belief that E Tolls remain part of the future for both Gauteng and numerous other roads.

COSATU Proposals:

- **End PRASA's planned retrenchment of 800 workers this year.**
- **National intervention in the Metro Rail crises.**
- **End E Tolling and come with a sustainable funding model for roads.**

- **A public transport plan.**

7. Conclusion

Overall this budget has been very disappointing for workers. It also proved that the ANC government is yet to be rehabilitated from its addiction to neoliberal policies.

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.

We are disappointed that instead of explaining how it will stop wasteful expenditure and looting or how it will recover stolen funds; government has rushed to punish workers by raising VAT, fuel levies and adjusting income tax brackets at below inflation levels.

COSATU calls upon Parliament to reject these taxes upon the working and middle classes.



Matthew Parks
Parliamentary Coordinator

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

6th Floor, 124 Adderley Street
Constitution House
Cape Town 8000
South Africa