FEDUSA SUBMISSION ON BUDGET 2012

to the

Joint Budget Portfolio Committee

29 February 2012

Cape Town

Introduction

- The 2012 budget speech came as the country and the world are struggling to recover from the worst economic recession since the great depression.
- The focus in the budget speech was on need to establish a new growth path with a key focus on infrastructure delivery, not only to sustain economic recovery but also to meet the unique challenges of the South African economy.
- The spirit of Ubuntu and active citizenry encapsulated in the budget, extending to all South Africans to play a role in macro-economic change, stability and sustainability is positive and heartening.
- The Budget on a whole remained steadfast in addressing the challenges of creating jobs, reducing poverty, building infrastructure and expanding the economy.

ECONOMIC OUTLOOK
Global and Economic developments

It has become clear that the so-called deep recession affected counties, including South Africa to a much greater extent that was initially expected.

World Economic Outlook (WEO) of January 2012 of the International Monetary Fund (IMF): South Africa was more affected by the recession than other countries in Southern-Sahara. (Because of South Africa's larger exposure to countries where the crisis originated. South Africa was however geared to face the problem).

FEDUSA will comment on the effects of the deep recession on the Budget, the new broader approach to solving our serious socio-economic problems, the fiscal framework and specific expenditure and tax measures announced in the Budget.

Global impact of recession

- The WEO report is also more pessimistic about global growth and has revised its estimates of growth down by 3¼ percent largely because they expect that the euro area economy be expected to go into a mild recession in 2012.
- The expected growth in emerging and developing economies is to slow down because of the worsening external environment and a weakening of internal demand.
- Table 1 below, taken out of the WEO of January 2012 shows the severity of the deep recession.

Outlook on employment & inflation

- It is therefore understandable that Government forecast that economic growth would slow from 3.1% in 2011 to 2.7% in 2012. Thereafter it is expected to increase to 4.2% by 2014. There is agreement that a much higher growth rate of 6 per cent or more is necessary to bring down our unemployment rate. It could therefore be expected that unemployment would remain high during the next few years, if something drastically is not done to bring it down. (See also the discussion under the fiscal framework below and FEDUSA proposals on Youth Employment)

- Government forecast that consumer price inflation to rise from average of 5% in 2011 to 6.2% in 2012, declining to 5.1% in 2014.

- Given however the current rise in the international price of oil taken together with the proposed increase in our fuel levies, FEDUSA is of the opinion that the inflation rate could probably be higher and remain longer outside the inflation target of 3 % - 6%.

2012 Budget Focus: Infrastructure

- Jobless growth, high unemployment with the resultant unequal income distribution and poverty remains South Africa's most serious socio-economic challenge
- Despite success with some of the other broad goals of economic policy, such as growth, inflation and the balance of payments, the need to make inroads in unemployment and poverty has being echoed in all the Budgets of the past few years and in all South Africa's socio-economic strategies, namely the RDP, GEAR and ASGISA. Job creation is the central theme in the New Growth Path (NGP) and also forms a central part in the Report of the National Planning Commission. Where the Budget concentrated on job creation in last year's Budget, this year's Budget takes a broader approach with infrastructure development as the core.

- The National Development Plan analysed our socio-economic problems in a more systematic and pragmatic way than previous monitoring programs. The Commission identifies unemployment, income inequality, poor-quality education, poorly located and insufficient infrastructure, the resource intensity of exports and skewed spatial patterns as the main challenges facing the economy.

- FEDUSA met with the Chairperson of the National Planning Commission during November 2011 and will make formal proposals during March 2012.

- In a mixed economy such as South Africa , there is a role for both the private sector and Government. If each of the social partners do what they “can do best” within the economy this would lead to higher growth and employment. FEDUSA note that in this year’s Budget the proper roles of the social partners is acknowledged.

- The next three years will focus on infrastructure investment
- FEDUSA fully agree with this shift in expenditure. International experience demonstrates that higher levels of public and private investment in economic and social infrastructure promotes more rapid GDP growth, rising employment and per capita incomes, and a broadening of economic activity

- FEDUSA would require further details from the Minister in spelling out clearly how the increased infrastructure will be financed and the roles of the different institutions that will provide the finance. FEDUSA also noted with satisfaction that consultation on the Budget took place within NEDLAC involving all the social partners.

- FEDUSA agree with this all-inclusive approach to solving our serious socio-economic problems and would urge Government to make all efforts to convert these plans into action. The budget emphasized the importance of the private sector investment in building economic sustainability.

Budget expenditure measures

- Targeted job-creation programmes is in place for increasing employment in the budget's expenditure framework.
- FEDUSA welcomes further steps to increase jobs.
- Further steps in job creation, such as an additional R4.8 million for the expanded public works programme, R3.5 million for the community works programmes; Working for Water and Working on Fire receive an additional R1.1 billion and the National Rural Youth Service Corps receives an additional R200 million is indicative of more jobs.

- **Social protection**

- In a recession the poor are those who suffers most. FEDUSA welcomes the increase in the grants for the poor.

- In last year's Budget the Minister stressed that the basic reason for the high dependency rate is that these citizens do not belong to a retirement or medical scheme. The starting point is therefore to bring more people to provide for their old age retirement in terms of pensions and medical insurances.(See the FEDUSA comments on NHI and retirement reform).

TAX PROPOSALS AS CONTAINED 2012 BUDGET

- Tax amendments, which will benefit some taxpayers while others, would pay more. The changes to the different tax components will affect workers contributing to taxes differently as it depends on how much you receive of your salary every month (income tax and deductions), how much you pay for certain things (VAT and sin taxes), and how much you need to pay when you sell certain assets (Capital Gains Tax). FEDUSA welcomes the personal income tax relief of R9.5 billion

- The bulk of this benefit will go to lower income earners.

- The primary rebate for people over the ages of 65 and 75 has also increased, which means that these tax payers will have a little extra money in their pockets. FEDUSA would have liked to see a stronger correlation here with the thrust in the budget to create a savings culture to prevent the major dependency on old age pensions.

Tax treatment of medical expenses

- The Minister announced that as from 1 March 2012 the tax credit for contributions to medical schemes will be introduced, at a rate of R230 a month for the first two beneficiaries and R154 each for additional beneficiaries. The change from medical deductions to medical credits was previously communicated by the Minister. Now it will be implemented from 1 March 2012. A move to tax credits means that everyone gets the same tax relief, and it means that higher income earners will not benefit more from the same medical expenses.

- Taxpayers 65 years and older and people with disabilities will be included in the second phase of this reform, which will be implemented in 2014. According to Treasury these reforms will significantly improve the fairness of the personal income tax system. FEDUSA would like to raise the concern that many tax payers are dependent on the current tax treatment of medical expenses and do their planning on this basis. For many these would actually imply a tax increase.

- A discussion document on these credits will be published by the end of March 2011 and FEDUSA reserve our right to comment with the publication of the discussion document.

Retirement funding and savings

- The long overdue reform of the tax treatment of contributions to retiren funds is envisaged from 2014. For the past three years FEDUSA have been calling for a discussion document to contextualize further retirement reform to encourage voluntary savings. Consideration is being given to the introduction of tax-exempt short and medium-term savings products.
- FEDUSA would welcome this opportunity to increase voluntary savings but believe it should be subjected to a thorough consultative process within NEDLAC by all social partners.
- Many South Africans leave saving for retirement too late and this additional amount will assist South Africans to make up the shortfall.
- These deductions will, however, be limited to a maximum annual deduction of R250 000 for people younger than 45 and R300 000 for people older than 45.There are further proposals in the budget speech around retirement reform to assist individuals to be able to receive an adequate income in retirement, however these proposals still need to be finalised.
- A major retirement fund issue addressed in the budget speech centres on funds preservation. Minister Gordhan suggests that social partners consider ways to limit people's ability to withdraw money from their retirement savings.
- FEDUSA applauds the Minister for clear direction but would favour to achieve a tax-free retirement in future.

Retirement funding and savings cont

- Sanlam 2011 Benchmark survey showed that 20% of people indicate that they withdraw their retirement savings when they leave a job and move to another employer. The concern here is that, in this context, 72% of people used their retirement savings to settle debt and 29% used it to provide for living expenses.
- A key policy challenge facing SA is the lack of adequate retirement benefits for all
- FEDUSA would see the move to restrict lump sum withdrawals to 1/3 of accumulated savings as a step in the right direction to ensure savings for retirements. Different views are however amongst various affiliates in specific sectors and thorough consultation is still needed once there is a proper discussion document tabled.
- Partnership was a strong theme of the 2012 budget and the Minister made the point repeatedly that, in order for South Africa to effectively address inequality and poverty, a partnership between government and the private sector was critical. None so important as within the Retirement reform process. FEDUSA concur with the view of the IRF that this will encourage a new generation of savings products. This will encourage employees and the society in general, to save for their retirement and will in a long run, elevate poverty.
- No concrete solutions to enhancing and monitoring governance of pension funds, in light of a series of fraud and corruption cases last year alone, the Minister did allude to the reforming of the retirement industry discussion papers that will be released this year to address good governance as a fundamental to pension provisioning.
- Trustee Education and communication within the pension sector did not receive a mention in this budget. FEDUSA have identified one of the most critical issues needing to be addressed given the changes in economic landscape, is the need for tight governance and proper accountability.
- To encourage South Africans to save for retirement, contributions by employees and employers to pension, provident and retirement annuity funds are tax deductible.

Dividends tax

- An unexpected surprise was the announcement that the secondary tax on companies will be terminated on 31 March 2012 and a withholding tax on dividends of 15 per cent will be implemented on 1 April 2012. According to him this will align our tax treatment of dividends with that in most other countries. He is of opinion that pension funds will benefit from this transition, as they will receive dividends tax-free. The question that arises is whether this tax treatment of dividends is in line with other countries at the same stage of development as South Africa.

- Although this tax is not applicable to retirement funds, individuals' savings in equity investments will result in slightly lower dividend returns. FEDUSA welcome the provision that with effect on 1 April 2012 dividend withholding tax will come into effect. This provision will ensure a more equitable taxation in the economy.

Capital Gains Tax (CGT)

- The introduction of Capital Gains Tax in October 2001 was an important step in broadening the tax base. In order to reduce the scope for tax arbitrage and broaden the tax base further, the Minister announced that the CGT inclusion rate for individuals and special trusts will be increased with effect from 1 March 2012 from 25 to 33.3 per cent, and for companies and other trusts from 50 to 66.6 per cent. To mitigate the impact on middle-income earners, various exclusion thresholds are increased.

- Although FEDUSA agrees that for tax fairness all incomes should be included under the tax umbrella, the increase at this stage come at a very unfortunate time where the ordinary citizen find it difficult to survive. Although there are measures to mitigate the effect on middle-income earners this will not be enough to mitigate the whole effect thereof.

- Changes in Capital Gains Tax will also affect the allure of SA's to save their money by investing in capital interest. The increase in Capital Gains Tax inclusion rate from 25% to 33% contradicts the 'saver friendly' context of the budget to the detriment of asset owners. As inflation erodes the value of any asset, it must grow and taxing this inflation protection becomes a disincentive to hold assets.

Relief for small businesses

- In our previous comments (2004-2011) on the Budget FEDUSA has recommended that there should be more favourable tax treatment for small and micro businesses. We are therefore pleased with the different steps announced in this year's Budget. This include the increase in the tax-free threshold for small business corporations to R63 556, the 10 per cent rate is reduced to 7 per cent and the threshold up to which this rate applies is increased to R350 000. For taxable income above R350 000, the normal 28 per cent corporate rate applies.

- Other steps include that qualifying micro-businesses (within the R1 million turnover limit) will be able to pay turnover tax, VAT and employees' tax twice a year. This means that the number of returns and payments a year will be reduced from about 18 to just two thereby reducing the red tape of doing business for the engines of job creation.

Levy on electricity

- The Minister announced that the levy on electricity generated from non-renewable sources will increase by 1c/kWh as from 1 July 2012 and will replace the current funding mechanism for energy efficiency initiatives such as the solar water geyser programme. According to the Minister there should be little overall impact on electricity tariffs. FEDUSA will monitor this and alert any concerns as soon as it arises.

The general fuel levy on petrol and diesel

- Where there could be agreement with the Minister that the electricity levy will not have much effect, the situation with the fuel levy is quite different. The increase by 20c with effect from 4 April 2012, and the Road Accident Fund by 8c to 88c/l will have serious consequences for the ordinary citizen. It comes at time where inflation is starting to rise and will without doubt affect it negatively. The increase in the petrol price will be felt in all spheres of the economy and have a direct impact on all South Africans.

- Regarding tax amendments there are therefore some good and some bad news. The good news will probably be overshadowed by announcement of the increase in the fuel levy.

Sin taxes

- This is probably the most talked about item every year in the budget speech – probably because it is one of the most visible areas of our everyday lives. As has been the pattern over the last number of years, this year once again sees an increase in most of the sin taxes. FEDUSA would like to raise our concern with the agricultural sector and specifically wine industry to prevent our products from becoming too expensive for the international market when South Africa is competing with major global players in this regard.

- Last year the Minister proposed a gambling tax. The innovative measure to broaden the tax base is welcomed and this budget simplified the tax to a 1% levy on gross gambling revenue effective from 1 April 2013 which will include the national lottery.

TOLLING OF ROADS AND THE E-TOLL SYSTEM IMPLEMENTATION

- Government noted the outcry over the tolling of roads in Gauteng and the Minister made reference to lower tolls for public transport (no tolls for taxis) and frequent users, as well as a monthly cap for frequent users. The announcement by Finance Minister Pravin Gordhan in his budget speech on Wednesday that e-tolling would be going ahead in Gauteng at a rate of 30c/km was lower than the rate expected by consumers. Motorists are under pressure already and the prospect of sizeable petrol price increases in the coming months could have a crippling effect on the workers of South Africa. A lot of the people who use these toll roads to commute daily are not the highest income people. They are commuting towards the higher-income areas. A lot of commuting is towards the northern part of Johannesburg, from the West Rand, from the East Rand and from Pretoria. So it's a slightly lower income motorist who often lives out in those areas because the properties are cheaper.

- FEDUSA would recommend a much more phased-in approach over a good number of years, rather than the sudden shock treatment of increasing the costs quite dramatically, because the whole property market needs to adjust and it will take time. FEDUSA has therefore filed our section 77 tollroad protest action at NEDLAC to deliberate on the matter.
- The issue of tollfees must be seen holistically as it started with the likes of Eskom already ramping up tariffs, and the municipalities' water and sewage infrastructure is probably coming under pressure, so FEDUSA expect some significant increases there too. FEDUSA will ask the Minister of Finance to meet with us to find a amicable solution regarding the Guateng E Tolling System. FEDUSA is of the view that Cabinet does have the legal mandate to make decisions regarding the policy and the final price that consumers must pay. The final price and setting of tariffs is the role of an independent regulator. This is the case of electricity, pipelines and other sectors.

ENCOURAGING HOUSEHOLD SAVINGS

- FEDUSA have been calling for years for household savings to be increased. A discussion document to be published in May 2012 will provide more details on creating a savings culture. South Africans are not good at saving. We consume all our money and do not save enough for tomorrow. With the high debt levels and the low savings levels we, as a nation, are consuming today what we have not yet earned tomorrow.
- To encourage greater savings among South Africans, tax-preferred savings and investment accounts are proposed as alternatives to the current tax-free interest-income caps. This will encourage a new generation of savings products Government proposes to introduce these tax-preferred savings and investment vehicles by April 2014. A discussion document will be published by May 2012 to facilitate consultation and refine these proposals.
- Currently there are not enough incentives to save and in the budget speech the Minister proposed new savings mechanisms to help us save: The discussion document will be published in May 2012, and the product will be available from April 2014.

NATIONAL HEALTH INSURANCE

- Healthcare is an important benefit provided by the state to its citizens and in the budget the Minister commented on the improvement to the health infrastructure. FEDUSA and our affiliates applaud the additional allocations to be spent on nursing colleges and the rebuilding of 5 tertiary training hospitals, to the benefit of all South Africans. In the context of National Health Insurance (NHI), the Minister spoke about some of the interim plans to build towards NHI. FEDUSA will comment on the detailed NHI as per the discussion document once the greenpaper have been published.

- **FEDUSA is concerned about the apparent lack of consultation on the NHI process between the Department of Health and relevant stakeholders. The Budget Review 2012 contains no new information relating to NHI funding, and the expectation therefore remains that this will be funded from an increase in VAT, payroll taxes of employers or additional tax on individuals, or a combination of these. FEDUSA believe that the matter should be subjected to thorough discussion at NEDLAC by all relevant stakeholders. The intention from Government's strategic plans are that the proposals will only be published later in the year, but what it boils down to is that through some or other mechanism individuals will contribute more in total taxes to help fund the NHI system. As an organisation representing workers in South Africa we would like to be part of the process of aligning the social Funding options for national health insurance.**

- National Health Insurance is to be phased in over a 14-year period beginning in 2012/13. Funding options include an increase in the VAT rate, a payroll tax on employers, a surcharge on the taxable income of individuals, or some combination of the above.

- A discussion paper will be published by end-April 2012.

_2012 GOVERNMENT PRIORITIES AND BUDGET VOTES

- FEDUSA will for the purposes of this presentation only focus on some of the Budget Votes.

Vote 3: Cooperative Governance and Traditional Affairs: Community Works Programme

- FEDUSA appreciates commitment to expansion of the CWP
- Innovative solution to temporarily curbing unemployment, while providing essential social development services
- Engages citizens, encourages ownership, and community mobilisation
- FEDUSA cautions against the programme becoming a charitable cause rather than developing individuals
- Government should ensure that there is a measurable transfer of employable skills, and opportunity to engage in meaningful employment
- FEDUSA suggests extending the programme from an interim solution to a step on a career path into more permanent meaningful employment, thus maximising on work-based training

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Vote 8: Women, Children and People with Disabilities:
Women, Empowerment and Gender Equality

- Commission for Gender Equality
  - 65% of Department's budget
  - FEDUSA acknowledges their completion of a significant number of reviews, complaints and campaigns in 2011/2012 attributed to investment in human capital development.
  - FEDUSA is concerned however about the high number of vacancies in the commission, transferal of knowledge, and consistency in delivery

Women, Equality and Empowerment

- Pleased to note core objective to adapt international and regional instruments on women empowerment and gender equality into existing national gender initiatives
  - Domestic Violence Act (1998)
  - Government's maternity leave policy.
- Provincial Consultation
- FEDUSA favours social dialogue and supports planned provincial consultative meetings regarding:
  - Draft Bill on Gender Equality
  - Rural Women's Development
- FEDUSA wishes to ensure labour constituency is included in these consultations

Vote 8: Women, Children and People with Disabilities:
Children's Rights and Responsibilities

- FEDUSA appreciates the plans to lead consultation with other departments regarding training of officials in mainstreaming children's considerations

Vote 8: Women, Children and People with Disabilities
Rights of People with Disabilities

- Public Private Partnerships
  - Coordinated intervention model to improve quality of education at special schools
  - Integrated support model to increase access to institutions of higher learning
  - FEDUSA encourages engagement and collaboration with the DHET
- Expanded Public Works Programme
  - Increased participation of those with disabilities appreciated
  - Will their incorporation lead to sustainable measurable skills acquisition, and relevant career paths, or merely compensation for unskilled labour.
- Skills Development Centres
  - Supports the development of a model outlining norms and standards for mainstreaming disability considerations into SDCs, so as to enable equal opportunity to contribute to the economy

Vote 17: Higher Education and Training

- FEDUSA Resolution to lobby with Government to incentivise universities to produce enough appropriately skilled and qualified people central to the needs of industry.
  - Proposed differentiated government subsidy system, courses delivering scarce skills made inexpensive, and those delivering skills in abundance made more expensive
  - FEDUSA notes the enrolment planning exercise to be conducted at all universities to expand enrolment in key scarce skills such as health, education and technology
  - Final year loans programme encouraged

Vote 17: Higher Education and Training
Skills Development

- Skills Development Programme aims at increasing numbers of artisan learners registered from 30 000 to 33 000. FEDUSA does not believe that 3000 learners is an adequate target considering the skills shortage the country faces.
- What can be done to increase this target?

Vote 19: Social Assistance

- FEDUSA concerned with growing number of grant recipients annually, concern that we are becoming a welfare state.
- Growing rate of dependency, and money just handed out will not lift poorest out of poverty.
- FEDUSA suggests constructive research into a conditional cash transfer system employed in other world economies such as the Bolsa Familia in Brazil.
- FEDUSA does appreciate the 11.4% reeduction in disability grant beneficiaries due to an improved assessment process. Similar processes regarding foster care and old age grants would be encouraged.
- Similarly FEDUSA welcomes the implementation of Inspectorate of Social Security as a vehicle to monitor and oversee grant payments

Vote 19: Social Assistance: Social Welfare

- Early Childhood Development
  - FEDUSA pleased to see commitment to this service
  - Concern regarding heightened registration standards resulting in shutting down of day-care centres in the Western Cape.
  - R24.4 million allocated to audit all ECD centre across the country, FEDUSA suggests that thought is given to interim solutions for providing services to children while upgrading services and teacher qualifications
  - Mismanagement can lead to many women left jobless and children left without day-care services, as is the case in Cape Town metropolitan.
- Isibindi Programme
  - FEDUSA welcome this innovative programme that yet again combines alleviation of unemployment with the provision of social services. More interventions such as these are encouraged if we are to make a substantial difference in the triple challenge of poverty, inequality and unemployment.

Public Service and Administration: Vote 12

- FEDUSA would like to raise our concern that the State as employer abuses the Budget speech to commence with collective bargaining. The fact that 5% has been laid down as an absolute figure almost obviates the need for collective bargaining. The matter was raised with the Minister of the DPSA during bilaterals at the end of 2011, and an undertaking to address the issue were given. It is our contention that it does not bode well for collective bargaining if the first salvos are in the public domain. FEDUSA trust that collective bargaining will not fall into the pattern of communicating through the media.

- Treasury is also acutely aware that in terms of PSCBC Collective Agreement 1 of 2011, there are numerous uncompleted processes that also require funding to be finalised. The most notable is housing benefits. FEDUSA believe that housing benefits have remained unresolved for a number of years, and will remain so.

- Mention was also made of the NHI that will be implemented. A quality service orientated public health system is supported by all, but the perception is that the right of employees with regard to an employer subsidy (2 thirds to a max rand amount) may be sacrificed. This matter is extremely sensitive and need to be finalised as soon as possible and further clarity are required from Treasury in the discussion documents to be released in 2012.

- In light of the above, FEDUSA expect protruded period of collective bargaining based on the fact that the process commences with a perception among organised labour that the employer is not prepared to enter into a good faith collective bargaining.

- Recent decisions of the International Labour Organisation (ILO) Committee on Freedom of Association with regard to the public sector wage negotiations is stated that Government run the risks that FEDUSA will ask the ITUC to report the “Violation of collective bargaining” to the ILO.

FEDUSA is of the view that the constitution principle must not be sacrificed and we propose that the assistance and wisdom of the International Labour Organisation (ILO) must be used to develop a fair framework for negotiations in the public sector. The ILO has experts in this field to provide support for government as the employer and organised labour.

Filling of vacant posts

- It is quiet disturbing that the Minister at this point in time 2012, to be still talking to the filling of vacant position. The PSCBC has in 2007 signed Resolution 1 of 2007 which specifically dealt with the issue of funded vacant posts. Clause 14 of this resolution provided clear terms.

- This agreement was signed on the 5th July 2007. To date the employer, representing Government has failed to comply with this resolution. The issue of the vacant posts place a huge burden on those employees presently in the employ of Government, to carry the load of having to perform duties over and above what they are employed for.

Reducing the wage bill

- It is unfortunate that it is only the Public Servants that are focused on when it comes to state saving on the wage bill, especially our members who are between salary levels 1-12.

- Labour in the PSCBC, is aware and sensitive to the needs of the Country, thus in our wage demands, we look at issues like 1) Socio-Economic Context of the Country which is characterized by poverty, job losses, unemployment, and inequality;2) Inflation Forecast; 3) CPI etc.

- The employer in the Public Service has continuously failed to improve the working conditions of by employees by failing to adhere to time lines to deal with substantive issues as per the different resolutions signed in the PSCBC, example PSCBC Res. 2 of 2011 that deals with among others;
- 1. Medical assistance; 2.Home ownership; 3.Minimum service agreement; 4.All outstanding matters.

- These outstanding matters are the ones that could be used to mitigate against a higher wage percentage increase. Without this FEDUSA do not see how Government will succeed in convincing employees to buy into their vision.

Vote 18: Labour

- The Budget Review and the Labour vote sets out the program and strategic priorities that talk to the aim as set out to reduce unemployment, poverty and inequality through pursuing the objectives of full and productive employment and decent work for all including: employment creation and enterprise development; standards and rights at work including equality of opportunities; social protection; and social dialogue.

- It would seem when perusing the budget provisions as if the programs are operating in silos and do not address the aim in a coherent fashion, for example, how does the labour policy and industrial relations program support inspection and enforcement services?

- On page 389 of the Estimates of National Expenditure" reference is made to *"Due to professionalization of the inspectorate, the number of posts is expected to increase from 1316 to 1429"* - does this mean there are currently not enough inspectors, or are the current inspectors not on the required professional level. More bodies do not necessarily improve professionalism.

- FEDUSA also note with concern that NEDLAC seems to be the "ugly stepsister". NEDLAC plays such an important role in the broader society given the requirements of the NEDLAC Act and also taking into account all the committees and work that has to take place. Their staff complement is less than a third of Productivity South Africa. A strengthened NEDLAC may assist in faster and better outcomes.

CONCLUSION

- As in the past, the yearly Budget contains a lot of information and it is only possible to comment on a few aspects. According to FEDUSA the most important aspect is probably the incorporation of the report of the National Planning Commission and the reprioritizing of expenditure towards infrastructure to steer the economy on a growth and employment creation path. FEDUSA also feel more comfortable with the direction that the Minister wants to steer public finance towards a more sustainable basis.

- We thank the Portfolio committee for allowing FEDUSA thid opportunity to share our thoughts on Budget 2012.