**MEDIA STATEMENT**

**DEFENCE COMMITTEE QUESTIONS DENEL ON HOEFYSTER PROJECT DELAYS**

**Parliament, Wednesday, 27 November 2019 –**The Portfolio Committee on Defence and Military Veterans today held Denel to account on the challenges that are impacting on the defence industry as a whole and to brief the committee on their turn-around-strategy.

The Chairperson of the committee, Mr Cyril Xaba said: “Denel’s liquidity challenges and the resultant loss of technical capability and capacity affected the entity’s performance on capital projects raising a question on its ability to meet future requirements of the South African National Defence Force (SANDF).”

The SANDF’s acquisition programs comprised 40% of Denel’s order book, hence the future of the entity’s financial stability is of utmost importance.  Denel is the main supplier of equipment to the SANDF.  The entity also provides ammunition and maintenance on much of the equipment it provides.

The committee questioned the entity’s continuous delays in the delivery of the Hoefyster Project which is meant for the revitalisation of the South African Army’s infantry fighting vehicles and several other projects.

The committee heard that the challenges on the delivery of the Hoefyester project revolve around the levels of programme managers in Denel at the time. The committee also heard that Denel was never ready to manage the project, the none existence of the necessary skill-sets needed for the project was one of the main reasons the project had cost overruns and, as at times, engineers responsible for project management would be involved in financial management.

Mr Xaba said that “more than 40-month delay in the delivery on the project has resulted in Denel incurring R65 million penalty”. The information which Denel made available includes the latest agreement between the entity and the Armaments Corporation of South Africa (Armscor), and whether the infantry fighting vehicles envisaged at that time are still useful.

The committee questioned the challenge relating to the End-User Certificates (EUC) currently blocking arms sales to countries such as Saudi Arabia and the United Arab Emirates (UAE) while it noted the financial implications on companies such as Denel which could lose up to R30 Billion in sales.

According to the National Conventional Arms Control Committee (NCACC), the EUC is an undertaking made by the Government of an importing country whose Government assures the exporting country that controlled items will not be transferred, alienated, re-sold or re-export to any other country without prior approval.

The committee was told that the problem lies on onsite inspection which countries such as Saudi-Arabia and the UAE says are violating their sovereignty.

The committee heard that the criteria is not informed by the National Conventional Arms Control Act [73 of 2008], but it is an attachment to the Regulations. The committee was also told that the NCACC got an opinion from the State Legal Advisors and the problem of whether the criteria is to be removed from the attachment to the Regulation will be escalated.

The committee said that the countries that are objecting to the criteria of onsite inspection constitute the bulk of South Africa’s arms exports and the issue must be addressed as a matter of urgency as companies continue to lose contracts that could affect thousands of jobs in the already struggling defence sector.

**ISSUED BY THE PARLIAMENTARY COMMUNICATION SERVICES ON BEHALF OF THE CHAIRPERSON OF THE PORTFOLIO COMMITTEE ON DEFENCE AND MILITARY VETERANS, MR CYRIL XABA.**