**MEDIA STATEMENT**

**PUBLIC ENTERPRISES COMMITTEE EXPRESSES CONCERN ON GOVERNANCE AND FINANCE CHALLENGES**

**Parliament, Thursday, 22 October 2020 –**The Portfolio Committee on Public Enterprises heard that the arms deal manufacturer Denel has an unaudited loss of R1.8bn for the 2019/20 financial year, due to a significant decline in revenue and poor programme management.

Denel briefed the committee on its funding and government challenges. The arms deal manufacturer informed the committee that equity is significantly below previous levels, at R4 billion. This is despite an equity injection of R1.8bn disbursed in financial year 2019/20. The company received R305m of the R576m allocated to Denel in the 2020/21 financial year Medium Term Expenditure Framework.

Committee members expressed concern about these governance and financial challenges. They noted that previously they raised issues and asked questions to assist Denel plan more effectively for the future, but Denel took no action. Committee members pointed out that appearing before it is not simply a matter of compliance.

The committee believes that the government and state-owned companies should begin trading amongst themselves in business, skills and capacity. In addition, Denel should look beyond the Department of Defence and Armscor to market its products.

The committee felt that Denel’s presentation lacked timeframes and did not specify when actions will be executed in dealing with the identified challenges.

On the non-payment of employees, the committee said it cannot be correct that people are not being paid. Denel stated that non-payment of salaries has contributed to the loss of key technical staff in some divisions.

Responding to the committee’s questions, the Deputy Minister for Public Enterprises Mr Phumulo Masualle said Denel has a strategic role to play in South Africa and the region. Therefore, the department shares the concerns raised.

**ISSUED BY THE PARLIAMENTARY COMMUNICATION SERVICES ON BEHALF OF THE CHAIRPERSON OF THE PORTFOLIO COMMITTEE ON PUBLIC ENTERPRISES, MR KHAYA MAGAXA.**