

PRESENTATION TO JSCD: 03 NOVEMBER 2022: VIRTUAL

SUPPORTING INFORMATION












- DCACC at the Armscor Building is supportive and two-way communication is open and constructive. Members are helpful.
- Unfortunately, load shedding brings the Department to a halt, computers down, phones are down, air-conditioning system is down and only the basic lights are on (why not generator back up?). NCACC meetings not taking place as per monthly schedule places a huge constrain on the flow of documents and/or the reply on outstanding on-going matters. Offices at DCAC do not give you the impression of the “Corporate Image” you expect from a Directorate (DCAC) to a Parliamentary Committee, the NCACC. Excess furniture in passages on 4th floor for months now.
- No training as yet received and the complete process is still by hard copy print outs, delivered and collected by hand.
- There at least two Export Permits ‘on hold’ for several months now.
- The first one is for 4 x Puma M36 Armoured Ambulances for Burkina Faso and the second one is for body armour (helmets, ballistic vests and protection plates) for Mali.
- The assumption is that, the NCACC every time they meet these requests are tabled but, due to recent military coups, they ‘put it on hold’.
- Despite the lifting of economic sanctions by ECOWAS, our Government seems to still consider these exports inappropriate (for the time being).
- Both sets of equipment are ‘defensive’ (and not ‘offensive’) by its very nature. It has an humanitarian effect in that is would save the lives of soldiers and cannot be used in any way to harm or destroy or cause acts of abuse or human rights violations.
- The German Government happen to be the donor of both sets of equipment to both countries. They have to spend their in-year budgets by 31 Dec 22. They can only do the final payments to our company once the exports have been effected. Our company, besides the end-users, is thus negatively affected by these delays caused by the non-issue of export permits.
- Would it be possible for AMD (Sandile) to convince the JSCD and/or the NCACC to apply their minds along the above motivation and set of facts and approve of our applications?
- There may be similar cases with other companies of SADI but unknown to me.
- There is also a consignment of Codan radios (HF) awaiting an export permit to Mali. Again a system that can cause no physical harm to anyone. These radios need to be urgently installed in Mali’s armoured vehicles in order for them to effectively conduct military operations

- The Defence Review 2015 define Sovereign & Strategic Capability as the ability to ensure, under full national control and without reliance on any direct foreign assistance, specific capabilities identified as vital to national security, including, but not limited to, command and control.
- Global Command & Control Technologies (Pty) Ltd (GC2T) is a 100% black owned South African company providing turn-key Enabled Awareness Solutions to Defence - security and related technology customers. GC2T's solutions create an accurate and timely operational picture through the fusion and exchange of sensor data and information to support the decision-making process in an integrated and interactive manner.
- GC2T is the only OEM in South Africa and on the African Continent that develop indigenous Command & Control (C2) Systems and comply 100% with the requirements of being a Sovereign & Strategic Capability. GC2T is also the only OEM in South Africa and on the African Continent that developed an indigenous Constructive Simulation System (BattleTek) utilised to train Commanders and Staff.
- GC2T is well poised to contribute hugely to the 4th Industrial Revolution.
- More than 80% of GC2T's order book and revenue is derived from external customers, whilst ONLY the SA Navy and SA Air Force, actively utilize the capabilities offered by GC2T. SANDF can be placed in a strong position to contribute integrative support to SA and SADC, in a meaningful way if the C2 Systems are used more widely and extensively across the SANDF.
- Notwithstanding the above facts, that the SANDF owns ~30% IP of the core Command & Control System (C2) and in some instances 100% of the IP in other C2 systems.
- Research and Development (R&D) is also a huge challenge. No coordinated R&D benefitting the DoD or other Government Departments is taking place in South Africa.
- Small companies dependent on their own capacity to generate enough funds to conduct limited R&D often with a lot of duplication between Defence Industry and State entities such as the CSIR.
- Excellent capabilities that existed and ensured that the SANDF could conduct first class training such as Constructive Simulation (and Live Simulation) have been terminated, whilst that same capability is now taken up by the rest of Africa.
- GC2T is currently providing a comprehensive C2 solution to the AU for utilization by the MNJTF in the SAHEL countries. The C2 solution consists of CHAKA C2 solution (higher version than that used by the SANDF), encrypted telephone communications, satellite communications and video conferencing solution.
- The capabilities are there with GC2T, but it is not fully utilised and supported by the end-user (SANDF/DoD) and other Government entities.

Several companies have over recent years requested AMD's assistance in resolving various issues experienced with the NCACC as well as its administrative functionary, the DCAC. The following is a summary of most of the issues raised and which companies still experiences on a near daily basis:

- Irregular meetings of the NCACC: The NCACC often cancels monthly meetings and combines those issues with the next scheduled meeting. This causes applications to be moved a further month or more after being processed by the DCAC over mostly unreasonable times. These unreasonable times include for example DCAC receiving an application, sending it for Departmental Review and finding "error/s" on the application. DCAC has the rule that they do not contact Industry, but Industry must contact them to follow up on the status of applications. This is highly challenging for the following reasons:
 - DCAC seldom answer their phones – Our mobile phone logs will support this;
 - DCAC do not appear to work normal working hours – an audit of their access cards will confirm this;
 - DCAC seldom work on Fridays. AMD did address this matter with the DCAC who insist that









- they do work on Fridays "behind closed doors" to "catch up with admin". This can be confirmed by our Permit Officers, other Department of Defence staff as well as other Industry members. Very seldom one or two DCAC members can be reached on a Friday;
 - Industry may only submit and collect applications between 08:00 and 12:00, Monday to Thursday. Should there be an "error" to be corrected, it can only be done the following day or on a Monday due to DCAC being closed on a Friday. In addition, the Ground Floor Registry is often unmanned which results in Industry waiting at times for 30 minutes or more.
- Industry does not have any means of escalating challenges experienced with the NCACC or DCAC beyond the normal access to DCAC for the following reasons:
 - No access to the NCACC except through DCAC. Although we are aware that Industry has no direct access to the NCACC, indirect access should be facilitated through a higher authority, other than the Director of the DCAC, to raise matters of material concern. All Government Departments in general have a chain of command – Director, Chief Director, Deputy Director General and Director General – which does not exist in relation to the DCAC;
 - The DCAC, with its Director as the highest level, only reports to the Secretary for Defence on HR, Log and Fin matters and to the NCACC on its work. Any challenges we face with the DCAC can therefor only be raised with DCAC itself, or through AMD. This usually results in some form of perceived retaliation from DCAC – delays in permit processing / issuing.
- DCAC does not respond in writing to any matter raised with them in writing. Any response is verbal which is often when raised at a later stage. This does not create certainty in a business environment, where jobs are at stake and international relations are of the utmost importance to our Industry.
- There is little to no continuity in the processing of DCAC applications when one person falls ill / goes on leave and another must process the application. This mostly ends up with different requirements from the latter person.
- Industry is aware that there was an a NCACC appointed Project Officer for the new IT System in 2013. To date this IT System has not gone live. According to recent information, there has been some training of DCAC staff on the system, but other users within the Government have not been trained to date. The System has some features which may assist in many of the challenges faced:
 - It is based on Business Rules in line with the current NCAC Act and will therefore provide for set, consistent application requirements;
 - Applications are assigned to a specific person and is escalated should the work not be done within a prescribed time;
 - Applications with "errors" result in letters being sent electronically to the applicant, informing the applicant what the "error" is;
 - The System has a background Audit trail, ensuring that the processing of applications are done in line with good practises;

-  The System automatically generates letters to applicants informing them if the Scrutiny Committee or NCACC meetings were cancelled. This will assist with Industry End Users where proof of late delivery is required;
-  The System will alert the applicant if a permit has been approved. The initial intention was for Industry to print the issued permit at their premises and own cost; and
-  The System will in addition minimise interaction with DCAC – whether physical or telephonic.
-  It is our belief that the DCAC no longer has a person doing Technical Assessments. Although the Act and its Regulations specifies that the classification of products is Industry's responsibility, some products fall into a grey area. The current practise is to write and motivate to DCAC why a product is regarded as not controlled. DCAC's lack of response is regarded as agreement with the control status motivation and, although we may be able to stand our ground in a Court of Law if it comes to it, this is not an ideal situation.
-  In many instances, letters informing Industry on the outcome of NCACC decisions relating to permit changes / extensions are incorrect. Permit numbers differ on the letter from that requested for amendment, letters are incorrectly addressed to Group Companies other than the Companies that applied for the change / extension, and at times refer to different products.
-  There are different views of application requirements between the DCAC and the NCAC Inspectorate which may have severe consequences for Industry.
-  The NCAC Act is in urgent need of review to align it with current best business and international practices. AMD is in the process of convening a Workshop to propose amendments to the Act. You have been provided with our proposed amendments such as:
 -  Define "End User" and "Contracting Party";
 -  Delete the prescribed use of the Wassenaar Arrangement 2010 List as the control list and replace it with the use of "the current List as available on the Wassenaar Arrangement Official Website". Some items are no longer controlled in the current 2021 list while Industry is still bound to the 2010 list. This may have an effect on international relations where SA is to supply items to an End User and request an EUC for export purposes. The End User will refuse to commit itself to obligations usually applicable to controlled items only; and
 -  There should be no requirement to submit a Tax Clearance Certificate when applying for a Registration Certificate or the renewal thereof. The tax status is between the business and SARS. If there is a dispute with SARS, such dispute should not have an impact on Industry's ability to do business. This is in general the principle in the normal running of business.
-  Companies also raised the issue of contacting the responsible person/s at the Department of International Relations and Co-operation to facilitate the processing of End User Certificates. As you may be aware, exports cannot be performed without the Certificate of Authentication

issued by DIRCO.

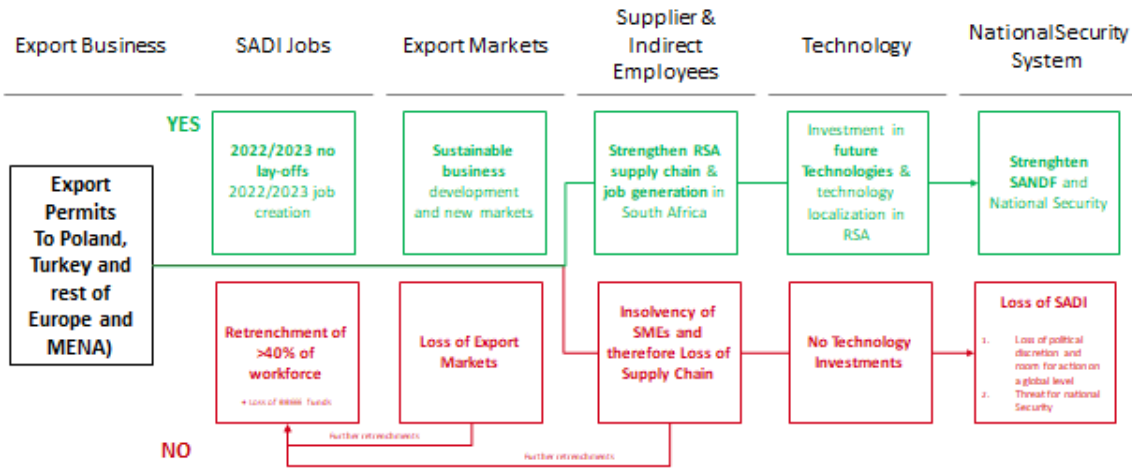
We are aware that some of the challenges faced by Industry may be perceived as small issues with no real or severe impact on our business. We wish to re-iterate that these challenges do have a severe impact on our business, job security, income and international relations and confidence.

Export – Risk of losing Existing Export Markets and Positive Effects

-  International Defence Industry Relations and Agreements are highly political and need to be embraced by all political leaders of our country at the highest level. As it impacts on issues of National Security.
-  International Defence Industry Relations either underpin or undermine relations between nations.
-  These relations which are built over decades can be destroyed by bureaucratic insensitivities.
-  All instruments of State should support the Defence Industry Exports. Not hamper it in a highly competitive arena.
-  Defence Industry has to be very responsive to the needs of the customer state.
-  All agreements set up between two nations must be honored timeously to maintain trust.
-  Approval processes need to be fast tracked.
-  The use of a very large high level committee to approve routine Defence Industry should be benchmarked with other countries if it is hampering our competitiveness.

Export

SADI depends on Exports (> 85% of total value generation)



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Export Situation

Historically unreliable decision making by Government Authorities



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Key Takeaways

Export-Restrictions Severely Affect SADI

Loss of Market	Countries let down by their incumbent suppliers of defence goods will immediately move away and seek replacement, since they do not accept to be influenced in their sovereignty. They will not come back. Continuous trust on Government levels in true partnership plays a major role
Direct Employment	15 000 + direct employees could face possible job loss as well as upto 60 000 indirect jobs to support industries and communities nationwide (SADI companies will be forced to initiate a section 189)
Indirect Employment	With local sourcing at risk, SADI's supply chain and its approx. 60 000 jobs will be lost! (SME's created will be forced to close down) Most of the suppliers of the large Defence South African Companies are local SMEs e.g RDM has a network of more than 1 500 South African Suppliers
Capability building and preservation	Halt of the training and development of South African, industry-ready students and engineering talent –putting existing and future availability of capabilities at risk
Social Environment	Reduction of Corporate Social Investment Significant reduction of tax revenues from SADI instead of the forecasted increase based on future business prospects

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