

SOUTH AFRICAN DEFENCE INDUSTRY UPDATE TO THE JSCD

03 November 2022

ZOOM, SOUTH AFRICA



Scope



1. Introduction
2. Purpose/Rationale statement
3. Industry's challenges and opportunities,
4. Feedback
 - 4.1 Cooperation with the NCACC
 - 4.2 Uptake of and training on the NCACC electronic permit application system
5. Discussions

Introduction



- Special Character of the South African Defence Industry
 - One the highly regulated sectors, as it should be.
 - Defence business is a function of politics – only sector with the acceptable involvement of political actors.
 - Function of diplomacy.
 - Ability to quadruple contribution to the economy, if properly supported could become a \$15bn - \$20bn per annum industry (conservative estimates).
 - Main developer of high-tech skills.
 - Ensures strategic independence for the country.

Purpose Statement

“A defence industry can be a key factor in **changing the profile** of an **economy**. South Africa’s defence industry changed the profile of the economy from one focused and dependent on agriculture and mining to one embedded in **high-tech skills with precision engineering**, quality assurance and composite materials expertise, and the ability to **develop high-end electronics and software**, among other capabilities”

Source: Defence Industry Strategy

Vision-Rationale

- Aerospace and Defence is the **Apex Ecosystem** to ensure a smooth and successful transition to the fourth economic wave (4IR).
- Digital tech (and ICT) is the means by which the apex ecosystem and all others are supported- like electricity in the 3rd Industrial wave, it is the means to transition, not the end.
- Without the **technology developed by the industry**, we will not transition optimally through the interregnum between the 3rd and 4th waves.
 - We will become **technology takers** (and price takers)
 - We will be **vulnerable** to sovereign pressure
 - We will not diffuse competitive technology throughout South Africa industry;
 - Our **citizens will not benefit** as they must, from the Fourth Economy Wave – inequality and poverty will increase and;
 - We will be less able to protect ourselves

Source: A&D Master Plan

Industry's challenges and opportunities

Status update



Industry Challenges – DCAC/NCACC



- Timeous processing of permit applications.
 - Delayed/Pending permits create a challenge for the Industry and the Country, we thus need to have a re-engagement strategy with the affected countries – Middle East and Africa.
- Administrative and operational challenges within DCAC.
 - This is negatively affecting Industry.
 - We need to seriously consider relocating DCAC and allocate sufficient resources for its operations.
- Delay in the review/amendment of the NCAC Act and other policies.
 - The delay perpetuates the implementation of a policy that is not pro-growth, pro-South Africa and aligned with National priorities.
 - The current policy posture emphasises regulation as opposed to enablement.
- Impact of political changes at Cabinet level and the resultant delays in the filling of positions created by the changes.
 - Political Party and Government elections also have an impact – campaigning season.



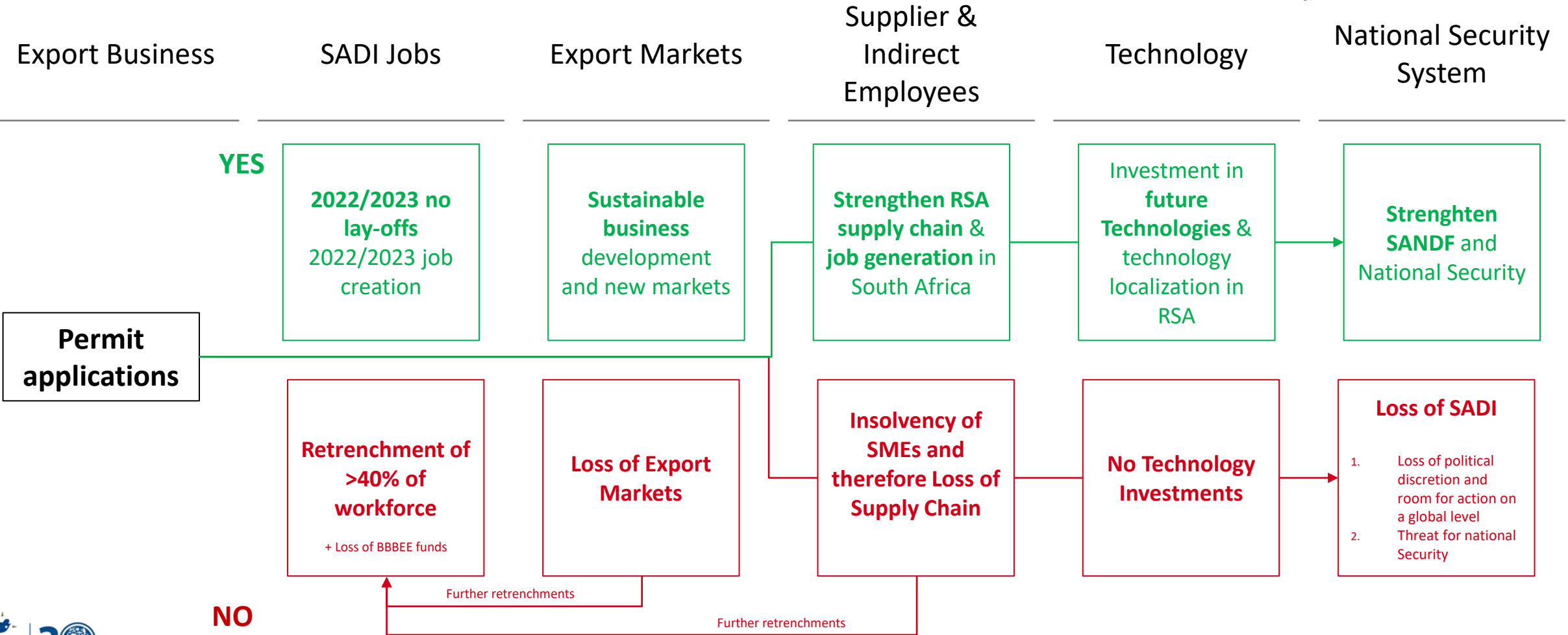
Industry Challenges – Internal



- Declining defence budget (no SDA).
- Delay in the implementation of the A&D Master plan.
- No follow through on MOD Budget Vote pronouncements.
- Not enough engagement between Industry and Security Cluster – despite numerous attempts by Industry.
- Delayed Industry Lekgotla.
- Inflexible application of the DIP Policy.
- No coordination of R&D – fragmented R&D spending.
- Inadequate resourcing of government structures supporting Industry NDIC, DSCC and DCAC.

Export

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



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Industry Challenges – External



- Lack of coordinated industry export support strategy.
- No visible support and leadership by the Presidency – as the highest political office.
- Damaged reputation due to our regulatory inefficiencies.
- Not enough support provided to Industry for export opportunities. This makes matters worse, considering the non-existent Special Defence Account.
 - Another impact of this is on SMME's and Industry Transformational Imperatives.



Industry Opportunities – Local



- Enhanced support to the SANDF to resolve some of the most pressing challenges, such:
 - Maintenance of current prime equipment to improve and increase serviceability.
 - Provide long term solution, to key and critical capabilities, such as:
 - Mobility (logistics and armoured)
 - Maritime (IPV 4)
 - Airlift Capability (fixed and rotary wings)
 - Implementation of the Defence Review – Sovereign and Strategic Capability
- Exploration of Public Private Partnerships for defence projects/acquisitions. Similar to other Sectors both public and private, i.e. Automotive Sector and Road Infrastructure projects.
 - Countries such as USA, India, UK, Australia, Israel make use of this method to augment the funding shortage for their defence acquisitions.
 - Parliament to consider benchmarking exercise in this regard. Continued reliance on our fiscus for the funding of defence projects is not going to deliver much, considering the magnitude of the required funding and the many competing government priorities.



Industry Opportunities – Foreign



- Middle East continues to yearn for South African products.
- Europe currently presents numerous opportunities for RSA.
- India has long been interested in South African produced defence and security goods.
- Africa remains our key target market due to proximity and shifting political alliances – these present a unique opportunity to RSA to take up the slack or fill the vacuum created by the movements in affiliations.



**Feedback on cooperation
with the NCACC**



SADI-NCACC Cooperation



- Relations have improved tremendously between Industry and the NCACC.
- In February 2022, Industry Representatives had a meeting with the Chair of the NCACC – the first of its kind. In this meeting, we agreed to:
 - Institutionalise interaction between the two structures.
 - Improve communication and interaction to ensure alignment at all times.
- NCACC has gone an extra mile to ensure that catch up meetings are convened in cases where the regular meetings do not take place.
 - While this may be appreciated, it is still imperative that the NCACC meets as mandated by the Act.

Feedback on the uptake of and training on the NCACCC electronic permit application system

Status update

The background of the slide is a dense collage of various military and defense-related silhouettes. The silhouettes are rendered in three primary colors: red, green, and blue, set against a black background. The objects include various types of aircraft (fighters, bombers, transport planes, helicopters), ships (submarines, surface vessels), ground vehicles (armored cars, tanks), and personnel (soldiers, sailors, technicians). Some silhouettes are more detailed, showing specific equipment like rifles, tanks, and satellite dishes, while others are more abstract or simplified. The overall composition is busy and conveys a sense of military operations and technology.

DCAC Electronic System



- In as far as the Industry is concerned,
 - The System is still under development, and thus not operational.
 - As such no training has taken place as yet.
- DCAC are better placed to provide accurate information on the status of the electronic permit application system.
- Suffice to say, as Industry we are eagerly awaiting the implementation of the e-permit application system.
- Most of our challenges will be resolved by the implementation of the system. Under the correct conditions.



Discussions

