

**DEPARTMENT: PUBLIC ENTERPRISES**

**REPUBLIC OF SOUTH AFRICA**

**NATIONAL ASSEMBLY**

**QUESTION FOR WRITTEN REPLY**

**QUESTION NO.: 1408**

**QUESTION:**

**1408.    Mrs M O Clarke (DA) to ask the Minister of Public Enterprises:**

(a) How will Denel reduce its bloated cost structure, (b) what orders are currently outstanding on Denel’s order book and (c) what are the reasons for the delays in terms of Denel’s contractual obligations?                  NW1603E

**REPLY:**

**According to the information received from Denel:**

(a) Denel is in the process of implementing a new Strategy and Operating Model, code-named Denel 5.Y, as approved by the Board and the Minister. Denel 5.Y envisages a much leaner organization with only two operating divisions, i.e. Denel Maintenance & Manufacturing and Denel Engineering. In accordance with this model, the number of CEOs and Executives will reduce significantly. The restructuring process will be conducted in accordance with the relevant legislation.

(b) R11 720m

(c) Liquidity constraints

* + Insufficient working capital;
  + Inability to raise new performance and advance guarantees;
  + Non-payment of full salaries to employees impacting on execution;
  + Aging plant infrastructure and inability to service/maintain ie increased failure leading to increased downtime;
  + Hostile supplier environment due to non-payment of legacy debt. Increased time spend on trying to negotiate with suppliers on payment terms and plans eating into critical delivery times. Also, most suppliers demanding advance payments before order can be executed.
  + Loss of skills and capabilities