

**DEPARTMENT: PUBLIC ENTERPRISES**

**REPUBLIC OF SOUTH AFRICA**

**NATIONAL ASSEMBLY**

**QUESTION FOR WRITTEN REPLY**

**QUESTION NO.: 1507**

**QUESTION:**

**1507. Mr E M Buthelezi (DA) to ask the Minister of Public Enterprises:**

(1)Whether the Government intends to provide financial support to Denel to overcome the current financial challenges faced by the state-owned company; if not, what is the position in this regard; if so, (a) on what date and (b) what are the relevantdetails;
(2) whether the Government has a long-term plan to revive the profitability of the specified company; if not, what is the position in this regard; if so, what interventions will be put in place? **NW1714E**

**REPLY:**

1. Yes, Plans are afoot to provide financial support to Denel to overcome its current financial challenges.

(a) A solution for the guaranteed debt (>80%) will be addressed between August 2021 and December 2021. Further funding request has been made in the 2022/23 Medium Term Expenditure Framework.

(b) The Department and the National Treasury have agreed on the process to be followed to address the guaranteed debt which is maturing in September 2021 and December 2021. A joint task team consisting of the DPE, National Treasury, Department of Defence and Denel is exploring further funding options to support the operations resumption.

2. The Defence Review regards Denel as a strategic national asset. Denel is critical to the operational readiness of the Department of Defence and the South African National Defence Force (SANDF). Denel is the original Equipment Manufacturer (OEM) for some of the primary mission equipment of the SANDF. In repositioning Denel for sustainability and profitability, the SOC has developed a new operating model which will result in fundamental reorientation of its business structure. In terms of the new business model, Denel will reduce the number of business units from the current six (6) to two (2) to ensure optimal utilisation of critical resources and infrastructure. The SOC will, in terms of the new operating model, rationalise its asset base and plans to dispose non-core assets. The Department has made a funding application for Denel to support the implementation of the new operating model.

 However, much still needs to be done to reposition Denel and return it to functionality and profitability. A challenging road will have to be traversed to get to this point. Recovery from the huge damage done to these institutions by state capture is a challenging task. There is no “quick fix” in this regard.