

**DEPARTMENT: PUBLIC ENTERPRISES**

**REPUBLIC OF SOUTH AFRICA**

**NATIONAL ASSEMBLY**

**QUESTION FOR WRITTEN REPLY**

**QUESTION NO.: 1746**

**QUESTION:**

**1746.    Ms R N Komane (EFF) to ask the Minister of Public Enterprises:**

(a) What (i) are the reasons for the failure by Denel to pay their employees their full salaries since May 2020 and (ii) action has he taken to resolve the problems and (b) by what date is it envisaged that Denel employees will receive their full salaries?

**REPLY:**

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

(a)(i) Denel’s failure to pay employees during this period is as a result of the company’s liquidity challenges, which started as far back as 2017. Denel is a case study on what corruption and state capture in particular can do to a once successful business that was a benchmark on governance and performance. This pandemic has made the situation worse with closure of facilities in response to lockdown requirements.

(a)(ii) Denel is dealing with the root causes of the challenges faced by the entity which include the impact and consequences of state capture. The process to rebuild Denel is underway. This includes adopting a new business model that is responsive to changing market conditions to ensure sustainability. Management is in constant engagement with employees to find solutions. The Department is looking at various options of improving the liquidity solutions in the short term and options to strengthen the balance sheet for long term sustainability.

Most of Denel’s operating divisions are steadily addressing the outstanding salary payments owed since May 2020. However, this is dependent on how quickly the divisions are able to turn sales into cash. This is ongoing as Denel is dependent on sales in order to create its own liquidity.