

**MINISTRY OF DEFENCE & MILITARY VETERANS**

**NATIONAL ASSEMBLY**

**QUESTION FOR WRITTEN REPLY**

**1944. Mr S J F Marais (DA) to ask the Minister of Defence and Military Veterans:**

Whether her department has provided any (a) financial and/or (b) other rescue mechanisms to Denel SOC Ltd in each of the past 10 financial years; if not, in each case, what is the position in this regard; if so, (i) what are the details of the (aa) dates, (bb) nature and (cc) amount of rescue mechanisms provided, (ii) which of her department’s budgets were reduced, (iii) what legislative provisions were relied on when her department and not the Department of Public Enterprises provided the rescue mechanism and (iv) what benefits accrued to (aa) her department and (bb) the SA National Defence Force due to the rescue mechanisms in each case? NW2156E

**RESPONSE**

Armscor did not supply any rescue funding to Denel other than what is allowed within its normal business practices.

Armscor allowed its normal contracting process whereby contracts are placed on Denel for delivery of specific products or services. To this extent Denel, similar to any other contractor, requested advance payments on some of the contracts placed for paying long lead items, etc. This awarding of such an advance payment is in the sole discretion of Armscor and is subject to an associated benefit which may include reduction in the price offered as well a guarantee equal to the amount of the advance payment that is acceptable to Armscor. An acceptable benefit is measured against the norm of Bank Acceptance (BA) rate plus 1%.

In terms of Armscor’s current financial policy, Armscor only accepts corporate guarantees (with certain parameters) of advance payments from State Owned Entities (SEOs) as it also reduces the cost for the State. Any advance payment exceeding the set corporate limit is then covered through an acceptable bank or insurance guarantee. Advance payments are then recovered pro-rata from future milestone payments.

During this period, Armscor reviewed Denel’s corporate limit based on Denel’s financial position. The corporate guarantee limit was increased during the period; this assisted Denel to reduce bank or other guarantees to enable them to use their facilities for other business purposes.