

**DEPARTMENT: PUBLIC ENTERPRISES**

**REPUBLIC OF SOUTH AFRICA**

**NATIONAL ASSEMBLY**

**QUESTION FOR WRITTEN REPLY**

**QUESTION NO. 432**

**432     Ms NWA Mazzone (DA) to ask the Minister of Public Enterprises:**

1. Whether a bailout and/or additional guarantees are under consideration for Denel; if not, what is the position in this regard; if so, what (a) are the reasons for the bailout and/or additional guarantees and (b) is the amount under consideration;
2. Whether Denel intends to expand its operations beyond weaponry; if so, (a) what are the reasons for the expansion in its operations and (b into which industry will it expand its operations;
3. Whether the expansion of its operations will require any additional financial support from the State; if not, what is the position in this regard; if so, what are the relevant details? CW46E

**Reply:**

**The answers for the SOEs in my portfolio are as follows:**

1. An application for funding to be allocated to Denel from the contingency reserve announced by the Minister of Finance during the 2019 Budget Speech has been made, with additional funding requested over the Medium Term Expenditure Framework (MTEF).
2. Denel requires recapitalisation because of the liquidity challenges it faces.
3. The amount of the total recapitalisation is still being considered by Government.

(2)(a) & (b) As per the South African Defence Review (2015), Denel is a national security asset, with the primary purpose of designing, developing, manufacturing and supporting defence matériel. In addition, Denel is charged with:

* + The custodianship of assigned sovereign or strategic defence capabilities, technologies and abilities, inclusive of those that may be at risk, the loss of which would threaten South Africa’s required defence capability.
  + The design, development, manufacture and support of important capabilities.

Denel is busy with the implementation of a turnaround plan.  The strategy was approved by the Board of Directors in February 2019 and is aligned with the expectations of the shareholder.  The immediate focus will be on disposing of non-core assets on an urgent basis and establishing strategic equity partnerships across the various divisions of the company.

Nevertheless, Denel is constantly exploring economically viable new revenue streams as part of its profitable growth strategy as well as new technologies to grow its business and technology base. These include both technologies adjacent to its current product portfolio technologies and new “green fields” technologies. Denel continues to and intends to further grow its collaboration with local and international Universities and research institutes. Some of the technology and expansion areas being explored include security and cyber technology solutions, system of system level integration capabilities, advanced software solutions and an enhanced offering to the South African Police Service.

Denel is one of the few, if not the only, level 5 System integration capability for Military solutions in South Africa. Denel intends to play an active role in 4th Industrial revolution solutions in South Africa.

(3) Denel’s expansion into new technology areas will be funded through a combination of self-funding projects and R&D investments. No specific additional State funding is foreseen for this technology expansion.