



defence

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OPENING SPEECH BY L N SISULU, MP, MINISTER OF DEFENCE AND MILITARY VETERANS ON THE OCCASION OF THE 5TH DEFENCE INDUSTRY DAY 22 MARCH 2012 AT CSIR, PRETORIA

Opening speech by L N Sisulu, MP, Minister of Defence and Military Veterans on the occasion of the 5th Defence Industry Day 22 March 2012 at CSIR, Pretoria
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Mr Thabang Makwetla, Deputy Minister of Defence and Military Veterans,
General Solly Shoke, Chief of the SANDF
Dr Sam Gulube, Secretary for Defence, Dr Sam Gulube,
Mr Tsepe Motumi, DG for Military Veterans,
Chiefs of Services and Divisions
Chairperson and Members of the Defence Service Commission,
Captains of Defence Industry,
Other dignitaries and officials from other Government Departments,
Ladies and gentlemen.

This day marks the Department of Defence's commitment to support the industry and partner with it meaningfully. As part of our commitment, I have delivered myself here for the first time and have with me an impressive entourage. This is a good start.

I am hopeful that in the future we can turn this day to more concrete use – one where we not only exhibit what the South African Defence Industry can produce, but to one where the engagement with the Defence Force will assist the industry to know what the priorities of the Defence Force are, to enable the industry to understand where we are headed and to allow them to invest meaningfully in those products which are prioritised.

This will require significant change in the way we do business. It will mean greater preparation and co-operation between ourselves and our acquisition agency, so that we can jointly craft this approach. Secondly, it would possibly mean a change of date for Industry Day. This would need to follow on the budget requisition process in Parliament that culminate in the acceptance of the budget on the Vote of Defence.

Only after we have had our budget approved can we engage in the kind of concrete partnership I know you so eagerly await. This is a thought I would like you to mull over. And should there be agreement on the matter, we can ensure proper processes are

followed.

Fortuitously, as you know, we are at the end of our deliberations in the Defence Review process, to overhaul the old Defence Review and ensure that our policies are relevant to our situation and our mandate. One of the most significant inclusions in this Defence Review is our commitment to the Defence Industry.

It has taken a great deal of thinking through, but I am certain the outcome will be as pleasing as it will be mutually beneficial. When this is done, it will significantly alter our relationship. Our support and relationship will move from the platitudes of yesteryear to concrete policy fundamentals. This will take all of us to a new level of co-operation.

Mr Roelf Meyer, Chairperson of the Defence Review Committee has confirmed very fruitful interaction with yourselves. We expect public interaction on the Defence Review to start in May 2012. As you know, the inclusion of yourselves in the document will generate a great deal of debate and controversy. I would like you to be part of that debate, so that we do not leave our intent in the hands of where the wind might blow – be in charge of your destiny.

The Defence Review process should be completed by the end of July 2012 to enable Parliament to deliberate and adopt this as policy by the beginning of the third quarter.

However, there are several matters that have come up in our interaction, which I thought pertinent to raise at this juncture. On the matter of the BEE, I don't have to go into the history of why this became necessary for government to legislate on this. However, Defence is faced with new circumstances that I would like to sensitise you of. We as the Ministry of Defence and Military Veterans have been given the additional and humbling responsibility of looking after military veterans – those people who we celebrated yesterday on Human Rights Day – those people who have laid the cornerstone of a democratic dispensation.

I would like to share that responsibility with you. I would like you, when you define social responsibility, to think of it in terms of these people. To the extent that it is possible, I would like the definition of BEE to reflect these people. I would like your employment figures to reflect these people. I don't think it is too much to ask. The nitty gritty and finer details of this can be worked out as a regulatory framework that the Industry Council can advise me on.

Having met with the AMD Board on 11 November 2011, I am very pleased to confirm that today marks the launch of the SA Defence Industry Council, which will meet quarterly under the stewardship of the Deputy Minister of Defence and Military Veterans, Mr Thabang Makwetla. This Council will be the highest consultative body between the Defence Industry and the Department of Defence on matters of policy formulation and compliance thereto, export support, armaments acquisition, joint planning as well as act as a nodal point for interaction with other government departments where their mandates impact on the Defence Industry.

It will consist of the Secretary for Defence and DDG's responsible for Acquisition and

Industry Governance, the Chief of the SANDF, the CEO of Armscor and the Defence Industry representatives as designated by the AMD Board. When required, we will invite officials from other government departments.

Your industry is an important part of our ability to perform our constitutional obligation.

There is little doubt that the defence environment has undergone a major metamorphosis. Not so long ago, the determination of actual or potential threats to a state was a simple matter. We could neatly describe the defence space in terms of low-, medium- and high-intensity categories. And the preparation and deployment of forces was simply a function of the country's size, situation and wealth.

The advent of globalisation and the attendant technological revolution has changed all that. Not only do we have to contend with never-ending technological innovation in weaponry and equipment, we also have to contend with the presence of new non-state actors. Armed forces can no longer focus on specific threats, such as conventional war but have to contend with a space that is congested, constrained, and connected. Success depends in large measure in the development of agile defence force and its supporting companies.

In these circumstances we constantly need to ask ourselves whether we have taken the necessary steps to ensure that our armed forces, defence bureaucracies and the defence industry are sufficiently agile to respond to the evolving threats! Where, on a scale from zero to ten does the South African Defence Industry fall; globally and regionally. Where once we were a self-sufficient, cutting edge industry, how far down the scale have we slid?

I am pleased to note that the Industry has been under-going some soul-searching exercise. That is, if the matters that AMD seems to be seized with is to be taken on face value. Some of the issues I am aware of include:

1.Co-operation: What are the essential elements that we need to prioritise to ensure co-operation?

2. AMD Business Model: The business model of AMD is evidently not appealing or attractive to SMME's within the defence sector. While I cannot claim to fully understand the reasons behind this, it is however evident that the perceived lack of value-add on the part of SMME's is one of the important drivers behind this lack of interest.

It is therefore important that AMD revisits its business model to make it attractive to SMME's, especially given the fact that they are an important platform to discharge Government's objectives of job-creation. Furthermore, consideration should be given towards ensuring that SMME's are represented in the AMD Board of Directors – that would certainly go a long way in demonstrating that AMD has a genuine interest in SMME's.

3. Representativity: Given that AMD is the official Defence Industry Association, it is crucial that its membership reflects the industry configuration. There is a perception

within the SMME sector of the defence industry that AMD caters for big companies that have access to significant financial resources. These companies are believed to be controlling AMD and ensuring that their interest – and not necessarily the interest of the entire industry – is catered for.

While this perception might not be entirely accurate, it however remains evident that AMD membership is still a far cry from the structure of the SA Defence Industry. The fact that the supplier database at DOD Procurement Centres and Armscor contains no less than 2,500 companies, yet AMD membership hardly reaches 100, is confirmation that such perception is not too far-fetched.

4. Industry Transformation: AMD is a lobby group, which seeks to, amongst other things, influence Government policy and attitude toward the defence industry. For this reason it is important for AMD to understand and appreciate Government's objectives and priorities so as to avoid a situation where an attempt is made to lobby Government against itself. Industry transformation is a serious matter within Government right now, and the State has resolved to utilise as many tools at its disposal as possible to enforce it.

The defence industry is one of the least transformed industries in South Africa; with total annual BBBEE spend still less than 10% of total annual expenditure. Collaborative efforts between AMD and Government are required to ensure that the goal of industry transformation is achieved. AMD need to consider introducing incentives for eager compliers and disincentives for non-compliers within its membership structure in order to accelerate transformation within the sector.

5. Incorporation of Military Veterans: As stated earlier and in line with the Government's objective to assist the members of the Military Veterans Associations to enter into the commercial arena in a sustainable fashion, the DOD is embarking on a number of initiatives to affect this objective. The Defence Industry is therefore also called upon to assist in this very important endeavour, by looking at ways and means to accelerate incorporation of military veterans into the industry's economic stream, both at individual level, by offering employment and/or training where possible, and organisational level, by doing business with military veterans-linked organisations.

I have reviewed the resolutions of the last DOD Industry days and can confirm that we are working towards the creation of a BEE Directorate and the appointment of the incumbent who will ensure that when we meet like this in 2013. We have a Defence Industry BBBEE Charter for submission to the DTI for gazetting. This will address the prevailing uncertainty on the DOD's commitment to this worthy cause and imperative of the SA government.

On the subject of conventional arms control, I am happy to inform you that the much awaited enabling regulations will be gazetted no later than the end of June 2012 and this will enable us to transition from the old Act to the Amended one which has several industry friendly provisions like program level permits. The key challenge will remain the capacitation of the DCAC to ensure that it is capable of serving you in your quest to increase much needed exports. In this regard, the Secretary for Defence has been

mandated to expedite the process of appointing the new Chief Director as well as populating the positions in that Directorate.

I look forward to the opportunity to visit the specially arranged exhibitions by yourselves as well as to receive presentations on your capabilities. I look forward to this and hope that it will enable me to not only better understand you as industry, but also to support you better when I engage with my counterparts. As a principle, I have also declared the support to the Defence Industry as a command function and this practically means that every official of the department has a duty to promote the South African Defence Industry on all their visits abroad, working through our own established structures and processes.

To this end, we have in the last few months, successfully assisted the industry to either secure contracts or access markets in countries like Benin, Ecuador, Uganda, Burkina Faso, Botswana and South Sudan. As you may be aware, we are also hard at work exploring collaborative prospects with partners in IBSA as well as directly with Russia and Argentina. We will continue with these activities and hope to see some tangible results by the time we gather for the AAD in September this year.

I want to emphasize this: For as long as you operate within the framework of the law, be assured that I am on your side and readily perched on my stilettos to be of assistance.

I want to urge you to find a way where you are able to communicate. Stop lurking in the shadows. If you add any value to society, to the economy, be out there and say that. Engage fully in the public domain with the concerns citizens have with the inevitable thin line of morality and necessity.

In closing, I am aware of the challenges you face in the acquisition environment and wish to assure you that I am doing all in my power to ensure the speedy resolution of these so as to enable you to serve the SANDF and your foreign clients optimally. Your job is to ensure full co-operation with the law and regulations. And with that, I am certain we can achieve far greater benefits, grow the economy, create jobs and keep the Defence Force supplied with quality products. And in the national interest, you will prioritise us above all else.

I thank you.

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