



sa air force

Department
Defence
REPUBLIC OF SOUTH AFRICA

Telephone: (012) 312 2209
Facsimile: (012) 312 2081
Enquiries: Mr S.R. Molekwa

AIR COMD/CAF/R/522/4(BCC)

Air Command Building
(Chief of the Air Force)
Private Bag X199
Pretoria
0001
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REQUEST FOR GUIDELINES: DENEL AERONAUTICS RELATED CONTRACTS

1. The SAAF Budget Control Committee (BCC) meetings held on 12 April 2021, 19 April 2021 and 26 April 2021 has reference.
2. The aim of SAAF BCC is to manage the in-year budget and consider financial authority requests that exceed Level 3 and 4 Budget Holders' delegations, tasks and modifications in accordance with the provisions of Section 45 of the Public Finance Management Act (PFMA) as well as Treasury Regulations (TRs), Regulations 8.2 and 9.1, before any procurement action can be taken by the SAAF. The Chairperson of the SAAF BCC must sign each Financial Authority (FA) request to confirm the decision of the committee.
3. In order to maintain sound regulatory procedures and comply with proper financial management principles, SAAF BCC respectfully request guidelines with regards to consideration of FA's related to Denel Aeronautics related contracts.
4. The SAAF BCC acknowledges the reality that the support provided to operations by the C130, Rooivalk and Oryx aircraft systems respectively increased drastically. Therefore, the role played by the Defence industry must complement the SAAF's capability in the most efficient and cost-effective way, subject to operational necessity.
5. The SAAF through Armscor has entered into a Product Support and Maintenance contracts with Denel Aeronautics to provide the required capabilities. Currently the following challenges are experienced by the SAAF;
 - a. Denel is the Original Equipment Manufacturer (OEM) of both Oryx and Rooivalk helicopters. Denel has outsourced services to subcontractors to support systems. Denel's current financial situation has created a loss of capabilities. This has impacted the operation of the SAAF and led to most of the aircraft systems being unavailable.
 - b. The inadequate supply of spares for maintenance is a huge drive factor for unserviceability. Deeper Level maintenance will have an adverse effect on the overall output of the system as a result of insufficient maintenance of the main propulsion components.



Leŋghe le Bhelethetho: Umphepo wezokhetho: Igama le Tshiriso: Isithi sasekhweni: Department of Defence: Mkhosho wa Tshiriso
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- c. Most of the ground support and test equipment in the operational area are unserviceable due to lack of maintenance and supply of spares by Denel.
 - d. Denel is an OEM accredited Maintenance Repair Organisation (MRO) for C130BZ. Denel Aeronautics financial situation and their inability to fulfil their contractual obligation has resulted in the inadequate supply of personnel, spares and maintenance, this will lead to aircraft being unserviceable. The unavailability of C130BZ as a force multiplier will result in failure to support Joint Operations.
 - e. The financial status of Denel Aeronautics will create a situation whereby the serviceability of SAMIL/SAMAG is compromised. This will result in Directorate Command and Control not being able to support SAAF operations.
 - f. Denel Pretoria Metal Pressing (PMP) is contracted for aircraft power cartridges and small to medium calibre weapons ammunition support to the SANDF. Denel's current situation will have a huge impact on supply of ammunition and combat readiness of the SANDF.
6. The above mentioned challenges has the following risks;
- a. Denel's inability to honour their financial obligations with their sub-contractors, will have a negative impact to support Heli Systems in operations.
 - b. Denel's inability to provide a service with regards to calibration and maintenance of Gripen and Hawk test benches will have a negative impact on aircraft serviceability. Failure to provide POL will result in the delay of releasing the aircraft in the Air Servicing Unit (ASU).
 - c. Denel's loss or degrading capabilities, has resulted in inability to render quality support to the C130BZ System.
 - d. Denel's financial status resulted in the loss of morale of personnel due to not receiving salaries. The low morale of personnel has negative impact on SAAF output.
 - e. Denel's inability to pay their sub-contractors has a negative impact to support SAMIL/ SAMAG Vehicle Systems which leads to non-availability of operational vehicles.
 - f. Denel PMP is the sole supplier for some aircraft cartridges and as a result SAAF combat readiness will be compromised.
7. The provision of guidelines before a consideration is made on any financial authorities will be highly appreciated.



(S.D. MALAKOANE)

CHIEF DIRECTOR FORCE DEVELOPMENT AND SUPPORT: MAJ GEN