

Defence Offsets Filter into General Economy

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Figures released on Thursday by one of the companies benefiting from the government's multi-billion rand arms deal showed that much of that benefit was being passed on to the general economy.

Avitronics managing director Ben Ash told journalists at his factory in Centurion that the company had outsourced around R182-million worth of business to small and medium sized engineering companies and component suppliers not considered part of the defence industry.

"Work to a value of R136-million, making up some 40 percent of the maritime business (corvettes and submarines) generated by the defence packages, is being outsourced locally as a result of direct product supply," Ash said.

"Indirectly, about 150 small to medium enterprises benefited by supplying electronic components, mechanical work and other services. In the aviation sector, Avitronics does much of the work in special in-house facilities, yet projects to the value of R46-million, making up some 25 percent of the total, are being outsourced to approximately 80 small to medium enterprises. Electronic component suppliers received in the region of R24-million worth of orders and approximately R22-million was outsourced to various workshops and service providers," Ash said.

The arms programme was often criticised as only benefiting defence contractors - foreign and local - at a time that job creation and poverty alleviation should be a government priority.

When the arms deal was announced in 1999, government said it would create 65,000 jobs and generate investment worth R104-billion.

The Avitronics MD said his company employed around 182 people in 1999 and were seriously over-staffed for the amount of work they had to do. Retrenchments were in the offing.

Today they had a workforce approaching 400 and were planning to recruit around 60 new technical staff next year.

The outsourced work had, in turn, retained jobs or created new posts throughout their supply chain.

Ash's company, part of the stock exchange-listed Grintek group, are contracted to supply electronic warfare equipment for nearly all the systems being bought for the SA National Defence Force as part of the Strategic Defence Package, including the corvettes, submarines, helicopters and fighter-jets.

This equipment mainly consists of sensors to warn the crew of the ship, submarine, aircraft or helicopter of possible threats and protect the vessel or aircraft by electronic means.

Allaying fears that the company could fall on hard times after the equipment was delivered, Ash said the offsets had benefited the company in many ways, including opening the eyes of sceptical overseas ship and aircraft builders to the hi-tech capabilities of the South African defence industry.

This was underlined when Saab of Sweden took a 49 percent stake in the company in 1999.

He added that his sales force had in the past often experienced a credibility problem, with European, Asian and North American firms simply not believing what they were being told.

That has changed. The company's equipment is now often preferred.

For example, Switzerland is fitting its Cougar helicopter fleet with the company's multi-spectral warning system and is encouraging other European countries to follow suit.

Sweden is fitting a similar system to its new NH90 helicopter fleet and WestlandAgusta had bought 16 to fit to a new batch of British naval helicopters.

Ash said the examples mentioned were all indirect offsets in that they were not part of the arms deal, but they would not have been possible without the arms deal.

He was confident this new business would continue to grow and carry the company forward.

With acknowledgements to Leon Engelbrecht and Sapa.
