

The Ceasefire Campaign

A demilitarization campaign

16th February 2006

R2 BILLION CAPITAL INVESTMENT IN DENEL CORPORATION IS BLIGHT ON MINISTER TREVOR MANUEL'S BUDGET SPEECH.

The Ceasefire Campaign welcomes the confidence-boosting budget. However, we remain deeply disappointed that the Minister was misled into believing that R2 billion could save the perpetual loser Denel. Obviously the state-owned arms sales unit did its homework well in ensuring that further funding for it would be smuggled into the expenditure to be included in the budget as a further adjustment to the appropriation bill for unforeseeable and unavoidable expenditure.

This is no less than throwing good money after bad. In the financial year 2003/4 Denel posted a loss to the tune of R377-million. The CEO of Denel Shaun Liebenberg warned as early as July 2005 of pending projected losses to the tune of R1.6 billion for the current financial year. Denel has never posted any profit worth mentioning on the balance sheet over the past five years. It is therefore not correct to suggest Denel's losses were unforeseeable and unavoidable.

The political context under which Denel was established has changed considerably and developments in the arms industry make the justifications for Denel's existence questionable. South Africa under the leadership of President Mbeki has an image of a peace broker in Africa and not a broker of arms sales to areas of conflict. The existence of Denel is a threat and contradiction to the positive role the country is playing in brokering peace on the continent. Considering that the CEO of Denel has kept his turnaround strategy to himself, raising fears that more than 7000 workers might lose their jobs, we call on the Minister to withdraw the budget allocation to Denel and encourage a review on whether the country still needs a company like Denel.

The main turn-around strategy Liebenberg suggests is to make DENEL a "small but high powered central arms sales organization" - a trend practiced in UK and the USA. Such a strategy will destroy thousands of jobs while securing a few that will benefit the highly skilled predominantly white males that have come along with the company since the dark days of apartheid. Even a lean Denel will continue to

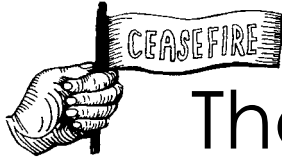
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require huge subsidies every year from the pockets of taxpayers while still
remaining in the red.

The Ceasefire Campaign remains opposed to Denel's suggestions that National Conventional Arms Control Committee's rules should be relaxed in order to allow high volume of arms sales to boost profit. This will open floodgates where proudly South African made bullets and guns could be found at any area of conflict including repressive states and violators of human rights.

For and on behalf of the Ceasefire Campaign

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