

Joint Standing Committee on Defence with the PC on Science and Technology, and PC on Trade, Industry & Competition

Aerospace, Maritime and Defence

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Department:
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA

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Industrial Development Framework

Impact Goals:

-  **Industrialisation and Economic Diversification**
-  **Job Creation and Youth Employment**
-  **Inclusive Growth and Transformation**
-  **Spatially Inclusive Industrial Development**
-  **Affordable Healthcare and Social Wellbeing**



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Industry Wins

- ✓ In 2025, the National Conventional Arms Control Committee (NCACC) approved 183 contracting permits worth R41 billion
- ✓ **Export Value:** The export of munitions saw a sharp increase: 582 export permits worth R10.1 billion, representing a significant increase from 2024 (R3.6 billion)
- ✓ **Major exports included armoured vehicles and ammunition, with key markets in Europe (42%), the Middle East (23%), and Africa (20%)**
- ✓ **A 5% increase in registered companies was recorded**
- ✓ **Retention and creation of highly skilled jobs:** A total of **823 jobs** particularly within the aerospace and advanced manufacturing sectors were supported through AISI initiatives.

Defence: Industry Wins

-  **Localisation and supplier competitiveness:** AISI interventions resulted in **R26.83 million in additional local industrial output**, reinforcing **the dtic's** focus on localisation and enhancing South Africa's participation in global supply chains.
-  **Technology development and enhancement:** AISI supported **14 technology advancement projects**, strengthening South Africa's industrial and technological capabilities and enhancing the sector's competitiveness.
-  **International certifications:** A total of **14 companies/projects** were assisted to obtain international standards and accreditations. These certifications improve export readiness and support integration into global supply chains.



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Industry Challenges / Losses

-  The primary risk or threat facing the industry is continued underfunding of the Defence Force, which restricts its ability to acquire new equipment and systems; and its ability to support new research and development. While several companies have done well in the export market, future potential will be lost if the industry does not have new products to compete with.
-  There is also limited industrial and financial support.
-  Regulation and Certification.

Marine Manufacturing



The Marine Manufacturing Development Programmes (MMDP) encompasses strategies and Key Action Programmes in -

Subsectors of Focus in the Marine Manufacturing & Associated Services

Boatbuilding

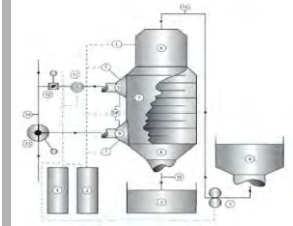
Shipbuilding



Ship and Rig
Maintenance and
Repair



Manufacturing of
Marine Component



Government has put levers in place to resuscitate the ailing marine industry through the Operation Phakisa initiative launched in 2014



The industry has major spin-offs to other industries including steel, engineering equipment, green industries, automotives, plastics, furniture, etc.



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Key Constraints



Procuring entities do not give an opportunity for the development of the local design: RFPs are specific on proven design thus making innovation in the industry impossible.



The cost of standards and accreditation is considerable high for new entrants and testing facilities in most cases are not available for most of the components.



Transformation of the Industry is very slow because the cost of investment in the industry is too high and has become a barrier for new entrants.



Financial Institutions, even developmental financial institutions such as IDC, consider the industry as risky. Financial institutions are risk-averse and do not give opportunities to venture into the industry.



Shortage of skilled labour and scarcity of highly specialised skills. Aging Workforce: the average age in the industry is 55 years old for skilled personnel. There is no formal training for Composite Skills.



Key Opportunities



The Marine Manufacturing Industry has significant linkages with high multipliers across industries in the manufacturing and service sectors.



The Industry offers opportunities for localisation of various components and systems in the vessel manufacturing process.



Opportunities to increase innovation through collaboration between industries and research organisation to improve the competitiveness of the industry in terms of international standards.



Greening the industry is a key opportunity if appropriate strategies are developed.



The Industry offers opportunities for the development of small, medium, and Black entrepreneurs in the supply pipeline of components.



The Industry offers great opportunity for youth employment through skills development and specialisation.



Key Action Programme for the Success of the Industry

Key Interventions	Description
Local Demand: Localisation & Access to Local Market	Leveraging on Public Procurement
Components manufacturing Certification and Accreditation	With focus on SMMEs and transformation
Technology Enhancement and Innovation Framework	Support for introduction to new technologies
Industrial Financing	Incentives and support for capital investment
Skills Development	In response to scares skills and ageing skilled workforce
Infrastructure	To advocate for the upgrade of ports and repair facilities to create conducive business environment
Access to African Market	Position South Africa as a regional hub for ship repairs and shipbuilding by leveraging on AfCFTA and SADC markets
Transformation	Participation of new entrants in the main-stream economy



OVERVIEW OF NIPP

The National Industrial Participation (NIP)

Revised Guidelines 2013



OBJECTIVE

- Economic growth (through market access, FDI)
- Employment creation
- Transformation
- OEM/ Company benefit (increased revenue, competitiveness, capability, expansion)

SECTORS

- Aerospace, Maritime, Defence, Space
- Energy
- Rail
- Automotives
- Pharmaceuticals
- ICT

PRINCIPLES

- Causality
- Additionality
- Sustainability
- No increase in purchase price

PARAMETERS

- Threshold
 - US\$ 10M (imported content)
- Obligation
 - 30% imported content
- Performance Guarantee
 - 5%
- Discharge Period
 - 7 Years

DISCHARGE MODALITIES (MULTIPLIERS)

- Capex Investment (x2)
 - Outsourcing to SMME (x2)
 - Outsourcing to BEE SMME (x2)
 - Training (x2)
- Technology transfer (x2)
- R&D (x2)
- Export promotion (%Local content x2)
 - With investment (1+%Local content x2)
- Licenced production (x2)
- Sub-contracting (x2)

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ROLLS-ROYCE PLC – SOUTH AFRICAN AIRWAYS TECHNICAL

AEROSPACE –MRO

Rolls Royce provided technical training and tooling to enable SAAT to undertake engine change services for foreign airlines.

SAAT to provide the skilled labour and either travel abroad to change the engine on the aircraft, or if the aircraft is flown to SAAT premises, change the engine locally.



Training Centre

Rolls Royce Power Systems (Germany) to establish training facility at Rolls Royce Solutions SA.

South African engineers will acquire in depth knowledge of the engine, its operation and maintenance with training of Rolls-Royce Power Systems customers to be done in South Africa.



AUTOMOTIVE

Rolls Royce facilitated investment and training thus enabling an expansion of metrology and tooling capacity to the automotive industry.



RAIL

Engine overhaul and repair services by MTU in Cape Town, South Africa



Rolls-Royce



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The Aerospace Industry Support Initiative (AISI)



AISI is an industry support mechanism designed to assist the aerospace, defence, marine and sector-wide advanced manufacturing industries.



Its strategic intent is to positively contribute to key Government objectives through the sectors supported.



The AISI's interventions delivered through four key programmes, each with a specific focus on technology development, supplier competitiveness, and industry awareness.

> A&D Technology Based Industry and Development

Enabling mechanisms for industry to improve productivity, implement quality management systems, optimise operations and integration into global supply chains for **A&D**

> Sector-Wide Accreditation

Two ring-fenced interventions, namely the **broader advanced manufacturing** mandate as well as the **marine manufacturing** supplier development interventions

Sector Strategic Support Initiatives

Programmes of national interest:

- Perform Industry Studies and Assessments
- Contribution to development of Sector Masterplans

> Promotion, Coordination and Awareness

Coordinating activities in and promoting awareness of AISI and its mandate as well as Sectors supported



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Jonker Sailplanes - New Sailplane for the Export Market

Background on the company

- ❖ Jonker Sailplanes (Pty) Ltd (JS) is a South African aerospace company that designs, manufactures and maintains sailplanes (gliders) from their main facilities based at the Potchefstroom Airfield.
- ❖ The SMME is the only producer of high-performance sailplanes outside of Germany and is branded as the producer of the best high-performance sailplanes in the world.
- ❖ Jonker Sailplanes employs 150 people in a region where industrial-sector jobs are extremely scarce. The city of Potchefstroom relies heavily on North-West University and the economic opportunities it generates, along with agriculture and a limited manufacturing sector.
- ❖ It is the first employment for more than 80% of its staff.

Funding/support provided

- ❖ Design, development and manufacture of 24m wing sailplane (JS5) in order to retain market share in Europe their biggest market.
- ❖ The support also included assisting Certification for European Union Aviation Safety Agency (EASA).
- ❖ This was meant to replace the JS1 product that had become outdated and was losing market share to European competitors.
- ❖ Introducing this product to JS's portfolio was expected to retain and create permanent jobs until 2030 and contribute to exports.

Impact of the support/funding provided

- ❖ Project was successfully completed and more than 24 orders for the JS5 have been received.
- ❖ R24.7m in local output has been generated so far.
- ❖ R18.7 million in exports generated.
- ❖ 5 Jobs created.

Comments by AP Kotze: Engineering manager: Jonker Sailplanes

The JS5 is a high-income product, capable of having a higher profit margin than previous products as it competes with sailplanes at the highest end of the market. Although the aircraft is more complex and technologically more advanced, the productivity was improved as the manufacturing time is still in line with current models. One of the main benefits of the project is security in the form of orders for at least the next 10 years.



Urgent Intergovernmental/agency Collaborative Work



Revival of the Aerospace and Defence Masterplan.



Defence procurement strategy to meet immediate and near-term defence materiel while simultaneously providing industry with an extended order book.



A suitable inter-departmental funding instrument/s to facilitate exports e.g. structuring and facilitating barter deals.



Positioning the local industry as a one stop shop that provides defence solutions for the African continent and as preferred African partner.



Urgent Intergovernmental/ Agency Collaborative Work



Formation of Ad Hoc NCACC which should seat during the election period and transition from one Minister to another.



International Certification Bodies: There is no bilateral agreements with other certification authorities such as the European Union Aviation Safety Agency (EASA) and the Federal Aviation Authority (FAA) in the USA. Bilateral agreements would allow products certified in SA to be accepted in those markets with no certification.



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Midterm - Focus Areas



Digitalise the Defence Industry by supporting the adoption of advanced manufacturing and digital technologies.



Facilitate Cluster development, by supporting the transfer of the CAV to the TASEZ and facilitate the issuance of the special Power of Attorney by the Department of Public Works and Infrastructure.



Transform the industry by enabling the participation of youth and historically disadvantaged individuals, particularly black industrialists and women-led enterprises.



Diversify the industry and facilitate Import Substitution and localisation by broadening the Supplier Base, strengthening local production, reduce the reliance in exports and integrating local industry into domestic and global supply chains.



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Thank you



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