

Denel technicians may lose their jobs

By [Paul Vecchiatto](#)

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Should the aircraft maintenance contract between Denel Aviation and the South African Air Force (SAAF) not be renewed, it would lead to the retrenchment of almost half of the state-owned company's 1,146 staff, Solidarity said on Monday (10 December).



The union issued a statement saying that it had received verbal confirmation that the contract for the maintenance and repair of SAAF aircraft was not being renewed and this would lead to the retrenchment of 523 personnel.

Defence analyst Helmut-Romer Heitman said, from his understanding, the SAAF and the Department of Defence had been told by the Treasury to find more bidders for the contract to comply with the Public Finance Management Act.

"But there is nobody else that can do this type of work," he said.

Solidarity spokesman Jack Loggenberg said: "This news could hardly have come at a worse time. These employees are stationed at various squadrons all over the country. They will probably not only lose their jobs, but their housing within a matter of months."

However, the Department of Defence and Denel said they were still in negotiations over the contract and that no final decision had been taken.

"We are burning the midnight oil on this issue and I cannot say if any retrenchments will be made or not," Department of Defence head of communications Siphiwe Dlamini said.

Denel group spokesperson Sinah Phochana said a statement would only be issued once the matter had been concluded.

Denel Aviation is a subsidiary of the country's largest defence contractor. Apart from manufacturing armoured vehicles and munitions, it also has divisions that upgrade and repair aircraft and it supplies civilian airlines with maintenance and repair of aircraft.

During the 2011-12 financial year Denel Aviation achieved a turnover of R1.047bn, compared with R736m the year before.

Its export turnover was R226m from a previous R37m, and this helped it post profits before tax of R60m compared with a previous loss of R156m.

However, Denel Aviation's order book has shrunk from R2.213bn in the 2010-11 financial year to R330m in the 2011-12 year.

Should it lose its maintenance contract, the Denel Group would be placed under increased financial pressure.

In Denel's 2012 annual report, chairman Zoli Kunene said while the financial improvements were welcome, the balance sheet remained highly geared as it had managed to maintain debt levels at R1.85bn and reduced annual interest charges to less than R100m.

"The government, as the shareholder, has continued to support Denel in addressing the renewal of the government guarantees backing the debt," he said.

Heitman said it was not unusual for air forces to use civilian contractors to maintain aircraft, although it depended on the individual air force how far into the servicing line it wanted to use such contractors.

"Using civilian contractors by the SAAF started during the 1980s, as the air force could not afford to pay the salaries demanded of skilled workers such as these," he said.

Source: *Business Day* via I-Net Bridge

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