

A look at what's happening in and around Denel

## DENEL LANDS THE BIGGEST CONTRACT IN ITS HISTORY

by Sam J Basch

Denel Land Systems has just been awarded a contract by Armscor to develop the South African Army's new generation infantry combat vehicle. The R8 billion contract that was three years in the making signifies a tremendous boost to local industry and the South African economy in general.

The contract – popularly referred to by its Armscor designation, Project 'Hoefyster' - for a total of 264 infantry combat vehicles (ICV) for the South African National Defence Force (SANDF) is arguably the largest contract Denel has landed in its 16-year history.

Group Chief Executive Officer, Shaun Liebenberg said: "We are exceedingly pleased to have been selected as prime contractor on this very important programme, more so as it indicates the SANDF and Armscor's confidence in the local defence industry's capabilities. South African companies will deliver more than 70% of the total value of the contract."

A contract of this magnitude entails enormous project management skill and resources over many years. Armscor will be placing phased orders on Denel Land Systems (DLS) over a ten year period as the milestones are achieved towards final delivery to the Army of five variants of the ICV system.

As prime contractor Denel will be required to manage a supply chain of scores of local subcontractors, including SMME and BEE companies, all of which stand to have guaranteed business for the next 10 years, some with follow-on support work after delivery.

"Whilst recognising the huge challenge to execute a contract this big, I'm fully confident Denel Land Systems can manage it well," said Shaun Liebenberg. "This is the company that produced hundreds of our renowned G5 and G6 artillery systems, sold internationally, and that supplied the combat turret and weapons systems on the unmatched Rooikat armoured fighting vehicle."

Denel's proposal to meet Armscor's tender requirement of a new generation combat vehicle for the SANDF was based on a Finnish Patria platform with a turret designed by Denel Land Systems. Five variants of the combat vehicle will be required, i.e. Command, Mortar, Missile, Section and Fire Support vehicles.

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### Did You Know?

The "Hoefyster" ICV replaces the SA Army's Ratels, that have been in service for more than 30 years.

"Hoefyster" has modular armour that provides ballistic protection for up to 30mm armour-piercing rounds.

More than 1000 variants of the vehicle type are in service with armed forces in Europe.



pics by Howard Tracker

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With the turret being the heart of the system, Denel engineers will have their work cut out to design the five variants. According to Denel Land Systems, they are not off-the-shelf items. Whereas the future Command variant will be equipped with intricate network communications and battlefield awareness systems, the others carry a variety of weapons systems.

Several Denel businesses, along with numerous other specialist suppliers, will provide required systems for the turrets. Denel Dynamics' proven Ingwe long-range anti-armour missile is destined for the Missile variant. Whilst DLS has already started work on the weapons systems, including an indigenous 30mm cannon and a sophisticated mortar to be integrated in the turret, Denel Munitions will supply the ammunition and mortar bombs.

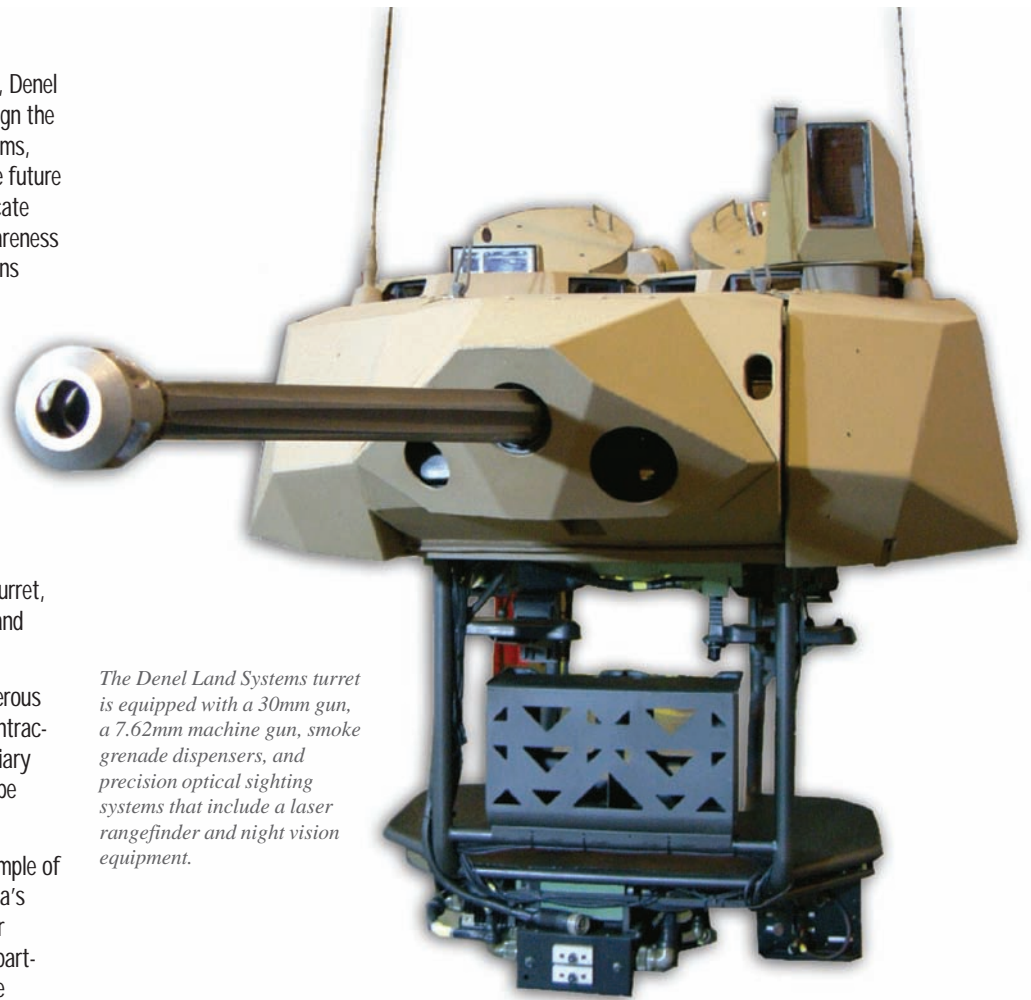
Denel as main contractor would involve numerous South African defence companies and subcontractors, like BAE Systems' South African subsidiary Land Systems OMC. The actual vehicle will be locally built under a Patria license.

"The awarding of this contract is a clear example of very high level alignment to meet South Africa's defence needs," said Shaun Liebenberg. "Our Department of Public Enterprises and the Department of Defence, along with Armscor and the SANDF, all cooperated admirably to bring us to this point. But importantly, for Denel a new chapter has been written. This Armscor contract puts Denel Land Systems on the road to sustainability."

Denel's macro strategy for the turnaround of the company started some 19 months ago and has already shown very good progress. Based on transformation and people, the five-strategy calls for:

- Securing "privileged access" for the local defence industry – not only Denel – to a minimum portion of defence spend by the Department of Defence;
- Partnering with state agencies to align planning and obtain "political support";
- Focus on growing commercial viable businesses in Denel;
- Secure equity partners with major global and local industry players; and
- Raise capabilities and productivity to world-class levels.

Project 'Hoefyster' signifies a significant acquisition programme that essentially underwrites all the pillars of Denel's macro strategy. Not only does this large defence contract support and give a much-needed injection to local industry, but it also sustains the commercial viability of the businesses, notably Denel Land Systems. Importantly, it will drive the capability of the Denel and other local companies to operate at world-class standards and international best practice.



*The Denel Land Systems turret is equipped with a 30mm gun, a 7.62mm machine gun, smoke grenade dispensers, and precision optical sighting systems that include a laser rangefinder and night vision equipment.*

This contract for the new generation infantry combat vehicle is meant to slot into the SA Army's Vision 2020, announced earlier this year by Chief of the SA Army, Lt-Gen. Solly Shoke. The vision would determine the Army's future direction and also influence what equipment it would acquire.

In the first indication of major changes in the way the Army operates, two field divisions - one mechanised and one motorized - as well as a Special Operations brigade, are likely to be established, with the new generation ICV being very much part of this structure.

The Army's new motorised division will largely be used for peacekeeping abroad and local security operations at home, while the mechanised division will be the Army's iron fist as an all-arms force of infantry, tanks and artillery, backed up with adequate supply troops.

"I foresee tremendous opportunities and further spin-offs to be realised through this contract, mainly for young technicians and engineering students who wish to make a career in the defence-related industry. This contract will contribute immensely to skills development and training, which are very much part of the Deputy President's Joint Initiative for Priority Skills Acquisition (JIPSA) programme," Shaun Liebenberg concluded.

*below: The "Hoefyster" ICV demonstrating its capabilities at the Gerotek testing facility.*



**Like to know more?**

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