

ARMSCOR'S STRATEGIC OVERVIEW

2009 / 2010

**PRESENTATION TO THE
PORTFOLIO COMMITTEE ON DEFENCE AND MILITARY
VETERANS**

11 NOVEMBER 2009

- ▶ **Armcor's mission is to meet the acquisition, maintenance and disposal needs of the South African Department of Defence and Military Veterans (DOD) and other clients in terms of defence materiel, related products and related services. Armcor maintains strategic capabilities and technologies and promotes the local defence-related industry.**
- ▶ **Armcor is currently a Schedule 2 Public Entity and reports directly to the Minister of Defence and Military Veterans (Minister).**

The Accounting Authority is the Board of Directors appointed by the Minister and has two separate roles and functions, namely:

- **To act as a tender board; and**
- **Ensure corporate governance**

The Board has the following subcommittees:

- **Executive Committee**
- **Audit and Risk Committee**
- **Human Resources Committee**

Armescor's role is to promote efficiency and accountability with regard to Defence acquisition projects by providing the following support functions:

- **Project management**
- **Financial management**
- **Legal services**
- **Project security**
- **Management of intellectual property**

Strategic initiatives

Armcor receives a transfer payment from the DOD which is insufficient and does not cover the cost of running the organisation. The Board is continuously engaging the DOD to address the problem. Internally, the organisation is also continuously looking at ways to improve its processes and structures.

- **Investigating and finalising the funding model**
- **Investigating commercialisation of the Dockyard to supplement funding from the DOD.**
- **Evaluating the leverage of assets (development of Armcor land)**

Armcor is faced by a number of challenges, such as, erosion of skills, ageing workforce, attracting young talent and generally a shortage of critical skills. To address these challenges certain strategic interventions are put in place:

- **Transformation and Rejuvenation**
- **Training and Development**
- **Retention and Employee Satisfaction**
- **Mentorship and Succession Planning**

Address the industry transformation challenges by ensuring the following:

- **BBBEE monitoring and control systems**
- **Enforcement of the BBBEE Balance Scorecard**

LOCAL INDUSTRY SUPPORT PROGRAMMES

Support of local industry is one of the Board's priority areas. The Board is concerned that large percentage of tenders go to foreign companies. To address this challenge the Board is:

- **Developing a strategy to ensure support of local industry thus strengthening specific skills and retaining skills.**
- **Engaging with relevant role-players in the industry**

The focus is to improve efficiency and productivity by putting in place:

- **Productivity management system**
- **Development of Information Management Strategy**
- **The Board has adopted the Information Technology Renewal Plan**

To ensure compliance with corporate governance principles, the following have been put in place:

- **Shareholder Compact, Board Charter, Committees' Charter, Internal Audit Plan**
- **Corporate Risk Management Plan (Risk register)**
- **Fraud Prevention Plan**
- **Legislative Compliance Assessments**

To create a shared vision within the Defence Industry:

- **Stakeholder Engagement Strategy has been developed which takes into account all relevant stakeholders**
- **Streamlining communication strategies to enhance stakeholder relations**
- **Creating a positive image of the Defence Industry**

Three key challenges:

- **Insufficient funding**
- **Shortage of critical skills**
- **Sustainability of the local defence industry**

THE END