

Defence industry should lead manufacturing resurgence, says Ichikowitz

Paramount Chairman calls for leadership in innovation

The local defence industry is on the threshold of a new era where it will assume greater responsibility in making South Africa self-reliant in defence production, Ivor Ichikowitz said on the sidelines of the Africa Aerospace & Defence 2012 being hosted at the AFB Waterkloof.

Ivor Ichikowitz, Executive Chairman of the Paramount Group says South Africa is fast developing into a manufacturing hub for many of the world's top companies wanting to leverage the defence sector's proven skills in quality and value addition.

South Africa's manufacturing sector has proved its international competitiveness in the past decade, especially in the auto industry, he says, while companies like the Paramount Group have been working in defence manufacturing for many years.

While the South African manufacturing industry has been a significant contributor to GDP and has displayed impressive growth, the sector's 14.6% contribution to GDP is among the lowest compared to other emerging economies. Government's Manufacturing Competitiveness Enhancement Programme articulates an aspirational objective to increase this share.

Says Ichikowitz: "A vibrant domestic defence manufacturing sector can be a vital peg to help realise this vision.

"Developing a strong defence manufacturing sector provides opportunity to create intellectual property, domestic technologies and capabilities which often have significant civil applications and moreover provide a platform to tap export markets. Most importantly it has a potential to create thousands of jobs."

South Africa's emerging role in the global defence sector is a bellwether that the manufacturing sector is poised for growth on the back of some market leading innovations in the defence sector.

Paramount Group's market knowledge has led to the development of the Marauder Patrol vehicle in response to the trend it sees over the next decade towards more agile and flexible light armoured vehicles.

The Marauder Patrol includes a bevy of safety and technological innovations. It is protected to STANAG Level 1 ballistic protection and the levels can be enhanced without impacting the overall performance of the vehicle.

The Advanced High-Performance Reconnaissance Light Aircraft (AHRLAC) is another illustration of local capabilities and capacity and signals South Africa's emerging role in defence manufacturing.

"With AHRLAC, we identified and fielded a disruptive technology, a first-of-its-kind that once complete will enable the country to leapfrog decades in innovation," says Ichikowitz.

The most important trend in South African defence thinking is a fresh appreciation of the need to develop a local defence industry. In the past, domestic production tended to focus on small arms and refurbishing of existing weapons and vehicles.

Paramount's own innovation-led growth has been remarkable. The group today is one of the largest privately held and fastest growing defence and aerospace companies in the world.

Ichikowitz believes more innovations like the AHRLAC would emerge if the South African Government increased support for private defence companies.

"The strategic advantages of creating a vibrant defence domestic sector will go a long way in accelerating South Africa manufacturing capability."

"There is an enormous potential and huge opportunity for collaboration and creation of joint ventures in the defence sector in South Africa. Major global players in the sector are already eyeing the local market as South Africa is fast emerging as a centre for engineering and design services.

"A vibrant and a revitalised industry will not only boost local production and increase manufacturing jobs but is also critical to increasing self-reliance."

Self-reliance in defence is of vital importance not just for strategic reasons but equally for economic reasons. Today South Africa needs to create the much-needed jobs for the growing population of youth coming out of colleges and universities.

"South Africa cannot afford to offshore its arms acquisition needs and create jobs in other economies. It needs to create jobs at home."

The defence manufacturing sector can offer the country a strategic edge and also allow the economy to tap into export potential of the sector. Already exporting to markets in Africa, Middle East and South America – NATO countries have also shown keen interest in Paramount Group's products.

"The government's Industrial Policy Action Plan recognises the aerospace and defence sector as a critical and pervasive generator of new technologies and is

crucial to future innovation in South Africa.”

Ichikowitz argues that procuring from local defence contractors has significant benefits; from custom-built products catering to unique needs to profits remaining invested in the country. However, of much bigger consequence is the fact that if a significant portion of South Africa’s defence budget is spent on local procurement, the opportunities for the private sector are unprecedented.

While most African countries do not face clear and present danger from external threats, growing internal disruptions such as terrorism and piracy requires governments to enhance defence capabilities.

“As one of the biggest private defence contractors in the world, we have developed the requisite skills for meeting the need of Government’s involved in peacekeeping and maintaining internal security. We now export these skills saving the export dollar and further accentuating the job creation potential of the sector.”

A great example for this is Turkey. Over the last decade or so, defence exports from the country have increased by almost ten times from \$100-million to almost a billion dollars.

Ichikowitz points to figures from by ICD Research / Strategic Defence Research which estimates that the maintenance, repair and overhaul (MRO) market will grow at a compound annual rate of 5% from \$4.1- billion to \$7.1-billion between now and 2022. This would prove to be a crucial growth area for local players.

“As financial austerity measures kick in, governments all over the world would be looking for competitive suppliers. Support from the government would assist building new markets and also creating new revenue streams.”

“Unlike some other partners in the BRICS grouping where the governments are looking at procuring as much as 70% of the total defence requirement from local suppliers, the South African defence sector would benefit from a similar policy.”

“Local procurement will add a layer of independence as well as help South Africa to be a strategic player in emerging markets.”

He believes that the cornerstone of private sector enterprise is its ability to improve efficiencies, a trait that would benefit from increased spending on research and development coming off government support of the sector.

“While defending sovereignties is non-negotiable, we certainly appreciate that austerity is the new reality. Allowing the private sector to contribute to enhancing defence capabilities could be a way forward to balance needs of the nation and the books. Home-grown technology shaves both acquisition and maintenance costs,” he says.

“We have built the knowledge and skills to develop defence product lines of our own. Our specialist knowledge of land systems has led Paramount to develop some of the world’s most ground breaking products. Made in Africa is as an emerging reality. We believe the next phase of growth for us and the continent will come from within.”

Ichikowitz adds that there is ample evidence from around the world that the defence sector should lead a step change in the contribution of the manufacturing sector to GDP.

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Notes to editors

About Paramount Group

The Paramount Group was founded in 1994 and works with governments around the world in matters of peacekeeping, defence and internal securities. As the largest privately owned group of defence companies in Africa, Paramount serves sovereign governments worldwide. The company develops and designs solutions to tackle peacekeeping, defence, and internal security problems, and seeks to expand its manufacture of armoured vehicles worldwide. Solutions range from camp systems, logistic equipment, and personal protection gear, as well as crowd control equipment, communication technologies and armoured MPVs.

www.paramount.biz <<http://www.paramount.biz>>

For further information please contact:

Usman Aly

usman@magna-carta.co.za <<mailto:usman@magna-carta.co.za>>

Mobile: +27 83-229-8538

Telephone: + 27 11 784-2598

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