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CHAIRPERSON: Right, can you take the oath?

**(Witness is sworn in.)**

CHAIRPERSON: Thank you.

ADV LEBALA: Chairperson, Commissioner Musi, before we  
5 start we would like to make the following prefatory remarks.  
We mentioned in passing yesterday that we might go into *in camera* testimony, especially when the subject of operational  
availability of surface platforms is concerned. We added in  
parenthesis that it will depend, and we want to repeat that it  
10 will depend, at this stage we are forced to give you “if” and say  
if, and only if it becomes important for us to delve into that  
testimony we will, we will do our best with a view to engage the  
Commission to keep going and not to waste time by taking this  
witness, if need be, to the relevant portions that might not be  
15 subject to classification.

Now that testimony is highly confidential and  
classified. We won't be shortchanging this Commission. If as  
at that stage we see the need that we have to deal with it then  
we have to go *in camera* but we would distill with the evidence  
20 fully surrounding that aspect, we'll lay a foundation for it and  
we repeat that we'll be better informed also subject to what  
this witness will be saying before we even get to that part of  
the testimony.

Now just to assure you, and we wouldn't like you to  
25 agonise, be informed that this subject relates to the Defence

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Annual Business Plans. Now there is a witness who is better qualified to talk about this and that will be the Chief of the SANDF. When the Chief of the SANDF General Shoke comes to testify he'll be talking about these subjects, he'll be talking  
5 about the Defence Annual Business Plans, he will be talking about the Defence Annual reports, he will be talking about the budget, but these witnesses will do their best to lay a foundation, to educate the Commission as to how the budget and costs affects the operations, that's how far these  
10 witnesses could go.

Now we know that there was somehow a mischaracterisation that we are trying to keep this testimony completely out of the Commission, but today we'll be delving into that testimony, and that's not what we intend doing, and if  
15 we have to come across that type of testimony Commissioner Musi and Chairperson we will put it to the last, we'll deal with the whole evidence of the witness and we'll advise you that this witness has finished testifying, now we are coming to the *in camera* testimony and that's how we will deal with this subject.

20 CHAIRPERSON: Advocate Lebala, I'm not quite certain whether if at all the evidence that you want to lead *in camera* deals with the capabilities of the equipment, materially submarines and the frigates, is that what I, is that what you are saying to us?

ADV LEBALA: We are Chair. It touches on the challenges  
25 that some of this equipment faces but this witness will to an

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5 extent to which he can, where it's not classified, deal with it  
with a view not to shortchange the audience here but when it  
comes to the rudiments of going deeper, the nuts and bolts it is  
highly classified details and we say when this witness has  
10 testified as and when the time comes he will decide and hence  
we are saying we are forced to give you "if" at this stage and  
not with a view to be disruptive or obstructive but with a view  
to assist the Commission to prepare the Commission that we  
might delve into that if need be, but there might also be a  
15 witness better qualified to deal with it Chair, and we are  
mentioning this with a view to clarify what has come up that we  
intended keeping some audiences out of the Commission, that  
wouldn't be our style and I don't think that's the foundation of  
this Commission, the principles of this Commission is  
20 transparency and accountability and this Commission has  
demonstrated that up to so far. Now with that background we  
are ready to proceed.

CHAIRPERSON: May we just as a suggestion, if at all the  
information that you are saying is highly classified and there is  
25 a possibility that there might be an application that that  
evidence must be heard *in camera* the first thing that I'm going  
to try and find out from you is whether are there any  
allegations which might attempt to contradict the witness, the  
evidence of the witness on that specific point? Two; if at all  
30 the answer is no, for instance if at all the evidence deals with

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capabilities or the various pieces of equipment, if there's no allegations or if there's no possibility of a witness coming to challenge the evidence relating to those capabilities will it not be a better option if we obtain, if we are given that evidence in the form of an affidavit rather than oral evidence which is going to entail us holding the hearings *in camera*, will we not achieve the same purpose by merely getting an affidavit and at a later stage there's anybody who wants to bring evidence which might contradict what is contained in those affidavits then at that stage maybe we want to look at the possibility of holding the inquiry *in camera* to deal with those specific issues.

ADV LEBALA: With respect Chair the concern that you rose, that you are addressing concerns not the Evidence Leaders exclusively. My instincts inform me that Mr Cooper's team would also like to comment on it, but for our part we'll say the following; permit us to confer with the DOD legal representatives on this subject and probably a better solution would come out. I've got to be careful not to give a momentary response out of it, I could mislead you only to find that I'm trampling on sensitive toes of the DOD's legal team, they have an interest to protect and hence we say this approach is with a view to recognise the interest that they have to protect.

We have a duty to bring evidence before this Commission but there's also another competing legitimate

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interest that has to be protected hence Mr Cooper is sitting across me and I have to be careful when I handle sensitive areas, especially this area that we are raising that it might go into very highly classified technical information. If you permit us we'll confer with Mr Cooper's team during adjournment and we'll come back to you with your proposition that is very fresh, we would like to look at it, but at this stage permit me to request whether Mr Cooper would like to address you on this inquiry at the moment. Thank you. I'm giving over to you and Mr Cooper.

ADV COOPER: Thank you Chair. Chair, so far as the legal team for the Department is concerned we are aware of the level of the information that is likely to be extracted from this witness and we are aware of the documentary material to which it is intended to make reference. For the moment we are comfortable with that but of course my learned friend is anticipating a need at some point to go more deeply into the detail of the matter at which time I hope he will have alerted us and we will certainly work closely with him in an attempt to assist the Commission as far as possible and Chair in that regard if I may say so, the provisional indications given by you would appear to be a workable guideline by which many of these problems can probably be resolved when, and to the extent they arise, but I wouldn't have thought that any intervention was required at this stage.

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CHAIRPERSON: Thank you, then we can proceed.

ADV LEBALA: Thank you Chair. And you will also note that the testimony of this witness is mechanical to an extent and technical to an extent and we'll demonstrate that, and this background that we had to mention will assist the Commission in that regard. We are ready to proceed Sir. Admiral Schoultz, when we parted ways yesterday we were just about to refer you to paragraph 4 of your statement, Commissioners that's Higgs bundle page 1 paragraph 4.

5  
10 CHAIRPERSON: Volume 1?

ADV LEBALA: That is this one volume Chair. Higgs bundle has got 1 volume from page 1 to 92.

JUDGE MUSI: You mean Schoultz?

ADV LEBALA: I beg your pardon, Schoultz bundle. I beg your pardon Commissioner Musi. Admiral Schoultz's bundle is just one volume from page 1 to page 92 with annexures "PS1" to "PS10". I see the chairperson is nodding, I suppose you are also nodding too Commissioner Musi, thank you. I would like you to read paragraph 4 of the statement Admiral Higgs [sic], please read paragraph 4.

15  
20 R/ADM SCHOULTZ: Chairperson paragraph 4 reads:

*"I have been asked to provide a statement relating to matters that may be relevant to the rationale for the Strategic Defence Procurement Package (SDPP) and utilisation of such equipment acquired in terms*

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*of the SDPP. I am only able to speak insofar as the frigates and the submarines are concerned”.*

5 ADV LEBALA: And that’s the basis upon which you are standing before the Commission, you are only going to talk about utilisation of the equipment, only submarines and frigates.

R/ADM SCHOULTZ: That is correct, yes.

ADV LEBALA: Please go to page 2 paragraph 5. Proceed to read.

10 R/ADM SCHOULTZ: Paragraph 5 reads Chair:

*“In speaking to the rationale of acquiring the frigates and the submarines I need to indicate that in providing this statement I do so not on the basis of having been part of the acquisition teams at any stage but by having to the best of my ability constructed a timeline of developments from 1975 to 2007 based upon source documents I’ve been able to retrieve and also on my general understanding of the events as they have transpired over this period”.*

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20

ADV LEBALA: Admiral Schoultz, having read your formidable *Curriculum Vitae* would it be appropriate to say the position that you occupy and your status qualifies you to address the Commission on this subject of the timeline developments from 1975 to 2007?

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R/ADM SCHOULTZ: That is correct Chair, in as far as the source documents that I have perused and my general understanding of matters as they unfold.

5 ADV LEBALA: The comment on paragraph, the next paragraph 6, you say:

*“In the light of this I am not in a position to comment on the reasons for the decision to proceed with the SDPP”.*

10 R/ADM SCHOULTZ: Chairperson what I’m trying to indicate there is that as per my *Curriculum Vitae* I was not in any post associated with the actual process of acquiring it and therefore whilst I have drawn information from various (indistinct) documentation, and I can speak about what I have learnt through that documentation, I cannot speak about the reasoning  
15 behind or the internal decision making processes as I was not privy to those.

ADV LEBALA: Admiral Higgs [sic], the equipment and the capabilities ... I beg your pardon, Admiral Schoultz, thanks a lot Mr Cooper, I hope I’ll be sailing smoothly with time.  
20 Admiral Schoultz the equipment and the capabilities we acquired as a result of the SDPP packages were intended to satisfy and meet the constitutional mandate of defending and protecting the people of South Africa and the territorial integrity of South Africa, is that correct?

25 R/ADM SCHOULTZ: That is correct Chair.

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ADV LEBALA: Do you want to add to this comment about the reasons for the decision to proceed with the SDPP because you have just mentioned it now that it was to protect, defend the people of South Africa and the territorial integrity of South Africa.

R/ADM SCHOULTZ: Chair, this is not a new requirement to perform our constitutional mandate and this requirement is one that has come from a long time past, in fact it was indicated yesterday, and I agree with that, that this country has primarily been threatened from the sea in the past, we have been twice colonised from that area and in terms of matters maritime one can go back as far as 1885 when the Natal Naval Volunteers was formed, at that time the government of the day had feared a possible attack on the port by a Russian Cruiser if one reads history.

Then if one stepped on in time back in 1921 there was an Imperial conference held in London at the time when Japan was rising as a power and there too the vulnerability of the Cape coast and the sea route around here was recognised and it was recommended that a Cruiser be provided to South Africa to protect these routes and that we also acquire our own escort vehicles or vessels.

And then coming more modern times, 1955 we had the Simonstown agreement between ourselves and Great Britain in terms of which we would jointly use our maritime forces to

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protect the Cape sea route and that South Africa would also purchase vessels from Great Britain which brings me to paragraph 7 in my statement that the requirement for frigates and submarines to protect this country within the South African Navy reaches back long before Britain unilaterally abrogated the Simonstown agreement in 1975 and by this time, and now there were many other ships obviously leading up to this period that the Navy had but by this time we were basically confined to the Three Type 12 frigates that had been purchased in the 1960's under this agreement as well as the three Daphne Class submarines.

Yesterday evidence was also led that we attempted to purchase two A69 Aviso Corvettes as well as two further Agusta submarines from France around this period and they were cancelled in November 1977 as a result of the UN Security Council Resolution 418, in fact as time stepped on there was a number of other resolutions finally culminating in Resolution 571 which was even more draconian, going so far as to ban the sale of 4x4 vehicles to this country because of the possible military use, so really at that time there was a requirement, there was a recognition that we needed this but there was not many options open whereby we could get additional ships and submarines, but also during the latter part of the 1970's we were able to acquire further three strike craft missile boats from Israel and also built a further six locally.

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Now one needs to say that in terms of protecting our sovereignty and also the people and our territorial waters of this country the strike craft that we acquired during the 1970's did render excellent service Chairperson and they  
5 provided an excellent surface-warfare offensive capability, however, they totally lacked an anti-submarine warfare capability and as has already been testified to before this Commission in the 2<sup>nd</sup> World War more than a 133 ships were  
10 actually lost to submarine-type action around here, so the fact that we did not have an anti-submarine capability certainly weighed very heavily on the minds of the naval planners of the day.

Furthermore these ships lacked the ability to carry a helicopter and as a result of that because the strike craft did  
15 not carry a helicopter they were severely limited in their over-the-horizon surveillance ability, scouting as well as targeting or attacking at range. Yesterday we also heard Chairperson the size of our sea waters around the coast and if you do not have an over-the-horizon capability then you have a very  
20 limited surveillance capability.

And then lastly as any one that served on those vessels would testify, in adverse weather conditions around our coast they really were not the most pleasant vessels to serve in and their operational capability was severely reduced  
25 because of the way in which they rode the seas.

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ADV LEBALA: Admiral Schoultz, thanks for the background starting as early as 1885, expeditiously going to 1921, 1955, 1975 and the history of acquisition. Of significance you are rehashing what your colleagues have said about the vulnerability of South Africa, the importance of the Cape sea route, but more significantly that even prior to 1994 the frigates and the submarines have played a significant role in as far as the Navy is concerned.

R/ADM SCHOULTZ: That is correct Chairperson, the frigates and the submarines were certainly the backbone of the South African Navy throughout my career and during the period that we did not have frigates their loss was keenly felt.

ADV LEBALA: Paragraph 8, proceed.

R/ADM SCHOULTZ: Chairperson paragraph 8 just reads that:  
15                   *“As a result of the arms embargo South Africa thus found itself in a position where it was not able to satisfy its needs for additional multi-mission capable ships”.*

And here I need to stress the multi-mission capable ships and submarines as I've tried to indicate the strike craft only fulfilled warfare in one dimension.

ADV LEBALA: You are confirming that throughout acquisition has always been on the mind of the South African Navy and the -then government of those times?

R/ADM SCHOULTZ: That is correct Chairperson, essentially

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when we purchase vessels we look at a lifespan of about 30 years and given that the run-up in terms of acquiring a new capability can take up to 10 years, therefore normally speaking after approximately 20 years in service of a platform we look towards its replacement. Now specifically with regards to the frigates and their eventual replacement that started as early as 1980 with the formulation of Naval Staff Target 6/1980.

ADV LEBALA: Let me take the liberty to lead you into paragraph 9:

*“With respect to acquiring new surface combatants Naval Staff Target 6-80 was raised in 1980, specifying the need for six vessels to be acquired during the period 1987 to 1991”.*

Is it correct to say that even as early as then there were processes that governed acquisition in as far as South African Navy is concerned?

R/ADM SCHOULTZ: Chairperson, I lost the one word during the microphone, just, if you can just repeat that to me?

ADV LEBALA: In this paragraph I refer you to Naval Staff Target 6-80 which was raised in 1980 specifying the need for six vessels to be acquired during the period 1987 to 1991, now my question is based on this. Is it appropriate to say even prior to 1994 there were processes that governed acquisition in as far as South African Navy is concerned?

R/ADM SCHOULTZ: That is correct Chair.

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ADV LEBALA: Is that the reason why Naval Staff Target 6-80 is there, and I would like you just to take the Commission about its importance in as far the process of acquisition is concerned.

5 R/ADM SCHOULTZ: Chairperson the Naval Staff Target 6-80 was the kick-start to looking towards the eventual replacement of the frigates. Now these frigates arrived as I indicated in 1960, I think the last one of the three that we purchased arrived in 1963, so we were reaching that 20 year period when  
10 one starts the process to replace and that's why the Naval Staff Target was raised in terms of the the-then process, specifically if one goes to page 11 at "PS2" it then outlines the primary reasons and what it indicates Chair on paragraph 8 of that document is that we must be capable of conducting active  
15 defence in the vital and territorial waters and to project a credible offence posture in the tactical and strategic areas of the country.

ADV LEBALA: Admiral Schoultz please do me a favour, when you testify let's be certain whether the commissioners are with  
20 us, you could look at them when you want to refer them to a document, and thanks for simplifying the process because you identify the annexure and the page, but let's just affirm whether the commissioners are on the same page. Commissioners, the witness is referring to Annexure "PS2" on  
25 page 11. Annexure "PS2" page 11. It starts from page 11 to

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page 13 but the witness is drawing your attention to page 11. Just to refresh you, I know that it is still on your mind, the witness is talking about a process called Naval Staff Target 6-80 and he is trying to demonstrate that it was in place and what was its purpose. We need a signal that the commissioners are on page 11, I see that Commissioner Musi is nodding, Chairperson? You may proceed Sir. The witness is referring you to paragraph 8 on the self-same page. You may proceed Admiral Schoultz.

10 R/ADM SCHOULTZ: Thank you Chair. I was raising at paragraph 8 on that page, page 11 to say that the concept at this stage was that we must be capable of conducting active defensive as well as project a credible defence, so the concept again of protecting the territorial integrity of our country was very much alive in 1980 and recognising that the frigates that were acquired in the 1960's would not be with us forever this staff target was then raised in 1980 in February to kick-start the process of acquiring replacements for the then-frigates.

Over the page Chairperson on page 12 it then continues, if one looks there in paragraph 10 and it speaks again specifically if may draw your attention to paragraph 10.b of "Subsurface Attacks" and I illustrate that because the question could be asked why not just the strike craft, and again it is, a frigate does have an anti-submarine warfare capability which a strike craft doesn't have and therefore the strike craft

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would not satisfy this requirement and that was raised in 6-80.

And if I may then also draw your attention to paragraph 11 at that stage in 1980 it was envisaged that six vessels would eventually be acquired to replace the three  
5 frigates which were now getting very old but one must bear in mind that the Aviso's that were cancelled in 1977 were also there to augment the three, so this was not really an expansion of the force level but it was an attempt to get back to the force levels that we were not able to satisfy in the early to mid-  
10 1970's. Thank you Sir.

ADV LEBALA: Please let's go back and look at paragraph 9 on the self-same page, I might take the liberty to read it to you:

15 *"The need is to acquire sufficient vessels to satisfy the military function of the South African Navy".*

Now this confirms that even as early as 1980 there was a need to update, there was a need to acquire and there was a process that had to be followed to satisfy the capabilities of the South African Navy.

20 R/ADM SCHOULTZ: That is correct Chair.

ADV LEBALA: Please look at paragraph 13 on the self-same page. One also sees that cost and budget have always been an issue even as early as the 1980's in as far as the acquisition process is concerned.

25 R/ADM SCHOULTZ: That is correct Chair.

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ADV LEBALA: Now you may proceed with your testimony, are we going back to paragraph 9?

R/ADM SCHOULTZ: Chair if I continue with my testimony on, in respect of paragraph 9 and but now reading from the page 3,  
5 I would like to just then indicate that, or reemphasise that at this stage it was because of the lifespan of the frigates that was coming to an end and also furthermore that eventually they did come to an end very shortly thereafter. In 1982 as was indicated yesterday we lost one in a tragic accident and in  
10 1985 the remaining two were finally decommissioned and taken out of service, so at the end of 1985 the Navy lost its surface anti-submarine warfare capability.

ADV LEBALA: You may proceed to the next paragraph, paragraph 10.

R/ADM SCHOULTZ: Chairperson I've already alluded to this in the Naval Staff Target 6-80 that I previously showed you or went through a "PS2" that we were looking at ships that would have the following capabilities, they would be able to do surface missile attacks, they would be able to do subsurface  
20 attacks, they would be able to lay mines if required, both offensive and defensive laying of mines, they could be used at sea for training platforms, for young officers and sailors coming up through the ranks, again having only small ships in the Navy at that stage, very limited in their ability to offer  
25 accommodation to carry extra people for training purposes.

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Obviously they would have to have a self-defensive capability to defend themselves and this primarily normally refers to an attack from aircraft, and they would also be used for limited intelligence gathering.

5 ADV LEBALA: What draws my attention on the self-same paragraph is what you see on line number 5 starting with: "Due to a lack of funds ...", can you see? "Due to a lack of funds ...", starting from the top of paragraph 10. Please read it.

R/ADM SCHOULTZ: Sir:

10 *"Due to a lack of funds Project Outward ..."*.

Which was a project that was registered in order to acquire that which this Naval Staff Target has set out to acquire, remained dormant until 1989 at which point it was superseded by a further project, Project Foreshore and the detail around how that came about I have referred to one of the enclosures Sir, but of importance is that what really changed in the period from when Naval Staff Target 6/80 was first raised up until the time when Project Foreshore came about was that the requirement was now for four multipurpose vessels that would be delivered between the period of 1997 to 2002, so already one can see how we have shifted from 1987 to 1997, 10 years in the timeframe of when we expected a replacement for the frigates and also reduction in the number from six to four.

25 ADV LEBALA: Just to complete this part of your testimony, why is there a reference to Project Outward, Project Foreshore,

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Project Falcon, I know that we are going to hear a lot of projects, please simplify that.

R/ADM SCHOULTZ: Chairperson when we embark on an acquisition of any capability we normally register that particular project with both the file reference and a code name so that when we speak colloquially about it you can refer to the codename, so normally the codename would be unclassified but the meaning of that codename would be classified, and also for security reasons these codenames were at certain stages changed also for security reasons, so one could find that Outward, Foreshore, Falcon, although different names would actually be about the same capability that was being acquired.

ADV LEBALA: I would like you to put your cap on as a member of the South African National Defence Force at this stage, particularly after having laid a foundation on the subject of projects. Let's look at the current acquisition of the packages, SDPP which is the subject of this Commission. Was there a project that was associated with acquiring equipment for the Navy?

R/ADM SCHOULTZ: There was Chair, in terms of the current SDP Packages, it was Project Sitron with respect to the frigates and Project Wills with respect to the submarines.

ADV LEBALA: I know that there are better people to come and speak on behalf of the Air Force, remember I've requested you to put your cap on as a member of the SANDF, what about the

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Air Force?

R/ADM SCHOULTZ: Chairperson I would probably give you the wrong names of their projects, I do know that the maritime segment later for this frigates in terms of the helicopter was  
5 Project Maulstic but I would rather not venture on the Air Force's projects.

ADV LEBALA: Do you have any idea about Project Nkosi?

R/ADM SCHOULTZ: I'm going to speculate Chairperson.

ADV LEBALA: It's not that important, it's just that I wanted  
10 you to complete the picture because projects, projects will be coming up, but what has become palpable before the Commission that which we can touch is that in as far as the Navy is concerned the acquisitions in as far as the SDPP packages are concerned, when we look at frigates and you  
15 wanted to acquire frigates, the project that regulated that was called Project Sitron and when you look at the need and the acquisition in as far as the submarines are concerned the project that regulated that was called Project Wills. We'll still come back to that, am I right?

20 R/ADM SCHOULTZ: That is correct Chair.

ADV LEBALA: Now you may proceed from where we left and just to refresh you it's after Project Falcon, that's line number 7, you've got to start where you refer us to Annexure "PS3", are you with me Admiral Schoultz?

25 R/ADM SCHOULTZ: I am Chair. Chairperson the annexure

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marked "PS3" which is at page 14 of my bundle, if I may then proceed Sir, I've already alluded to how this came about, the fact that Project Outward was terminated, Project Foreshore was then brought into being and later named Project Falcon and if, and that is the paragraph 3, it speaks about that of the document on page 14 where it says, if I may read paragraph 3:

*"The Navy launched Project Outward in the 1980's, the original intention being to replace the Type 12 frigates with Corvette-size vessels".*

10 And then Project Outward was subsequently renamed and frozen in 1989, if I may go down to paragraph 5 and (b) where it says:

*"With regards specifically to the strike craft ...".*

As I've previously also indicated:

15 *"... they are unsuitable for possible development into effective anti-submarine platforms".*

We did look at that possibility in the Navy but their hull design and the noise that one would get from that type of platform would not make them in any way suitable for anti-submarine warfare, furthermore Mr Chair if I may continue on page 15 in paragraph (c), it's also indicated that:

*"The strike craft were totally unsuitable for command control platforms".*

25 Again due to size and restrictions of available space and this just goes to show why we could not say well, you've got the

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strike craft, they satisfy your needs and why the need to replace the frigates that we lost in 1985 was a persistent need that we were still trying to satisfy and that is further illustrated, if I may continue to paragraph 6 below the last sentence also on page 15 which says:

*"The new generation surface combat vessels will utilise certain components of the strike craft, existing weapon systems and in addition will ...".*

And then it indicates once again the requirement for a helicopter, the requirement for anti-submarine capability and the command and control. So, even as early as April 1990 there was this concept in our minds that once we get new frigates they will in part rely on equipment that on the strike craft or developed for an upgrade path of the strike craft. And then lastly with regards to this part and what happened at the juncture in April 1990 paragraph 8 is the indication that we wanted the first vessel by 1997 and the fourth vessel by 2002 and this would have been some seven years after the last frigate was in service.

ADV LEBALA: Please recapitulate, go back to paragraph 6. May I take the liberty to read it to you just to show the relevance of something that your colleague Admiral Higgs ..., Admiral Green mentioned in as far as the rejuvenation is concerned. Commissioners, page 15 paragraph 6:

*"With the withdrawal from operation/service of the*

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*President Class frigates the SAN (South African Navy) lost its all-weather patrol and service anti-submarine capability as well as the means for effective command and control of units at sea”.*

5 Let’s pause there. Now was this loss really so serious that it affected the Navy?

R/ADM SCHOULTZ: Chairperson the essence of the force design is balance and one needs a balanced portfolio of capabilities. The reality is that frigates cannot sweep mines by way of analogy and certainly if you do not have a balanced portfolio then you are vulnerable in that area where you lack and the fact that with the loss of the frigates we lost the ability to do over-the-horizon scouting, over-the-horizon targeting and certainly from a surface perspective anti-submarine warfare operations made the Navy vulnerable in these areas.

In fact if submarines of other countries traversed around our coast, if they entered territorial waters we would be totally oblivious of that fact as far as surface vessels being on patrol out there because none of them would know if one of those ships passed beneath them, so from that point there was a vulnerability and it was that vulnerability which we seek to address.

ADV LEBALA: Now let’s read further on the self-same paragraph from where we ended:

25 *“The SA Navy’s present surface patrol and strike*

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*capability is vested in the nine Minister Class strike craft. It is foreseen that these craft will need to be progressively withdrawn from operational service from 1995 onwards because of hull fatigue”.*

5 Now is this addressing rejuvenation?

R/ADM SCHOULTZ: Chair the, as I indicated previously the strike craft were not really acquired as a result of the normal procurement process followed by the Department of Defence, it was a political interjection at the time, so in the minds of the  
10 Navy we were still pursuing to get a better balanced capability in terms of having frigates and these projects where initially it started as to revitalise your frigate capability it migrated to a point where you no longer had that capability so you wanted to reestablish your capability.

15 We did recognise that we had the strike craft, we at this stage did not foresee rejuvenating them, they would eventually be replaced by the frigates, however, as time stepped on and it became apparent that the procurement of the frigates would be rather later than sooner, we then started  
20 projects to rejuvenate and extend the life of the strike craft.

In fact we anticipated after that effort that by 2007 we would see the last of the strike craft departing its service and already mention has been made of the Project Biro, the offshore patrol vessel that they would then eventually take over  
25 from the strike craft but in a more limited role, that they would

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not be surface attack craft but they would then form the basis of our future and patrol capability around our own coast. When it became apparent that Biro too has the potential to move further to the right we've embarked on yet another round of upgrading the four strike craft that remained within the South African Navy, in fact one had already had ministerial approval for disposal and we've had that ministerial approval revoked that we can upgrade the vessel and when I say upgrade we downgraded the weapons capabilities, we've stripped out the missiles and the electronic warfare equipment and the likes, we've replaced the radars with commercial radars but we've done an upgrade on the hull.

When I say an upgrade, a repair mainly, and so that they can see service until such time as Project Biro can deliver its ships, so this did not deal, this enclosure did not deal with the upgrade path of the strike craft but merely referred to the fact that they had certain limitations that we were still looking at a frigate capability.

ADV LEBALA: To appreciate the theme of what you say, and I stand corrected, would I be correct to say at this stage you are talking about revitalisation and replacement?

R/ADM SCHOULTZ: Chairperson that is correct, it is an ongoing process. From the day you take something into service you look to the day when you will have to either revitalise it through a half-life refit or eventually replace it.

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ADV LEBALA: Thank you Admiral Schoultz. Let's proceed from where you left. We are still on paragraph 10 on page 3.

R/ADM SCHOULTZ: Chairperson what next transpired then was that this endeavour around the Project Foreshore and Falcon was also cancelled around about 1991, July of that year, again a lack of funds being cited at the time, and what then followed was two years later in May of 1993 where the same regional Naval staff requirement was taken, it was revised and that staff requirement then formed the basis of Project Sitron which eventually delivered the frigates under the SDPP.

ADV LEBALA: Now would I be correct to say if one were to look at the process that started as a basis for the current Project Sitron one has to go back to as early as 1993?

R/ADM SCHOULTZ: Chairperson I would say 1993 was the final hurdle that was crossed in order for us acquiring the current ships but the true basis started as early as 1980.

ADV LEBALA: Thank you for the clarity Admiral Schoultz, you may proceed.

R/ADM SCHOULTZ: Chairperson I then refer to the document attached as "PS4" but I have spoken about that and that is at page 22 and 23 and in particular on page 23 paragraph 2 is what I've just spoken about when I said that in 1989 when first project was cancelled and then eventually giving rise to Foreshore and Falcon and again cancelled in 1991 and then in

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1993 Sir if I can go back to page 3 of my statement we then had the staff target, that was approved, Revision 2, and we proceeded with down-selection to the point whereby 1994, 1995 we started with going out on tendering for the possible  
5 replacement of the frigates and/or Corvettes as they were by now being referred to.

So by the time that 1994, 1995 arrived we had already looked at, I say "we", the Navy in terms of acquisition had some 42 different ships from 16 countries and certain  
10 down-selections had been made and then eventually in May 1995 the whole process was once again deferred when the Minister of Defence indicated that we must await the outcome of the White Paper on Defence as well as the Defence Review.

ADV LEBALA: I would like you to look at "PS4" page 22.  
15 Let's start with the date. This document is dated 24 May 1993. Now is this date telling us that as at that time our country was gravitating towards transition, the then-government was still in place, there were negotiations, I suppose the date of the election was about to be set, but what comes out of this is a  
20 process that we start to see that as at that stage before the transition comes where we start to look at post-1994 a number of things and processes governing acquisition were prevalent. We still see reference, (a); it was the Navy Staff Requirement 6-80, revision Project Falcon, I would like you to read  
25 paragraph 2 at the top on page 23. Or rather let me read it to

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you.

*“The SA Navy raised the requirement for new surface combat vessels in 1980 in Naval Staff Target 6-80. Project Outward was then registered against National Staff Requirement 6-80 but due mainly to financial reasons the project remained dormant until 1989 when the new Project Foreshore, later Falcon, was launched against MSR6-80 Revision 1”.*

10 Now at this stage how important were costs and budget?

R/ADM SCHOULTZ: Chairperson I think it's right to say that costs and budgets have always been important to the Military and certainly very much so to the Navy. Now having just come out of a period of essentially land warfare supported by air warfare and take the struggle and our deployment in what is now Namibia, the Navy had for many years received a very small percentage of the allocation that went to Defence and this is the reason why since 1980 the Navy had not been able to replace certain combatants.

20 Specifically how important was budget in this period is possibly illustrated Chairperson by the fact that if one looks in 1976 Defence received some 4.5% of the GDP, by 1991 this was down to 3%, by 2001 down to 1.5% and so one can carry on, so there was a very definite downturn in the percentage of GDP that Defence was receiving, so, in acquiring any vessel

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costs would play a major role.

ADV LEBALA: Let's proceed from paragraph 10 where you are now taking us to the White Paper in the Defence Review. In the middle may I read after Annexure "PS4":

5                   *"During 1994 and 1995 two tendering rounds were held with international bidders before the process was deferred in May 1995 by the then-Minister of Defence ...".*

Let's pause there. Who was playing a significant role at this stage, was it the-then government or the new government bearing in mind that the interest was still the interest of the South African National Defence Force, that's one thing but the important player as at that stage, was it the then-government or the new government?

10                   R/ADM SCHOULTZ: Chairperson, it would be the current government.

ADV LEBALA: I would like to complete that sentence.

15                   R/ADM SCHOULTZ: *"During 1994 and 1995 two tendering rounds were held with international bidders before*  
20                   *the process was deferred in May 1995 by the then-Minister of Defence in order to await the outcome of the White Paper on Defence and the Defence Review".*

ADV LEBALA: You may proceed. Please proceed. Proceed.

25                   R/ADM SCHOULTZ: Chairperson, so at this stage the Navy

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had in terms of its staff requirement redefined the capability that it required, it had stuck to the four multipurpose vessels and I need to indicate the language that one uses here, one refers to words such as "capability, multipurpose vessels", the nature of acquisition is that the requirement setter said this is the capability I require, this is the functionality I require, this is what this asset needs to do, but the requirement setter does not determine the final asset that is acquired, so we want a capability satisfied and that's why the language used is in terms of multipurpose vessel and surface attack vessel, so what eventually then transpired was that the White Paper and the Defence Review were completed and as this Commission has previously heard Chair that through the activities both of compiling the Defence Review and the consultative process that took place there as well as the exercise and Optimum which was conducted, they confirmed what the Navy had indicated since the 1980's that there was a requirement for frigates and then eventually this led to the tendering being reopened during the latter part of 1997 and finally culminated in November 1998 when Cabinet approved the German Frigate Consortium as the preferred bidder.

ADV LEBALA: If I were to ask you to draw a distinction between the-then process that we know was *inter alia* informed by National Navy Staff Requirement 6-80 and the current Strategic Defence Procurement Packages, what would you say?

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We know that we have gone past 1994, the White Paper is in place, the Defence Review is in place, we are now talking of the Strategic Defence Procurement Packages. Now I would like you, before you delve deeper into your testimony to distinguish  
5 between the two, that process which was regulated on acquisition historically by the Navy Staff Requirement 6-80 and the SDPP's.

R/ADM SCHOULTZ: Chairperson, the manner in which acquisition was done traditionally was that operational  
10 requirements as expressed in Staff Targets were developed, they were approved and thereafter further staff work was done and at the end of that it was handed over to ARMSCOR to procure the equipment for us. Now prior to this period or even up to this period the policy document that regulated this was a  
15 policy document that was called BB1000, it was an anagram for Afrikaans "Verkrygingsbeleid", or acquisition policy 1000.

Now one must understand too Chairperson that acquisition certainly prior to 1990 was largely done in a sanctions busting environment. I've already alluded to what  
20 happened when Resolution 418 was passed, so the manner in which acquisition was done was geared at how to acquire within the ambit of an embargo, so this is the process that took place. Now also projects up until then were standalone in as much as the Navy, the Army or the Air Force would have a requirement  
25 to be satisfied and they would go through this acquisition

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process.

By 1997, 1998 this changed in as much as suddenly it became a government to government acquisition package if I understand correctly what transpired at this time and so whilst in the initial stages in terms of defining the capability shortfall, in defining the requirement, the same procedures were taken in the services to get to that point, from the time it actually moved into looking and selecting suppliers, that became a far larger programme with Government having a far greater role within that programme and so new policy had to be developed and unfolded during the course of this acquisition and eventually now led to the new Procurement Policy, the DAP1000 policy, but I could not speak about the detail of that policy not having actually read it.

ADV LEBALA: Thank you. Do not agonise, there's going to be witnesses who are just going to talk about that, I just wanted you to lay a foundation because this transition is very important towards the last part of your testimony. Chairperson I note that it's 11h00, I don't know whether this is a convenient time for tea or we proceed without tea today? We are in your hands.

CHAIRPERSON: I think we'll adjourn for tea but then maybe I should mention at this stage that today we are going to adjourn at 13h00, we'll not be sitting in the afternoon, there are other logistical difficulties that we have to attend to. So, if you

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remember in terms of the guidelines before we adjourn on Friday the Evidence Leaders will have to mention the names of those witnesses that we are going to deal with next week and they should also mention very briefly the type of evidence that those witnesses are going to deal with. So, I just thought that I may remind the Evidence Leaders that I'll expect that to happen just before we adjourn for lunch. Thank you, we'll adjourn now.

**(Commission adjourns)**

10 **(Commission resumes)**

CHAIRPERSON: Does the witness confirm that he's still under oath?

R/ADM SCHOULTZ: I do Chairperson

CHAIRPERSON: Thank you.

15 ADV LEBALA: Thank you Chair, Commissioner Musi. Admiral Schoultz you have simplified the distinction before we adjourned for us between the process that was regulated at the Naval Staff Request 6-80 and the SDPP packages which is the subject of this Commission. Short of saying with the Naval Staff Request 6-80 it was a standalone process of acquisition equating to where each arm of service would make a request and in as far as the Strategic Packages are concerned, the SDPP's, it was a government-to-government request where the whole package stands to get acquisition of these capabilities for all arms of service or more than one arm of service, am I

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correct?

R/ADM SCHOULTZ: That's correct Chair.

ADV LEBALA: Up to so far you have also assisted us to appreciate the following; that the frigate request has always  
5 been there, acquisition has always been a process that did not start in the 1990's but earlier on historically we had 3x Type 12 frigates that we bought from France, am I right?

R/ADM SCHOULTZ: Chairperson it is correct as far as that we had three frigates in the early 1970's but they were purchased  
10 from Britain.

ADV LEBALA: Not from France?

R/ADM SCHOULTZ: That is correct Chairperson, the frigates came from Great Britain and the submarines that we had came from France.

ADV LEBALA: Thanks, I stand corrected. Thanks for the correction. And the submarines that we had then were Daphne submarines?

R/ADM SCHOULTZ: That is correct Chairperson.

ADV LEBALA: Now we are talking about the 1980's, I just  
20 want to appreciate your testimony because we are going into a critical area. During that time we faced the embargo, we wanted to get more capabilities, we sought 2x A69 Aviso Corvettes from France that we couldn't get, is that correct?

R/ADM SCHOULTZ: That is correct Chairperson.

ADV LEBALA: We also sought the 2x Agusta Class submarines

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from France that we could not get, is that correct?

R/ADM SCHOULTZ: That is also correct Chairperson.

ADV LEBALA: At one time or the other we also sought the Upholder submarines from Great Britain, is that correct?

5 R/ADM SCHOULTZ: Chairperson that is correct, I do not have much detail, but I believe it was around the mid-1990's that there was an unsolicited offer from Great Britain in respect of the Upholders.

ADV LEBALA: Now we have Project Sitron in place, we are  
10 starting to go into the rudiments of the frigates and the submarines, the ones we've acquired under the SDPP's. You have testified that the project that assisted in the acquisition of the frigates is Project Sitron and the project that assisted in the acquisition of the submarines is Project Wills, is that  
15 correct?

R/ADM SCHOULTZ: That is correct Chairperson.

ADV LEBALA: Now we are going to talk about the current frigates which are the subject of the SDPP's, they are qualified as Meko A200 frigates, is that correct?

20 R/ADM SCHOULTZ: That is correct Chairperson.

ADV LEBALA: And the submarines which are the subject of this Commission are called Type 209 submarines.

R/ADM SCHOULTZ: That is also correct Chairperson.

ADV LEBALA: Now let's look at your statement and shoot into  
25 the 1990's where we are acquiring these capabilities. We are

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at the bottom of paragraph ... I beg your pardon Chair.  
Paragraph 10. May I take the liberty to read it to you? We are  
focusing on the frigates now, the topic is "Meko A200 Frigates"  
under the SDPP, we are proceeding from there, the topic is the  
5 frigates.

*"Following contracting and the build-up programme  
...".*

It's at the bottom of page 3 paragraph 10 Chair, Commissioner  
Musi:

10 *"Following contracting and the build-up programme  
the first of the four new Meko A200 frigates was  
commissioned into the South African Navy in  
February 2006 and the fourth in March 2007".*

Now what "commissioned" mean?

15 R/ADM SCHOULTZ: Chairperson that is the day that they were  
formally handed over to the South African Navy and were  
therefore commissioned into service. A warship in commission  
in terms of international law has to comply with certain  
prescripts in that a commissioned ship would be deemed a ship  
20 that flies the flag of the state that it belongs to, it has a crew  
that are subject to a military disciplinary code and it has an  
officer commanding who carries the commission of the state.  
So one can say that's the formal date we took, I say "we", in  
this case the Navy, ownership for the utilisation of those ships.

25 ADV LEBALA: Are you able to be specific about the

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approximate times when we took them, reading from the last paragraph, the last sentence that I read to you, it appears that the first one was in February 2006 and the fourth in March 2007, are you able to catalogue the days on which they arrived in South Africa consequentially?

R/ADM SCHOULTZ: Chairperson I don't have the exact dates that they arrived in South Africa, what I can indicate to the Commission is that these vessels had a two-stage build programme in that they were, the hull and the machinery was built in Germany, our crews went to Germany to train on the operating of let's say then the hulls and the propulsion systems, they were then sailed to South Africa, I can give you the dates of the delivery voyages when they left there, the first vessel's delivery, voyage was, had left in October 2003, arriving here in November 2003, that was the SAS Amatola.

The second ship the SAS Isandlwana was the 31<sup>st</sup> of January 2004, arriving here the 23<sup>rd</sup> of February 2004. The third ship was the Spioenkop which left there in May 2004 [sic], arriving here 31 January 2004, and the last vessel was the Mendi which departed 20<sup>th</sup> of August 2004 arriving in September 2004.

Once here they then had the combat suite and the various weapon systems fitted to them and they were then handed over firstly from the Consortium to the Acquisition Department and ARMSCOR, the Joint Projects Team and finally

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they were then handed over from the Project Team to the South African Navy, that handover date for the four ships respectively was the 16<sup>th</sup> of February 2006, the 27<sup>th</sup> of July 2006, the 16<sup>th</sup> of February 2007 and the 20<sup>th</sup> of March 2007 Chair.

5 ADV LEBALA: We know that we acquired them from the German Frigate Consortium. At this stage one doesn't have to bother you about that, there is a particular Term of Reference which is going to deal with this very sensitive, loaded subject. The issue of who we chose to succeed in the bid, who built  
10 them, why, when, the process that took place, why we preferred them, it's still coming. What we know now what's standing before the Commission is that we got them from the German Frigate Consortium, is that correct?

R/ADM SCHOULTZ: That is correct Chair.

15 ADV LEBALA: Page 4 paragraph 11, the topic now we are focusing on the submarines, we are leaving the frigates for the time being, we know that four of them landed in South Africa, we know their names, a testimony has been, has gone through them, very inclusive testimony yesterday. Paragraph 11 deals  
20 with the acquisition of the submarines with a little bit of history at the top. May I take the liberty to read it to you? Chair, Commissioner Musi page 4 paragraph 11

25 *"With respect to the acquisition of submarines it should be noted that after the failure to acquire the Agusta's in 1977 due to the embargo ..."*

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Is that correct?

R/ADM SCHOULTZ: That is correct Chairperson.

ADV LEBALA: “... *the South African Navy conducted a half-life refit ...*”.

5 There comes another project, Project Raka:

“... *of its submarines around 1980 and followed this up with a submarine life extension programme ...*”.

Two projects there, Project Nicus [sic] and Fantail in 1989:

10 “... *to ensure that the capability be retained until such time as replacement submarines could be required*”.

Is this rejuvenation?

R/ADM SCHOULTZ: Chairperson that is correct, it is rejuvenation and also extension.

15 ADV LEBALA: I don't know whether you want to delve into these projects but they explain that there was a need to rejuvenate because there were challenges as the Navy could not acquire better ones or updated ones because of the embargo, am I right?

20 R/ADM SCHOULTZ: Chairperson that is correct. Certainly the life extension programme was because we foresaw that the submarines would have to last us at that stage longer than their normal lifespan of approximately 30 years and that's why we did what we call a life extension. The half-life refit as the  
25 Evidence Leader has referred to was rejuvenation. By then

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much of the original electronic equipment fitted to the submarines had become obsolete and so, and they were primarily analogue type equipment and so we replaced it with homegrown digital equipment and that, so really it was twofold, the one to keep them supported and the other then to extend their life in the event of new submarines not being acquired.

ADV LEBALA: There's a term there on line number 2 called "half-life refit", that we may come across time and again. Would you like to simplify it in ABC form?

R/ADM SCHOULTZ: Chairperson as I indicated a ship or submarine normally has a lifespan of about 30 years, it can be extended in certain cases. Now when you purchase it, it comes with certain equipment and as time steps on some of that equipment may no longer be available because factors that originally produced them have also moved on. There may also be other challenges in the world of the military, evolving threats, that that ship was not originally equipped to contend with and so we conduct what we call a half-life refit, roughly in the middle of the lifespan in which we then either upgrade the vessel for new challenges and also upgrade the vessel in terms of equipment that has become obsolete. So it is purely a mechanism to rejuvenate the vessel for the remaining part of its life and also to give it added capabilities if so required.

ADV LEBALA: Paired with this term "half-life" repeated time and again there's a term called "obsolete" and a concept called

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“obsolescence”. That term, we are going to hear it time and again in the later stages, would you like to simplify it in ABC?

R/ADM SCHOULTZ: Chair simply either equipment becomes obsolescent in that it can no longer be acquired, or equipment  
5 can become obsolescent in that it can no longer deal with an emerging threat. In both cases one then seeks to find an alternative to that obsolescent piece of equipment. And obsolescent equipment is then disposed of but it can also refer not only to a piece of equipment on a particular ship or  
10 submarine, it can also refer to a whole platform, a whole submarine or a whole ship in itself becoming obsolescent and having to be replaced.

The third aspect of obsolescence can be when the cost of ownership becomes extremely high due to the fact that  
15 equipment is obsolescent, so the cost of maintaining it actually becomes more than acquiring a new one and in that case we would also term it as obsolescent.

ADV LEBALA: We are still on the self-same paragraph 11, I would like to read from line number 6 starting with it: “It is my  
20 understanding ...”. Are you with me, are the Commissioners with me? Please draw my attention. Are the Commissioners with me, I’m looking at you, please draw my attention. I’m looking at you, I thought you could see whether the commissioners are on the same paragraph with us but I’m  
25 sensing that they are. May I proceed?

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*“It is my understanding that around 1996 efforts were also made to acquire three Upholder Class submarines from the United Kingdom”.*

You’ve explained that part and the challenges that arose out of  
5 that.

*“I, however, have no knowledge of the detail of this effort as I have not seen any source documentation on this endeavour. However, in September 1999 Cabinet announced that South Africa was to get  
10 three new submarines as part of the evolving Strategic Defence Equipment Package initiative. A preliminary Staff Requirement 1-1999 was submitted in November 1999 and formed the baseline against which the new submarines were eventually acquired  
15 under Project Wills”.*

Now we’ve laid the foundation for all these concepts, Staff Requirements but at this stage let’s pause, what’s the relationship between the preliminary Staff Requirement 1-1999 and the SDPP packages?

20 R/ADM SCHOULTZ: Chairperson, my understanding is that where in the past the Staff Requirements preceded packages this Staff Requirement 1-1999 in fact was written after the announcement by Cabinet that South Africa would be receiving new submarines.

25 ADV LEBALA: Let’s proceed to read on. After you mentioned

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that they were acquired under Project Wills you refer to Annexure "PS6" dated 6 January 2000 being a submission from the chairperson of the AACB to the chairperson of the AASB seeking approval for the acquisition of three submarines  
5 approved by Cabinet on 15 September 1999. The Commission is going to hear a lot about AACB standing for the Armaments Acquisition Control Board, is that correct?

R/ADM SCHOULTZ: That is correct Chairperson.

ADV LEBALA: And the AASB stands for the Armaments  
10 Acquisition Supporting Board, am I right?

R/ADM SCHOULTZ: Chairperson I understand it to be the Armament Acquisition Steering Board, but I can be speaking under correction.

ADV LEBALA: Actually you are correct, it is the Armaments  
15 Acquisition Steering Board. At this stage do not worry about the distinction between them. The one is chaired by the Defence Secretary and the other one is chaired by the Chief of Staff if I'm not mistaken.

R/ADM SCHOULTZ: That is correct.

ADV LEBALA: Do you want to take us through Annexure "PS6"  
20 pages 68 to 70 if need be? Annexure "PS6" pages 68 to 70.

R/ADM SCHOULTZ: If I may proceed Chairperson, on page 68, this is much of what has just been read, just paragraph 1 indicates that the White Paper of Defence and also the Defence  
25 Review of 1998, both confirmed the requirement for South

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Africa to have a submarine capability. Also as was indicated yesterday it in fact postulated that the requirement was for four submarines. That same paragraph also indicates that in September 1999 the Cabinet had made the announcement that we were to get new submarines. Over the page on page 69 I would just like to touch on paragraph 4 which shows that by this time the Daphne submarines that we had received from France were already 29 years old, so they were well due for replacement at this time.

10                    Again also in paragraph 5 it just once again affirms the fact that this was not something new, this was, and the Defence Review affirmed the earlier requirement that we also looked at when we tried to acquire the two additional or two Agusta submarines in the mid-1970's, and then possibly paragraph 6 Chairperson which says the fact is that although we had carried out a half-life refit under Project Raka around 15 1980 and although we had carried out a submarine life extension programme towards the end of 1989 these submarines could not continue forever and that by the year 20 2005 the cost of operating these submarines would start to escalate.

This was mainly because at that stage we were reaching the point where we were the last country still operating this type of submarine and so spares would become 25 an issue. Now cost is but one factor that one can mention, the

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other factor of course becomes operational utilisation or utility because if spares are that short it means if something breaks you could wait a very long time until you actually source the spare or had to establish a production line to manufacture that particular part and in that time you would then not have the capability.

ADV LEBALA: Is that the inception of obsolescence at that time, am I correct?

R/ADM SCHOULTZ: That is correct Chairperson, the submarines by 2005 in terms of the definitions I gave for obsolescence we deemed that they would start to become obsolete.

ADV LEBALA: Yes, you may proceed Sir to read. We took you to paragraph 11 Annexure "PS6" dated 6 January 2000, just complete the sentence starting with on the self-same paragraph, or rather let's expedite time. This, may I please read it to you?

*"This document noted that if the Daphne submarines were not replaced by 2005 the country would lose its submarine capability and once lost this capability would be extremely difficult and costly to recover in terms of vessels infrastructure and most importantly expertise".*

You have mentioned this, you colleague Admiral Green mentioned this, your colleague Admiral Higgs mentioned this.

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Paragraph 12 relates to the arrival of the submarines, you have dealt with that. Paragraph 13 comes to the nub of the challenges created by costs:

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*“It should be noted that cost constraints resulted in the projects not providing through live logistics support for the ships and submarines but only for the anticipated first three to five years of utilisation after which the operating budget was to provide for future sparing equipment and life cycle support’.*

10

Now this is technical, please simplify it for the Commission.

15

R/ADM SCHOULTZ: Chairperson, the gist of what I’ve tried to indicate here in my statement is that traditionally when one purchased military hardware, because of the nature of the hardware and the very often limited scope of supply of such hardware you would purchase a ship or an aircraft or any other hardware with sufficient spares to last for the anticipated life cycle and the life cycle meaning the number of years that you expect this vessel or asset to be in service.

20

For instance if by way of analogy the strike craft that we referred to that we bought in the early 1970’s, we still have five to six engines that we’ve never taken out of their package, so we bought the engines that we foresaw we would use throughout the life. We bought the gun mountings that with normal use one could expect to use throughout 30 years, so that’s the concept of buying in your life cycle support as part

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of the project.

However, for two reasons, the one; cost constrains. Obviously if you do that it makes a project very expensive upfront and then the costs over the life is less, if you do not do  
5 that then the project is cheaper upfront but the costs accruing over the life cycle of it then becomes higher. So, in this case firstly because under the packages there was a very definite fixed ceiling that could not be exceeded, we did not buy sparing for the, or spares an support for the full life of these  
10 vessels but only for the first three to five years of operating.

However, one must also recognise that these ships are vessels from an electronics era and electronics goes obsolete a lot quicker than in the days when computers were mechanical or analogue and so that was another reason that we  
15 did not spare through life because one would then find that you're faced with possible obsolescence of the equipment. So, that really is the concept why we only bought three to five years' utilisation and the understanding at the time would be that once the vessels arrived there would be adjustments to the  
20 operating budget of certainly the Navy and that that operating budget would then have to pick up the cost for future life cycle support, both in the running costs, the normal running costs but also in terms of sparing.

ADV LEBALA: Does the fact that we were not facing sanctions  
25 and were not under the embargo influenced the decision just to

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get these spares only for three to five years?

R/ADM SCHOULTZ: Chairperson I would speculate about that, all I could indicate was that certainly from a cost point we realised that we could not purchase more. The fact that we were now in a sanction-free environment certainly made it possible to adopt this approach where in the past it would not have been readily possible to adopt this approach.

ADV LEBALA: Let's read further:

*"Similarly the partial acquisition plan reflected that a spiral upgrade programme commencing some 15 years after arrival of the vessels in South Africa would be initiated to address obsolescence. With hindsight the period of 15 years has proved to be too long in the light of technological redundancy and we have already commenced on upgrade projects".*

Do you want to comment?

R/ADM SCHOULTZ: Chairperson two issues here, we recognised that equipment would have to be upgraded within certain timeframe firstly and secondly in purchasing these ships within the ceiling there were, and this is another technical term what we called "fitted for but not with equipment onboard the ship", so you would provide let's say the cabling to fit a certain piece of equipment at the end of that cable later on and the intention was then that the spiral upgrade, and the

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spiral just here shows that it would be evolutionary, as time went on we would do certain upgrades, both to address those deficiencies or not necessarily deficiencies but those items that we would have liked to have procured upfront but could not afford at the time, so that was part of the spiral upgrade and then other part of the spiral upgrade was that as certain equipment became redundant or improved we would purchase those for the ships.

And what we have found that in certain areas there are already upgrades available for the equipment and as manufacturer provide an upgraded version obviously then they don't continue necessarily stocking the old equipment, so we have found that it is necessary to bring forward these, some of these programmes and we have registered a project both for the frigates and the submarines to start the spiral upgrade process.

ADV LEBALA: Does this involve a costly exercise that affects the budget?

R/ADM SCHOULTZ: Chairperson, these being projects they will be run on the Folio 2 or Special Defence Account and they have been budgeted for within that environment and they will also be multi-year in their execution, they do not come out of the operating budget that I alluded to earlier. But this is also a normal procedure. In essence, earlier I spoke about a half-life refit, this is a spiral upgrade similar to a half-life but

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instead of taking place at one point it takes place over a number of years also to carry costs over many years.

ADV LEBALA: The vernacular of what we see from paragraph 14 goes to the nub of your testimony, you will note that there are critics who will come at a later stage or may not come at a later stage, they have already positively addressed their criticism that we are not utilising this equipment or going into the technical aspects of utilisation, but from paragraph 14 you are laying a foundation to what's the real statistics and formulas and ratios of utilisation. May I read from paragraph 14:

*"In addressing the utilisation of the frigates and submarines a number of general comments need to be made prior to addressing specifics".*

Paragraph 15 page 5 Commissioners:

*"Firstly as early as November 2002 it was already recognised that the frigate utilisation as defined in Naval Staff Requirement 6-80 ...".*

Let's pause there. It's Naval Staff Requirement 6-80 still applicable and explain why.

R/ADM SCHOULTZ: Chairperson, it certainly is still applicable because it was the source document or the document of origin where the requirement was first set out in 1980, however, and as I tried to indicate in earlier testimony given that this requirement over time due to its non-satisfaction was

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adjusted in as much as there was a Revision 1 as well as a Revision 2, so when I refer there to Naval Staff Target 6-80 it is to the latest revision that Wills was then, Project Wills was then initiated to satisfy.

5 ADV LEBALA: Let's read further. I beg your pardon. Let's read further. I've got to go back so that you know we should make sense, to make these ends to meet because I can't take it, it's free flow things standing on its own. Let's go back to where the paragraph starts:

10 *"Firstly as early as November 2002 it was already recognised that the frigate utilisation as defined in Naval Staff Requirement 6-80 would not be possible under the South African Navy's then-budget allocation. As a result a new operational profile*  
15 *was proposed for basing, sparing and hence future utilisation on".*

Do you want to explain that?

R/ADM SCHOULTZ: Chairperson in November, or on about November 2002, that was the period when I was the director  
20 Maritime Plans at Naval Headquarters and as I indicated yesterday responsible for the compilation of the Navy's budget in as much as this is the allocation you've received, these are the tasks required of you, how would one therefore allocate it to the various units. Now at that time the project team were  
25 over in Germany and also a certain office here and they were

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running through the various phases of the project and one such phase was the life cycle analysis and therefore also the determination of what would be required in terms of stockholding to support these vessels for their utilisation.

5           The basis on which they calculate what stockholding is required depends on firstly the manufacturer's advice in terms of things like meantime [sic] between failure for equipment that one can expect, but also on utilisation because if one looks at maintenance and repairs of ships there's  
10 different types of maintenance that gets done, there's time-based maintenance, every one month you do this, every six months you do that, 12 months and so on, but then there's also what we call running hour maintenance when certain, especially revolving machinery have done a certain number of hours then  
15 you have to do certain maintenance to them.

          And that type of maintenance is heavily reliant on information of how you're going to be operating that ship, how many days to you expect to see that ship at sea per annum, how many days do you expect that ship to be operational  
20 alongside, how long do you expect the ship to go on a mission at one time, what is the dependability that you want when you are on such a mission and what is the equipment dependability, so it's a fairly complex field of logistics analysis and this was brought to the Navy Office by the project team and in terms of  
25 that which had been specified in this Naval Staff Requirement

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6-80 and they said this is what the Navy said when they wanted to purchase these ships, this ship must be capable of spending so many days at sea, it must be capable of being available so many days, that detail of what was given to us is on page 72

5 Chairperson.

ADV LEBALA: We will get to that, we will definitely get to that. We don't have to, let's follow the sequence of your testimony because we are still laying a foundation, that is a critical part, we will get to those mechanical and technical

10 ratios and days and calculations. At this stage this background is very significant for the Commission to appreciate the processes involved as far as operations and operational profiles are concerned. Let's read further:

15 *"This new operation profile produced number of days OPS available, ...".*

What does OPS stand for?

R/ADM SCHOULTZ: Chairperson, that means the number of days that the vessel has to be available for the conduct of operations. In practical terms it means the vessel can be

20 either at sea doing an exercise, it could be at sea doing a passage, but it could also be alongside in a harbor ready to be sent, so it is available for utilisation. Essentially it is not in a maintenance cycle.

ADV LEBALA: *"... the sea days per annum and the total*

25 *mission duration for the four ships to 146 days per*

*annum*".

I know that this is technical, we are going to simplify it for the Commission to appreciate it. I refer to the document attached marked Annexure "PS7", that is on pages 71 to 74. Before we  
5 go to pages 71 to 74 do you want to simplify that which I've just read to you now?

R/ADM SCHOULTZ: Thank you Chair. All I'm indicating here Sir is that with regards to the ship they've given us the project indicator operational profile and that profile said these ships  
10 you must maintain and prepare that for a certain number of days of the year they will be available for utilisation, a certain number of days per year you must be able to utilise them at sea and you must be able to send them on operations for a certain number of days, so it's really just different categories  
15 of utilisation of the ship or readiness states of the vessels.

I need to indicate that these days that are allocated Chair drives your costs very much in terms of operating because the higher the number of days that they must be available and there's another term that will come in later in  
20 terms of the readiness that they must be maintained at, we call it a Notice for Sea. The shorter the notice the higher the cost, because it means if something breaks, if your notice is one hour, if it breaks now you've got to fix it immediately, it means your technicians have to stay literally onboard, if the Notice for  
25 Sea is a week then they don't have to be onboard, so these

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concepts underlie the cost drivers of operating a ship.

ADV LEBALA: Please go to page 71 to 74, Annexure "PS7".

Let's start on page 72. Page 72. I see this document has been prepared by you, is that correct?

5 R/ADM SCHOULTZ: That is correct.

ADV LEBALA: Look at the bottom of page 72:

*"P Schoultz, Director Maritime Plans.*

Column; "RAMJD".

Standing, I suppose for rear admiral "JD", junior?

10 R/ADM SCHOULTZ: Junior Grade.

ADV LEBALA: Junior Grade.

R/ADM SCHOULTZ: Junior Grade, yes.

ADV LEBALA: Now let's go back to page 71. The date is 11 November 2002.

15 R/ADM SCHOULTZ: That's correct Chair.

ADV LEBALA: By that date were the submarines and the frigates already in the country?

R/ADM SCHOULTZ: They were not yet here Chairperson.

20 ADV LEBALA: Now I just want you to demonstrate to the Commission the relevance of this important document in as far as spares is concerned. You may proceed.

R/ADM SCHOULTZ: Chairperson as I indicated that during the build programme the project teams were developing the life cycle support requirements for the ships and so the project  
25 team approached the Navy and said on the basis of the Staff

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Requirement and the days that these ships must be available, here is the proposed sparing for such vessel. Now the data that they used is the, is found on page 72 which was an extract of the Naval Staff Requirement. In the table there Chairperson  
5 where it says: "Naval Staff Requirement 6-80", that Staff Requirement said that these ships should be available 260 days of the year for operational utilisation. That does not imply that they must be utilised 260 days each, it implies they must be ready to be utilised each, if I can draw that distinction Sir.

10 Secondly it said that each of these ships should spend some 180 days per annum at sea and in terms of going away on missions each ship should do a 28 day mission and then it carries on to give dependability figures and reliability figures. Chairperson if I may then go back to the preceding  
15 page, page 71, having looked at that they also *inter alia* down in paragraph 4 said:

20 *"In order to spare the ships for this period and to conform to these levels of utilisation the Navy would have to buy additional spares of about a R111 million".*

Paragraph 4.a:

*"It would have to establish certain maintenance capabilities".*

And it specifically refers there to a certain level with regards  
25 to one of the radars and the surface to surface missile that we

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acquired as well as to buy a fifth dual purpose gun at a further cost of R239 million. Furthermore paragraph c, the financial year 2006/7 we would have to procure spares annually at the value of R51 million and at the same time establish  
5 maintenance contracts to the value of R69 million as per paragraph d. Chair, at that time 2002, looking at the budget that was allocated to the Navy in terms of operating, it was clear that we could not meet this requirement, so although the Staff Requirement indicated the utilisation funding did not  
10 permit that temper of utilisation and so if one then looks on paragraph 5 on page 72 the second half of the table I earlier referred to, the proposal that I made was that we reduce the days operationally available to a 130 days, that we reduce the sea days as you can see indicated there Chairperson to a total  
15 of 310 days, in other words one ship would spend a 100 days potentially at sea, two of the vessels would spend 80 days at sea and the third vessel 50 days in a year.

Chairperson I need to indicate here these are aggregates to base sparing on, that does not mean that ship 1  
20 must do a 100 days, ship 2 80 days, we're allowing for that number of vessels, so if a vessel was in an extended maintenance cycle, another vessel could potentially do its days because this is purely for a costing model that I'm showing here. And then as far as "Mission Duration", the third line of  
25 the table Chair, the total there a 131 days' mission duration.

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And this was then approved in principle by the the-  
then Chief of the Navy who was Vice-Admiral Retief at the time  
and this data was passed through to the project team which are  
the follow-on documentations from page 73 through to 74 would  
5 indicate how this was then passed on for the project team to  
build their sparing model around that and we then as the Navy,  
I wrote back on page 74 to Chief of the Navy on the  
6<sup>th</sup> of May 2003 to say that we have now passed this on to the  
project teams and they will use that for future sparing and what  
10 the impact on the Navy's budget would be, and that was  
May 2003.

ADV LEBALA: I'm certain that we haven't lost the Commission  
and the Commission is with us. If we look at this document on  
page 71 the subject is "Project Sitron". Column; "Sparing for  
15 the Corvettes", we are talking about the frigates, am I correct?

R/ADM SCHOULTZ: That is correct Chair.

ADV LEBALA: For instance paragraph 16, paragraph 15 on  
page 5 also refers to utilisation of the frigates and the  
challenges, am I right?

20 R/ADM SCHOULTZ: That is correct Chair.

ADV LEBALA: So, you were talking to the spare parts in as  
far as the frigates are concerned and the adjustment to be  
made in order to get them to go to sea in line with the cost and  
budget, is that correct?

25 R/ADM SCHOULTZ: Chairperson what I was referring to here

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was to say that in terms of the project deliverable by the project team who have to deliver that which is contained in the Staff Requirement, they're built to that specification, they had indicated to us what the sparing would be required, what  
5 spares would be required to conform to that specification. Because the operating budget could not carry that load we therefore proposed an amendment to the specification in terms of utilisation so that we could have a lower costing figure in terms of spares to be purchased. This did not deal with the  
10 future utilisation but merely the ability to utilise in the future which was now being reduced in terms of spares.

ADV LEBALA: Now let me simplify it so that we should be on the same page. Permit me to give this example, you are saying, we know that it's the project team that advised  
15 accordingly. If you have to go to the sea for 100 days you will adjust and make it a point that you get spares for 50 days. Now that would reduce sparing and that would automatically reduce utilisation, am I right?

R/ADM SCHOULTZ: That is correct.

20 ADV LEBALA: That's the theme of what is being demonstrated here. Am I right?

R/ADM SCHOULTZ: That is correct Chair.

ADV LEBALA: Now you've laid a foundation, the relevancy of this comes when we want to deal with costs and budget and  
25 how far we go to try and accommodate and adjust and make it a

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point that this equipment is being utilised, but let's go to the nub because we are talking about 11 November 2002 to lay a foundation when the frigates and the submarines are in South Africa. Now we've laid this foundation about sparing, now let's  
5 go to paragraph 16. Please read.

R/ADM SCHOULTZ: Chairperson paragraph 16 reads:

*"It has to be indicated that the platform types or the vessel types are extremely complex platforms and/or vessels".*

10 And in particular with regard to the frigates I'd like to indicate that there were many unique features onboard these ships which the Navy had not previously encountered, for instance by way of example this was the first time that Naval vessels in the South African Navy's service would be equipped with air-to-air  
15 missiles, it was the first time that the South African Navy introduced gas turbines as propulsion, as well as the first time that we introduced the water jet and so there were a number of other unique features to these ships which the South African Navy encountered now for the first time and had to come to  
20 grips with in terms of operating and maintaining.

ADV LEBALA: Now a foundation is being laid that up to so far there are two aspects that affect utilisation. We are trying to demonstrate and show the Commission that inclusive in utilisation is a number of variables. Firstly we know that the  
25 spare parts affect utilisation, we also know that costs affect

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utilisation but even the disposition, the complexity of this equipment affect utilisation. Go to paragraph 17.

R/ADM SCHOULTZ: Chairperson paragraph 17 speaks about the complexity of the systems and the fact that it takes us a  
5 number of years to master this complexity completely and even though now we've had these ships for a number of years we are still in the process of developing a detailed understanding of many of these systems. I would like to by way of anecdote indicate that this is nothing new and nothing strange. When we  
10 bought the Daphne submarines from the French I understand it took us almost 10 years before we fully understood how the torpedoes worked.

When we bought the strike craft from the Israelis it took us six to seven years to discover how the missiles worked,  
15 because very often when you purchase people are reluctant to give you the source code, they don't give you the source code and when things do not work you actually have to figure it out for yourself. So there are two examples in our earlier history where it took us time and in the same way these frigates, I'm  
20 merely indicating that there are complexities and each day you find you're discovering more about these systems and getting a greater knowledge. Now obviously where something lies undiscovered it takes time to resolve if there's an issue and that's what that paragraph speaks about.

25 ADV LEBALA: Well, the paragraph tells us that these are

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machines which are complicated, they are manmade and they are made in foreign countries, for you to master them is a process, am I right?

R/ADM SCHOULTZ: That is correct Chair.

5 ADV LEBALA: We've seen another aspect that affects utilisation, please look at paragraph 18. Please read paragraph 18.

R/ADM SCHOULTZ: Chairperson, paragraph 18 speaks to how we now operate this vessel once we receive it and we say that,  
10 whether it's a ship or a submarine, it's managed by the Navy within an operating cycle which is the term we use, and that that cycle allows for periods when the ship is operationally available during which it can be utilised, but also for periods when the ship is not operationally available, when it's in a  
15 maintenance period.

So then broadly speaking when a ship is in an operational cycle the type of activities or subdivisions of those activities, the first one is force preparation period Sir. This is when we take a ship and you take the ship through safety and  
20 readiness checks and I will allude to that later in my statement Sir what this entails. There are times when you use that ship on its own for it to train itself up and exercise on its own and then there are times when we combine that ship with other naval assets and we do what we would call navy unique multi-  
25 ship exercises. So, these are all activities in order to prepare

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the ship to be utilised for its various stated roles.

Chairperson, then having done that the ship is available to be employed and the employment *inter alia* consists of the conduct of certain operations like for instance the patrols that we do around the coast, the patrol we're doing in Mozambique and other operations. There are times when there are certain audit commitments that we are engaged in, yesterday one example was for instance where the ship acted as a platform for international negotiations and another typical audit commitment would be hydrography, one could not really call surveying an operation but it's certainly an audit commitment that we have for the Navy.

And then there are joint and multinational exercises. Chairperson, just to define that, a joint exercise would be where we are exercising in consort with the Air Force, the Army, the Medical Services and multinational exercises where we would exercise with those services but also with members from other navies and their vessels. So essentially then that's your force preparation side and also your force employment side.

Then to make sure that the ships remain available in order to do these activities there are a number of maintenance periods Chairperson if I may proceed to those. The first period that a ship enters into, it's a so-called self-maintenance period and this is where the members onboard the

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ship, the ship's crew conduct routine maintenance and minor maintenance onboard the ship themselves. There are also assisted maintenance periods where the level of maintenance is slightly more complex, the tasks take slightly longer and in this regard they are then assisted by the uniform maintenance capability that resides within our fleet command.

Thereafter there is what we would call a docking and essential defect period and this is the first time where we also engage our dockyard to assist, again the depth of maintenance that is done is a deeper depth, we speak about levels 1, 2, 3, 4 but that's not really pertinent Sir, but the difference between the docking and essential defects and the previous ones really lies therein that this is the time when we also do the underwater work that you cannot do whilst the ship is lying alongside, so the ship comes out of the water either by going onto a syncrolift or being docked. And then the last period that we use is the refit period where a ship is then given a complete overhaul so to speak.

Chairperson, the cycle in which it normally operates is that the ship would be operationally available, in that period there would be time for a self-maintenance period and assistance maintenance period and then it would stop being operationally available for those periods and it would repeat that and then after three to four cycles it will go into a docking and defect and then the whole cycle repeats and after the

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second docking and essential defect there would be a refit, so the whole cycle can be up to eight years. Now I need to indicate that a self-maintenance period can be as short as a week and a refit can be as long as two years. Thank you

5 Chair.

ADV LEBALA: The themes of what you say is that utilisation is inclusive, we are seeing the fourth analogy as to what would be included in utilisation from operational cycle, how you operate these ships, when you receive them, the ship should be

10 available, sometimes it's not available it doesn't mean it is not operational, it must be prepared, it must be employed, it must be maintained, it goes into refit cycle. From your understanding would you say that the understanding of utilisation by a common man like myself, ordinary person is

15 different from that which is understood by yourself and people in the Navy?

R/ADM SCHOULTZ: Chairperson I believe that is a true statement.

ADV LEBALA: I need not even complete some of the technical

20 things that you say because the real utilisation is when you deal with the statistics and it's coming below. Now let's look at the fourth, the fifth aspect that influence utilisation, paragraph 19, page 6 paragraph 19.

R/ADM SCHOULTZ: Chairperson there I'm referring to the fact

25 that historically when we operated the Daphne submarines,

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although we had three submarines two of them were primarily kept in the operating cycle whilst the third submarine was being kept in administrative commission and in fact even now we follow the same principle and our first submarine is currently engaged in a first of class refit. Chairperson I need to indicate that this has also been reported formally in February 2011 to the Portfolio Committee of Defence where we indicated in questions that the Navy will have one submarine in a maintenance cycle and two submarines in an operating cycle, that the period for such refit is approximately 30 months and that the submarines will do a refit approximately every eight years.

ADV LEBALA: Is there an instance where all three of them would be operational, as in available, on a voyage?

R/ADM SCHOULTZ: Chairperson that is, it is possible but it would not be the norm and it would normally come about as a result of programme slides either to the left or right of certain maintenance cycles, so we would endeavour to have two available in the operating cycle, one in a refit and then at certain times you could even have a gap where one would be doing a self-maintenance period of a week whilst the other vessel is available. So, these are very much programme driven activities.

ADV LEBALA: Admiral Schoultz, please simplify it in ABC, why is that so?

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R/ADM SCHOULTZ: Chairperson the simplest way to say this really would be that yes, from a technical point of view we establish what is called a hull availability programme which lists all the vessels and indicates when, what vessel must go  
5 into what phase of maintenance and when it's available. There are times when operations are then scheduled necessitating that asset and therefore the programme then gets adjusted in respect of that particular ship and that, if it relies on the dock for the particular activity that's rescheduled, then there will be  
10 commensurate knock-on effect.

So, although one would like to be as fixed in your maintenance programme because that impacts also on resources like the dockyard, operational necessities very often necessitates a change to those programmes as well as lead  
15 times in procuring equipment and also in contracting.

ADV LEBALA: So, if the critics were to come and say we see these capabilities at the dockyard, they are not moving, they are static, would it be fair because those are the conclusions that come in that they are inoperable and they are not being  
20 utilised?

R/ADM SCHOULTZ: Chairperson I don't believe that would be fair because as I've indicated operational available can also be lying alongside awaiting an assignment, and if there was no assignment to go and do then just to steam around outside  
25 would be pointless quite frankly.

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ADV LEBALA: Paragraph 20, the “Six Factor”?

R/ADM SCHOULTZ: Chairperson, this paragraph speaks to the responsibility of the Navy, it also speaks to the responsibility of the Chief of Joint Operations and how we prepare the vessels and how we then utilise the vessels and herein too lies in part the answer to the previous question posed to me. Currently in terms of the design of the National Defence Force the Chief of the Navy is responsible to prepare forces, so we are responsible therefore Sir to do the required maintenance routines to our ships and submarines, we are responsible Sir to make sure that those forces are trained up and are capable of conducting various missions.

We are, however, in other words Chairperson, we are responsible that the forces are operationally available. We are not responsible for utilisation of those forces in as much as the conduct of operations are concerned because the conduct of operations is a task that the Chief of the National Defence Force has delegated to the Chief of Joint Operations, and I would like to, with your permission Chair, then to just elucidate more around the Department of Defence’s annual business plan because the business plan contains that which the Navy is to prepare, and if I may indicate where are at present, each year the Chief of Joint Operations prepares a document for the Chief of the National Defence Force which indicates the short-term force employment requirements.

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Now those requirements that he prepares he does so on the basis of the threat analysis that is done by the intelligence community, they do it on the basis of knowledge of forthcoming events within the country and they do it on the basis of standing commitments, so taking these factors into consideration, short term force employment guidelines are presented and those short term force employment guidelines tells each service, including the Navy what ships it must provide.

For instance at present, and I apologise Chair for some of the terms, but we are told with regards to the frigates right now that we must have one frigate at what is termed a functional level of capability, in other words one frigate must be fully fit for its war-fighting role. We must have one frigate at the basic level of capability, that means it can do a number of tasks, but not necessarily a full war-fighting role. One frigate at a seagoing level of capability, again that it can go to sea, do limited tasks but it's safe to go to sea, and one frigate at no level of capability. That would classically be the vessel that is in a major refit period.

And similarly Chairperson with regards to the submarines there are instructions as to how many must be at a functional level or full level of capability, a safe level or seagoing level of capability and no level of capability. Sir, trying to indicate these requirements are both cost driven but

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also needs driven. Admiral Higgs yesterday alluded to Defence being expensive. If we are to keep all four frigates at the highest level of capability all the time it would be prohibitive and the question would be why. So, it is against that background and that instruction that the Navy would then prepare vessels and so when the question is asked why are the vessels not utilised the answer is twofold, one; was it available for utilisation and secondly was there a requirement for such utilisation, these are two separate questions I believe Chair.

5  
10 ADV LEBALA: With that background we are now going to talk to the real utilisation. We have been educated through the six fundamental premises that inform utilisation, we've seen that it's inclusive, it's not a perception, it gets to be technical and mechanical and Chair it's 12h53, we are really going into the figures, the exercises, the missions, what these capabilities do, how far they go, the training of the crew, what they execute in terms of the defence goals and tasks and it would be the last portion of Admiral Schoultz's testimony.

15  
20 I suppose you appreciate why we started where we started, demonstrating that acquisition is historical, these processes have been influenced even before 1994, even before the SDPP packages. We've tried to demonstrate that utilisation is inclusive, it's not subject to perceptions. We are now at the stage where we want to demonstrate the real utilisation. I'm  
25 willing to use these five minutes to proceed to refer you to the

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annexures, the times, unless you are of the view that this is the appropriate time to adjourn.

CHAIRPERSON: Advocate Lebala, maybe this might be an appropriate time to adjourn and as I said we'll only come back on Monday morning. Is it not time that you should perhaps  
5 deal with the question of witnesses that are going to be called next week, together with a brief statement of what those witnesses are going to testify about?

ADV LEBALA: Well Chair, on our part we just want to call one  
10 witness next week and we'll explain to you why, we envisage that we would call a witness Captain Jordaan who is going to talk to the process that will demonstrate to the Commission that the SDPP's were informed by a process and how that process unfolded. There's a cutoff point to his testimony  
15 because from a certain stage the process gets higher, ARMSCOR gets to be involved up until Cabinet makes a decision.

We envisage calling a witness also who will demonstrate that in as far as the Navy and the Air Force is  
20 concerned the process was clean because the Inspector-General found that all these processes, after being subjected to audit, they were not controversial, that will be another leg, but we envisage calling two witnesses next week subject to how we will agree with our team headed by Ms Ramagaga and  
25 Advocate Mphaga, and Advocate Sello and Advocate Sibeko,

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and Advocate Zondi.

We are certain that we want to bring these capabilities before you so that you should appreciate them and see them, we can't talk about them in the abstract. Now  
5 there's been a debate within our team as to is it where we have, we should have started by projecting them on the screen but we thought that the fact that they have been acquired, you have heard about them, we need to unravel them and concretise them by manifesting them so that you could see and  
10 touch them sometime next week, so we intend leading a witness who will be talking about them and showing them to you, certainly next week.

From there we may cut off and our colleagues might proceed with the Air Force, but we'll decide that. The Air  
15 Force might start next week, so the witness we intend calling, we already told you that he's going to talk about the projection and manifestation of this equipment so that we should appreciate them, and if need be it might be Captain Jordaan to talk about the process. But we are debating with our team that  
20 would it be appropriate at this stage, so anyone who wants to enjoy the benefit is for them to know the following; Admiral Christian might be called just to come and talk about these capabilities next week and/or Captain Jordaan, subject to where we intend putting.

25 We might put Captain Jordaan to talk about the

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process before ARMSCOR comes in after the witnesses led by Ms Ramagaga and Advocate Mphaga have testified, including Advocate Sibeko and Advocate Sello probably, and Advocate Zondi having led their witnesses. For our part standing here we envisage two witnesses with a likelihood of certainly calling one.

CHAIRPERSON: Advocate Lebala can I suggest this; probably talk to your colleagues when we adjourn, prepare a very short statement about what each witness is going to testify about and how many witnesses do you intend calling next week as a team and post that on our website, in other words we want to make sure that by tomorrow at least the public knows who is going to testify next week and what sort of evidence is likely to be given by those witnesses.

ADV LEBALA: Chair, Ms Ramagaga's team is here and in actual fact I was indirectly putting them on the spot to address you, their statement has been given and I think they are qualified to address you. Permit me to give you over to them. May I hand over to them to address you?

CHAIRPERSON: No, that I understand. Just make sure that all of you as a team, you post on our website names of witnesses who are going to testify next week, together with a very short statement indicating what evidence each witness is going to deal with.

MS RAMAGAGA: Thank you Mr Chairperson. The South

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African Air Force team does have the list of the witnesses that will be called next week as well as the summaries of those respective witnesses. With your permission may I place on record the summaries of those witnesses?

5 CHAIRPERSON: Okay, you can go ahead Ma'am.

MS RAMAGAGA: Thank you Mr Chairperson and Commissioner Musi. In the next week commencing on the 26<sup>th</sup> day of August 2013 we will present the evidence of four witnesses from the Air Force arm of service and those  
10 witnesses are Generals Malinga, Bayne, Burger as well as Colonel Viljoen. Now General Malinga will give a broad overview of the mandate of the South African National Defence Force as encapsulated in Section 200(2) of Act 108/1996, that is the Constitution, and the functions of the South African  
15 National Defence Force set out in Section 7(1) of Act 200/1993, the Interim Constitution.

In his testimony he will give historical background of the South African Air Force, for example when it was formed and then proceed to deal with the capabilities of the South  
20 African Air Force, when these systems were acquired, the countries from which they were purchased and when they were phased out. He will deal with budget cuts that occurred in the early 1990's and post-1994 and the impact this had on the South African Air Force.

25 In his evidence General Malinga will also make

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reference to the White Paper and the National Defence, on the National Defence for the Republic and to the Defence Review of 1998. He will also elaborate on the Defence Strategic Objectives, force design, the force design options in so far as they relate to the South African Air Force. The greater part of General Malinga's testimony will focus on the rationale for the Strategic Defence Procurement Packages and the training philosophy of the South African Air Force which seems to have informed the decision with regard to the aircraft to be acquired, including the helicopters.

General Bayne will give detail on the three tier combat training system of the South African Air Force and how it was implemented in practice prior to the acquisition of the Strategic Defence Procurement Packages. He will allude to the aging fleets of aircraft that the South African Air Force had in the mid-1990's and the debates that ensued over the replacement of these systems. General Bayne will elaborate on the need to maintain a capability as in relatively peaceful environment, he will also focus on the processes that culminated in the decision by Cabinet in November 1998 to acquire the lead in-fighter trainer and the advanced light fighter aircraft from BAE and SAAB respectively. In his testimony General Bayne will deal at length with the role and capabilities of these aircraft. The greater part of his evidence will shed light on how these aircraft systems are utilised,

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personnel operating and maintaining these systems, accidents and incidents that have occurred in respect of these aircraft.

5 General Burger will set out the history of the South African Air Force helicopter systems, when the first helicopter squadron was formed and the types of helicopters it had on its inventory and the purpose for which these systems were acquired. He will deal on the requirement for and description of the light utility helicopters, the processes that ensued to satisfy this requirement, for example staff targets, staff requirements at (indistinct). The greater part of General Burger's testimony will focus on the roles and capabilities of the light utility helicopters, the accidents involving this system that have occurred since its delivery, the exercises and operations in which the system was deployed, the current status of the helicopters. With regard to utilisation General Burger's evidence will shed light on the number of hours the light duty utility helicopters had flown, has flown, the operating cost and personnel, both air and ground crew trained to operate and maintain the system.

20 And the last witness to testify will be Colonel Viljoen. He will give an overview on the state Alouette III helicopters in the 1990's. These helicopters were replaced with the Agusta helicopters which were purchased as part of the Strategic Defence Procurement Packages, when this system was acquired. He will deal in great detail with the acquisition

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process that ensued to replace the Alouette, the companies that tendered to supply helicopters to South Africa, the type of engine offered by the tenderers of this capability. Colonel Viljoen will also touch his stint at the Agusta helicopter facility in Italy between May 2000 and December 2003, during which time the project engineering processes were concluded. Those are the summary of the witnesses earmarked to give evidence in the coming next week Chairperson.

CHAIRPERSON: Thank you Ms Ramagaga. I think now we'll adjourn until Monday morning when we will start at 09h30. Thank you.

**(COMMISSION ADJOURNS)**

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