

05 SEPTEMBER 2013

PHASE 1

CHAIRPERSON: Can we get the witness to confirm that he is still under oath?

COL (RET) VILJOEN: I do.

CHAIRPERSON: Thank you. Ms Ramagaga probably just for the record I see it's already 10h40 and we should have started at 5 09h30, what is the reason why we are only starting now?

MS RAMAGAGA: Thank you Chair. We were not able to start at the scheduled time because there are further documents that had to be added to the bundles and this being 10 the Commission of Inquiry as and when we pick up that it will be necessary to present evidence through the witness that is on the stand what we do would be to obtain any documents that support that information and add it into the bundles, that is because it is unanticipated information that has been added. 15 Thank you Chair.

CHAIRPERSON: Thank you, we can proceed.

MS RAMAGAGA: Colonel, when you concluded with your part of your evidence yesterday you had indicated that soon after the requirement for operational capability was approved 20 you commenced with the drafting of the Staff Target and this document, that is the Staff Target, was approved by the Armaments Acquisition Board on the 16th day of May 1996 and the project was then registered, that is Project Flange. Now this would conclude the process from the side of the Army and 25 in particular the South African Air Force. Today you will be

05 SEPTEMBER 2013

PHASE 1

presenting evidence from paragraph 8 which deals with the ARMSCOR environment. Now we heard yesterday that after the approval of the Staff Target Project Flange was registered, it is correct that this project was established for the acquisition of a light utility helicopter that would replace the Alouette III.

COL (RET) VILJOEN: That is correct Mr Chair.

MS RAMAGAGA: Please tell the Commission as to what the project did after the establishment.

COL (RET) VILJOEN: Mr Chair as mentioned with the approval of the Staff Target the status of the acquisition process changes and it is now a registered project and once this document has been signed a Joint Project Team is established under the leadership of ARMSCOR who is the normal or the traditional leader in an acquisition process, however, this has changed and I would like to mention that the SDPP's revolutionised the acquisition process. Without going into too much detail it will be addressed by Captain Jordaan that up until this stage the programme had been using the guidelines from the DAP-1000 document.

When the SDP's came into fruition there was an interim document that superseded this acquisition process and once the SDP's had shown the shortfall in this document a new document was generated which was called the DAP-1000, which was promulgated in 2004, and this document also being a live document is already in Issue 4, and I think they are busy with

05 SEPTEMBER 2013

PHASE 1

Issue 5, so what I'm trying to say Mr Chair is that the SDP's taught us that the acquisition process needed to be adapted and once we got this joint team together we started generating information so that a request-for-information could be issued
5 and this was done and issued on June 17, 1996 to 16 companies.

MS RAMAGAGA: Now you mentioned that the companies that expressed an interest in bidding for the Alouette III replacement were evaluated using the approved ARMSCOR
10 evaluation process. Now would you advise as to whether the evaluation process was specifically designed for Project Flange or whether it was a standard valuation system that had been previously approved?

COL (RET) VILJOEN: Mr Chair, each programme has specific
15 evaluation criteria. As mentioned yesterday the core document for drawing up any request whether it be for information or for an offer is sourced from the document that we went through at length yesterday known as the User Requirement Statement, so information from the User Requirement Statement was
20 extracted and imported into the document known as the Request for Information. Before this document could be issued a value system had to be drawn up and there are guidelines which I will not allude to in the ARMSCOR domain for drawing up a value system which has to be approved before any of
25 these documents are returned.

05 SEPTEMBER 2013

PHASE 1

MS RAMAGAGA: Now will you inform the Commission as to what the outcome of the post-RFI evaluation was?

COL (RET) VILJOEN: Mr Chair, I will read out the three contenders alphabetically so that we cannot be considered to be prejudiced, the three shortlisted companies were the Agusta company, part of the Finmeccanica Group, and they offered the A109 power, Bell Textron, a division of Canada, the group from Canada offered the Bell-427 and Eurocopter, a subsidiary of the European Aerospace and Defence Systems offered the EC635.

MS RAMAGAGA: Right Colonel, will you please also inform the Commission about the types of engines or the engines that were offered by each of the companies that were shortlisted?

COL (RET) VILJOEN: Mr Chairman, the three helicopters were offered with different power plants, again alphabetically Agusta offered the Pratt & Whitney as their preferred engine, however, they were in agreement that should the client decide on the alternative engine they would consider that. The Bell helicopter only offered the Pratt & Whitney engine whereas the Eurocopter product only offered the Turbomeca engine, so there were two engines that could be chosen for the one and a specific engine for the other, but I am sure that through negotiations the OEM would have been in agreement to incorporate whichever engine the customer selected.

MS RAMAGAGA: So Colonel, the area that we are now

05 SEPTEMBER 2013

PHASE 1

dealing with is the area relating to ARMSCOR. Can you indicate as to whether at this stage the arm of service, in particular the South African Air Force had the liberty to participate in the space and indicate as to which engine it would prefer?

COL (RET) VILJOEN: Mr Chair, initially the Air Force had no preference, either engine was acceptable to them, however, when additional power was required this became an issue and I would prefer not to go into any detail on this, this is in the ARMSCOR domain which is part of the contracting model and I would prefer just to leave it at that.

MS RAMAGAGA: Right Colonel, for now I will actually park this information, I will come back to it later right towards the end, but will you then inform the Commission as to what process was supposed to follow after the shortlisting had been done?

COL (RET) VILJOEN: Mr Chair normally, and when I say normally, as I mentioned in accordance with the DAP-1000 the process would be that after an RFI was issued the information would be evaluated and then the next document to be issued would be a Request for Offer, however, at this stage as I mentioned there was an interim acquisition policy approved and the SDP's were just starting to come to fruition and management instructed the Joint Project Team that instead of issuing a Request for Offer, that a second Request for

05 SEPTEMBER 2013

PHASE 1

Information was issued, and I'd like to be specific here, the reason for that being the SDPP's brought in a different aspect to acquisition compared to the one that we were traditionally used to and these additions were the requirement for national industrial participation known as NIP, and defence industrial participation known as DIP and that was the only reason why a second RFI was issued and not gone straight into the request for offer process.

MS RAMAGAGA: Now Colonel during the period when the South African Air Force was processing the acquisition programme of the, of the light utility helicopter, at that time during that era the Department of Defence was simultaneously engaged with the Government, in discussion with the Government in respect of the Defence Review and ultimately in 1998 the Defence Review was then adopted. Now you have mentioned that the advent of the SDPP had a lot of influence or brought about some changes with regard to the acquisition process, can you tell the Commission as to whether the process changed a lot even within the arm of service terrain, that is where the acquisition process is initiated or did it change in respect of a different level or phase of acquisition?

COL (RET) VILJOEN: Mr Chair, the acquisition process per se did not really change, the management of the process was where it became different, there were different requirements that needed to be addressed and the bodies in place for the,

05 SEPTEMBER 2013

PHASE 1

call it the old acquisition process were not suitable to address the new requirements as are mentioned, the NIP's, the DIP's, *et cetera*.

5 MS RAMAGAGA: Thank you Colonel. Yes, you make reference to the NIP's and the DIP's *et cetera*, am I correct to say those considerations and factors would only feature within the ARMSCOR domain but as far as the arm of service is concerned at the level of the arm of service prior to entering the ARMSCOR terrain the process would remain the same?

10 COL (RET) VILJOEN: To answer both questions Mr Chair the arm of service process would remain the same, the responsibility for the NIP and DIP were from two different divisions, the national industrial participation was the responsibility of the Department of Trade and Industry whereas
15 the defence industrial participation was an ARMSCOR responsibility.

MS RAMAGAGA: Now shall we then proceed to deal with paragraph 9 which informs us about the second RFI.

20 COL (RET) VILJOEN: Mr Chair as I mentioned the only change between the first RFI and the second RFI was that it was not sent to all the 16 institutions that the first RFI was sent to, only the three finalists were considered for the second RFI and the second RFI addressed NIP and DIP, which the first RFI did not address.

25 MS RAMAGAGA: Colonel, will you please explain as to why

05 SEPTEMBER 2013

PHASE 1

the second Request for Information was only confined to the three shortlisted companies and it was not open to so many the other setting?

5 COL (RET) VILJOEN: Mr Chair if my memory serves me correctly those were the only three offerers that complied fully to the requirements stipulated in their Request for Information, however, I believe that this should be verified when ARMSCOR testifies because as I mentioned this process lies directly within the ARMSCOR domain.

10 MS RAMAGAGA: Are you able to indicate Colonel as to whether the second RFI was tailored only to cater for the SDPP requirements or whether you were at liberty to open the scope beyond the specified SDPP requirements?

15 COL (RET) VILJOEN: Mr Chair, the second RFI as I mentioned, the technical requirements were identical to the first one, the only change was the SDPP's requirement for NIP and DIP, and as I mentioned that is the only difference between Issue 1 and Issue 2 of the RFI.

20 MS RAMAGAGA: Colonel, would you advise the Commission as to what was the outcome of the evaluation of the second RFI?

25 COL (RET) VILJOEN: Mr Chair, I quote from the JIT report and in the bundle it is on page 110. My response comes from the JIT report which is contained in page 110 of the bundle and the paragraph reference is 5.3.3.5 and the three finalists again in

05 SEPTEMBER 2013

PHASE 1

alphabetical order was Agusta, Bell Textron Canada, and Eurocopter.

MS RAMAGAGA: Now shall we proceed to ... You have also mentioned, I think in this paragraph about the outcome as to what were your views with regard to the costs, what was the costs, what were the cost implication with regard to a specific bidder, in particular Agusta, will you please inform the Commission about that.

COL (RET) VILJOEN: Mr Chair, I believe we're treading in dangerous territory here that the Request for Information is not a binding document, so the information expressed there is more for information as the document says, so I would prefer not to go into the costing model here and rather address this at a very superficial level, also have an extract from the JIT report to address what is the binding offer once the RFO has been issued.

MS RAMAGAGA: Thank you Colonel, shall we then proceed to deal with paragraph 11 of the statement which now refers to the RFO's, you say there that:

"On the 13th of February 1998 the request for offers (RFO) for 60 units was issued and were issued to the three shortlisted contenders".

Will you please elaborate on that?

COL (RET) VILJOEN: Mr Chair that is correct that the RFO was issued for 60 units, the reason being that the Alouette

05 SEPTEMBER 2013

PHASE 1

Replacement Study indicated that the replacement required 60 units as opposed to the 118 that were taken into service by the Air Force of the Alouette III, and as was mentioned earlier the Force Design and Defence Review had been approved at this stage and the Defence Review also specified that 60 LUH should be acquired to replace the Alouette III.

MS RAMAGAGA: And will you also inform the Commission as to what was the outcome of the evaluation of the RFO's in page 4 of your statement Colonel.

10 COL (RET) VILJOEN: Mr Chair, my information is again extracted from the JIT report and I refer to page 119 of the JIT report.

MS RAMAGAGA: It is page 119 of bundle I Mr Chair and the Commissioner. You may proceed Colonel.

15 COL (RET) VILJOEN: Mr Chair as I mentioned my source documentation is the JIT report page 119 of bundle I and I refer to paragraph 5.4.1.6. And I will only read the final column of the Evaluation Results:

20 *“When normalised Agusta scored 100, Bell scored 64.6 and Eurocopter scored 80.8”.*

MS RAMAGAGA: Right, thank you. Are you able to tell the Commission as to what factors were taken into consideration for the evaluation of the offers? I'm asking this question quite cognisant of the fact that we are dealing with the ARMSCOR terrain Colonel.

25

05 SEPTEMBER 2013

PHASE 1

COL (RET) VILJOEN: Mr Chair my source document is again the JIT report and I refer to page 110 of bundle I. Mr Chairman, once again the Joint Project Team had specific responsibilities which did not include the NIP and the DIP side of the evaluation, neither the cost. The cost was done by a team from ARMSCOR and the NIP and DIP as I mentioned earlier was either one of the divisions of ARMSCOR or the Department of Trade and Industry, however, the Joint Project Team amongst others evaluated the following and as I'll read from page 110 paragraph 3.3.7:

“We looked at the technical effectiveness of the proposed system, supportability right through its life cycle, value for money, risk associated with the tender”.

And then the last one is more in the NIP and the DIP environment which is “economical benefit and local participation”.

MS RAMAGAGA: Right, thank you Colonel. You have actually placed on record the factors that were taken into consideration in the evaluation in respect of the RFO, the response to the RFO. Now for the completeness of the record I would like to invite you to also to an extent possible place on record or inform the Commission about the factors that were taken into consideration during the evaluation process relating to the first Request for Information contenders. You may not,

05 SEPTEMBER 2013

PHASE 1

if possible, mention each but give us an idea as to what factors were taken into consideration in the evaluation.

COL (RET) VILJOEN: Mr Chair, the factors considered in the evaluation, if I understand the question correctly, in the RFI, would have been the same criteria except the last one which would be the RSA economical benefit which was contained in the NIP and the DIP.

MS RAMAGAGA: The ... Colonel, you have indicated that the first RFI was sent out to about 16 companies and three were then shortlisted, are you able to tell the Commission as to what factors were taken into consideration in order to ultimately narrow down the number to three during the very first Request for Information evaluation?

COL (RET) VILJOEN: Mr Chair, this process was followed in accordance with the ARMSCOR acquisition process where there was a value system used to measure the level of conformity of the response and as I mentioned that these value systems were approved under strict ARMSCOR control and were not to be tampered with until, or never to be tampered with and only opened once the responses had been received and this is the process that was followed on the whole acquisition process to the best of my knowledge for RFI1, RFI2 and the RFO.

MS RAMAGAGA: Colonel you say the valuation system would be approved and sealed or kept away and it would never be tampered with or opened until the institution or the relevant

05 SEPTEMBER 2013

PHASE 1

committee had received the RFO's. Is that what you are saying?

COL (RET) VILJOEN: Mr Chair, that is correct.

5 MS RAMAGAGA: Do you have personal knowledge as to whether there was any interference or tampering with the approved evaluation process?

COL (RET) VILJOEN: To the best of my knowledge Chair, no.

10 MS RAMAGAGA: Right, thank you. Whilst you are still on the evaluations I'd like to find out from you Colonel as to at what stages would the flight evaluation be done, the technical evaluation be done, at what stage of the process would that be done?

15 COL (RET) VILJOEN: Mr Chair this would be twofold. The flying evaluation is a very basic evaluation to understand the flying qualities of the machine, this was done shortly after the first RFI was issued and a joint team once again visited the shortlisted companies where a test pilot flew the helicopters and evaluated the machine according to a test plan, the ARMSCOR representatives investigated the credibility of the
20 company and this was the process that was followed to ensure that the three finalists satisfied the requirements in the acquisition process.

25 MS RAMAGAGA: So Colonel you say the flight evaluation would be done just almost immediately after the shortlisting. Now will you just inform the Commission as to whether the

05 SEPTEMBER 2013

PHASE 1

flight evaluation had the potential to eliminate any companies further or you would have to live with the three shortlisted contenders to go to the next phase of evaluation?

COL (RET) VILJOEN: Mr Chair, the Test Pilot Report would
5 determine whether any of the bidders were suitable or unsuitable for further negotiations and this would be taken into consideration, however, all three products were recommended for further negotiations.

MS RAMAGAGA: Right, thank you. Will you then also
10 inform us about the technical evaluation as to at what stage is that undertaken?

COL (RET) VILJOEN: Mr Chair in the Request for Offer the logistic requirement is specified in great detail and a specific team of logistic specialists, both from ARMSCOR and from the
15 Air Force would evaluate this proposal or the offer and that would then be put into a value system and the logistics response from each contender would then be measured.

MS RAMAGAGA: Am I correct to say that the decision or the view taken that Agusta was the superior product as measured
20 against the approved Military Value Index was taken after the technical evaluation had been done?

COL (RET) VILJOEN: That is correct Mr Chair, all the disciplines would have been evaluated by specialist teams and the results of these evaluations would then be put into the
25 formula which would finalise the military figure of merit.

05 SEPTEMBER 2013

PHASE 1

MS RAMAGAGA: Colonel, are you able to tell the Commission as to whether ... Maybe before I ask this question let me just withdraw and rephrase. I now want to do a little bit of a comparative among the three shortlisted companies and to an extent that you can give information you may go ahead and do so and where you can't, feel free to indicate that you can't. Are you able to tell the Commission about whether Bell was ever commissioned or not, and if it was never commissioned are you able to give us reasons as to why it is so?

5
10 COL (RET) VILJOEN: Mr Chair to the best of my knowledge the Bell-427 that was proposed was never certified by the Federal Aviation Services of the United States, for what reason I don't know. They did have orders, whether any were delivered I'm not sure but I do know that the product was discontinued.

15 MS RAMAGAGA: Do you know, are you able to tell us as to when the product was discontinued?

COL (RET) VILJOEN: Mr Chair I don't have that information, however, should the Chair require it, it could be sourced and submitted should it be required.

20 MS RAMAGAGA: Now is there any information that you would like to bring to the attention of the Commission in respect of the Eurocopter?

COL (RET) VILJOEN: Mr Chair, both the Agusta and the Eurocopter bids were based on military variants, so both products existed, both had been certified, however, the

25

05 SEPTEMBER 2013

PHASE 1

5 difference being in the Eurocopter case that there were still development risks on the programme and these were considered in great detail and the JIT report also does refer to a risk analysis that was done and the penalties imposed on the products where risks were considered.

MS RAMAGAGA: Thank you Colonel, shall we then proceed to paragraph 12 of the statement and here you inform or you state that:

10 *“A recommendation to the Cabinet that Agusta 109 was the best suited system to replace the Alouette III was accepted by Cabinet on the 18th day of November 1998 and approval for the negotiations to be entered with Agusta for the supply of 40 109 Power variant was given”.*

15 Will you, can you indicate as to whether at this stage once the approval was given by the Cabinet, whether the arm of service, in this case the South African Air Force would also be at liberty to participate in the negotiations with the identified contender moving forward?

20 COL (RET) VILJOEN: Mr Chair, as I mentioned there was a Joint Project Team comprising both ARMSCOR and Air Force members and this joint team would negotiate the various phases of the contract, there would be engineering specialists, there would be test pilot specialists, there would be logistics
25 specialists and obviously operational specialists, so these

05 SEPTEMBER 2013

PHASE 1

teams would enter into negotiations with their counterparts from the preferred supplier.

MS RAMAGAGA: The acquisition or rather the replacement of the Alouette was, or rather resided in your project, that is Project Flange, can you indicate as to whether by virtue of you being the leader of the project you would be, or you would form part of the joint teams that were established in order to negotiate with the Agusta company?

COL (RET) VILJOEN: Mr Chair, I was the leader of the Air Force contingent that was heading the evaluation process and my equivalent would be from ARMSCOR and he would be the ARMSCOR programme manager and under him he would have similar specialists to participate in the evaluation process.

MS RAMAGAGA: Now can you indicate Sir as to whether in the negotiations you would also take into consideration, or rather you would also even engage in relation to the engine that should be supplied? I'm asking this in particular because you have already placed on record that Agusta offered two different engines or two variant, a variant of two engines.

COL (RET) VILJOEN: Mr Chair as I mentioned earlier that originally the Air Force had no preference as to whether the LUH was equipped with the Pratt & Whitney engine or the Turbomeca engine, however, during the negotiation phase the Air Force were concerned about the risk of the immature Turbomeca engine that was being offered.

05 SEPTEMBER 2013

PHASE 1

MS RAMAGAGA: What do you mean by the immature engine?

COL (RET) VILJOEN: Mr Chair initially both suppliers, both Pratt & Whitney and Turbomeca offered engines that had been certified, that means they had gone through the full engineering qualification process, however, when the alternative engine was offered Pratt & Whitney had the only certified engine, the Turbomeca was still under development and was not certified and this was the risk that the Air Force was concerned about.

MS RAMAGAGA: Now shall we then proceed to focus our attention to paragraph 13 of your statement which deals with the process leading to the Cabinet approval of procurement of 30 helicopters. Will you please take us through? Maybe before then you mentioned right at the beginning of your statement that there were protracted negotiation, this was a protracted negotiation phase, can you just give us an indication as to what contributed to this delay in the negotiations?

COL (RET) VILJOEN: Mr Chair, to the best of my knowledge there was no delay, it was just a very intricate and complicated process to negotiate with an experienced OEM to ensure that what was included in the contract would satisfy the requirements as contained in our URS and there was a lot of give and take but I think at the end of the day there was mutual agreement that the contract that was signed was for the best

05 SEPTEMBER 2013

PHASE 1

product to satisfy the end user's requirement.

MS RAMAGAGA: Thank you Colonel. You have mentioned that the negotiations were quite involved and also intricate because you were negotiating with an experienced OEM. Can you just explain as to what OEM stands for?

COL (RET) VILJOEN: My apologies Mr Chair, OEM is the acronym for original equipment manufacturer.

MS RAMAGAGA: Will you then take us through from the negotiation phase up until the signing of the contract on the 3rd day of December 1999 by then-Minister Lekota?

COL (RET) VILJOEN: Mr Chair the information from the negotiating phase was incorporated into a contract, this information was submitted via the relevant channels to cabinet and as was mentioned earlier the quantities had been reduced substantially, originally the RFI and the RFO went out for 60 units, Cabinet approved contract negotiations for a quantity of 40 units, however, when the information was returned from Cabinet that a contract had been signed it was only for 30 units.

MS RAMAGAGA: Right, you mentioned in that paragraph that the contract price was fixed and this contract was signed with an option of an additional 10 helicopters to be procured at the original contracted price, but that option has never been exercised and the option was open for only three years. Is there any comment that you would like to make in respect of

05 SEPTEMBER 2013

PHASE 1

this information?

COL (RET) VILJOEN: Mr Chair all I would like to say is that the contract price was fixed, there was no escalation to the contract and to the best of my knowledge this was agreed to with the OEM because of the relatively short duration anticipated for this programme.

MS RAMAGAGA: Shall we then proceed to the next paragraph Colonel. In this paragraph you mention that soon after the effective date of signature, that is after the contract had been concluded and took effect, Agusta decided to upgrade the A109 Power helicopter to the A109 light utility helicopter. Will you please inform the Commission about the effect and impact of this upgrade to the South African Air Force which will obviously also be to the South African National Defence Force?

COL (RET) VILJOEN: Mr Chair as I mentioned both Eurocopter and Agusta offered variants of a certified civil helicopter. Once the contract had been signed Agusta saw an option to improve the product that was offered to the South African Air Force by incorporating changes at no cost and to the benefit of the client. Without going into too much detail I will list or mention a few of the changes proposed and accepted by the approval authorities within the project management domain.

The rotor system as mentioned, was from the traditional A109 Power helicopter, Agusta had just recently certified a single engine A119 Koala which had a similar rotor

05 SEPTEMBER 2013

PHASE 1

system, however, it was less complex, more efficient and lighter and that was, that particular rotor system was offered to Denel Aviation for manufacture which would have improved our supportability, the other options that were offered was a new fuel system, I alluded to the crashworthy, correction self-sealing tanks yesterday which was incorporated into this new fuel system, there was a new hydraulic system offered, a different undercarriage was offered, the crashworthy air crew seats that I alluded to yesterday were offered and the Swedes had at this stage also signed a contract for 20 LUH's and the Swedes percentiles are on average a far taller individual than the average South African, and they requested that the air crew door size be increased and this was offered to us as well, however, the first helicopter that was delivered was delivered with the smaller door access, this was upgraded later but thereafter the rest of the fleet had an increased door size, so apart from the new engine and the avionic suite that was being developed these are some of the improvements that we got at no additional cost.

And I can also mention that unfortunately these developments took time but this played right into our hands insofar as that in parallel to this Turbomeca was able to go through the traditional engineering process so that the first engine that was delivered was a certified engine as opposed to the one that was proposed with the high risks.

05 SEPTEMBER 2013

PHASE 1

MS RAMAGAGA: Right, thank you Colonel. Shall we then turn to paragraph 15 where you mention that in May 2000 you moved to the Agusta helicopter facility in Italy, will you please elaborate on that as to what the purpose of your Italy tour was and whether it was only yourself or whether it was a team with difference competency and what benefit it served for you and where applicable and the team to be in Italy for the period.

COL (RET) VILJOEN: Mr Chair, once again this was a joint team comprising members from ARMSCOR and from the Air Force and both organisations had different requirements and yet some of them were similar requirements from the management perspective. I was there as the operational specialist and the overall manager and my counterpart was the ARMSCOR programme manager, there were engineers from both the Air Force and ARMSCOR, there were logistic specialists from both ARMSCOR and the Air Force.

Because the quality assurance responsibility belongs to ARMSCOR the Air Force did not have a quality assurance member and just before the first aircraft became available for flight testing the test pilot joined the team, and it sounds like a fairly big team but if one considers the complexity of all the new developments that were taking place, had it just been the original aircraft I think the engineering effort would not have been as large as it was during this phase, so there were continual design reviews, approval of these

05 SEPTEMBER 2013

PHASE 1

design reviews, negotiations where there was disagreement in the design reviews and there was an interactive process between the OEM representatives and the Joint Project Team while in Italy.

5 MS RAMAGAGA: Colonel the project has not as yet been finalised, you are now back at the helm and you are finalising the project, am I correct?

COL (RET) VILJOEN: Mr Chair, the answer is yes and no. As I mentioned yesterday all the equipment, components and
10 training aids that were included in the original acquisition plan have been delivered to the Air Force are in service currently, however, during the operational test and evaluation there were certain shortfalls identified and orders have been placed to satisfy these requirements, some of the components have
15 already been delivered as I mentioned yesterday that the mountings for the self-protection machine guns have been delivered and they are in the process of going through the operational test and evaluation.

The slaving mechanism for the observation system
20 and the searchlight has been delivered and is in the initial stages of the operational test and evaluation, and the outstanding issues are only the ones outside of the original acquisition plan, so phase one in accordance with the original acquisition plan is closed, there are a few outstanding issues
25 that still need to be closed and then obviously the final closure

05 SEPTEMBER 2013

PHASE 1

report, the final deviation report and the traditional documents required once a programme is being wound up that are still outstanding.

MS RAMAGAGA: Thank you Chair. I notice that it is now
5 12h40 and I request for a short adjournment, a 15 minutes adjournment before I turn to the next phase of the evidence.

CHAIRPERSON: We'll adjourn for about 20 minutes or so.
Thank you.

(Commission adjourns)

10 **(Commission resumes)**

CHAIRPERSON: Can the witness confirm that he is still under oath?

COL (RET) VILJOEN: I do.

CHAIRPERSON: Thank you.

15 MS RAMAGAGA: Thank you Chair, may I proceed?

CHAIRPERSON: Yes.

MS RAMAGAGA: Thank you. Colonel, before we proceed with the presentation of your evidence I'd like to recap a bit, I'd like to take you back to the Bell helicopter bid or show of
20 interest, expression of interest by Bell. You indicated earlier on in your evidence that it would seem that the Bell engine had not been certified, would you please just inform the Commission about what is within your knowledge as regards the status of that engine.

25 COL (RET) VILJOEN: Thank you Mr Chair, I would like to

05 SEPTEMBER 2013

PHASE 1

correct what I possibly said earlier, and I'm not exactly sure how I worded it but I would like to word my previous, or reword my previous statement accordingly. I mentioned that the Bell 427 was never certified, I think I said that, and production was discontinued. I would like to clarify that when the helicopter was in South Africa for marketing at the Africa Aerospace Defence Exposition in 1998 it was not yet fully certified. However, I have been informed that it was subsequently, that it subsequently received Federal Aviation Authority Certification but the production was discontinued when the Model 427 was superseded by the Bell model 429. Thank you Mr Chair.

MS RAMAGAGA: Right, thank you Colonel. The next aspect that I'd like to take you back to is the Acquisition Policy that was in place at the time. In your evidence you seem to have referred to DAP-1000, can you just clarify that?

COL (RET) VILJOEN: Mr Chair I do believe that my information was incorrect or my presentation was incorrect, I referred to the Acquisition Policy that was being followed at the time as the VB-1000, that is the ... Correction, as the DAP-1000. That is incorrect. The document that was being used at the time was the VB-1000, this was superseded, and I won't go into the detail, by an interim acquisition document that I think or hope Captain Jordaan will allude to, and this interim Acquisition Policy was also superseded when the DAP-1000 was promulgated in 1994.

05 SEPTEMBER 2013

PHASE 1

MS RAMAGAGA: So, the DAP-1000 was only promulgated in 1994, it could not have been used prior to then because it would not have been in existence.

COL (RET) VILJOEN: That is correct Mr Chair.

5 MS RAMAGAGA: Thank you Colonel. Now I'd like to take you back to the point at which you were when we adjourned for lunch. You were still presenting evidence relating to what you were supposed to do when you were recalled as a Reserve Force member in relation to the project, Project Flange. Will
10 you please proceed.

COL (RET) VILJOEN: Mr Chair as I explained I was relocated to Italy with the combined project team, comprising both Air Force and ARMSCOR members, I have discussed this at some length, and I served in that post until being relieved in
15 December 2003.

MS RAMAGAGA: You spoke about some technical, whether it's technical problems or technicalities relating to the equipment that still have to be dealt with before the project can be closed, can you please just enlighten the Commission about
20 that information.

COL (RET) VILJOEN: Mr Chair as I mentioned yesterday there are five items or pieces of equipment that are in the process of being tested through the operational and evaluation phase, these were all or most of them were outside of the original
25 acquisition phase and that is why the testing has not yet been

05 SEPTEMBER 2013

PHASE 1

completed. What has happened is during the operational test and evaluation phase certain deficiencies were identified, these have been rectified either by modification or by additional acquisition and that is why these components have not yet been completed, especially the operational test and evaluation, even though it is outside of the scope of the project I'm trying to manage that as well and believe that all the outstanding components will be completed with their operational test and evaluation phase by December this calendar year.

MS RAMAGAGA: Thank you Colonel. Will you please inform the Commission as to whether this project has ever, or does it ever become subjected to audit and if your answer is yes, has it ever been audited?

COL (RET) VILJOEN: Mr Chair all projects are subject to auditing. While I was on the project we were audited in the middle of 2003, after I left the programme it was re-audited, I think it was in February 2004 and there will be evidence led on the auditing process by members of the DOD later in the hearing.

MS RAMAGAGA: So it is correct to say that the project is subjected to annual auditing until it is closed?

COL (RET) VILJOEN: Mr Chair I'm not quite sure what the frequencies are but they are audited and I would think the representatives from the department will have to confirm what

the period or intervals are between auditing phases.

MS RAMAGAGA: Right, thank you Colonel. Now I'd like to take you back to page 2 of bundle I, the bundle that we are using, page 2 is your, is where your statement commences.

5 You have indicated in paragraph 4 of the statement that your statement and your evidence should be considered jointly with some extracts of the JIT report. Now I'd like to focus your attention now to the JIT report and I will refer you to specific clauses or paragraphs of the JIT report which relate to yourself
10 or the project that you were leading. This information Mr Chair and Commissioner Musi is contained in pages, in a document that is annexed or added to bundle I and that is pages 126 to 160, there are just a few clauses that I would like to place on record. The first page that I would like to refer the
15 Commission to bundle I pages 126 to 160.

CHAIRPERSON: Which page are you referring us to?

MS RAMAGAGA: The page that I'd like to refer you Chair is page 128 and it is under clause 5.2 and in particular I'd like to read into the record clause 5.2.1.1. May I proceed? Thank
20 you. Colonel in terms of clause 5.2.1.1 of the JIT report it is indicated that:

“Lieutenant Colonel FKS Viljoen compiled the Operational Requirement number 3 of 1995”.

And it was date stamped the 1st day of 1995 by the Chief of the
25 Air Force. Do you confirm that the Lieutenant Colonel FKS

05 SEPTEMBER 2013

PHASE 1

Viljoen that is referred to therein is yourself?

COL (RET) VILJOEN: That is correct Chair.

MS RAMAGAGA: And do you also confirm that at the time
you were actually described or referred to as “the user
5 specialist in respect of the Alouette Replacement Programme”?

COL (RET) VILJOEN: Mr Chair that is partially correct, the
correct terminology is the user specialist officer.

MS RAMAGAGA: Thank you Colonel. Mr Chair, I would now
like to turn to page 129 of the bundle. In particular I would
10 like to draw your attention to paragraphs 5.2.2 as well as
5.3.1. May I proceed Chair? Thank you. Now in terms of
clause 5.2.2.1 the Staff Target 3/1995 for Project Flange that
addressed the replacement of the Alouette III was compiled by
Major General Lombaard, is that correct Sir?

15 COL (RET) VILJOEN: Mr Chair that is incorrect, I at this stage
as a lieutenant colonel compiled that document, it was however
signed by Major General Lombaard.

MS RAMAGAGA: Right, thank you. Still on the same page
I'd like to focus your attention to clause 5.3.1.1 that deals with
20 Staff Requirement 3/1995 and it reads as follows:

*“It appears from the various versions of the Staff
Requirement that it was originally compiled by
Major General W H Hecther in January 1999”.*

Now would it be correct to say the various versions of the Staff
25 Requirement were compiled by this major general?

05 SEPTEMBER 2013

PHASE 1

COL (RET) VILJOEN: Mr Chair that is once again incorrect, I as a lieutenant colonel compiled that document and it possibly was signed by Major General Hechter.

MS RAMAGAGA: Thank you Sir. Now I'd like to focus your
5 attention to page 131 of the bundle and refer you particularly to paragraph 5.3.2.1 which deals with the User Requirement Statement.

CHAIRPERSON: Page?

MS RAMAGAGA: Page 131 Chair, and the paragraph is
10 5.3.2.1 under "User Requirement Statement". Sir, that paragraph reads:

*"The project officer compiled the URS in
March 2000 for the director of the Air Force
acquisition. The URS was recommended and
15 approved on 20th March 2000".*

Now what I'd like to ascertain from your good self is as to whether reference to the project officer, is it reference to yourself or is it reference to a project officer in another sphere of this acquisition?

COL (RET) VILJOEN: Mr Chair the project officer that they are
20 referring to in that paragraph was myself Lieutenant Colonel Viljoen, however, for absolute correctness what we should minute is that version 5 of the URS was approved in March 2000, there were various iterations of this document
25 preceding this with minor changes until the final approval in

05 SEPTEMBER 2013

PHASE 1

March 2000.

MS RAMAGAGA: Right, thank you. Now I'd like to the move to page 135 of the bundle and focus your attention Chair to paragraph 5.3.5.1. 5.3.5.1, it falls under the heading "Project Study Report".

CHAIRPERSON: Page 135?

MS RAMAGAGA: Page 135.

MS RAMAGAGA: Right, the paragraph reads:

"The programme manager of the LUH team Mr Odendaal compiled the Project Study Report dated the 9th day of September 1999. That described the equipment/source selection process followed for Project Flange. This report was approved and authorised".

Now I'd like to ascertain from yourself as to whether the programme manager was in fact Mr Odendaal at this point relating to the project study and if so, at what level or in relation to which institution was the acquisition being processed?

COL (RET) VILJOEN: Mr Chair, this phase of the programme was managed by ARMSCOR in conjunction with the project officer, the ARMSCOR programme manager and the Air Force Project officer who formed part of the joint team, so I think for clarity to insert after the, to make it read "the ARMSCOR programme manager" would avoid further uncertainty and it was

05 SEPTEMBER 2013

PHASE 1

Mr Odendaal as the ARMSCOR programme manager that compiled the document.

MS RAMAGAGA: Thank you Sir. I would like to get some further clarity just especially for the purpose of the Commission with regard to the studies referred to, especially in relation to the project or the concept of replacement of armament. In terms of the JIT report the study concerned in respect of paragraph 5.3.5 is referred to as the Project Study Report, now earlier in your evidence when we were talking about the commencement of the replacement of the Alouette III you alluded to the fact that there is a study that was undertaken and you were the specialist user officer who was actually heading that study that was undertaken. How would you describe that study? I'd like to get the distinction clear on record between the study that you undertook preceding the development of the ROC as against the study that was undertaken within the ARMSCOR sphere.

COL (RET) VILJOEN: Mr Chair, if we refer to bundle I page 93 just below the heading of the document referenced on page 93 there is referenced A which reads:

"The Alouette III upgrade feasibility study dated 6 September 1993 is the source document or the document where the information was contained on the feasibility to upgrade or not upgrade the Alouette III".

05 SEPTEMBER 2013

PHASE 1

MS RAMAGAGA: So that study would have been described as a feasibility study because by then the project had not as yet been established, the project was only established after the Staff Target had been approved.

5 COL (RET) VILJOEN: Mr Chair that is correct.

MS RAMAGAGA: Right thank you Chair, that concludes reference to this particular document, the JIT report. Now I'd like to draw your attention Sir to bundle K. Mr Chair and Commissioner Musi, what we have done as I indicated earlier
10 on has been to just get the relevant extracts of bundle K, so it actually now, the pages that we would like to refer to do form part of the bundle that we are presently using, bundle I, and the extract appear on pages 161 to 165, I beg your pardon for causing some confusion by referring to bundle K. Sir, do you
15 have bundle K ... Do you have pages 161 to 165 before you? Yes. Now I would like you to refer to page 162 of the bundle, or rather I beg your pardon, page 163 in particular of the bundle. Page 163 if you look at slide number 6 it does show the comparatives between the Alouette III that was phased out
20 and then replaced by the A109 LUH, can you please just talk us through that information so that the Commission can have a better understanding as regards whether there was some benefit or improvement that the country enjoyed as a result of this replacement and acquisition.

25 COL (RET) VILJOEN: Mr Chair, this document was presented

05 SEPTEMBER 2013

PHASE 1

by my director a few days ago, so I'll fleetingly go through it to compare the Alouette III with the A109 LUH. The max all-up weight of the Alouette III was 2 100 kilograms as opposed to the LUH which is 3 175 kilograms, so that gives you just over a
5 1 000 kilogram improvement. The range, the standard range on the Alouette was 278 kilometres as opposed to the LUH 427 kilometres, almost double.

The Alouette didn't have the capability of auxiliary tanks, the A109 has standard tanks and three optional auxiliary
10 tanks, hence the improvement from 427 kilometres to 719 kilometres with the extended fuel for the LUH as opposed to the Alouette remaining at 278 kilometres. The size of the airframe is similar, as you can see the Alouette has two crew and five passengers as opposed to the LUH which has two crew
15 and six passengers. The maximum cruise speed of the Alouette was a 155 kilometres as opposed to the LUH at 285 kilometres, substantial improvement and if you compare that to the speed, the fuel, the endurance it's a far superior machine.

As I mentioned earlier one of the shortfalls in the
20 Alouette was that it only had a single engine and was limited in its utilisation at night and in bad weather and that was overcome with a twin engine pack in the LUH as opposed to a single engine in the Alouette. Technology moved from dials, conventional dials in the Alouette to a fully integrated digital
25 cockpit in the LUH.

05 SEPTEMBER 2013

PHASE 1

The Alouette was not capable or very limited, or had a very limited capability in night-vision goggle operations whereas the LUH has a full night-vision capability. The Alouette was only cleared for flying in visual flight rules which speaks for itself, clear weather. To close as I mentioned the Alouette was only capable of flying in visual flight rules which is good weather conditions by day and no less than half moon at night, or in the vicinity of a built-up area where you have the reference of the lights of the urban area, as opposed to the light utility helicopter which is fully instrument flight rule cleared, which means it can fly in cloud without, in no icing conditions [sic], it can fly in a dark moon condition, and can do an instrument, an automated instrument letdown down to very, very low altitudes, so if we look at the comparison between the two there's a substantial improvement but I think one should be reluctant to knock the Alouette, the Alouette rendered tremendous service during its life in the Air Force and it was just technology that overtook it unfortunately. Thank you Mr Chair.

MS RAMAGAGA: Right, thank you Colonel. You have mentioned that the LUH has a twin engine, now I would like to, you to actually expand on the benefits that the Air Force would have because of the twin engine, and my interest has been provoked by your evidence yesterday where you spoke about a situation where there was a crisis and there were three ... Was

05 SEPTEMBER 2013

PHASE 1

it the Alouette, the one that had three engines? Yes, the Super Frelon that had three engines and as a result of that fact you were still able to manage and, to manage the equipment because of that advantage, can you just give us the advantage rate into the twin engine?

COL (RET) VILJOEN: Mr Chair as was explained, two is always better than one and what I didn't allude to in the previous slide was that the A109 is Category A certified. Category A means that after getting airborne and before commencing forward flight should you lose an engine at this stage, critical stage of your flight that you will be able to fly away safely, as opposed to an aircraft that also might have two engines but that is not CAT-A certified, the second engine just takes you to the scene of the crash.

MS RAMAGAGA: If you are able to assist in this regard Colonel please go ahead and do. Are you able to tell the Commission as to whether the Eurocopter and/or Bell were CAT-A certified or not, are you able to comment on that or not?

COL (RET) VILJOEN: Mr Chair I would prefer not to comment, I'm not sure.

MS RAMAGAGA: Right, thank you. Now I would now like to take you to the matters relating to the Force Design. You do have bundle B in front of you, bundle ... I'd like to refer the Commissioners to bundle B. In particular I will request that you focus your attention to pages 95 and 96 of the bundle.

05 SEPTEMBER 2013

PHASE 1

Now the, if we look at the conclusion under the heading "Conclusion" I'd like to refer you to the portions that deal with the options that were considered, the Force Design options. Option 3 was considered and was unacceptable, Option 4 also
5 was not acceptable and at item 73 Option 1 was the recommended Force Design for the South African National Defence Force. You do confirm Colonel, are you still looking for the portion that I'm talking about? You found it? You do confirm that the option that was actually found acceptable and
10 was actually approved is Option 1 of the four force designs that were presented before Parliament, is it correct?

COL (RET) VILJOEN: That is correct Ma'am, Mr Chair.

MS RAMAGAGA: Now I now want to take you to the page 96, on page 96 you will see that the detail of each of the options
15 that were presented is given on that page and I'd like to draw your attention to the item dealing with the helicopters, it is under the subheading "South African Air Force", it's more towards the bottom of the page, do you see that Colonel? Will you please clarify to the Commission, especially with regard to
20 the numbers that were allocated in terms of the approval? Under "Helicopters" you will see there is combat support helicopters – 12, the recommended number is 12, maritime helicopters, the recommended is 5, transport helicopters, the recommended number is 96. Now throughout in the
25 presentation of evidence I think there was reference to 60, then

05 SEPTEMBER 2013

PHASE 1

40, then 30, can you just clarify to the Commission as to what the number 96 includes?

COL (RET) VILJOEN: Mr Chair I wasn't party to this review or Force Design, so it's very difficult to tell, however, that figure of 96 in my opinion would be a combined number of medium transport helicopters and light utility helicopters, but what the split is I really don't know, the only information I have to substantiate or try and analyse that would be information contained in the JIT report where they refer to the Defence Review and there they say there shall be 60 light utility helicopters which doesn't make sense because the 60 minus the 95 is possibly more than, less than what we have in inventory, correction, more than what we have in inventory at the moment, so I'm not party to that analysis Sir.

MS RAMAGAGA: Right, so it is correct that without committing to specific numbers the only reasonable conclusion that you can reach is that the 96, the number 96 is meant to incorporate the medium utility helicopters as well as the light utility helicopters and is it correct that the medium and light utility helicopters fall within the bracket of the transport helicopters?

COL (RET) VILJOEN: That is correct Mr Chair.

MS RAMAGAGA: Thank you Colonel. Now I'd like to, I'd like us to focus our attention to the criticism that we are aware is leveled against the acquisition of the Agusta with specific

05 SEPTEMBER 2013

PHASE 1

reference to the engine type that was opted for by the Department of Defence. You have, in fact in terms of your statement the Agusta had offered two types of engine which was the Turbomeca engine as well as the Pratt & Whitney engine on the other hand. Now the choice as to which engine should be procured did it lie with the Department or did it lie directly with the arm of service as being part of the, not even the Department, the South African National Defence Force, did it lie with the arm of service or did it lie with the entire South African National Defence Force?

COL (RET) VILJOEN: Mr Chair I would say that the, neither the Defence Force, nor the Air Force would have had any objection to either engine had there been no risk and the final choice would obviously have been made at a much higher level than the project team and the selection would obviously have been made in the best interests of the country, so more than that I cannot comment on.

MS RAMAGAGA: Right, thank you. Now I'd like to refer you or draw your attention to the specific criticism that is leveled that we are aware of relating to the acquisition of the Agusta 109 with specific reference to the engine chosen, it is correct Sir that the engine that was procured or the fitted engine that was actually selected by the South African National Defence Force is the Turbomeca engine.

COL (RET) VILJOEN: It was in fact the Turbomeca 2k2 Mr

05 SEPTEMBER 2013

PHASE 1

Chair.

MS RAMAGAGA: Now before I deal with the criticism are you able to give us information relating to the certification of the two engines, that is the Turbomeca engine as well as, on the one hand, and as well as the Pratt & Whitney engine on the other hand.

COL (RET) VILJOEN: Mr Chair I'm not exactly sure of the models but the two engines initially proposed by both Pratt & Whitney and Turbomeca were certified engines. The second option engine which was a more powerful engine and Pratt & Whitney offered the Pratt & Whitney 207, this engine was certified, the engine offered by Turbomeca, the 2k2, was still under development and was not certified.

MS RAMAGAGA: Do you know as to whether it remains the Turbomeca ... Which Turbomeca did you refer to, I beg your pardon please?

COL (RET) VILJOEN: Mr Chair it was the Turbomeca 2k2.

MS RAMAGAGA: Thank you. Are you able to tell the Commission as to whether the Turbomeca 2k2 still remains uncertified or as to whether it has since subsequently been certified?

COL (RET) VILJOEN: Mr Chair as I mentioned that during the project phase in Italy alternative systems were offered to upgrade the Power variant that was offered to the LUH variant eventually delivered and this bought time for Turbomeca to go

05 SEPTEMBER 2013

PHASE 1

through the full engineering process and the first engines that were delivered for the test flying phase were fully certified Turbomeca Arrius 2k2 engines.

MS RAMAGAGA: Thank you Colonel. Maybe let me just for
5 a moment take you back to page 4 of the bundle, bundle 1, in particular paragraph 12 of your statement. You mentioned in paragraph 12 that the approval that was granted by Cabinet on the 18th day of November was for the negotiations to be entered into the Agusta 4 for the supply of the 40 Agusta 109
10 Power variant. Can you just explain as to what "Power variant" means?

COL (RET) VILJOEN: Mr Chair as I mentioned both Eurocopter and Agusta offered variants of their civil range to satisfy the LUH requirement. The civil helicopter A109 Power is the
15 variant equivalent to the military A109 LUH and there are considerable differences between the two and I did mention some of them earlier this morning being engines, avionics, rotor systems, rotor blades, tail rotor blades and there are too many to mention, but they are two totally different machines
20 hence the different names, the Power and the LUH.

MS RAMAGAGA: Now would you say as to whether your ambit of negotiation would include any type of engine that has been offered by Agusta or were you supposed to confine yourselves to a particular engine in the negotiations at the
25 time, that is at the time when the Cabinet gave approval?

05 SEPTEMBER 2013

PHASE 1

COL (RET) VILJOEN: Mr Chair at the time Cabinet gave approval the engine included in the approval was the Turbomeca Arrius 2k2 engine.

5 MS RAMAGAGA: Would you have the liberty to then another engine other than the Turbomeca after the Cabinet had given specific approval or had given approval which relates to the Turbomeca engine only?

10 COL (RET) VILJOEN: Mr Chair to give you an honest question the answer would be no, it was a high risk, it was not certified and this was a concern to the Air Force, however, we had to persevere and we had to make sure that the product that was delivered was certified, so had the programme not slipped, it might have slipped in any case, awaiting the certification of this engine, however, this did not happen, the delays were not
15 for the engine delay, it was the engineering process to give us a vastly improved product and the benefits are evident today that we have full down to depot level repair facilities at Turbomeca South Africa in Kempton Park.

20 MS RAMAGAGA: Right, now thank you Colonel. Now I'd like to take you to the specific criticism that we are aware of and that appears in pages 121 to 124 of that bundle I Chair. The criticism is an extract from the book *The Devil in the Detail* written by Paul Holden and Hennie Van Vuuren. Now in terms of the bundle the extracts are marked pages 121 to 124 and the
25 correct page numbers as appear in the book are page numbers

05 SEPTEMBER 2013

PHASE 1

241 to 243. I will read into the record the relevant extracts and having them, having read them into the record I will then invite you for a comment. May I proceed Chair? Thank you. Now at page 21 in the bracket marked (1) the criticism is as follows:

5
10
15
20
25
“(1) In particular the Auditor-General was able to establish that the selection of the Turbomeca engine over the Pratt & Whitney engines was frequently manipulated to the point where the matter was sent back for review four times before the Turbomeca was finally selected despite Agusta’s frequent protestation”.

I now proceed to page 122, the paragraphs that I will read into the record are marked (2), (3), (4), (5) and (6) and I will read them in that order:

15
20
25
“Initially it seemed that Agusta would still have a relatively free hand in choosing the subcontractors to be used to build the helicopters. In particular Agusta recommended the use of the Pratt & Whitney 207C engine which somewhat upset the applecart at ARMSCOR which had favoured the selection of Turbomeca Arrius 2k2 engine. ARMSCOR wrote to Agusta on the 3rd of December 1998 to request that the decision be reviewed to compare the technical

05 SEPTEMBER 2013

PHASE 1

5 *characteristics, costs and industrial participation*
proposed from each of the two engine
manufacturers. The result it seems was not what
ARMSCOR had expected, Agusta listed a number of
reasons why the Pratt & Whitney was the favoured
engine, including the fact that the Turbomeca
engine was more expensive and that Pratt &
Whitney offered an 80% better industrial
participation programme. Also tipping the scales
towards Pratt & Whitney was the fact that Agusta
had already used their engines in previous versions
of the light utility helicopter and that Turbomeca's
engine was still in the prototype and design phase,
suggesting that it might not meet the eventual
technical requirements of the process. As a result
on the 3rd of February 1999 the South African Air
Force and ARMSCOR CEO Llew Swan were tasked
with reevaluating the proposal which was presented
on 24th June 1999, yet again Pratt & Whitney
emerged as the favourite contender, largely ...".

Turning to page 123:

25 *"... largely as a result of cost and the fact that*
Turbomeca engine was still in development phase.
The cost implications were substantial. Selecting
Turbomeca would have increased the total

05 SEPTEMBER 2013

PHASE 1

5 *acquisition cost by \$2.7 million, roughly about R19 million. In the meantime, however, while the evaluation was being conducted Llew Swan received a letter dated the 11th of February 1999 relating to the LUH”.*

Now the next extract or the next paragraphs I would like to refer to is just two, it is (8) and (9), they are in page 124 of the paginated bundle:

10 *“In order to rank the NIP and the DIP values of the engine deal ARMSCOR personnel were tasked with evaluating the proposals that had been made. The final results were heavily in favour of Pratt & Whitney which scored 100 on the revised offset evaluation compared to 84 for the Turbomeca. To date therefore Pratt & Whitney had won in every evaluation undertaken, it was cheaper, safer, technically better suited and offered a better offset programme”.*

15 Now you will notice from the extract that I have quoted from
20 that it would appear from this book that throughout the inclination, especially in fact from the manufacturer was to advise in favour of the Pratt & Whitney while the user appears to have consistently showed an inclination towards the Turbomeca and ultimately procured what it preferred. May we
25 have a comment to an extent that you can, thank you Colonel.

05 SEPTEMBER 2013

PHASE 1

COL (RET) VILJOEN: Mr Chair that statement is partially correct, the fact that the OEM being Agusta did favour Pratt & Whitney at that stage they had never done any business with Turbomeca, so obviously their preferred supplier would have
5 been Pratt & Whitney. To say that the end user preferred Turbomeca is incorrect, the end user was the Air Force and we were neutral insofar as we would accept either product provided there was no risk. From what I can gather from this article the pressure came from ARMSCOR to force the
10 selection, the Air Force has traditionally done business with Turbomeca, it goes back as far as the Alouette II, the Alouette III, the Puma, the Super Frelon and the Oryx all have Turbomeca engines in them, so we would have happily done business with Turbomeca, we had no problem with the company,
15 we had a problem with the risk that were identified, thank you Mr Chair.

MS RAMAGAGA: Thank you Colonel. From your comment what you are highlighting is that within the helicopter environment, especially the light utility helicopter you have
20 from time immemorial been using the Turbomeca engines?

COL (RET) VILJOEN: Mr Chair, that is correct.

MS RAMAGAGA: So, it is correct to say if the Pratt & Whitney engine were to be introduced it would be a completely new engine for quite some time looking back, would be yes, it
25 would be actually a new engine for quite some time looking

05 SEPTEMBER 2013

PHASE 1

back and tracing the history of the helicopters within the South African Air Force?

COL (RET) VILJOEN: Mr Chair again that is partially correct. The OEM would have remained the same, however, the engine
5 is totally different to any engine that was, is currently in service, however, the Pratt & Whitney, or let's rephrase that, the helicopter division is not the only operator of aircraft in the Air Force and there are numerous products in the Air Force currently today using the Pratt & Whitney engine, maybe not
10 the same model but from the parent company Pratt & Whitney and to name a few would be the Cessna Caravan, the Pilatus ASTRA that was referred to earlier, as well as the turbo propelled DC3, so again I say the Air Force still has relationships with both parent companies, so we would not have
15 had a preference, it would have been good for us to continue with the OEM that we've been making use of all the years because we've built up a very good working relationship with them, but if in the interests of the country it was decided that we need to change suppliers and there was no risk, I'm sure
20 the Air Force would have gone with that decision.

MS RAMAGAGA: So what you are saying Colonel is that the Pratt & Whitney engine has historically been used by the fixed wing while the Turbomeca engine has been used by the rotor wing?

25 COL (RET) VILJOEN: That is perfectly correct Mr Chair.

05 SEPTEMBER 2013

PHASE 1

MS RAMAGAGA: Right, thank you. Is there anything that you would like to add with in relation to the acquisition of the Agusta 109 that has been acquired by the Republic of South Africa?

5 COL (RET) VILJOEN: Mr Chair, I have no further comments or questions.

MS RAMAGAGA: Thank you Chair and Commissioner Musi, that concludes the evidence of Colonel Viljoen.

CHAIRPERSON: Any cross-examination of the Colonel? Thank
10 you, nobody wants to cross-examine the Colonel. Dr Madima, any re-examination?

DR MADIMA: Thank you Chairman. Thank you Chairman. Today I have a leader here Cane [SC] who has a few questions for the colonel.

15 CHAIRPERSON: Right.

RE-EXAMINATION:

ADV CANE: Thank you Mr Chair, if I may clarify only one issue in Colonel Viljoen's evidence. Colonel Viljoen, during the stage of your evidence in which you were describing the
20 first RFI, the second RFI and then the RFO you were asked whether you had personal knowledge of whether the evaluation process had been tampered with and you answered no. I would like to clarify what you meant by that answer please.

COL (RET) VILJOEN: Mr Chair I didn't understand the question
25 to read that, I will reply to what I understood and then I will

05 SEPTEMBER 2013

PHASE 1

reply to the second question. What I understood initially was, was I aware of any tampering with the value system, to the best of my knowledge no, and if it was, it would have to be extremely difficult to gain access to that because of the almost
5 firewall system that ARMSCOR utilises. The value system and the evaluators are from two totally different divisions, there's strict security on the safekeeping of the value system, it is not made visible to anyone until such stage that all the proposals, whether it be RFI's or RFO's have been delivered and only then
10 does the value system be made available to the various evaluators of the various disciplines. To answer the second question I am not aware of any manipulation in the value system.

ADV CANE: Thank you Mr Chair, those are the questions in clarification. Mr Chair sorry, if I may my attention was drawn to one other very minor detail which can be clarified very quickly, if I may take the colonel just back to the question of the VB-1000 and the DAP-1000. You said during your clarification after the adjournment that the Interim Acquisition
15 Policy had been replaced by the DAP-1000 in 1994, is that correct date?
20

COL (RET) VILJOEN: Mr Chair, I apologise for the incorrect information supplied. To recap on the process the acquisition process was managed by a document called the VB-1000. With
25 the implementation of the SDPP's an interim guideline for

05 SEPTEMBER 2013

PHASE 1

acquisition was promulgated to the best of my knowledge by the then-Minister of Defence and the acquisition process continued under the guidelines of this particular document that I'm referring to now, until 2004, not 1994 as I might have said, 5 2004 when the first issue of the DAP-1000 was promulgated and as I speak today we are working on version 4 or Issue 4 of this document and Issue 5 or version 5 is in process of being updated. Thank you Mr Chair.

ADV CANE: Thank you Colonel. Mr Chair, thank you for 10 that indulgence, that then is the end of the clarification.

CHAIRPERSON: Thanks a lot Colonel, you are excused then. Thank you.

COL (RET) VILJOEN: Thank you very much Mr Chair.

CHAIRPERSON: Thank you.

15 MS RAMAGAGA: Thank you Chair. The next witness that we intend calling whose evidence is going to be presented by Advocate Mphaga [SC] is General Burger, you have already received the summary of General Burger's evidence. As you might have noticed there are several documents that we have 20 since added after the lunch adjournment and the indication that I get is that there may be a need for a realignment of the evidence in order to avoid unnecessary repetitions and we would thus request for an indulgence to lead this witness at the next hearing date of the Commission. In short Mr Chair our 25 team would like to request that the hearing be adjourned.

05 SEPTEMBER 2013

PHASE 1

CHAIRPERSON: So if we adjourn the hearings now are we ready with the list of the witnesses who must testify next week together with the short summaries of their evidence that those witnesses will lead?

5 MS RAMAGAGA: Chair, my understanding is that the summaries of the witnesses that are going to testify next week will be pasted on the website by close of business today, that is the understanding not of me as an individual, but that is the understanding of the Evidence Leaders in line with the practice
10 that has been given as a directive by the chairperson.

CHAIRPERSON: Thank you, I think that is good enough. I was just asking that question because we are not going to have any sitting tomorrow, we do adjourn now, then we'll resume the hearings on Monday.

15 MS RAMAGAGA: Thank you, thank you Chair.

CHAIRPERSON: So, if Evidence Leaders can just make sure that names of the witnesses that are going to testify next week together with short summaries on their evidence that they are likely to lead should be posted on our website. So, thank you.
20 So, we'll adjourn then until Monday at 09h30. Thank you.

(COMMISSION ADJOURNS)