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CHAIRPERSON: Advocate Sibeko.

ADV SIBEKO: Good morning Chair and Commissioner Musi. For the record good morning Chair, Commissioner Musi. Ms Sello and I will as from today present the evidence of Captain
5 Jakobus De La Rey Jordan whose evidence by enlarge will deal with the processes and policies that applied at the South African National Defence Force together with ARMSCOR in the procurement of armaments, these policies are those that applied prior to the packages which form the subject matter of
10 these proceedings, those that applied during the time of the procurement of the armaments as well as those policies and procedures that are currently applicable.

His evidence will also deal with the various authorities of, or levels of authorisations that are provided for
15 in these policies. We point out that this evidence would form part of the building blocks of the policies against which, or the conduct of those responsible for the acquisitions which form the subject matter of these proceedings will be measured against. I may point out before I ask that this witness be
20 sworn in, that the nature of the testimony of this witness would largely be presented in the form of a slide presentation because it is a very detailed process that deals with the provisions of the various procurement policies, so in order to enable the Chair, Commissioner Musi and all those who are
25 interested in hearing would be able to follow what Captain

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Jordan would be testifying to. Having stated what I have I would beg leave that this witness be sworn in.

(Witness is sworn in.)

CHAIRPERSON: Thank you.

5 ADV SIBEKO: Thank you Chair. Just as a way of some housekeeping I perhaps would request that at some point after we have dealt with the introductory aspects of the witness's testimony, that we would at the appropriate time request the Chair and Commissioner Musi to probably come and join us
10 here in order to be able to follow the slide presentation. Various copies have been made of the presentation to enable the making of notes and easy understanding of the evidence as it will be adduced in due course.

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SOUTH AFRICAN NAVY

WITNESS NUMBER 5 (SA NAVY) : CAPTAIN JAKOBUS DE LA
REY JORDAN (Hereinafter referred to as "CAPT (SAN)
5 JORDAN"), GIVES EVIDENCE UNDER OATH

EXAMINATION IN CHIEF:

ADV SIBEKO: Now Captain, could you please for the record
state what your qualifications are?

CAPT (SAN) JORDAN: Chair, I have a B.Sc. Honours Degree in
10 Operations Management which includes as a major Project
Management, and I have a number of diplomas in the Project
Management environment.

ADV SIBEKO: In the nature that you have described your
qualifications would it be correct to say that your career,
15 especially your academic career is geared towards the project
management and acquisitions?

CAPT (SAN) JORDAN: Chair, that is correct.

ADV SIBEKO: Captain, when did you join the Navy?

CAPT (SAN) JORDAN: Chair, I joined the Navy in 1977 at the
20 age of 17 years old.

ADV SIBEKO: What is your present position in the SANDF?

CAPT (SAN) JORDAN: My present position in the SANDF is
firstly I'm appointed as the Project Officer of the Submarine
Project which we are in the closing stages with at the moment,
25 and secondly I'm appointed as the Senior Staff Officer Sub-

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Surface Projects at the Naval Acquisition Directorate of the Defence Matériel Division.

ADV SIBEKO: Now apart from the, having described your present position within the SANDF you have stated that your career is geared towards project management and acquisitions within the SANDF. Could you tell the Commission what programme management experience you've had.

CAPT (SAN) JORDAN: Chair, starting in about 1990, 1991 I was appointed as the fifth and last project officer of one of the original submarine upgrade programmes, concurrently with that appointment I was also appointed as the project officer of a new submarine upgrade programme which would have been the last upgrade programmes for the Daphne submarines.

Subsequent to that I was appointed to Naval Headquarters as a Senior Staff Officer Sub-Surface Projects and in 1998 when the departmental was created I was appointed to that division in a similar post and in 2004 I was appointed as the Project Officer of the Submarine Project in Germany to oversee the execution of the Submarine Project.

ADV SIBEKO: You have mentioned in your response that you have been appointed in various projects as a project officer. What is the function of a project officer and what is his role or her role in such projects?

CAPT (SAN) JORDAN: In simple terms Chair the function of the project officer is to lead the project team, is to lead

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specifically the defence component of that project team and to be the interaction between the project team and the Department of Defence or the arm of the service specifically so between the ARMSCOR component of the team and the DOD component.

5 ADV SIBEKO: Now in due course you will give evidence on, relating to the various policies and procedures that were applied in the procurement of armaments within the SANDF acting in conjunction with ARMSCOR. Could you please tell the Commission of what importance or what the importance of
10 having a policy is in relation to acquisitions.

CAPT (SAN) JORDAN: Chair, the importance of the policy is that it lays the basis against which acquisition is planned and against which it is executed.

ADV SIBEKO: Now these policies that you will testify about
15 later in your evidence would you refer to them as the standard policy within the SANDF?

CAPT (SAN) JORDAN: Chair, certainly those policies that were defined by the SANDF within the SANDF is considered to be standard policies.

20 ADV SIBEKO: Now prior to the advent of the Strategic Defence Package that we are dealing with in these proceedings, what policy was in place within the SANDF at the time?

CAPT (SAN) JORDAN: Chair starting as early as, and even
25 before 1986 there were policies in place and these relate to a

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policy named VB1000, in its original form it appears to have been an Afrikaans document. Associated with that VB1000 there was also an internal SANDF document called a LOG12 Pamphlet 2 and these two documents were used in association with each other, these documents were updated as time went past in accordance with the changes of situations and as the department had learnt lessons later a VB1000 Issue 2 or Issue 1 was promulgated and in 1994 VB1000 Issue 2 was promulgated in association with another edition of LOG12 Pamphlet 2.

CHAIRPERSON: I'm sorry Advocate Sibeko, I missed the name of the second document, it was VB1000 and he said there was also an internal document, I missed that name?

CAPT (SAN) JORDAN: Chair, the name of the second document is LOG12 Pamphlet 2.

ADV SIBEKO: Chair, in the course of the witness's testimony we will refer to these documents. I may point out that placed before you Chair, Commissioner Musi, are two bundles of documents which contain the various policies to which this witness will be testifying about, we will make reference to those in the fullness of time. Chair, there is also a bundle of documents which contains the witness's statement and annexures to it, I believe that has also been placed before you. It is a document or a bundle which is made up of around 89 pages, I wonder if we could mark that bundle for identification

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as bundle Jordan1?

CHAIRPERSON: I'm not sure if I follow you Advocate Sibeko, the one that we have now is marked bundle N, "Captain JD Jordan Bundle N".

5 ADV SIBEKO: I'm indebted to the Chair. Captain, might I refer you to that bundle of documents, do you have it in front of you?

CAPT (SAN) JORDAN: I have Chair.

10 ADV SIBEKO: Can I ask you to turn to page 41 of that bundle of documents? Do you have page 41?

CAPT (SAN) JORDAN: Chair, I have.

ADV SIBEKO: Provision is made on that document for your signature.

CAPT (SAN) JORDAN: Chair, that is affirmative.

15 ADV SIBEKO: You do confirm that is your signature?

CAPT (SAN) JORDAN: I confirm that is my signature.

ADV SIBEKO: Annexed to that bundle of documents is what appears to be a consolidated *Curriculum Vitae* of yourself, is it correct?

20 CAPT (SAN) JORDAN: Mr Chair, that is correct.

ADV SIBEKO: Just by way of further background to the role you played in the Navy since you joined at the age of 17 during 1997 [sic] it is correct that you are a qualified submariner?

25 CAPT (SAN) JORDAN: Chair that is correct, I am a qualified submariner.

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ADV SIBEKO: Now as a qualified submariner in the Navy what other roles have you played? It appears in that first paragraph towards the end of page 41A that you served in various posts, various submarine posts until 1990 when you became the officer in charge of the Submarine School, what did that entail?

CAPT (SAN) JORDAN: Chair, the task of the officer in charge of the Submarine School is to be responsible for all the training in the submarine service, that relates to the training of the officers and to the training of the ratings in the Submarine School. It includes technical training as well as operational training.

ADV SIBEKO: Your qualifications as such as officer in charge of the Submarine School, is it correct that it would also have qualified you in due course to be the project officer in the Submarine Projects?

CAPT (SAN) JORDAN: Chair, in order to be a project officer for a submarine project it is considered necessary that a submarine qualified individual is used for such a project because there are particular matters that relate to submarines which are not applicable to normal surface ships.

ADV SIBEKO: Now is it correct that you did not play any role in the early acquisition process of the SDPP's?

CAPT (SAN) JORDAN: Chair, that is correct. I was not directly involved in the setting up of the SDPP's or the negotiation phases.

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ADV SIBEKO: You were, however, involved as a project officer of the Submarine Project in Germany under the SDPP's, is that correct?

5 CAPT (SAN) JORDAN: Chair, that is correct. After the contract was signed the project team was deployed to Germany to execute the project and that happened in 2000 and in 2004, in May, June 2004 I joined that project team and took over in June 2004 as the project officer for the rest, remainder of the execution phase of the project in Germany and I returned to
10 South Africa in May 2008.

ADV SIBEKO: As a matter of interest what did you do as a project officer during that time while you were in Germany?

CAPT (SAN) JORDAN: The primary function was to be the lead
15 interface between the project and the Navy and as such I was responsible to ensure that the right personnel arrived in Germany for the right tasks and to ensure that the tasks were executed, the primary task that happens during such a phase was to ensure that the product that is being built is being built according to the right standards, in compliance with those
20 rights standards and to ensure that the correct technical inspections and acceptance takes place and then of course to ensure that the submarine crews that arrived in Germany to man the submarine was properly trained and to ensure that they were safe and certified safe to be able to sail the submarine
25 safely back to South Africa.

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ADV SIBEKO: Of the submarine projects you were involved in, it's stated in your CV that under your guidance the new submarines were delivered. Could you elaborate just briefly on that?

5 CAPT (SAN) JORDAN: Chair, during my tenure as the project officer for the Submarine Project in Germany three submarines were completed, during their construction phase, the acceptance of those submarines were done in Germany and the submarine crews were trained in South Africa and in Germany
10 in a number of phases, the first phase was to conduct a system training for the submarines, afterwards in-depth technical training per system, there was on-the-job-training provided and once we've accepted the submarine we conducted harbour training for the crew.

15 When they successfully completed that we conducted sea training with the crews. On completion of the successful sea training I arranged with the German Navy to provide an additional German training team that assisted me in ensuring that the crew is properly worked up, in other words
20 that we put them through their paces at sea to test and make sure that the crew is safe to operate the submarine and that they know all the safety drills and all the other drills associated with operating a ship under water, and on completion of that what we did is we brought a team and a
25 certification team out from the fleet in Simonstown to yet again

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put the submarine crew and the submarine through its paces for a period of about a week to ensure that they are safe and that ... So, the concept was that we had layers of training and layers of certification that the crew is competent prior to releasing that crew or that submarine to sail back to South Africa and we did that for each of the three submarines.

ADV SIBEKO: Now it's stated in your CV that whilst you were in Germany you received a German Cross of Honour in Silver Award, what was that?

CAPT (SAN) JORDAN: Chair, during my time in Germany in particular with regards to submarine training and cooperation with the German Navy the German Navy awarded or the German Ministry of Defence awarded me this medal for rendering what they termed an exemplary service to the development and improvement of relations between the German and South African navies. It is also, I am also reportedly the first South African to have received this medal.

ADV SIBEKO: Now it appears from your CV also that you have received various awards including the ARMSCOR Chairman's Award in 1994 for Best Acquisition Project. What was that about?

CAPT (SAN) JORDAN: Chair as I indicated I was the project officer for two submarine upgrade projects, the second upgrade project was a development project for a combat suite for the submarine and there were a number of spinoffs into the civil

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society from those projects, specifically in the medical field and for our contribution to that project I received, or I was a partial receiver of this award.

ADV SIBEKO: Now you were also involved, you were also
5 involved as project officer for the Tugboat Project in 2009 to 2012, could you just briefly tell us what that is about?

CAPT (SAN) JORDAN: Chair, when I returned from Germany,
by that time it had emerged that the existing tugs of the South African Navy was reaching the end of their useful life and the
10 Navy embarked on a project to replace the harbour tugs for Simonstown. Tugboats are vessels that are used to maneuver and move ships in and around the harbour, they are very useful little vessels, quite interesting vessels and I was appointed as the project officer for this project concurrently while still the
15 project officer for the submarine project, as well as the senior staff officer for Sub-Surface Systems at the Defence Matériel Division.

This project entailed defining the requirement in some detail in terms of, in functional terms as well as in
20 logistic terms and subsequently I executed, with the help of ARMSCOR we executed the project study, the project study report was approved in the course of last year, then I handed over that project to a younger officer to continue with the project, and that project is now nearing the beginning of its
25 acquisition phase.

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ADV SIBEKO: So, if one has regard to the testimony that you've tendered one is able to conclude that you have quite some experience in the acquisition projects that are undertaken by the SANDF, is it correct?

5 CAPT (SAN) JORDAN: Chair, that would be correct.

ADV SIBEKO: Now in engaging in these projects you state at paragraph 6 of your statement that you interact and apply the applicable acquisition policies during the tenure of your work as a project officer. Now could you just briefly state to the
10 Commission, we will deal with these policies in the fullness of time, which policies you applied at the time you were the project officer during the 1994 period right up to the time that you are engaged in projects presently.

CAPT (SAN) JORDAN: Chair beginning of 1994 the policy by
15 the name VB1000 was in place and we would have applied, we would have applied that policy in the execution of the programmes. By 1998 a new policy was ...

CHAIRPERSON: Just hold on. Thank you.

CAPT (SAN) JORDAN: Chair by 1998, this was now after the
20 Defence Review a new policy was put into place based on the Ministry of Defence Acquisition Workgroup's recommendation. This policy was called ACQ1/1998, it was approved in 1999. Now as we move through the process and as time goes by additional policies were put into place either to augment or to
25 replace the existing policies and we, as the policies were

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approved we worked according to those newly approved policies, so in September 2004 the first major new policy was approved, shortly after that in November 2004 another policy was put into the place. The main difference between these two policies is the format in which it was written, the first policy then not being written in the correct format.

This policy was used from 2004 to 2010 when the current policy was approved and at the moment I have been tasked to review that current policy with the concept of submitting an Edition 4 of this policy when we have completed the review.

ADV SIBEKO: Chair for ease of reference to the Chair and Commissioner Musi, might I direct your attention to the bundle of documents contained in the witness's statement. There is a flowchart which appears at page 42. Captain, do you have page 42 of your bundle in front of you?

CAPT (SAN) JORDAN: Chair, I have it.

ADV SIBEKO: The evidence you have just adduced, does that appear from page 42 of that bundle?

CAPT (SAN) JORDAN: Chair, on page 42 you will find a table, it is in fact two tables, the top table is an indication of the various Acts that were applicable at the various stages and when they came into being, and in the first, in that table you will see at the top of the table that I have demarcated the table in terms of years. The Commission will also note that 1993 is

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missing in that table and then starting in 2004 that the years
2005 through to 2009 is missing. The reason for that is that in
those years no Acts or policies were approved or set in working
in those periods to the best of my knowledge. Had I included
5 those years it would have been blank columns and it would
have taken up space in the printing process, which would have
made the table quite difficult to read, so that's why those years
are omitted.

In the second half of, or the lower part of that page
10 on the left hand side I have marked all the relevant policies,
then as we pass through the years I have indicated, as I could
trace them and as I could confirm them, the policies as they
were approved and set into working, so one will see a natural
flow from the top left hand corner of that table to the bottom
15 right hand corner. It is a chronological flow.

ADV SIBEKO: Captain might I ask you to please for purposes
of the record read what policies were applicable at which stage
prior to, during and after the acquisition of the Special Defence
Packages?

20 CAPT (SAN) JORDAN: Chair, to interpret this table firstly I
would highlight that there is a, between 1996 and 1997 one will
observe a blue line and between 1998 and 1999 one will
observe a green line. Now that green line, everything that
happens to the left on the table of that green line signifies
25 events or items that were put into place prior to the contract

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placement on the 3rd of December 1999. The blue line relates to a policy directive issued by the Minister of Defence, Policy Directive Number 4/47. Everything to the left indicated on the table happened before or was in place before that specific
5 policy was promulgated.

Starting at the top left of the table, of the second table indicating the policies, not the Acts in this case, is VB1000, the Commission will note that it was in existence pre-1992 in an Afrikaans version that I could find. It appears from
10 the document that I could locate that it was an undated document.

ADV SIBEKO: Captain, the document VB1000, that policy, it is contained in one of the bundles in front of you. Might I direct your attention to that document please? Chair, that is
15 the big bundles with the policies, file number 1.

CHAIRPERSON: Will this be my bundle B which contains the White Paper and the Defence Review?

ADV SIBEKO: Chair no, it's not that bundle. It's a different set of bundles that ought have been placed in front of you.
20 Chair, that bundle is supposed to have an index with 17 items on it. Chair, might we stand down so we can try and establish what happened to these bundles because when we started or just before we started to thought to ensure that all the bundles that were relevant for today's proceedings are placed before
25 you.

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CHAIRPERSON: Advocate Sibeko, maybe let's adjourn until 11h15 and then we'll combine it with our tea and then from there we'll not break for tea.

ADV SIBEKO: As it pleases the Chair.

5 **(Commission adjourns)**

(Commission resumes)

ADV SIBEKO: At the outset Chair I wish to apologise for not ensuring that those bundles were placed before you. I'm told that the error lies in the miscommunication between ourselves and the members of staff who were supposed to bring the documents. Might we proceed Chair.

10

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

CAPT (SAN) JORDAN: I do.

15 CHAIRPERSON: Okay.

ADV SIBEKO: Captain, shortly before the adjournment you were at the stage where you were giving testimony relating to the charge that you have prepared on policies that applied to the SANDF prior to the SDP's during and subsequent thereto, do you recall? And I was at the stage where I sought to refer you to the original issuing of the VB1000 policy, you recall that?

20

CAPT (SAN) JORDAN: Chair, I confirm.

ADV SIBEKO: You have indicated that the original policy is a document that was prepared and written in Afrikaans, is that

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correct?

CAPT (SAN) JORDAN: That is correct.

ADV SIBEKO: May I ask you to have regard to what is a bundle of documents in front of you, it is marked "Jordaan-1", and ask you to turn to page 32 of that bundle. You've got the page?

CAPT (SAN) JORDAN: I have the page.

ADV SIBEKO: Thank you Chair. Could you please identify the document for the record Captain?

10 CAPT (SAN) JORDAN: Chair, for the purposes of identification this document is the Afrikaans version and as far as we can ascertain one of the earliest versions of this document, it is undated, that is confirmed.

ADV SIBEKO: And it is entitled VB1000?

15 CAPT (SAN) JORDAN: Chair that is correct, it is titled VB1000 "Oorhoofse Beleid vir die Bestuur van die Aanskaffingsproses van Kategorie 1 Matériel". "VB" refers to "Verkrygingsbeleid".

ADV SIBEKO: During the course of your testimony you will refer to categories of matériels as this is referred to in the SANDF. What is a Category 1 Matériel?

CAPT (SAN) JORDAN: Chair, in simple terms Category 1 Matériel refers to military equipment.

ADV SIBEKO: What kind of equipment would that be?

25 CAPT (SAN) JORDAN: Chair, Category 1 Matériel would refer to equipment like ships, aircraft, tanks, submarines, so

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typically the type of equipment that would have been acquired under the SDPP's.

ADV SIBEKO: May I ask you to then refer back to the chart, we will in the fullness of time deal with the issues that are dealt with by VB1000. Again under VB1000 there's VB1000 Issue 1, do you see that?

CAPT (SAN) JORDAN: Chair, that is correct.

ADV SIBEKO: When did Issue 1 of VB1000 become effective?

CAPT (SAN) JORDAN: Chair, Issue 1 of VB1000 became effective on the 11th of February 1992.

ADV SIBEKO: May I ask you to return to the bundle of documents Jordaan Volume 1, and ask you to turn to page 113. Have you found that document?

CAPT (SAN) JORDAN: Chair, I have the document.

ADV SIBEKO: Could you please identify that document for the record please?

CAPT (SAN) JORDAN: Chair this is VB1000 document Issue 1, it became effective 11 February 1992, it is titled "The General Policy for the Management of Category 1 Matériel Acquisition Process".

ADV SIBEKO: And at the bottom of that page it says: "Document Issue 1", do you confirm that?

CAPT (SAN) JORDAN: Chair, that is confirmed.

ADV SIBEKO: It has the original date of issue marked 11-02-1992, do you confirm it?

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CHAIRPERSON: I'm sorry Advocate Sibeko, you seem to be running ahead of us.

ADV SIBEKO: I apologise.

CHAIRPERSON: Page 113?

5 ADV SIBEKO: That is correct.

CHAIRPERSON: You say that document VB1000?

ADV SIBEKO: That's correct.

CHAIRPERSON: And then I heard you talking about reissue, where does it appear here?

10 ADV SIBEKO: At the bottom of the page there are columns there, it's on the third column.

CHAIRPERSON: At the bottom it says "Document Number VB1000 Page Issue 1", is this the one that you are referring to?

15 ADV SIBEKO: That's the third column, it says "Document Issue".

CHAIRPERSON: Okay thank you, thank you.

ADV SIBEKO: Thank you Chair. And in the middle of that page there is reference made to "Summary", do you see that Captain?

20 CAPT (SAN) JORDAN: Chair, that is correct.

ADV SIBEKO: What description is furnished there as the summary of this document?

CAPT (SAN) JORDAN: Chair, the description furnished is "Acquisition Process".

25 ADV SIBEKO: Thank you Captain. While you have your one

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finger on that bundle Jordaan-1, let's refer back to the chart we were talking about. You see there, there is VB1000 Issue 2?

CAPT (SAN) JORDAN: I have it Chair.

5 ADV SIBEKO: In terms of the chart this document became effective on 20 April 1994, is that correct?

CAPT (SAN) JORDAN: That is correct Chair.

ADV SIBEKO: May I ask you to turn to page 197 of the big bundle of documents 197? Do you have that document in front
10 of you Chair and Commissioner Musi?

CHAIRPERSON: Yes.

ADV SIBEKO: Thank you. Captain, may I ask you to identify that document for the record please?

CAPT (SAN) JORDAN: This document for the record is VB1000
15 Issue 2.

ADV SIBEKO: It also deals with the General Policy for the Management of Category 1 Matériel Acquisition Process, is it correct?

CAPT (SAN) JORDAN: That is correct Chair.

20 ADV SIBEKO: And it has the date of implementation also provided for at the front cover of that document.

CAPT (SAN) JORDAN: That is correct. The date provided is 20 April 1994.

ADV SIBEKO: Now going back to the chart you have a LOG12
25 Pamphlet 2, do you see that?

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CAPT (SAN) JORDAN: I see that Chair.

ADV SIBEKO: Now in the chart under the column "Pre-1992" in relation to LOG12 Pamphlet 2 there is a note recorded there that states "Traces back to 1986", could you explain that?

5 CAPT (SAN) JORDAN: Chair, in the research for this evidence I've managed to find traces to this, of this, with respect to this document back to 1986.

ADV SIBEKO: And under the column "1994" it's recorded there "Effective July", what does that mean?

10 CAPT (SAN) JORDAN: Chair, it indicates that this specific edition of the LOG12 Pamphlet 2 became effective in July 1994.

ADV SIBEKO: If I may ask you to turn your attention to the big bundle Jordaan-1 and ask you to turn to page 256. Do you have the document in front of you?

15 CAPT (SAN) JORDAN: I have the document Chair.

ADV SIBEKO: Could you please identify that document for purposes of the record?

CAPT (SAN) JORDAN: Chair, this is the LOG12 Pamphlet 2 dated the 10th of July 1994.

20 ADV SIBEKO: Now if we may pause here on these documents up to from the VB1000 1st Issue up to the LOG12 Pamphlet 2, all of these policies regulating acquisition in the SANDF, could you just briefly state or tell the commissioners what the philosophy of acquisition was as articulated in these
25 documents?

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CAPT (SAN) JORDAN: Chair, the primary philosophy as articulated in these documents is that it is firstly a systematic process, secondly it is a process which inherently is a risk management process and it is a process in which three parties
5 are required to participate, firstly the SADF as it was at the time, later the SANDF, secondly ARMSCOR as the acquisition agency of the SADF/SANDF, and thirdly the third party that participate is the defence related industry.

ADV SIBEKO: You state in your evidence that one of the
10 underlying philosophies of these documents was risk management. What risk was sought to be managed by these processes?

CAPT (SAN) JORDAN: Chair, with acquisition projects the scale of which we deal with in the SADF/SANDF, numerous
15 risks emerged and that is exactly why acquisition projects are registered. If there was no risk there would have been no requirement to establish a project. These risks primarily relate to timescale risk, financial risk and technical risk.

ADV SIBEKO: We will later deal in a little more detail with
20 the provisions of these processes, perhaps going back to the charts that we were dealing with. You have the MODAC-1, what is the MODAC1?

CAPT (SAN) JORDAN: Chair, the MODAC-1 is a report that relates to the Ministry of Acquisition, or the Ministry of
25 Defence Acquisition Work Group, MODAC comes in three

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reports, MODAC-1, MODAC-2 and MODAC-3 and if I may refer you to page 87 of my bundle ...

ADV SIBEKO: That would be bundle M. That is the bundle with your statement, is that correct?

5 CAPT (SAN) JORDAN: That is correct Chair.

ADV SIBEKO: Yes, you may proceed.

CAPT (SAN) JORDAN: Chair on page 87 it is indicated it is Appendix "N" to my statement, it's an executive summary from the MODAC Report and one will note at the top of the page
10 MODAC-1 refers to the Management of Technology and Armament Acquisition in the Department of Defence, whereas on page 88, the next page MODAC-2 refers to Defence Industry Policy and just below that on the same page there is MODAC-3 and it refers to the Defence Acquisition Programme
15 Management Organisation Structure, it's commonly referred to as DAPMO or else ARMSCOR.

ADV SIBEKO: Might I ask you to turn to the big bundle that we have been referring to, Jordaan-1, and ask you to turn to page 403. Could you identify that document for the record
20 please?

CAPT (SAN) JORDAN: Chair I can identify this document, it is the MODAC Investigation of Technology and Armament Acquisition in the Department of Defence and it is dated the 8th of August 1996.

25 ADV SIBEKO: What is, MODAC is an acronym of something, is

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it correct?

CAPT (SAN) JORDAN: MODAC is the acronym for Ministry of Defence Acquisition Work Group.

5 ADV SIBEKO: The report also dealt with the acquisition process within the SANDF, is it correct?

CAPT (SAN) JORDAN: Chair that is correct.

10 ADV SIBEKO: We will in due course deal with the provisions of the MODAC reports but if we go back to the charts we were dealing with, page 42, it's recorded under Column 1995 that MODAC-1 was approved by the Steering Committee on 10 February 1995. Who were members of the Steering Committee referred to in that note?

CAPT (SAN) JORDAN: Chair, my big bundle number 1 page 406, Chair in the lower half of that page:

15 *"The investigations were carried out as a project and the following project organisation was established for the MODAC. The Steering Committee consisting of the Minister of Defence, the Deputy Minister of Defence, the Chief of the*
20 *National Defence Force, Defence Secretary and Executive General Manager of ARMSCOR to approve proposals put forward by the project team".*

And then:

25 *"Project team consisted of members from the SANDF, the Defence Secretariat, ARMSCOR".*

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And then there was an additional member involved from the SANDF.

ADV SIBEKO: If you turn the page to 407 there were additional members, is that correct?

5 CAPT (SAN) JORDAN: On page 407 yes, there is additional members indicated, two from the Ministry of Defence, a member from the Defence Secretariat, a member from the Defence Industry and a further two members from ARMSCOR.

10 ADV SIBEKO: Between MODAC-2 and MODAC-3 there was the process that intervened that of the White Paper on Defence, do you see that?

CAPT (SAN) JORDAN: Chair, I'm not sure what is indicated now.

15 ADV SIBEKO: If you go back to the charts you will see that between MODAC-2 and MODAC-3 on the left column of that chart there is the White Paper on Defence that was the intervening event, do you see that?

CAPT (SAN) JORDAN: I see that Chair.

20 ADV SIBEKO: There already is evidence before the Commission that the White Paper on Defence was approved on the 14th of May 1996, do you confirm that?

CAPT (SAN) JORDAN: It is confirmed.

25 ADV SIBEKO: And then subsequent to the approval of the White Paper on Defence there was the MODAC-3, could you just briefly tell the Commission what MODAC-3 dealt with?

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CAPT (SAN) JORDAN: Chair, MODAC-3 dealt with the organisational structure of the Defence Acquisition Programme Management Organisation, currently ARMSCOR as it was investigated at the time.

5 ADV SIBEKO: I see that in response, in responding to my question you refer to a document. Could you just for the record state what document you are referring to?

CAPT (SAN) JORDAN: Chair, I'm referring to the Jordaan bundle page 88.

10 ADV SIBEKO: That is this bundle with your statement?

CAPT (SAN) JORDAN: That is correct Chair.

ADV SIBEKO: Now page 88 is part of the document you referred to a short while ago, is that correct?

15 CAPT (SAN) JORDAN: Page 88 is part of the executive summary that I've just shortly before referred to.

ADV SIBEKO: Now subsequent to, or immediately below the MODAC-3 in that chart you have the DOB Policy Directive number 4/147, could you just briefly describe what this document is?

20 CAPT (SAN) JORDAN: Chair, if I may refer you to the Jordaan bundle which contains my statement page 46.

ADV SIBEKO: Do you have that document Chair? You may proceed Captain.

25 CAPT (SAN) JORDAN: Okay Chair this document is a Department of Defence Policy Directive MOD Policy for Dealing

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with International Equipment, International Defence Equipment Offers in the Ministry of Defence. It indicates the process whereby international government-to-government defence equipment offers are dealt with in the Department of Defence and ARMSCOR, it's to be in accordance with this specific policy which was promulgated into the Department of Defence and ARMSCOR by the Chief of the SANDF and the Secretary for Defence on the 8th of August 1997.

ADV SIBEKO: Page 47 of that document there is some inscription in longhand which reads:

"Approved in Council of Defence 8 August 1997".

And immediately below there, there is the chairman of the AAC J Modise. Could you just explain what that is?

CAPT (SAN) JORDAN: The Council Chair, the Council of Defence is a high level meeting chaired by the Minister of Defence, so this document would have been promulgated into the Department of Defence by the Chief of the National Defence Force and the Secretary for Defence and they would have added a note below indicating that this document was approved by the Council of Defence on the 8th of August 1997.

ADV SIBEKO: We will hear evidence from you which will deal in some depth with regard to the purpose of this document, but could you in just brief terms set up the circumstances under which this policy directive was made?

CAPT (SAN) JORDAN: Chair, to give a brief summary in the

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time period before 1994 South Africa was restricted under an arms embargo, so the Defence Acquisition was primarily aimed at the time or largely aimed at the time towards self-sustainment in armaments. With the new dispensation, the new
5 democratic dispensation the international markets went open to South Africa and so did the international defence markets or industries become open to South Africa.

Prior to this stage in the SANDF we dealt or the SADF at the time we dealt with projects on a singular basis, in
10 other words projects were dealt with separately. With the advent of the Strategic Defence Packages there was a different situation at hand. After 1994 the world had flooded to South Africa to offer its products to South Africa which previously it did not and consequently a number of products were placed or
15 made available to the South African Defence Force and thus the Strategic Defence Package concept emerged and this entailed a more complex environment whereby we now had to deal with complex systems of various disciplines from a variety of countries and across departments in the South African
20 domain.

So, as a result of this it was considered at the time that the international defence equipment offers fall outside the scope of the existing acquisition policy and a specific policy for such international defence equipment offers had to be
25 established and that is what this policy was about.

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ADV SIBEKO: Thank you Captain. Just to go back a little before we proceed to deal further with the items below, the DOD Policy Directive 4/147, may I ask you to turn your attention to the big bundle Jordaan-1 at page 390. Do you
5 have that page in front of you?

CAPT (SAN) JORDAN: Chair, I have the page in front of me.

ADV SIBEKO: Could you for the record please identify the document.

CAPT (SAN) JORDAN: Chair, this is a document titled
10 "KB1000" and it is the ARMSCOR Policy in Acquisition.

ADV SIBEKO: Are you familiar with that document?

CAPT (SAN) JORDAN: Chair, I'm not a specialist in this document, however, this is a high level ARMSCOR document that is to be, that ARMSCOR deal with, or that directs
15 ARMSCOR's policy internally.

ADV SIBEKO: Now on the front cover of that page it is referred to as the "Acquisition Policy", is that correct?

CAPT (SAN) JORDAN: That is correct Chair.

ADV SIBEKO: Are you in a position to state if this document
20 was used by ARMSCOR for purposes of carrying out its acquisition functions as the agents of the SANDF?

CAPT (SAN) JORDAN: Chair, since this is ARMSCOR document it is probably better to direct this question to a member from
ARMSCOR.

ADV SIBEKO: Alright. Just below the Defence Review in the
25

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chart is something referred to as the "SOFCOM". Could you please describe what the SOFCOM is to the Commission?

CAPT (SAN) JORDAN: Chair, the SOFCOM refers to the Strategic Office Committee of which the Terms of Reference are included in the appendices to the Jordaan bundle, however, I was not a member of the SOFCOM, nor did I participate in the SOFCOM, so I'm not in a position to testify on the activities of the SOFCOM in any detail.

ADV SIBEKO: Below the SOFCOM in the chart is the IONT, could you just briefly state what that is?

CAPT (SAN) JORDAN: Chair, the IONT is an International Office Negotiating Team that was established at the time to assist with the negotiation of the international office pertaining to the SDPP's, again I have to point out that I was not a member of this team and I am only able to provide a limited evidence pertaining to the Terms of Reference of that negotiating team.

ADV SIBEKO: Just below the IONT in the chart is the ACQ1/1998, what was that?

CAPT (SAN) JORDAN: Chair, at the time as I indicated earlier in my testimony that by this stage the Department of Defence founded now post, or after the new democratic dispensation and the MODAC investigation made certain recommendations and it was recognised that a new policy had to be drafted. It, however, takes some time to draft policy and by 1998 this

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policy was completed, it is a high level policy and it was approved on the 19th of July 1999 and it was intended to put in place certain aspects which I will discuss later during the course of my evidence.

5 ADV SIBEKO: May I ask you to turn to the big bundle Volume 1 to page 520.

CAPT (SAN) JORDAN: I have the page Chair.

ADV SIBEKO: May you please identify that document for the record?

10 CAPT (SAN) JORDAN: Chair, this page is the cover page for the Department of Defence Instruction ACQ/1/1998, a Policy on Acquisition of Armaments and that was confirmed for execution in the SANDF by the Chief of the SANDF as well as the Acting Secretary for Defence on the 19th of July 1999.

15 ADV SIBEKO: Right. Just below, if you turn your attention back to the chart you make reference there to "SDPP Contract Signed" and that's going across the chart, there is a date furnished there on 3 December 1999, you see that?

CAPT (SAN) JORDAN: That is correct Chair.

20 ADV SIBEKO: And that date appears just to the right of the green line that you referred to earlier in your testimony.

CAPT (SAN) JORDAN: That is correct.

ADV SIBEKO: What is the significance of the green line if you may remind us?

25 CAPT (SAN) JORDAN: Chair if I may remind, the 3rd of

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December 1999 was the date on which the contracts for the SDPP's were signed, so the green line signifies a divide, everything to the left of the green line would have been in place and valid prior to the signature of the contracts.

5 ADV SIBEKO: Below the "SDPP Contract Signed" there is reference made to the Joint Investigation Report, what is its significance?

CAPT (SAN) JORDAN: The Joint Investigation Report is a report published and submitted to a Speaker of the Parliament
10 on the 14th November 2001, this was a report based on an investigation, a tri-partheid investigation that was conducted into the Strategic Defence Packages in the period circa 1999 to 2000.

ADV SIBEKO: Certain recommendations were made with
15 regard to the Acquisition Policy of the SANDF by the, in the report, is that correct?

CAPT (SAN) JORDAN: That is correct Chair.

ADV SIBEKO: And some of these recommendations informed
20 the conduct of the Acquisition Division of the SANDF. Is that correct?

CAPT (SAN) JORDAN: That is correct Chair, it related to the Acquisition Division.

ADV SIBEKO: Can you just briefly summarise the
25 recommendations that were made that have influenced the Acquisition Policy as it currently applies?

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CAPT (SAN) JORDAN: Chair if I may refer you to the bundle Jordaan page 68.

ADV SIBEKO: That is the bundle with your statement?

CAPT (SAN) JORDAN: That is correct Chair.

5 ADV SIBEKO: Could you read some of the recommendations made there into the record?

CAPT (SAN) JORDAN: Sir, there's ... Chair, there is a number of recommendations, I think its numbers 14 in total, 15 in total and it related to the Department of Defence, it related to
10 training of acquisition staff, it related sufficient time being made available to determine needs properly and to compile acquisition plans and evaluate offers and finalise contracting, it related to the evaluation process and it related to information to be made available to Cabinet, it related to
15 national industrial participation offers during the Request for Offer stage that should be evaluated properly, it also related to adequate audit trails to be put in place, it related to the moderation of results and particularly on page 69 the next page paragraph 14.2.8 it indicates there that:

20 *"The DOD should take steps to ensure that good procurement practices are adhered to and that compliance with the prescribed tender procedures is strictly enforced".*

Now these recommendations led to certain implementations
25 being made in the Acquisition Policy later on.

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ADV SIBEKO: May I then ask you to go back to the charts as we will deal with some of the matters implemented in the Acquisition Policy in due course, in the course of your evidence. There is just below the Joint Investigation Report
5 various other policies, will you talk about these policies?

CAPT (SAN) JORDAN: Okay Chair, these policies as one will note from the fourth line from the bottom of the table it was, it is a policy that is a new version of the Acquisition Policy (indistinct) updated and including the recommendations of the
10 Joint Investigation Team to a certain extent and also recommendations of the MODAC reports. This document was written and it was approved on the 27th September 2004, however, internally in the Department of Defence by that time there was another policy indicating the format in which policies
15 had to be written, so this specific Edition 1 was approved on the condition that it would be written and put into the correct format, so the Commission will notice that shortly afterwards on the 16th of November 2004 a 2nd Edition was approved and it was approved after it was written in the correct format.

20 The next document Edition 3, it's the last yellow line on the table indicates in 2010 that the policy was updated and this specific policy became effective on the 21st of May 2010. During the course of my evidence I did not particularly deal with these policies because they were post the
25 SDPP's, however, for completeness sake I indicated them on

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this table.

ADV SIBEKO: At the last column of the charts is the Arms Procurement Commission, this is where we are now, is it correct?

5 CAPT (SAN) JORDAN: Chair as this table is intended to show a timeline of policies and events I thought it wise to complete it just to indicate the Arms Procurement Commission's establishment date as well as the date that the hearings commenced.

10 ADV SIBEKO: Now having set that background is it correct that you have prepared a presentation in terms of which we'll deal with the provisions of the various policies that have applied in the SANDF acquisition arm over the period up to the time of the acquisition of the Special Defence Packages,
15 Strategic Defence Packages.

CAPT (SAN) JORDAN: Chair that is correct, I prepared a presentation and the reason why I prepared the presentation is, and requested to be able to make the presentation here is that this process and the policies and level of integration within the
20 process is quite complex and quite difficult to assimilate and I thought that it would be more prudent to do it in the presentation format because then the Commission would not only hear what I say but they would also be able to see and follow what I'm saying, and I have also taken in the course of
25 this presentation, I have augmented the facts as is contained in

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the policy with some diagrams to make the picture more clear. Without these I would submit that it would be quite difficult at some stages to understand the various layers and the various levels of integration.

5 ADV SIBEKO: Chair, at this point we believe it would be convenient to allow the Captain to commence with the slide presentation, we have for the convenience of the Commission made copies of the slides that will be projected by the captain during the course of his evidence for the convenience of the
10 commissioners. Might I at this juncture then ask that the Chair and Commissioner Musi join us for purposes of the presentation. Before the captain commences with the slide presentation Chair I need to point out that in the fullness of time you will notice at your convenience that the slide
15 presentation sought to align, is in line with the contents of the statement, it is just packaged differently in this slideshow, just to enable the easy flow of the captain's testimony. Captain, are you in a position to commence with your presentation?

CAPT (SAN) JORDAN: Chair before I start off with the
20 slideshow I'd just like to reiterate that I was not directly involved in setting up the SDPP's, however, I interacted and applied the applicable Acquisition Policy during my tenure as a project officer for the Submarine Project, hence the picture of the submarine up there, I thought it good for the Commission
25 just to see how complex the submarine is on the inside from

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the diagram that I've put up there. Furthermore I was not involved in the authoring of the policies prior to 1998 but I was, however, involved in the authoring of the ACQ1/1998. I have analysed the various policies at a high level and will attempt to explain the policies in terms of the primary process flow and the approval mechanisms prior to, during and after the SDPP's.

I have done this as complete as I could possibly do it within my own means. If there are any policies that I'm not aware of then I would not be able to present them or to make any statements on them, so I will deal with the policy and procedures that existed prior to and during transformation and relating to the Ministry of Defence Policy Directive which we issued with the specific reference to the SDPP.

The process and policy of the Department of Defence has reflected changes in the environment from time to time and has been modified and updated to meet this changed requirement or environment. Prior to the SDPP's as I've indicated before there was a strong focus on self-sufficiency and armaments. With the democratic dispensation new markets not previously open to South Africa became accessible. One such fundamental change arose at the time of the national transformation with democratic dispensation which allowed procurement to function in a very different environment from that which had existed before.

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ADV SIBEKO: Can I just interject there? You state that prior to the SDPP there was a strong focus on self-sufficiency in armaments, could you just for completeness sake inform us what gave rise to this strong focus on self-sufficiency with regard to armaments?

CAPT (SAN) JORDAN: Chair, this requirement for self-sufficiency and the focus on self-sufficiency for armaments came about in the 1970's when the arms embargo was enforced and as we've heard in previous or earlier testimony by other senior officers how at that time there were acquisition contracts in place, military systems were being acquired and at a specific point in time they were withdrawn and South Africa was no longer to obtain armaments in the open market, so they were forced to develop and build their own markets and consequently came this focus for self-sufficiency and we saw a rise within the local South African military or industry, a rise of companies that were developed to meet this requirement.

ADV SIBEKO: Now what impact did this whole focus have on firstly the local armaments industry and secondly the South African National Defence Force, especially regard being had to its constitutional mandate to defend the Republic?

CAPT (SAN) JORDAN: Chair, firstly there would have been or there was a boom in the local armaments industry. Secondly the defence budget was considerably larger than it is today in the sense that these programmes that we established at that

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time had to be funded and it is a costly process to fund the acquisition of armaments as well as to fund the setting up of an industry. Simultaneously at the time it is also well-known that there was a regional conflict in which the SADF was involved at the time.

ADV SIBEKO: And the impact on the SANDF, this whole focus or the issue relating to the arms embargo, how did it impact on the SANDF?

CAPT (SAN) JORDAN: Chair, the fact that the SANDF was unable to obtain armaments in the international environment had forced the SANDF to focus internally, to focus locally and consequently our policies reflected that and we will see when I later deal with the VB1000 and its contents that there is a particular phase within the VB1000 that is defined around the development of armaments which is something that we focused on or that the SADF focused on quite heavily at the time and currently now that we have open markets it is less heavily focused on.

ADV SIBEKO: Thank you. Would you like to proceed to your next slide?

CAPT (SAN) JORDAN: Chair, during the acquisition process for the SDPP's the Minister of Defence recognised the limitations of the existing Acquisition Policy at the time and which needed to be augmented in order to render Acquisition Policy suitable for, as I've indicated before, complex multidimensional multi-

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disciplined, multi-arm of the service multiparty, multi-government armaments acquisition programmes, something which has arguably never been done at this scale before.

ADV SIBEKO: Can I just break that down a little bit. When
5 you are referring to limitations that existed in the Acquisition Policy could you just briefly describe what these limitations were?

CAPT (SAN) JORDAN: Chair, the Acquisition Policy as it
10 existed at the time did not clearly allow for such complex, for such a complex approach, it also prior to this stage the DOD had dealt with programmes largely internally and as we saw with the Strategic Defence Packages that it was a multi-government department package, it included not only the Department of Defence but also the Department of Finance,
15 also the Department of Trade and Industry and there was another department, I forget the name now immediately.

ADV SIBEKO: Would that be ... Captain, would that be the Department of Public Enterprises?

CAPT (SAN) JORDAN: Chair that is correct, the fourth
20 department was the Department of Public Enterprises.

ADV SIBEKO: Captain I believe you are speaking very softly, there are people at the back who cannot hear, to whom your voice does not carry, if you could try and speak somewhat loudly or close the mic as you possibly can without causing any
25 interference to the recording. Thank you. You may proceed

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with the slide.

CAPT (SAN) JORDAN: Next slide please. Chair, in order to understand the South African Defence Force Departmental Policy a number of terms and definitions need to be clarified
5 upfront, it will be very difficult to understand and follow the sequence of this evidence without these definitions. Firstly we need to distinguish between acquisition and procurement. This is now within South African Department of Defence Policy, we distinguish between acquisition and procurement in the sense
10 that we refer to acquisition as all actions that have to be taken to satisfy the need for matériel, facilities and logistics services. It involves in sequence requirements planning, operational research, technology acquisition, design and development, operational qualification, industrialisation, initial
15 procurement and commissioning.

Procurement on the other hand we define as a narrower concept than acquisition and it involves the contracting for a requirement from the basis of an existing specification or by purchasing, manufacturing, leasing or hiring
20 where the production process has previously been qualified during an acquisition activity. It also includes procurement planning, request for tenders, source selection, contracting, item identification, initial distribution, setting to work and formal acceptance.

25 The term "matériel" is a 19th Century word derived

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from the French language which indicates military equipment. We distinguish between two categories of matériel to make provision for the identification of the acquisition process involved as well as the manner of financing. Category 1
5 matériel consists of military equipment and associated parts, items which are not commercially available required exclusively for military use or purposes. It is acquired by means of the expenditure of capital and operating funds as budgeted for by the Department of Defence or budgeted for on the Department
10 of Defence Financial Management System in Folio 02 which relates to the Special Defence Account in accordance with the provisions made for by the Special Defence Account Act,

ADV SIBEKO: Now what is the Special Defence Account and how does it operate generally?

15 CAPT (SAN) JORDAN: Chair, I have made reference in that table to the Special Defence Account Act and the significance of the Special Defence Account Act is it makes provision for the rollover of funds into the next year, specifically relating to acquisition. Acquisition is a complex process, there are
20 numerous risks associated with it and it is difficult to operate under the normal dispensation of and in-year budget which has to flow within that year, so this specific defence account and Act makes provision that funds can roll over, so if there is some, if there is some problem in the process of the
25 development process or the acquisition process and the funds

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cannot flow in a specific year it can flow in the next year once the objectives are achieved. That is in essence the difference between the Special Defence Account and the General Defence Account which I will highlight in the next slide.

5 ADV SIBEKO: You may proceed to the next slide.

CAPT (SAN) JORDAN: The second category of matériel is Category 2 matériel and it consists of commercial equipment, components, parts and supplies available on the open market, it can be used by the SANDF without the alteration or
10 adaptation of the manufacturer's specification, his industrial processes or his normal standards of quality. Category 2 matériel is acquired by means of the expenditure of operating funds as budgeted for on the DOD Financial Management system Folio 01, the General Defence Account. Now the
15 SDPP's fall in the Category 1 Matériel group. Another definition that I just would like to clarify upfront before we really start is ...

ADV SIBEKO: Perhaps before you proceed to that definition could you just set out briefly what the difference is between
20 the Special Defence Account and the General Defence Account and the different folios and how they are normally used in the acquisition process.

CAPT (SAN) JORDAN: Chair very shortly in my presentation I will show a specific slide which will highlight that point.

25 ADV SIBEKO: Alright, proceed.

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CAPT (SAN) JORDAN: There is a term that we will hear quite often in this environment, it is called a Request for Proposal, it is also referred to quite often as a Request for Offer. Now a Request for Offer or Request for Proposal is an instrument for
5 inviting proposals from potential contractors. Acceptance of a proposal or a Request for Offer, acceptance of an offer will then result in a contract. In situations of limited or no competition negotiation may be used to draw up a contract.

Now there is another term called a Request for
10 Information and there is a significant difference between the term Request for Information and the Request for Proposal, both these terms fall in the ARMSCOR domain, so I am not going to, I don't intend to elaborate on them any further suffice to say that the Request for Proposal creates an expectation
15 with the contractors and has consequences whereas a Request for Information is merely that, one can ask for a Request for Information, or one can request information at any time without it have any, having any consequences. Next slide please.

Pertaining to the question asked around the
20 application of funds you can see in this diagram that I have highlighted armaments acquisition and operating services at the bottom. Now in armaments acquisition we deal with only this yellow group, the arms of the service in funding the operating costs deal with the green blocks at the bottom, so
25 armaments acquisition per se is funded from the Folio 02

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Special Defence Account and acquisition related administration and support is funded from Folio 01 in the General Defence Account.

Armaments maintenance and sustainment could be funded from Folio 02 in the Special Defence Account but the general operating costs of the SANDF comes out of Folio 01, the General Defence Account. So, when we talk acquisition and the funding of the SDPP's they were funded out of Folio 02, the Special Defence Account.

10 ADV SIBEKO: You can deal with the next slide.

CAPT (SAN) JORDAN: Chair, within the armaments acquisition environment we classify projects according to certain criteria, the classification of projects, we have two classifications, we classify projects either as cardinal projects or non-cardinal projects. The reason for this classification is to determine the level of top management involvement during the approval stages of these projects, so we have cardinal projects and non-cardinal projects and the way we distinguish between cardinal and non-cardinal projects is against six criteria of which three criteria is on this slide.

If any one of these criteria is satisfied it would signify or indicate a cardinal project, in general terms cardinal projects would be visible in Parliament directly whereas non-cardinal projects being much less complex and smaller projects would generally not be reported on, on a regular basis in

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Parliament. It does not mean that they are hidden away from Parliament, it's just that the (indistinct) does not necessitate reporting at that level or approval at that level. When the project risk is major or of a comprehensive nature it would
5 certainly indicate a cardinal projects, the SDPP's all fell in this bracket.

If the satisfying of an operational need is so urgent that strict compliance with rules and regulations and procedures of directors become of secondary importance when
10 weighted against delay and timescales it would also signify a cardinal project. The SDPP's were definitely not in that category but if there was a conflict and the SANDF needed some equipment urgently to participate in that conflict that is happening immediately or imminently then that type of criteria
15 would comply.

Where international treaties, tendencies or the involvement impact on a project or *vice versa*, or where domestic policies could become involved it would also indicate a cardinal project, we could see here again that the SDPP's
20 would satisfy that criteria.

ADV SIBEKO: Captain, could you describe in what sense you say the SDPP's would satisfy the criteria relating to international treaties impacting on the Republic?

CAPT (SAN) JORDAN: Chair, international treaties per se to
25 the SDPP's may not have been the right, the criteria causing it

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in terms of the political profile to be a cardinal project but certainly there were government-to-government agreements and as soon as government-to-government agreements kick in that would certainly bring it into this arena and of course by the
5 time that the SDPP's became visible it was already a political matter and consequently the political profile was raised within the country and consequently it satisfies that criteria.

ADV SIBEKO: Why do you say that this, the acquisition of the SDPP's impacted on domestic politics?

10 CAPT (SAN) JORDAN: As we've heard Chair from earlier testimony by, if I recall Admiral Higgs, he highlighted the "guns and butter" argument, now the guns and butter argument is an internal political argument clearly and therefore I indicate this.

ADV SIBEKO: Now with regard to what you stated earlier that
15 there were government-to-government agreements could you expand a little on that aspect?

CAPT (SAN) JORDAN: After the 1994 democracy or democratic dispensation Chair the Government had entered into a variety of agreements with a variety of governments and it brings to
20 mind that at the time of the start of the SDPP's the Upholder submarines were offered to the South African Navy and that was typically a government-to-government offer, it was not a company-to-Department of Defence offer, the British Government those submarines to the South African Government
25 and consequently my statement.

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ADV SIBEKO: Could you then proceed to the next consideration?

CAPT (SAN) JORDAN: Chair if the cost profile, in other words if the total project expenditure exceeds 5% of the SANDF's annual armament acquisition budget it would indicate a cardinal project, SDPP's clearly fell into this category. When a project is of national interest or national strategic interest due to the impact on its force structure it would signify a cardinal programme and here I can bring to mind that these packages were of course or clearly of national strategic interest in the sense that by example the submarines, the existing submarines at that time were at the end of their lives and they were taken out of service, so it would impact it in the sense that there would have been no submarine capability for some time and that is clearly an impact on the force structure.

If I may continue, this also relates to the impact on the existing capability, somewhat similar to what I've just indicated but if it impacts negatively or either temporarily or permanently until the changes have been introduced then that would certainly indicate a cardinal project, so in summary I can highlight that the SDPP's were cardinal projects, they were Category 1 Matériel and definitely fell in the bracketed called acquisition and not procurement according to our definitions. I would like to point out that the classifications of projects has in-principle remained the same over time from the VB1000 to

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the latest edition of our policy.

A further couple of terms that I would like to clear up is the concept of the defence family, I have made reference to this group before but just to make it clear the defence family refers to the now-South African National Defence Force or the SADF as it was, as well as ARMSCOR and the defence related industry. And now before we can start discussing acquisition projects I would like to define what is an acquisition project, it is a planned armament acquisition activity which addresses an operational gap in the force structure of the SANDF, it is handled in accordance with the prescribed management and approval process (policy) and has a definite beginning and end.

By definition all projects should have a definite beginning and end, it is based on a structured problem solving methodology which entails political, financial, technical, timescale and support risks.

ADV SIBEKO: Now within the SANDF how is an operational gap identified?

CAPT (SAN) JORDAN: Chair from earlier evidence, particularly evidence, if I remember correctly provided by Admiral Green he indicated the strategic process of the defence, he also showed and demonstrated how the capabilities or the functions of the SANDF relates to the Constitution of South Africa and how the Constitution is then, how defence policy and defence strategy is extracted based on the Constitution.

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Now based on that these higher level documents, the Department of Defence does annually, does an appreciation in which the Department of Defence examines the capability it needs or requires in order to satisfy its constitutional mandate, it also then examines its own existing capability and the difference between the two capabilities, the required capability to satisfy the mandate and the existing, the current capability is referred to at delta, or is referred to as a delta and that delta will lead to the identification of required capabilities that we need to satisfy in order to be able to complete the capability in order to satisfy the constitutional mandate, so that gap is this delta that I'm talking about.

ADV SIBEKO: So, the delta that would have been identified would then inform the formulation of the, or the initiation of the acquisition project, is that correct?

CAPT (SAN) JORDAN: Chair that is correct, that delta will inform the initiation of an acquisition process in such cases where acquisition projects would become necessary.

ADV SIBEKO: Right, may you proceed to the next slide.

CAPT (SAN) JORDAN: I think this is about the last concept that I need to clarify before we can get into the prescripts of the policy, a baseline:

"A baseline represents a configuration of a system at a specific point to be achieved as confirmed by a set of documents or an audit report consolidating

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5 *and documenting the results of the preceding phase. It is approved and then confirmed by an authorised management and/or technical review board and serves as an input and point of departure for a following phase in this process”.*

And I've already alluded that this process is executed in phases.

ADV SIBEKO: Now before you continue I see there is a slide dealing with acronyms that would be referred to during the course of your evidence, do you intend to use acronyms or you will just set out the full names of the concepts you would be talking about?

CAPT (SAN) JORDAN: Chair by enlarge I will try to stay away from acronyms but in case an acronym pops up here and there I have provided in the slides that is in front of you two or three slides that indicates the explanation of the acronyms, I don't intend in showing those slides on the screen, it is therefore already referenced in case these acronyms crop up. In acquisition over time it becomes a language of its own and because I've been involved in acquisition for a long time I may not realise that I'm using acronyms and therefore I've put them there, but by enlarge I'm trying not to use the acronym, so if something crops up that is not clear please stop me and I will explain.

25 ADV SIBEKO: You may then proceed with the actual matters

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that we have called you to talk about in these proceedings.

CAPT (SAN) JORDAN: Chair I'm going to explain this Acquisition Policy and process almost as a system, I'm going to take it from one side and I'm going to move right from the beginning towards the end through the process. As I've indicated before it is complex, it will take some time and therefore I intend in doing it systematically.

"For a defence establishment to carry out its primary role the availability of custom-made ..."

10 And the focus there custom-made:

"... armaments is essential. Weapon systems adapted to local conditions are not always readily available and must therefore be established by means of formulation and the application of a specific process called the acquisition process. This process entails the management of the total spectrum of activities that ..."

ADV SIBEKO: Sorry.

CAPT (SAN) JORDAN: *"This process entails the management of the total spectrum of activities to be carried out by the participating organisations of the defence family in order to meet this Category 1 Matériel requirements, together with the implied infrastructure ..."*

25 And this is where the complexities come:

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“... such as people, facilities, organisations et cetera, ...”.

And that can be drilled down into considerably.

5 *“... which will ensue that the SANDF has the necessary user systems for maintaining a combat-ready capability”.*

ADV SIBEKO: You mentioned earlier that weapons, weapon systems that are adapted to local conditions are not always readily available. Could you just briefly explain why it is
10 important for these armaments to be adapted to existing local conditions?

CAPT (SAN) JORDAN: Chair by simple explanation, I think the Air Force has already alluded to that in the reference to hot and dry environment as to a cold and wet environment and this
15 is typically what it relates to. In an army environment it would be hot, dry and dusty and in a naval environment it might be wet and humid and or it might be wet and dry and particularly when relating to electronic equipment, electronic equipment don't like humid environments and they don't like extremely
20 cold environments and then some adaptations need to be made to the specifications of the specific equipment in order for it to be able to function optimally under those conditions.

ADV SIBEKO: You may proceed.

CAPT (SAN) JORDAN: We have briefly discussed the general
25 philosophy and I just want to cover it again to make it clear:

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“The general philosophy is based on a number of elements. Firstly it is a partnership between the SANDF, ARMSCOR and the defence industry”.

Called the defence family:

5 *“It is based on a model of an orderly process according to which hierarchical systems can be acquired”.*

And I will get to explain the concept of a hierarchical systems.

10 *“It is a policy which describes the approach to be followed by members of the defence family in the acquisition of weapon systems. Armaments acquisition is executed by means of a systems engineering process which could be tailored”.*

15 And this is important to notice, it may be tailored for the uniqueness of a specific acquisition project, not all projects are the same, they are very different, and it means that we need to tailor some of these projects differently to what we tailor other projects to. Now the concept of a systems engineering, of systems engineering I need to describe in this
20 because it helps to understand the entire acquisition process. This is an academic definition that I’m using from the, from a textbook provided by the Organisation for Systems, the International Organisation for Systems Engineering and they define it as following; and it certainly applies to us as well:

25 *“It is an interdisciplinary approach and means to*

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enable the realisation of successful system, it focuses on defining customer needs ...”.

And we will see our process is focused towards that:

5 *“... and required functionality early in the development cycle, documenting those requirements and then proceeding with design synthesis and system validation while considering the complete problem. Systems engineering considers both the business and the technical needs of all the*
10 *customers with the goal of providing a quality product that meets user needs”.*

ADV SIBEKO: Now in that definition you refer to customers. In the whole acquisition process is it correct that the SANDF would be the customer contemplated in that definition?

15 CAPT (SAN) JORDAN: That specific definition Chair refers to customer within, and in our environment we refer to client but it's the same thing, the SANDF would be the client with the end-user being that squadron or that organisation within the client organisation who will finally utilise that specific
20 equipment.

ADV SIBEKO: You may proceed to your next slide.

CAPT (SAN) JORDAN: Chair, we've already indicated that armaments acquisition is inherently a risk management process and it will be demonstrated as we move through the process.
25 The model used for structuring the armament acquisition

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process takes into account two fundamental parameters of armament, firstly the armaments life cycle and secondly its level of complexity. This model allows for sequential execution of phases, separated by formalised baselines that enhances effective and efficient management and risk abatement and I would like to submit that one can already see the recurrence of these terms as I've defined them earlier and that we're already starting to follow a direction.

ADV SIBEKO: Before you proceed could you just briefly break down to us what you mean by the sequential execution of phases within an acquisition process.

CAPT (SAN) JORDAN: Chair a little bit further on in the course of this evidence I will deal with that specifically in a diagrammatic slide that will make it quite clear, so if I may leave it until that moment.

ADV SIBEKO: Alright, you may proceed.

CAPT (SAN) JORDAN: Chair, the acquisition process and policy as we currently use in the SANDF and the Department of Defence has evolved over a period of time and I think the table that we have used extensively in the earlier part today demonstrates that quite adequately, the policy definitions could be traced back even to before 1986, the VB1000 also describes policies in regards of the approach to be followed for the acquisition of weapon systems, so did LOG12 Pamphlet 2 and I wish to point out that at some point they functioned in parallel

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until 1998. These two policies, LOG12 Pamphlet 2 and VB1000 in essence mirrored each other, in other words it means that they were the same policy, save that LOG12 Pamphlet 2 included examples and templates for staff documentation which the VB1000 did not contain. Now the need for these templates arises from the fact that staff documentation are created by different people and we, and that some standard is required against which they are written and therefore the examples on the templates.

10 ADV SIBEKO: Now if I recall your earlier evidence you indicated that the LOG12 Pamphlet 2 was an internal SANDF document, is that correct?

CAPT (SAN) JORDAN: That is my understanding Chair.

ADV SIBEKO: Alright, you may proceed.

15 CAPT (SAN) JORDAN: Chair just to, and there may be sometimes confusion as to the structure of the Department of Defence and this is a slide that was used extensively at the time that the SDPP's and prior to the SDPP's were considered, it just shows and indicates how the Department of Defence was
20 structured at the time, we had the ministers clearly at the head of the entire department, the department was then broken or divided into two main parts, on the left the Defence Secretariat under the Defence, Secretary for Defence. The Secretary of Defence clearly at the time, or and in terms of the law was the
25 accounting officer where the Chief of the SANDF was

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responsible for the operational part of the Department of Defence.

Now if we look at the green block on the left under the "Defence Secretary" we'll see the central staff and we have the second oval to the left of, from the left we have the Acquisition and Procurement Division. Now that division is the divisions that at the time dealt or was created in 1998 and dealt with the acquisition of the Strategic Defence Packages and then it indicates the breakdown of the division into various directorates, primarily the Directorate Air Force Acquisition and a Directorate Navy Acquisition who is involved or who is involved with the Strategic Defence Packages, and below then of course the project teams.

ADV SIBEKO: I see that in that slide no provision is made for the position of the deputy minister. Does that, is one supposed to interpret that there is no power in that position Captain?

CAPT (SAN) JORDAN: Chair, that is not the intention of this slide, the intention was to give an overview of the DOD structure, so the deputy minister was also for a lack of space not indicated.

ADV SIBEKO: Now before you proceed there is on, at the bottom of the slide there is a provision made in R1 "Armaments Acquisition Management/Stokvel Account Management". Could you explain that concept please?

CAPT (SAN) JORDAN: Chair, the term "stokvel" arose at the

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time prior to the new dispensation, prior to the approval of the Defence Review. Acquisition was done under the auspices of the arms of the service from within the arms of the service, the approvals laid outside the arms of the service but I at the time would then typically have worked for the Navy and my Air Force comrades would have worked for the Air Force at the time and then we would have executed acquisition from there.

When the new acquisition, departmental acquisition and procurement division was created and post the Defence Review it was decided to create this division. The budgets associated, the funding associated with the arms of the services acquisition was then pooled into a one main pool and that was commonly referred to as a stokvel.

ADV SIBEKO: So that means that if I follow your evidence correctly that previously before the establishment of this division each arm of service would be responsible for its individual or that arm or service's projects?

CAPT (SAN) JORDAN: Chair, that is correct.

ADV SIBEKO: And the funding of the individual projects would be directed to the specific arms of service, is that also correct?

CAPT (SAN) JORDAN: Chair, that in my understanding is correct.

ADV SIBEKO: Chair I see it is just after 13h00, would this be the convenient time for the lunch adjournment?

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CHAIRPERSON: Advocate Sibeko when we come back can we just start again just for my own understanding, when we come back just for my own understanding, I think somewhere along the line you know I got a bit lost. If we can just start again with that green circle where, green one where it's written "Central Staff", let me just understand what those PP, the middle one I seem to understand, it seems to be acquisition and the two on the right hand side, if we can start it from there, somewhere along the line I got a bit lost.

5
10 ADV SIBEKO: We'll indeed deal with that.

CHAIRPERSON: Thank you. I think we'll come back then at 14h00. Thank you.

(Commission adjourns)

(Commission resumes)

15 CHAIRPERSON: Can you just confirm that you are still under oath?

CAPT (SAN) JORDAN: I do.

CHAIRPERSON: Thank you Advocate Sibeko.

20 ADV SIBEKO: Thank you Captain. Just at the time when we were about to adjourn the chairperson asked you to deal with one of the columns in the DOD structure that you were testifying about. If we may take just one or two steps back, when did the structure depicted in this slide become applicable within the SANDF?

25 CAPT (SAN) JORDAN: Chair I'm not a hundred percent sure of

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the date but it's around about the time just after transformation in the vicinity just before or just after the Departmental and Acquisition Procurement Division was created.

ADV SIBEKO: Now that side on the left hand side of the slide which has the "SEC DEF", "DEF SEC" position, that was the civilian side of the Department, is that correct?

CAPT (SAN) JORDAN: Chair at the time the principle of civil control was invoked, hence the Secretary for Defence's position there. At some point it was still under discussion whether it would be, the title would have been "DEF SEC" or 'SEC DEF', eventually it became the Secretary for Defence and the central staff under the Secretary for Defence was divided into a number of divisions. The "PP" relates to the Policy and Procurement Division," IG" is Inspector-General and "FIN" is the Financial Division. Under the Chief of the SANDF we had the three arms of the service, the Intelligence Division, Joint Operations and the Joint Support Division.

ADV SIBEKO: Now let's go to the side of the slide that has the "DEF SEC", you said the division reflected as "PP" was the Procurement Division, is that correct?

CAPT (SAN) JORDAN: Negative Chair, "PP" relates to the Policy and ... Sorry, I must have misspoken, Policy and Plans Division, and the second oval there is the Acquisition and Procurement Division.

ADV SIBEKO: Now what does the Policy and Planning Division

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do?

CAPT (SAN) JORDAN: The Policy and Plans Division is responsible for the high level plans and the policies of the Department of Defence and it would typically ... In earlier
5 testimony I indicated that one of the policies that was promulgated was in the wrong format, that is the division that would have promulgated the correct format according to which we had to format the Acquisition Policy, and then of course they would also confirm the policies in the long run.

10 ADV SIBEKO: Does that division deal only with policies relating to procurement and acquisitions or just policies within the SANDF in general?

CAPT (SAN) JORDAN: They deal with policy in the Department of Defence, specifically the SANDF.

15 ADV SIBEKO: The policies relating to acquisition and procurement would be just one of the policies dealt with by the division, is that correct?

CAPT (SAN) JORDAN: That is correct Chair.

20 ADV SIBEKO: Now what is the role played by the Division of the Inspector-General?

CAPT (SAN) JORDAN: The role of the Inspector-General's division is to service an internal audit organisation within the Department of Defence.

25 ADV SIBEKO: Would that typically also deal with issues of compliance or policies and procedures that have been

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promulgated in the Department?

CAPT (SAN) JORDAN: Chair that is correct, and as such the SDPP's were subjected to a number of inspections by the Inspector-General's staff.

5 ADV SIBEKO: And you said the last column there relates to the Finance Section of that division, what does that division, what role is played by that division within that department?

CAPT (SAN) JORDAN: Chair within the Department the Finance Division deals with the allocation of finances internal in the
10 Department and the control of expenditure. So, it's budget and expenditure control.

ADV SIBEKO: Now still on that side immediately below that section that deals with the "Central Staff" are various arms of service of the SANDF, is that correct?

15 CAPT (SAN) JORDAN: May I request the question to be stated again please?

ADV SIBEKO: Immediately below that, the division of the, in the "DEF SEC" Department you've referred to the various divisions, immediately below there are "D-Army Acquisition",
20 what are these, are these directorates or divisions of the various arms of service?

CAPT (SAN) JORDAN: Chair under the Departmental Acquisition and Procurement Division there are six directorates that deals with acquisition and acquisition related matters, the
25 first one is the Directorate Army Acquisition that deals with

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Army acquisition projects. Then we have the Directorate Air Force Acquisition which deals with Air Force acquisition matters. Director Naval Acquisition similarly deals with Naval acquisition matters, then we have the DTD, it's the Directorate Technology Development, they are not per se part of the acquisition as we know it purely but they deal with technology, the establishment and the acquisition of technology, and then we have the Directorate Weapon Systems which deals with the common weapon systems in acquisition, and then we have a Directorate Procurement now within, when I initially made the distinction between acquisition and procurement that directorate would have dealt with the procurement side of the division.

ADV SIBEKO: And immediately below the various acquisition directorates there are project teams, could you just explain what these are?

CAPT (SAN) JORDAN: For each project that is established to satisfy a requirement a project team is established and a project officer is appointed and there is an ARMSCOR programme manager appointed to that team and then within that team there are a number of other specialist appointments and that team then works towards achieving the objectives of the specific project and they generally through the project officer and the ARMSCOR programme manager answers for the performance the activities of their projects to those

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directorates. So, the Air Force projects would answer to the Directorate Air Force Acquisition and the Navy projects would typically answer to the Directorate Naval Acquisition.

ADV SIBEKO: And you say the funding of the acquisitions by the various directorates is through the stokvel account that you have alluded to earlier in your testimony?

CAPT (SAN) JORDAN: That's the way it was at the time, correct Sir.

ADV SIBEKO: And just for purposes of completeness there is "Contracting" and immediately below that there is "ARMSCOR", could you just briefly mention what the relationship is?

CAPT (SAN) JORDAN: Well, as I've ... Chair, as I've indicated before ARMSCOR is an acquisition agency and they clearly participate and have an input into our process or into the process and if I can relate it to the R1 and the R2 that is indicated there, ARMSCOR would normally be the R2 in these acquisition projects where they are the contracting authority, where the R1 is the DOD responsible authority, so when one looks at the paperwork of particularly the financial reports the ARMSCOR programme manager would fall in the R2 category and the project officer would generally fall in the R1 category.

ADV SIBEKO: Could you then deal with the side of the slide that has the Chief of the South African National Defence Force, you see it immediately below "Chief" there are various positions. Could you just explain what those are?

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CAPT (SAN) JORDAN: Okay. Chair, below the Chief of the SANDF we have the arms of the service, AOS, and that breaks up in the Navy, the Air Force, the Army and the Medical Services or the Medical Health Services. There is also an intelligence division indicated there as INT, and the Joint Operations Division which is indicated there as J-OPS. The Joint Operations Division is the division that actually deploys the forces whereas the arms of the service prepares the forces.

And the Acquisition and Procurement Division on the left hand side of the diagram acquires the equipment for the forces. And Joint Support, that is indicated as JSUP there is responsible for the general support activities within the SANDF and that consists of subsections for Logistics, Personnel, Police and Command Management Information Systems which is indicated there by CMI. Regrettably I am unable to see what is written in the red block. Just to shed light on that Chair, that relates, it's TRG and it's for Training.

ADV SIBEKO: Now at the bottom there's the "Staff", could you say what that is?

CAPT (SAN) JORDAN: That is the staff function that resides under the Chief of the SANDF and it contains in the middle the Chaplain-General, so the chaplain services, the Service Corps, the Part-Time Component, CC is for Corporate, the Corporate Communication Services and I'm not sure, I can't offhand remember what the AG stands for.

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ADV SIBEKO: Now could we, I would imagine that the Chair is now clarified with the various aspects of that slide and having dealt with that slide carefully we can now proceed to deal with the next slide which is slide 25.

5 CAPT (SAN) JORDAN: Chair just as an indication of how the system functioned prior to the new dispensation, in the arms embargo ARMSCOR and the SANDF to a large extent worked in, very much in silos with a clear divide line between them. If we now look at the next slide which is the post-civil control period,
10 which means post-Defence Review after the Secretariat of Defence has been created we will see a much more integrated approach where you had the Cabinet at the top, the Council of Defence obviously had an input to Cabinet and then you can see the two legs, the DOD and ARMSCOR on the sides, they
15 fed into a set of fora which I will elaborate on extensively later on, it's called the AACB, the AASB and the AAC.

The AACB is the Armaments Acquisition Control Board which is chaired by the Chief of Acquisition at that time nowadays by the Chief of the Defence Matériel Division. The
20 Armaments Acquisition Steering Board at the higher level which is chaired by the Secretary for Defence, and the Armaments Acquisition Council which is chaired by the Minister of Defence and we will note the arrows leading from the sides from the DOD and ARMSCOR pointing towards these fora which gives
25 an indication that the DOD and ARMSCOR has seats on those

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fora. Clearly the integrated project teams which we've created post this time is staffed by the DOD and by components of the ARMSCOR and they feed feedback and they get their authorities through these three central fora.

5 On the left hand side of course the DOD is controlled through a Defence Staff Council at the time and on the right hand the indication that ARMSCOR is then controlled by the ARMSCOR Board of Directors and then from there once the Board of Directors gives the final authority for the
10 contracts then the ARMSCOR contracts go out to the suppliers which is indicated in the block at the right. This is just an overview to give a broad indication of how much more integrated it became post the Defence Review and the MODAC reports.

15 ADV SIBEKO: If I may just ask you to go back ...

CHAIRPERSON: I didn't quite understand what he said COD stands for, COD which is in the middle?

CAPT (SAN) JORDAN: Chair, the COD is the Council of Defence which is chaired by the Minister of Defence.

20 CHAIRPERSON: Thank you.

ADV SIBEKO: If I may just ask you to go back to the previous slide, you made reference there to the SANDF on the one side and ARMSCOR on that other side operating in silos, could you elaborate on that please.

25 CAPT (SAN) JORDAN: Chair this diagram gives a broad over of

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this situation at that time, this is the arms embargo period, pre-Defence Review, the SADF in terms of the Defence Act 44/1957 and ARMSCOR in terms, was created in terms of the ARMSCOR Act. Now the ARMSCOR Act created ARMSCOR to
5 be an acquisition agency in its own right for the Department of Defence, so it was a, at some point in history it was a very powerful organisation and the DOD or the SADF did not have a large amount of direct control over ARMSCOR, ARMSCOR also at that time had its own budget whereas if we look at the new
10 diagram by this stage ARMSCOR no longer had its own budget and ARMSCOR's budget became the first commitment on the DOD's budget, so the DOD became far more integrally involved with ARMSCOR activities as a consequence of the changes that were made.

15 ADV SIBEKO: So does this mean also that the integration in the roles played by both DOD and ARMSCOR in acquisition process resulted in the kind of armaments that were sought by the DOD being acquired as sought by it?

CAPT (SAN) JORDAN: With the advent of the integrated
20 project teams the teams started working much closer together in a more integrated fashion, one will see later on when the SDP's are described that each SDP had an ARMSCOR project officer and an, eg an ARMSCOR programme manager and a DOD project officer and they, they worked together as an
25 integrated entity so they made decisions together whereas

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previously it was done separately. Now this consequently leads to a better end product in the long run.

ADV SIBEKO: You may continue to your next slide.

CAPT (SAN) JORDAN: Chair, at this stage I think it is just a
5 good point to just highlight the roles of the various parties in
this entire process and I would like to indicate that while
ARMSCOR derived its mandate from the Armaments
Development Act 57/1968 as it was amended over times the
roles of the parties in the defence family were for the first time
10 clearly and in one place defined in the Ministry of Defence
Acquisition MODAC-1 report. So these roles that I'm indicating
here is extracted from that MODAC Report and I would like to
start with the Minister of Defence's role.

The Minister of Defence is the ultimate political
15 authority and responsibility for the acquisition function,
whereas the SANDF is primarily responsible for the
determination of armaments requirements as derived from and
substantiated against the approved-for structure and in
accordance with policies, programmes and budgets. During the
20 execution of armament acquisition programmes the SANDF is
responsible for overall project management, is responsible to
ensure that the stated requirements are satisfied through the
acquisition of optimised user systems and it's responsible for
the final acceptance of these systems against the stated needs
25 and we will see later on as I proceed through the process how

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all of this interlinks and integrates.

The Defence Secretariat is responsible to ensure that all acquisition activities are executed within national objectives, policies and constraints, it's also responsible for the high level programming and budgeting and the in-year control and auditing of the defence expenditure and we have seen some of those functions in the DOD structure that we've indicated.

ARMSCOR in turn is responsible for the professional programme management and contracting of the industry during the execution of the armament acquisition programmes. During the execution thereof ARMSCOR ensures technical, financial and legal integrity are in accordance with the MOD's requirements, they are also responsible to oversee industrial development in order to support acquisition programmes and we see that also coming out later on.

The role of the industry is defined in terms of the VB1000, in those days as I've indicated before national self-sufficiency and the promotion of local industries were pursued as far as it was practicable and economically justifiable, and that economically justifiable becomes quite an important point later on, in order to meet the weapons requirements and to promote the export thereof.

Now the SDPP's are not in this domain, thus the starting point must be the maximum utilisation of local industry

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by means of developing and/or obtaining an established technology and by developing and maintaining industrial capabilities in support of local design, development, manufacture and supply with percentage preference for local design and contract as laid down by legislation. Now at the time in the early days pre the transformation this was particularly applicable in the time period where the country had to be self-sufficient on its armaments.

Move to the next slide please. Now this slide is a diagram that I don't think I've included it in the evidence itself but it is a slide that I've made just to give an indication of the relationship between the SANDF or the SADF, the Defence Matériel Division or, and ARMSCOR. Now at the bottom of this diagram there is a number of documents indicated, it starts with the ROC which is a required operational capability through to a Staff Target, Staff Requirement, a project study report, a development plan, an acquisition plan and then the acquisitioning and what this diagram, although it's not one hundred percent to scale but it suffice to give the picture, is that in the early phases, stages of the project the SANDF is quite heavily involved with lesser involvement by ARMSCOR and by the Defence Matériel Division. What this means is, is that the SANDF is involved and responsible for stating its requirement.

And then we will see here at the point of the Staff

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Requirement that suddenly ARMSCOR and the Defence Matériel Division's level of effort in this process picks up dramatically and the SANDF's level of effort reduces. The reason why this is because the project now moves into the domain of the
5 Defence Matériel Division and more so into the domain of ARMSCOR where they start leading the process, so whilst the project study is executed ARMSCOR leads that process but the Defence Matériel Division is quite heavily involved in the sense that the project officer that now works for the Defence Matériel
10 Division is the individual that's charged with the responsibility to write the project study report, similarly with the development plan and similarly to the acquisition plan.

Then once the acquisition plan is approved the activities of the SANDF starts increasing again because they
15 become more involved again. At this stage the product is manufactured and by the time that the system is being commissioned the SANDF now takes the lead role again and we're getting to the end of the project stage, so what the slide merely indicates is how, what the relationship is between the
20 three parties within the ARMSCOR and the DOD and what their level of effort is over time and in different stages of the project.

ADV SIBEKO: Now Captain I know you will be giving greater detail of evidence regarding the various documents and
25 information that is required during the acquisition life cycle as

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the slide seeks to demonstrate, could you just for clarity explain each of the steps that in terms of which you say the various role players become involved and the extent of their involvement by just explaining what each of those steps are and what each one of them entails.

CAPT (SAN) JORDAN: Chair starting at the left the Required Operational Capability is a document that is defined internally in the SANDF and it is a document and if the Commission will recall I reflected in my evidence before lunch that a comparison is made between the existing capability and what the capability the SANDF requires to be able to fulfill its constitutional mandate, that delta that I referred to leads to the establishment of this ROC. There may be a number of deltas that emanates from, or a number of ROC's that emanates from that delta that has been established.

Once that ROC is completed and its processed and it's approved a decision is made whether it is to be fulfilled by means of a project or whether it's going to be fulfilled by means of an internal arm of service process. Should it be decided to become that it must be a project a study is done and on completion of that study the output of the study is the Staff Target. The Staff Target states this requirement in high level terms and once it is approved, and the Staff Target is a very important document because it reflects the project decision and I will say more about that later on.

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The Staff Target is then developed over time and a Staff Requirement is established, a Staff Requirement is an expansion of the requirement, now from higher level capability and operational terms to more functional terms, so it expands quite rapidly and later on in the testimony I will show a diagram to show how we gained confidence through this process.

Once the Staff Requirement is finalised and approved that establishes the requirement of the SADF and that's the requirement that needs to be satisfied and that is the requirement in the end that we're going to meet or measure the success of this project that was established.

The project study is intended to evaluate the various options that is available to satisfy the requirement with, eventually a primary option is selected and then the process may split into two directions. If there is a suitable products, if there are suitable products available on the market we can then directly go to an acquisition study, the output of which is an acquisition plan. If there is no suitable product on the market or for some sensitive reasons a product like that is not, it is not desirable to buy it off the open market one can decide to go into a development cycle, then a development study would be done and a development plan would be the output of that and that plan would basically indicate how we are going to go through the process of developing this product.

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In the arms embargo period this was the order of the day and a lot of the projects that we embarked on were development projects because there was nothing available on the market that we could buy, the market was closed. Now in
5 the honeymoon period after the democratic dispensation the market is open and consequently it is easier and much more cost effective to go the direct acquisition route and that is typically what, the path that the SDPP's have followed.

The acquisition plan is yet another very important
10 document because the acquisition plan provides the authority for the expenditure for the greatest portion of the funds that is to be expended on the programme, after all it is the plan that approves the expenditure to acquire the main product intended to be established by the, this specific project.

15 Once the acquisition plan is approved the programme is then allowed to go out there, place the contracts, establish the products, accept them and deliver them to the arms of the service by which time now the commissioning stage is started and it's, and the systems are commissioned into the
20 SANDF, that is a high level, quick explanation of the process overall.

ADV SIBEKO: Thank you Captain. I see the next slide deals with the flow of policies and Acts and the various subsequent slides deal with that and would you agree that these slides are
25 more excerpts of the chart that you referred to earlier on in

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your evidence?

CAPT (SAN) JORDAN: Chair, I agree those are excerpts from the Appendix "A" that we have dealt with earlier on in the testimony. Because it is a rather large spreadsheet that is in
5 that appendix it was not possible to show it in one go on the screen and that's why I split it up. Suffice to say I think earlier on we have dealt with the next couple of slides to some extent already, so I propose that it is not necessary to deal with these slides again and that we could skip them.

10 ADV SIBEKO: Could we then go to the slides that deal with the ... Captain, perhaps while it may be imprudent to repeat your earlier testimony that you've adduced in relation to the chart, perhaps just for clarity it might help the commissioners once again and the members of the audience to just deal with
15 these slowly and stating what each one of them dealt with.

CAPT (SAN) JORDAN: Okay Chair as I've indicated these next couple of slides reflect the contents of the table that is contained in the appendix that we have discussed earlier. If we look at the table, at the top of the table we will see the
20 years indicated, I've previously indicated that 1993 is missing because nothing significant happened in that year that I could indicate on the table, and further on, later on we find a similar situation, so the policies or the events that are applicable to this testimony is indicated on the left hand column and we will
25 see there, taking it back to pre-1992 that the VB1000, an

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Afrikaans version is indicated there, I was unable to establish the date of it.

By 11 February 1992 VB1000 Issue 2 [sic] came into being and two years later, 20 April 1994 we had VB1000 Issue
5 2 [sic]. At the same time LOG12 Pamphlet 2 which traces back to earlier even than 1986 became effective in July 1994 and then the Minister of Defence ordered the MODAC Investigation, the MODAC Report 1 was approved on the 10th of February 1995. MODAC Report 2 was approved on the
10 26th of December 1995.

Then we saw the White Paper on Defence being approved on the 14th of May 1996 and the third MODAC Report was presented to the Minister on the 31st of May 1996, however, the Minister then decided that ARMSCOR was to
15 continue as defined in the ARMSCOR Act, the existing ARMSCOR Act which was Act 57/1968 as it was amended. Next slide. In ...

ADV SIBEKO: Sorry Captain, while you, before you go to the next slide could you just remind us what MODAC stands for?

20 CAPT (SAN) JORDAN: MODAC is the Ministry of Defence Acquisition Work Group.

ADV SIBEKO: Thank you, you may proceed.

CAPT (SAN) JORDAN: Chair, then in 1997 we saw, and by this time the Strategic Defence Package have already been initiated
25 and there were some, lots of activity, the Minister as I've

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indicated previously saw it to be necessary to establish this Policy 4/147 and it was approved by the Council on Defence which is chaired by the Minister on the 8th of August 1997. Then in 1998 we saw the Defence Review being approved by
5 Parliament in April 1998.

The Strategic Office Committee, SOFCOM was mandated on the 7th of April 1998. The International Office Negotiating Team, the IONT was established on the 25th of January 1999. Those SPDM numbers that I have refers
10 to just the search capability that we have to find the documents quite easily. The Acquisition Policy ACQ1/1998 became effective on the 19th of July 1999. The SDPP contracts were all signed on the 3rd of December 1999. Joint Investigation Report submitted to the Speaker on the 14th of November 2001.
15 Then the next two documents were the newer iterations of the Acquisition Policy, Edition 1 became effective 27 September 2004 and Edition 2 about three months, three, four months later in the new format on the 16th of November 2004.

20 And then the current policy that we have that is in force at the moment became effective on the 21st of May and then I've indicated there the establishment of the Arms Procurement Commission and the time that the hearings have commenced on the 5th of August. So the intention of this flow
25 of policies and events is just to act as a timeline so that one

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has a ready reference to the main policies and events that took place during this time period.

ADV SIBEKO: You may then proceed to deal with the policies as they're applied in terms of your slides.

5 CAPT (SAN) JORDAN: Chair the VB1000 and the LOG12 Pamphlet 2 I see I've got a typo there on the slide, it's LOG12 Pamphlet 2, not LOG12 Pamphlet 12, predate the integration of the various defence forces and the creation of the SANDF, thus in certain instances I am making reference and I have been
10 making reference to the SADF instead of the SANDF. Those references are made in line with the policies as they are written, so it is not an error or some political statement that I'm trying to make.

VB1000 Issue 2 and LOG12 Pamphlet 2 Government
15 acquisition prior to and during the SDPP's, however, following the approval of the MODAC-1 Report on or about 10 February 1995 recommendations made in this report with respect to approval forums and levels were thereafter implemented and we saw that fairly soon afterwards.

20 The Department of Defence started to develop a new policy in the form of this ACQ1/1998 and it was finally approved on the 19th of July 1999. I must, however, point out that to write these policies takes, consumes quite a considerable amount of time. The VB1000 describes the policy
25 in respects of the approach to be followed by members of the

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defence family in the acquisition of the weapon systems, this document consists of three chapters and eight appendices, I'm going to focus on the three chapters, the Chapter 1 is an introduction and basically provides the scope, the philosophy, some of which we've already heard, Terms of Reference and the mandate of the participating parties.

Chapter 2 is the policy part of this document and it describes the policy to be applied with regards to the management and acquisition, of the acquisition process, particularly pertaining to the Category 1 Matériel as primary, as the primary physical component of the user systems. It further describes the required input from the definition of requirements phase and the outputs right up to the operational phase. The phases will become clear a little bit later in the testimony. Inputs from the existing operational environment are of decisive importance to the execution of this policy.

As I've indicated before the SADF as it was at the time is at all times responsible for professionally stating its requirements with regards to operational armaments, thus enabling ARMSCOR and the industry to effectively and economically meet these requirements by means of the development or the procurement and the subsequent supply of equipment. This means that development of armaments will be directed by these requirements and by existing or low risk technology and take place gradually through consecutive

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phases *inter alia* through the use of models. Now this use of models refers by enlarge to the development route that I've described before as opposed to the direct acquisition route which I will describe as well.

5 Chair during each phase the models will be subjected to testing and evaluation in order to demonstrate the objectives of that particular phase have been properly achieved. Now already we can start seeing emerging the element of risk management in the process whereas we will do
10 a stage of the programme, test and evaluate and only then continue and then do a further stage, test and evaluate and then continue further. It also applies that financial authorisation can in principle only be granted after objectives of the preceding phase have been to be complete and
15 acceptable and have been formally approved.

ADV SIBEKO: Now what does this mean in terms of the slide that you explained which has the roles of the different role players within the SANDF Defence Matériel Division and ARMSCOR, what are these different phases if you could remind
20 us please.

CAPT (SAN) JORDAN: Sir, if I can ... Chair, if I can relate back to earlier testimony I pointed out that we start off with a concept and definition phase at a very high level and then we move through the various stages. After the definition phase we
25 start with the design/development phase, finally we go into the

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actual acquisition and production stages and towards the end of the project life cycle we move into a commissioning phase. Later on there is a slide that depicts these phases quite clearly.

5 ADV SIBEKO: You can proceed with the Chapter 2 [sic].

CAPT (SAN) JORDAN: Chair, Chapter 3 of this document deals with acquisition management, this part identifies and describes the spectrum of functions included in the process of system development and hierarchical integration for acquisition with
10 outputs for the operational phase. What the VB1000 does not address is the employment of forces and it pertains only to the acquisition of user systems for the continued readiness of forces. It describes the life cycle of combat capabilities by means of a model of primary phases namely planning,
15 acquisition and operation.

Underlying the above classification is a systems engineering process by means of which functional needs are translated into technical terms and are documented which then eventually after manufacture and qualification results in the
20 establishment of the operational, operationally suitable combat capabilities. A system is a combination of mutually dependent systems or items, assemblies, skills, techniques, doctrines and anything that can play and/or support an operational role in an intended environment, therefore we have a system hierarchy
25 which exists and this hierarchy is broken down into eight

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levels.

And this slide gives us an indication of the various levels in the system hierarchy. Now if I start at the top level 8 is an operational force and we will see down the left hand side of this diagram is that, is indicated the SANDF. The top three levels, level 8, 7 and 6 is dealt with normally by the SANDF, level 5 primarily by ARMSCOR, sometimes they deal with level 4 as well, but industry in principle deals with level 4 through to level 1 and I will describe each of the levels.

Level 8 is at an operational force level, that is a fully deployable and useable force at a very high level and it is generally integrated between the arms of the service and it can also be integrated internationally. The combat grouping at level 7 is an integration between various elements of forces and we would find that the Joint Operations Division would operate at these levels 7 and 8.

The user system level is the lowest fully functional and useable level that one can define, it includes the four structure elements, it includes the logistics, it includes the personnel, it includes the supply lines and it includes the training associated with the specific system. At level 6 we can start physically using the system properly. Level 5, the product system level is a system at which ARMSCOR generally does the acquisition for the Department of Defence and the output of a level 5 system is a product system, so a ship can

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be seen as a product system but a ship or an aircraft on its own seen as product systems are generally not of any use in the sense that it does not have the training and the personnel and the logistics and the support added to it, only once that is added we can start using the system.

The product systems are broken down into level 4 products, so you will find that as the level 5 system indicates a ship there with its associated helicopter the level 4 product would indicate the ship alone. It then further breaks down into product system, subsystem levels where that ship would be broken down into its components. Now industry operates at this level and the ship would consist of a hull, it would consist of machinery, a radar and combat suite, a missile system or a gunnery system.

Those products are (indistinct) at level 3 break down further into components and if you break those components further down into level 1 matériels and processes, now we generally don't even come close to working with level 1 or level 2 type of scenarios. In the acquisition environment ARMSCOR does the acquisition for the SANDF at level 5 and the project, the Navy project officer and the project team, inclusive of the Navy or the Army or the Air Force, they are then responsible for that integration of that level 5 system into level 6 and therefore into the arm of the service who then can start using the system. Now a lot of reference will be made in

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the course of my testimony to these levels or systems, so it is quite important that we understand these levels quite clearly.

As indicated in that diagram that I've just shown combat capabilities may imply more than one system level, the form in which the need for a combat capability is made visible to ARMSCOR and other organisations by the SANDF is that of a user system level, that's the requirement that we state, we state our requirements at that level. In other words the requirements are stated in an integrated fashion which of course makes it complicated and that integrated fashion then includes doctrines, personnel, facilities, product systems, other matériel components, logistics or other support systems and command and control, so this is the first level at which all of this is now evident and ARMSCOR is primarily responsible for the supply of the matériel to the South African Defence Force, the Defence Force in turn is responsible for the establishment and the running of the total system, the components of which are properly integrated up to at least level 6 of the system hierarchy. A level 6 user system is the full budget level and includes operational test and evaluation costs for integration into the operational environment.

Okay, now I've promised that I will show a diagram indicating the life cycle, questions which have been raised earlier. At the top of the diagram we will see I refer to the VB1000 system life cycle and on the left there is an indication

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of the primary life cycle. Now a primary life cycle of a system consists of a planning cycle, an acquisition cycle, a deployment, operational and maintenance cycle and then finally when the system comes to the end of its life, the disposal
5 cycle. Now unfortunately the colours on that screen doesn't show too well but you will see in blue the acquisition then breaks down into a secondary life cycle where we have the system acquisition.

In the secondary life cycle on the left hand side we
10 see the technology acquisition which is dealt with separately, it is not dealt with, with acquisition per se, we have a separate directorate as I've indicated in the structure. Within the system acquisition we have a number of phases that we've defined, we have firstly a concept phase which defines the
15 requirement or the need at a very high level, the documents associated with that is the required operational capability or ROC or the Staff Target which is indicated there as "ST".

Once these are approved we pass into the definition phase where the Staff Requirement is defined, following that
20 we move into a design/development phase where the project study is executed, options are generated and it may be decided to go on to the development or the direct acquisition route. This is a process of defining or starting to define the solution. Should development take place then an industrialisation phase
25 will also be required.

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Generally if one moves directly into an acquisition route that industrialisation would already have been done by industry and may not be necessary. When we get to the latter stages we now by the time that we get to the point where we need to go into the acquisition proper and acquisition plan is required, it is indicated there by "AP", an approval of the acquisition plan the project may enter into a production phase where the actual product system is built. During that building phase, at the end of that building phase a variety of tests, in fact throughout all these phases a variety of tests are done to conclude those phases and then when we are satisfied that the production has been done according to the requirements and meets the required standards acceptance can take place and we can then move on to the acquisition phase or the commissioning phase at least.

All of this of course, the production phase requires contracting. At the end of the project once the system is commissioned and is operationally used it will be used over the system life cycle which will be a, as we've heard before anything from 20 to 40 years. At the end of that life cycle the system will be disposed of in accordance with the primary life cycle, however, in terms of the acquisition and the project once the commissioning phase is completed we are now heading towards the end of the project. There is a number of activities that needs to take place and then we will submit the project

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closure report, approval of the project closure report signifies the end of the project and the project ceases to exist.

ADV SIBEKO: Earlier on in your testimony you referred to the concept of a Request for Information and a Request for Offer
5 and the effect that each one of those documents would have in the acquisition process. Are you able to locate within this diagram where each one of these two documents might be located?

CAPT (SAN) JORDAN: Chair the Request for Information and
10 the Request for Offer, these are generally dealt with by ARMSCOR, it lies in the ARMSCOR domain, however, I can indicate that the Request for Information can be issued at any point and that a Request for Information can come in any format in the sense that it is merely a request from a specific
15 entity for some information from another entity. A Request for Offer has a different connotation, a Request for Offer, and as I've indicated in the definition creates an expectation and the output of the Request for Offer obviously will be a response where offers are made and the expectation then is that one of
20 those offers will be accepted and selected and that a contract will be placed, so a Request for Offer will become, will have to, a request for offer will have to be transmitted to industry prior to a contract being placed.

ADV SIBEKO: You may proceed to deal with the planning
25 phase.

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CAPT (SAN) JORDAN: Chair, now with that life cycle diagram in mind we can now start drilling into the various phases, the first phase that we need to deal with is the planning phase and as I've indicated before is based on South Africa's national strategy in our case, it's based on the national goals, it's based on the national aspirations, it's based on the underlying policy principles contained in our policies, a national intelligence evaluation is done, it's based on Government guidelines and any other relevant inputs. Based on all of this a military strategic evaluation is carried out annually resulting in the SADF and now the SANDF's departmental strategy.

Next slide. From this strategy a strategic plan is derived stating objectives, guidelines and policy serving as an input for the SADF's Force Design, this in turn leads to the establishment of the four structure plans of the arms of the service, its staff divisions and the support services. Together all these separate four structure plans make up the SADF's four structure plan. The acquisition phase is subdivided into a concept phase, a definition, development, manufacture and commissioning phases.

A need is determined by comparing the required capabilities with the existing capabilities, the difference, the delta forms the basis for the need, the concept of, and definition phases entail the transformation of a recognised need and for an improvement or expansion of, or replacement

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of an existing operational capability, or the addition of a new capability into a formal statement of requirements constituting the start of an orderly acquisition process. The SADF is responsible for the execution of these phases, they lead these 5 phases with the necessary inputs from ARMSCOR and the industry.

The result of these phases is a formal statement of requirements of standardised format, and I've already alluded to that standardised format with which ARMSCOR may be 10 unambiguously tasked in a memorandum of agreement to initiate acquisition, the result is in the form of both a functional and a logistic statement of requirements. The purpose of the development, manufacturing and commissioning phases on user system level, this is now level 6 which I've 15 indicated on the hierarchy diagram is to acquire, in other words to develop or to procure in terms of the outputs of the previous phases Category 1 Matériel, which is military material, and related user system elements and then to make them available for operational use.

20 The primary execution of these phases in regards of product systems rests with ARMSCOR, with the SADF in participation. The SADF, however, remains responsible for the user system level activities, that's the level 6 activities in the hierarchy. The philosophy that is maintained through this is 25 that the Defence Force as user will determine its functional

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requirements independent of the system hierarchical level. ARMSCOR in cooperation with, and to the satisfaction of the user will run these projects whereby the agreed functional requirements can be met by material systems or items and can
5 be established according to the most cost effective acquisition procedures.

ADV SIBEKO: Now what is the impact of these individual phases that you are describing in your testimony to the actual acquisition process?

10 CAPT (SAN) JORDAN: Chair, the impact of these phases is the inherent risk management process that is built into the acquisition process in the sense that as we pass through these phases, and I will demonstrate it later how we gain knowledge during these phases and we may gain knowledge in terms of
15 physical, technical knowledge but also knowledge in terms of the financial implications, the life cycle implications, the technical implications and other implications.

Now at any point when it is established that those implications are unaffordable to the Department, then the
20 project can be stopped, terminated at any one of those phases, so if in the process of defining the Staff Requirement we realise that this project that is being defined or the requirements are being stated is impossible to achieve we can stop the programme right there without expending undue funds.

25 If it still looks achievable and we continue through

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the process and we conduct the project study report, and again we find that there is undue risk the programme can be stopped at a later stage and it can be stopped as late as prior to the final contracting for the main products, so the acquisition process is a risk management process which allows the programme to continue through phases of definition gaining more knowledge with respect to the technical, financial and other risks associated with this programme and when these risks becomes unbearable or otherwise unaffordable the programme can be terminated early without expending unnecessary expenditure, that's what it's aimed at.

ADV SIBEKO: Now in this entire process and prior to the acquisition process being handed over to ARMSCOR we've seen at the various stages where you have referred to matters such as a Staff Target, the Staff Requirements and the acquisition plans, at what stage are those documents furnished to ARMSCOR to proceed with the acquisition?

CAPT (SAN) JORDAN: Chair, we have a number of documents that is associated with this process and starting with a Required Operation Capability document, I have indicated, it is not indicated on that slide, I have indicated that the Required Operational Capability is an internal document, it will be furnished to ARMSCOR on request should they so desire, the Staff Target which is the project decision is a document that is approved that the Department or the SANDF then uses to start

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developing the Staff Requirement.

Once the Staff Requirement is approved that Staff Requirement will be handed over to ARMSCOR formally with a request for ARMSCOR then to continue the process because at that point, up to that point of the approval of the Staff Requirement the DOD, SANDF leads the process, from that point onwards ARMSCOR starts leading the process. So, it is common practice that the Staff Requirement would be handed over to ARMSCOR to, because that's the document against which they must satisfy the requirement. If they so require of the Staff Target, which is part of the baseline, is also handed over to ARMSCOR.

ADV SIBEKO: What is the significance of the Staff Target in the acquisition process?

CAPT (SAN) JORDAN: Chair, the significance of the Staff Target in the acquisition process is as follows; prior to the Staff Target the project does not exist, it exists in terms of planning but there is no authority for the project to exist and there is no authority to expenditure funds, so the significance of the Staff Target, and that is why the Staff Target is generally approved at a higher level, is that the Staff Target constitutes the project decision. Once the Staff Target is approved we have a project, prior to the Staff Target approval we do not have a project.

With the Staff Target approval comes the approval

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to appoint a project officer. Prior to that there is no approval to appoint a project officer and individuals from the arms of the service is used to create the ROC and is then used to create the Staff Target and it will generally be the individual that is
5 designated to become the project officer once the Staff Target is approved.

ADV SIBEKO: Now having listened to what you've just said, is it fair to infer that without a Staff Target a project cannot be, an acquisition project cannot be embarked upon?

10 CAPT (SAN) JORDAN: Chair, the policy clearly states that the Staff Target is a non-negotiable document, in other words a project should not exist without the existence of an approved Staff Target.

15 ADV SIBEKO: Thank you. That would have been the acquisition phase now, it goes to ARMSCOR and ARMSCOR does with the project what it is required to do. I stopped you to call at the point where you were at slide 50, 56 I beg your pardon. You may proceed with the slides.

20 CAPT (SAN) JORDAN: Okay. Chair, the outputs of the acquisition phase in the form of user systems and/or combat groupings must thus comply with these required stated, or stated requirements. The operational phase follows the commissioning phase when material systems, fully integrated and supported are supplied and ready for operational
25 employment. The operational phase is characterised by

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5 maintenance and upgrading, modification activities during which material systems are managed in accordance with operational availability requirements and performance and we have seen a lot and heard a lot about that in earlier testimony by the Navy's representatives as well as the Air Force's representatives.

10 The purpose of this operational phase is to operationally employ the user system or combat grouping in terms of developed doctrines in accordance with and to the satisfaction of the stated requirements. The phase is concluded with the disposal phase at the end of the useful life of obsolete material systems. For detailed planning and controlling of the execution of projects a project team is compiled or compiled, this project team consists primarily of 15 the ARMSCOR or the arm of the service project officer as well as the ARMSCOR programme manager.

20 External to that the project team will also have on the contractor's side a contractor's programme manager. Suffice to say that these individuals don't operate on their own and that they have a structure under them which is staffed to assist them to achieve the objectives of the programme. The project officer in conjunction with the ARMSCOR programme manager is the project management of committee which is responsible for the day-to-day management and running of such 25 a project. The project officer's functions, I have been asked

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that question before, does the Commission wish me to deal with them in detail I can, if it's not required in detail we can skip this.

ADV SIBEKO: Thanks.

5 CAPT (SAN) JORDAN: So the project officer's function, he's responsible for carrying out a preliminary study and drawing up the Staff Target. At this stage he will still be the designated project officer and not the appointed one yet. By carrying out the function, he carries out the functional study in cooperation
10 with the ARMSCOR programme manager and other organisations, normally it's a team that is established to assist them to do this and they draw up the Staff Requirement for submission to the directorates.

They coordinate, project officers coordinate all user
15 system, that's level 6 and higher level activities as well as all the user system, product system, level 6 and level 5 on my hierarchy diagram on the inter-level activities. The project officer at the end is responsible for the handover of all project deliverables to the user system manager in the end. He
20 provides advice and guidance to the ARMSCOR programme manager on all relevant military aspects during the design and development of the product system, he determines the military requirements in regards of personnel, logistics and doctrine requirements for inclusion in the relevant documentation and is
25 responsible for the professional handing of all aspects

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regarding to project finances, logistics and operational activities insofar as it concerns the SA Defence Force.

ADV SIBEKO: While we hold on to that slide might I refer you to the earlier big bundle Jordaan-1 and then ask you to turn to page 134 of that document. You have that document in front of you?

CAPT (SAN) JORDAN: I have page 134 Chair.

ADV SIBEKO: You will recall earlier in your testimony that that document was identified for purposes of the record as the issue 1 of the VB1000 dated 11 February 1992. Now at page 134 you would see under paragraph 2.8 that that section deals with projects, do you see that?

CAPT (SAN) JORDAN: That is correct Chair.

ADV SIBEKO: Now if you turn the page you will see it also makes provision at 2.8.3 with management of projects, the control of projects, and at 2.8.3 .4 it makes reference to the project officer and later on further down on the page it makes provision for the project officer's primary functions, do you see that?

CAPT (SAN) JORDAN: That is correct Chair.

ADV SIBEKO: Would you confirm that the contents of the slide presentation that you made with regard to the project officer and his functions and what you have stated regarding the projects so far, this document and perhaps its later version Issue 2, would be the primary source of the evidence you have

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adduced up to this point?

CAPT (SAN) JORDAN: Chair that is correct, I have used the, for the purposes of this description of VB1000 Issue 2, as it was the document relevant at the time, I used that one would
5 see that there is no clear, there's no difference between the two really.

ADV SIBEKO: And we, you can confirm that Issue 2 that you are referring to one would find as from page 197 of that bundle.

CAPT (SAN) JORDAN: That is correct Chair.

10 ADV SIBEKO: Thank you Chair. You may proceed to your next slide.

CAPT (SAN) JORDAN: Chair, the ARMSCOR programme manager is the head of the Programme Office and so it was also in the SDP's. The Programme Office is the focal point for
15 administration and is responsible for the gathering and processing of all information regarding to the programme in order to make it available to ARMSCOR and the client or the arms of the service. The primary responsibilities are they have a responsibility with regards to the detailed design of the
20 product system, ensuring the integrity of the acquisition process and thus also the product/product system, they do the necessary liaison in the quality assurance field.

The next slide. The ARMSCOR programme manager is to ensure that the programme office is manned by competent
25 administrative and technical functionaries. The ARMSCOR

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programme manager will recommend the termination of the programme or alternative solutions if objectives cannot be met, again we can see that the risk management process kick in, the ARMSCOR programme manager is responsible for making higher management levels as well as the client, i.e. the project officer in this case aware in good time of the fact that there are, or could be deviations in the programme's technical performance, cost or schedule constraints.

So, his job is to protect the client's interests, however, this may cause conflict between the responsibility to the client on the one side in terms of his task and his responsibility to ARMSCOR on the other side as his employer.

ADV SIBEKO: Before you deal with the functions of the programme manager might I ask you to once again refer to the bundle that you had in front of you, Jordaan-1 and turn to page 213. That would, you would confirm that is the 2nd Edition of the VB1000 that you have testified about?

CAPT (SAN) JORDAN: Chair, that is correct.

ADV SIBEKO: Now alongside paragraph 8.3.5 on page 213 a provision is made also for the ARMSCOR project manager, his appointment further down, his primary responsibilities and functions, would you confirm that?

CAPT (SAN) JORDAN: I confirm that Chair.

ADV SIBEKO: Now the information contained in these slides that you are going to refer to shortly, will you confirm that it is

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extracted from that document?

CAPT (SAN) JORDAN: The information in these slides is extracted for the purposes of this testimony from that document.

5 ADV SIBEKO: You may proceed with your testimony then.

CAPT (SAN) JORDAN: The ARMSCOR programme manager is further responsible for the execution of the ... That one I have indicated.

10 *“Providing the client of the arm of the service with proof that stated requirements are being met. He serves as a primary point of contact with the client, top management other personnel as well as with the main contractor’s top management and personnel”.*

15 So what this indicates is that normally from the SADF side we do not speak directly to the contractors, we speak to the contractors through the ARMSCOR programme manager.

20 *“He is responsible for complying with ARMSCOR organisational budget and cash flow objectives in regards of the projects for which the programme manager is responsible. He is also responsible for making and enforcing the necessary decisions to ensure that the programme objectives are achieved”.*

25 Now if we move in on to the next section, the discussion of the flow of project documentation:

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5 *“Project documentation can briefly be divided into
two broad categories; firstly administrative or
management documentation and secondly technical
or engineering documentation. Documentation such
budgeting, financial documents, staff documents,
project study reports, development plans,
acquisition plans, employment doctrine et cetera
are classified as administrative documents for the
purposes of this policy. Project documentation such
10 as specifications, design reviews, simulation
reports, technical manuals and so forth however,
are classified as technical documentation”.*

“Accountability”, that means:

15 *“The authority as well as the responsibility for
compiling and handling of administrative
documentation rests with the user in the form
generally of the project officer. The technical
documentation requirements are usually contracted
out to ARMSCOR and to the industry and on
20 completion this is attached as part of the
administrative documentation or is referred to
therein. The flow of project administrative
documentation coincides with the process and may
be depicted by a diagram”.*

25 Now Chair, if you will I have highlighted and I’ve pointed out

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that there is a diagram and this diagram describes the process at large and in the previous diagrams you will see that each of these will have featured earlier in earlier diagrams, so one can see firstly that it is an integrated process, it starts off with
5 establishing the required operational capability in the SANDF, it signifies a priority decision, on completion of that a preliminary study is done, the output of which is a Staff Target which represents the project decision. Once that Staff Target is approved a functional study is executed ...

10 Now I must just while I'm doing this indicate the complexities and the times associated with this. A required operational capability is written at a very high level, it can take quite a bit of time to write because we're dealing with very high level capability concepts. A preliminary study generally is
15 done internally and in order to produce a Staff Target could take anywhere from two weeks to three months to, if it becomes very complex it can take up to a year to produce that.

The reason why it takes so long is that the statements, although they may appear to be simple statements
20 have far-reaching implications down the line and we will see as I move through the process in my description. To execute a functional study is a complex task, it is an integrated task which reflects on the functional requirements of the product to be, or the system to be established as well logistic
25 requirements of that product to be established, it needs to take

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into account the existing capabilities within the SADF and it all needs to be integrated, so it becomes an iterative process and anything that you change anywhere in one part of the document reflects in a lot of other places and that integration has to be done. Consequently a functional study can take quite a long time to do. In general for a relatively medium sized project the functional study could take 12 months to 18 months. For very large, very complex projects that could take much longer.

Once the Staff Requirement is defined it signifies the concept decision, it states the arm of the service requirements in functional terms and in logistic terms. A project study is now executed. The purpose of this project study is to derive or to make the make or buy decision, in essence it's not really only a make or buy decision because there are four options associated with that, the first option that needs to be considered is the option of do nothing, but when it is decided or if it is decided to do nothing about the situation one must clearly understand the consequences of doing nothing and that consequences must be understood in terms of risk, in terms of the capability, it must be understood in terms of long term costs *et cetera*.

The second option that is available in this project study is to upgrade the existing system. Now when one decides to upgrade an existing system it is understood and it must be understood that that existing system by the time that

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an acquisition project is launched, is at or near the end of its operational or useful life, so doing an upgrade will cost money, it will take time and there will be consequences, there will be consequences in terms of the life cycle of that product and an
5 upgrade may not necessarily be the best solution.

The next possibility is to develop a new system from scratch, if a development decision is taken it has consequences, it has far-reaching consequences and it carries with it significant risk, particularly in terms of development of
10 technology, it carries cost risk and it carries timescale risk because when one embarks on a development process we are now dealing with significant unknowns and those unknowns will only become clear as the development process progresses.

The last option available is the buy decision and
15 that means to buy the product off the shelf and if we can see now from out of that project study report once it's approved there's two lines emanating, a red line and a blue line, the blue line signifies the development route with it carrying significant risk, cost, time scales and technical risk. The buy decision
20 would follow the red line and consequently that whole development phase will be bypassed and the programme can enter directly into an acquisition study. Acquisition means that we could buy military off-the-shelf equipment and where necessary that equipment may need to be modified to satisfy
25 the requirement as it was stated in the Staff Requirement. This

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is a shorter route, it is a much more risk free route and generally a more cost-effective route.

Now why would there be a development route? There are some cases where an arm of service could prefer not to buy a product that's available on the market for security reasons and the easiest example that comes to mind is when one deals in electronic warfare systems, generally throughout the world they are extremely sensitive systems that are kept very secret and one would generally not like to buy electronic warfare systems on the open market, it is generally preferable, if it's cost effective to develop your own systems because you don't want to deal, share the technical expertise of those systems in the open market.

That was particularly true in the pre-democratic dispensation era, in this modern post-democratic, post-civil control era that we live in nowadays it is generally more preferable to follow the red route, to do the acquisition, on completion of the acquisition study you will have a selection of products that can be evaluated and after that evaluation an acquisition can be entered into.

Prior to completing the writing of an acquisition plan it is generally necessary to go out on a Request for Offer, to get the offers, evaluate them and get an authority for a contract or a final negotiation with a specific contractor. Once this is done a contract can be negotiated and the final details

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of the acquisition plan can be put into place, that acquisition plan can then be formulated and is submitted for approval. Again this acquisition plan is a non-negotiable document in the sense that once the acquisition plan is approved the great, the
5 expenditure of the great bulk of finances is then approved.

Once the acquisition plan is approved the contract is normally placed and the required system is then built or produced, delivered. After sufficient testing and acceptance it is commissioned and once it is commissioned and
10 operational within the operational domain the project may be closed by means of a project closure report.

Now just to bring the timeframes into context I indicated that the functional study and the Staff Requirement can take 12 months to 18 months, in some cases even longer to
15 put into place. A project study will generally take 18 months and longer to execute, depending whether it is going to become a development programme or else a direct acquisition programme. If development is going to be associated that project study could take even much longer to complete because
20 it becomes much more complex.

An acquisition study for smaller projects can take quite quick, it can take three to six months to continue or to complete whereas for large complicated projects acquisition studies can take a significant amount of time to complete
25 because of the amount of, or the number of factors that has to

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be taken into account and of course if an RFO has gone out and offers have been received, if only two offers are received one can perceive that an acquisition study can be conducted quite quickly. If 30 offers are received each and every one of those offers needs to be evaluated and considered and one can then appreciate that it will take a considerable amount of time to appreciate and evaluate everything that has been offered.

So, what I would like to indicate to the Commission that this process from its start to its finish, is a very complete but a very complex process and this process being based on the systems engineering process which is aimed at dealing with all the facets of that product is a complex process and consumes time. One can do it quickly but then you run the risk of running foul of not dealing with some of the facets for which the price will be paid later on.

ADV SIBEKO: Now Captain are you able having broken down these timelines in respect of the individual phases as depicted in that slide how long in general it would take for a project such as the acquisition of a submarine would take, all of the different timespans put together?

CAPT (SAN) JORDAN: Chair that is a good example to be used. The idea of acquiring a new submarine for the Navy has emerged in the early 1990's and the conceptual planning in terms of the Defence Force's capital acquisition master plan at the time was starting to be done as early as 1992 if I remember

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correctly. That does not mean that there is lots of activity, it means that funds, future funds, funds that don't exist yet, it's not a budget yet, is allocated on a 20 year schedule which covers all the future activities in terms of programmes or projects. A programme like that and this specific submarine programme that I dealt with was kicked off around about 1996 when the British Government came and offered the Upholder submarines to the Navy.

Now from there today is 2013, so we are talking 1996 to 2006, so it's 10 years and we're another seven years later and I'm now heading towards the closing stages of that project, so we can see that a programme like this takes time. The development programmes that I've dealt with, the first submarine upgrade programme took in the order of 12 to 13 years, the second programme that we dealt with also took in the order of 12 to 13 years. For other more sophisticated, larger programmes they will take even longer, it is not uncommon, specifically in the United States for programmes to run over an even longer period. These programmes are complex, they do take a long time and if you rush them then you run the risk of making a big mistake.

ADV SIBEKO: Now later on in the slides you give greater details of all of the documents you have described in this slide, starting with the confidence and knowledge building process that is acquired during each of the stages that you have

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depicted on that slide, is that correct?

CAPT (SAN) JORDAN: That is correct Chair.

ADV SIBEKO: I see that you have in the process of explaining
this slide dealt with some of the documents that would be
5 required for purposes of an acquisition process right?

CAPT (SAN) JORDAN: That is correct Chair.

ADV SIBEKO: We will, when we commence with, or continue
with your testimony tomorrow morning get in much greater
depth to all of these documents so that we explain what impact
10 each one of them has to the acquisition process. Will you be
comfortable with that?

CAPT (SAN) JORDAN: I'm comfortable with that Chair.

ADV SIBEKO: Chair, we are at the realm of dealing with the
in-depth analysis of all of those documents which would take us
15 much longer than the five minutes that is left for the day.
Would this be a convenient time to take the adjournment?

CHAIRPERSON: Captain we are going to adjourn until
tomorrow morning and you are still expected to be here
tomorrow morning at 09h30 to give evidence.

20 CAPT (SAN) JORDAN: Confirmed Chair.

CHAIRPERSON: Thank you. We'll adjourn.

(COMMISSION ADJOURNS)

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