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

MR GRIESEL: I do.

CHAIRPERSON: Thank you.

5 ADV SELLO: Thank you Chair. Good morning Mr Griesel and welcome back. Could you take us to the last slide we were on when we adjourned yesterday.

MR GRIESEL: Can you help me, which one was it?

10 ADV SELLO: Okay, I'll try. At slide 46 you have the structure of the SOFCOM.

CHAIRPERSON: Page 46 or slide 46?

ADV SELLO: Page 46, my apologies. We had dealt with the slide.

MR GRIESEL: Yes.

15 ADV SELLO: And we had dealt with slide 47 and if my note is correct you had explained that the three month period with reference to the existence of SOFCOM was from the 7th of April 1998 to the 2nd of July 1998, is that correct?

MR GRIESEL: That's correct.

20 ADV SELLO: And then if my notes are correct we had dealt with the rest of the issues raised in this slide. The next slide would then be slide 48 and we take it from there this morning.

25 MR GRIESEL: Thank you Commissioner, good morning. As was mentioned yesterday I indicated the composition of the

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SOFCOM, the members of the SOFCOM and we started with the evaluation of the seven projects for which the SOFCOM was responsible for the consolidation of all the results emanating from the respective project teams. If I may start this morning
5 by indicating that the, just reiterating that the SOFCOM met approximately every two weeks, most of the time performing functions of reviewing and monitoring the progress and they were primarily concerned to ensure that there was consistency and alignment in approach over the seven project teams,
10 especially in the light of the fact that DIP, NIP and Finance project teams straddled the seven projects. The constitution of the SOFCOM which we discussed yesterday does not provide for decision making authority in respect of any matters ...

ADV SELLO: I'm sorry to interrupt you Mr Griesel, I
15 think your voice is not carrying through the auditorium, I know the mic's are very sensitive so we have to get the angle right, but if you could try speaking into the mic thanks.

MR GRIESEL: The constitution of the SOFCOM did not provide for decision making authority in respect of any matters
20 that would materially affect the evaluation as it pertains to the selection of preferred bidders. The SOFCOM was entitled to submit recommendations to the Council of Defence. The Council of Defence, if I may remind the Commission is the Council which is chaired by the Minister of Defence. The
25 Minister of Defence had appointed this, had approved this

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deviation from the standard ARMSCOR procurement procedures through the appropriate structures and I refer back to the Ministerial Directive 1/147 which provided for the three levels of evaluation, the first, second and third order of evaluation where the second order evaluation is construed to be this evaluation which eventually was done by the SOFCOM.

ADV SELLO: Before you get off this slide Mr Griesel just explain a few things to the Commission with your first point which states that SOFCOM did not have decision making powers that would materially affect the evaluation, could you please expand on that and explain what decisions materially affect the evaluations.

MR GRIESEL: The SOFCOM's responsibility was primarily to develop the second order value system as is contemplated in the Ministerial Directive and the SOFCOM eventually could then only be responsible to do, to perform the consolidation of the various inputs from the respective project teams in accordance with the evaluation formula as developed. The SOFCOM could not change any of the results, the SOFCOM could not make alternative decisions, the SOFCOM purely had a responsibility or a mandate to perform the second level evaluation, they could not change any of the recommendations of the project teams.

ADV SELLO: And secondly on the last point you mentioned that the Ministry of Defence had approved this

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deviation from the standard ARMSCOR procurement procedures, could you explain to us when and in what manner such approval was granted.

MR GRIESEL: The Ministerial Directive that I mentioned earlier provided for three levels or three orders as stated in the Ministerial Directive of evaluation that would take place and the value systems that should be compiled. In terms of the standard ARMSCOR practice relating to the compilation of value systems and the evaluation of offers, APROC-097 which I referred to yesterday, that does not provide for anybody outside of ARMSCOR and for any other higher level value systems to be utilised. So, the Ministerial Directive mandated the second or the first, second order value systems which would normally fall outside the scope of the ARMSCOR practices and policies.

ADV SELLO: Now with reference to that Directive, did it alter the position as you state in your bullet point 1 in that did it confer a decision making power on SOFCOM to make decisions that would materially affect the evaluation?

MR GRIESEL: No Commissioner it didn't, the Ministerial Directive mandated a first and second order value system to be developed, the Ministerial Directive does not specifically refer to SOFCOM as a body, it refers to an interdepartmental management committee which was subsequently constituted and became known as the SOFCOM as a strategic office committee.

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The Ministerial Directive does state in the first paragraph that these deviations would apply only to the international government-to-government offers and it does mandate a deviation but only for that.

5 ADV SELLO: Thank you Mr Griesel, you may continue with your presentation.

MR GRIESEL: Chair, the SOFCOM continued to formally function as a committee until the recommendations of the preferred bidders were presented to the AASB, the Arms
10 Acquisition Steering Board on the 8th of July 1998, albeit never formally dissolved that was just the last meeting of the SOFCOM.

ADV SELLO: If I may just interject could you say something about the AASB and its composition and its functions
15 and in doing so I would like you to have reference to a document which Chair, we would like to introduce, it's not part of the witness's bundle, it is the MODAC report which was submitted to, which was admitted to the Commission through the evidence of Captain Jordaan, we have taken the liberty of
20 making copies of the relevant pages we want to refer to and these have been placed before the commissioners and in quotation files Chair. The front page of that should read "The MODAC Investigation of Technology and Armament Acquisition".

Similar copies have been made available to the
25 witness and to the witness's legal team, we have for purposes

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of his evidence made copies of the first two pages of that report which include the signature of the then-Minister of Defence Mr Joe Modise and pages 38 to 44, typed pages 38 to 44 of that report. Mr Griesel, you have these extracts as I've described in front of you, don't you?

MR GRIESEL: I do.

ADV SELLO: For your benefit Captain Jordaan introduced this document to the Commission and read from some parts as he was directed. I will read a portion he read into the record just to save time. At page, typed page 2 of that document which has got the heading "Foreword", in the third paragraph thereof the following is noted, and I read"

"The workgroup conducted the investigation in three phases and produced the reports contained in this document. These were presented to the Steering Committee and approved as departmental policies".

I'm reading the last three lines of paragraph 3 of that page, do you see that?

MR GRIESEL: Yes.

ADV SELLO: As we know ...

CHAIRPERSON: We are getting a bit lost.

ADV SELLO: Chair I'll try again, at page 2 of the document that I had just introduced, I'm reading at the second page under the heading "Foreword" which is typed page 2. At that page paragraph 3 thereof the third, the three last lines of

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paragraph 3, that is the section I have just read into the record. And so Mr Griesel through that we understand that MODAC was approved as departmental policy.

MR GRIESEL: Correct.

5 ADV SELLO: And this was signed off by the then-Minister Joe Modise on the 8th of August 1996.

MR GRIESEL: That's correct.

ADV SELLO: Please turn to what would be the third page of that document, it's numbered typed page 38 and it's
10 got as a heading Appendix "C" "Constitutions of Armaments Acquisition Council (AAC), Armaments Acquisition Steering Board (ASB) and Armament Acquisition Control Board (AACB)", do you see where I'm reading from?

MR GRIESEL: I do.

15 ADV SELLO: Getting back to your slide then you mentioned in point 1 that:

"The recommendation of preferred bidders was presented to the ASB on that date, 8th July 1998".

Could you explain to the Commission firstly the composition of
20 the AAC, sorry, the composition of ASB, I beg your pardon, which will be at typed page 40 under the heading "Constitution Armament Acquisition Steering Board", if you could briefly explain or describe that board to the Commission with specific reference to the role of ARMSCOR within that board.

25 MR GRIESEL: Chair the, if I may just, if the Commission

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would indulge me, prior to 1994 there was no Secretariat for Defence, no civil oversight, it was as far as the acquisition function was concerned ARMSCOR and the SADF were responsible and had respective roles in the acquisition function as is described in the VB-1000 document. Post 1994 the Secretariat for Defence was introduced into the Department of Defence to provide civil oversight, civil control and the acquisition function then resorted under the Secretariat for Defence and this is what the MODAC-1 document was about. It brought about the acquisition function within the Secretariat for Defence, subsequently known as the Defence Acquisition and Procurement Division with the Chief of Acquisition heading up that division.

Also as part of the MODAC investigation and MODAC recommendations new approval structures had to be brought into the Ministry of Defence or the Department of Defence within this Secretariat for Defence environment. Those structures replaced the existing structures as depicted in VB-1000 which were SADF structures, all structures within the SADF environment and chaired by SADF personnel, except for the higher structure which was chaired by the Minister of Defence, so the MODAC documents then introduced the Armaments Acquisition Control Board, the Armaments Acquisition Steering Board and the Armaments Acquisition Council as the new approval forums within the Department of

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Defence.

In response to the question as to what the composition of the AASB, I think the AASB's chairman would be the Secretary for Defence. The Secretariat for Defence would be represented by the Deputy Director-General Defence Policy, Programme and Budgeting, and the Deputy Director-General of Finance and Administration, also the National Defence Force would be represented by the Chief of Staff Logistics and the Chief of Staff Finance and ARMSCOR would be represented by the managing director of ARMSCOR plus two general managers. And then there would also be a Secretariat or the secretariat services provided by Director Logistic Policy, and that would be the composition of the AASB.

ADV SELLO: Thank you. So ARMSCOR was an integral part of the ASB to which SOFCOM presented the preferred bidders on the 8th of July 1998.

MR GRIESEL: ARMSCOR in terms of the constitution of the AASB is represented on the AASB, that's correct.

ADV SELLO: Thank you. If you turned further to page 42, typed 42 of that document, heading number 3 under "Verbal Presentations", are we there?

MR GRIESEL: Yes, I am.

ADV SELLO: Please read into the record what is stated under "Verbal Presentations".

MR GRIESEL: On page 42 under the heading "Verbal

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Presentations” it’s stated:

“With prior notes to the secretary submissions can be supported by verbal presentation by the programme team, the chairperson will rule whether a verbal presentation is required or not”.

5

ADV SELLO: Now just to confirm, in terms of what you have just read SOFCOM would then make submissions to the AASB and are those submissions available for the Commission to consider?

10

MR GRIESEL: My understanding of that heading “Verbal Presentations” does not specifically address SOFCOM, it addresses presentations to the AASB in the normal course of the responsibilities or duties of the AASB and those would typically be the project master documentation as I indicated earlier on where those project master documentation has to be presented to the AASB, being Staff Target, (indistinct) report, acquisition plan for recommendation to AAC, or for approval if it’s not part of the programme, so those are typically the documents which would be presented to the AASB, either for approval or for recommendation, and the Constitution provides for in addition to written submissions with the project documentation, of the project documentation that presentation can also be made.

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ADV SELLO: Thank you for that explanation. In the light of the explanation you have just given please explain what

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presentations and recommendations were presented by SOFCOM to AASB on the 8th of July 1998 and in terms of what authorising document such presentation was made.

MR GRIESEL: The presentations, and I cannot you know, vouch that there was any written submission to this effect but there were presentations made by the Chief of Acquisition of the DOD to the SOFCOM and he presented to the SOFCOM the final evaluation results of the consolidation that had been performed by the SOFCOM indicating the preferred bidders for each of the seven project types.

With regards to the mandate of the SOFCOM to present to the AASB as I have stated earlier on it is the approval of preferred bidders and the approval of contracts is in the normal course of its duties strictly an ARMSCOR Tender Board function or a responsibility to approve, and in the case of the SDP's there were deviations from the normal process as prescribed and in terms of the normal delegations and I have already alluded to some of the reasons why the ARMSCOR board would not be in a position to approve the individual contracts for the SDP's.

ADV SELLO: Thank you. I would ask you to go one page back to typed page 41 under the heading "Functions" and to the extent that you can please, I would like you to read function, what's listed at function 2 and to the extent that you can, to please explain what exactly that function means to the

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Commission.

MR GRIESEL: Ma'am, are you referring to subparagraph (2) under the heading "Functions" which states that one of the functions of the AASB would be to screen programme submissions to the AAC. If I can remind the Commission of the diagram that I indicated of all the milestone documents which are submitted to the respective DOD forums and I believe that Captain Jordaan did also indicate the diagram indicating which of these milestone documents need to be recommended and which can be approved by which forums or which one of these three forums, depending on the, whether it's a cardinal or non-cardinal programme and depending on which document it is, so one of the functions of the AASB would be to recommend those milestone documents to the AAC which need to be approved by the AAC, for example the Staff Target and staff, the acquisition plan for cardinal programmes would need to be approved by the AAC and in terms of the policy those documents would find its way to the AAC from the AASB who would recommend to the, from AABC who would recommend to AASB and in turn who would recommend to the AAC for final approval.

ADV SELLO: Thank you Mr Griesel, you may continue with your presentation.

MR GRIESEL: Chair, the SOFCOM was responsible for developing the second order evaluation value system which was eventually to be used in the consolidation of the evaluation

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results from the respective teams and if I may just refer the Commission again to the Ministerial Directive this second order value system would be the value system contemplated in the Ministerial Directive and also identified as the second order value system.

This value system or the intention of this value system was to consolidate the results from the respective project teams being a technical project team for each of the programmes who evaluated the performance or offered performance of the respective offers against the previously approved value systems, the two industrial participation teams being the Defence Industrial Participation and the National Participation Teams who evaluated their respective parts of the offer in accordance with previously approved value systems and arrived at a point score emanating from the evaluation and then also the financing teams which, or team which evaluated the financing offers from each of the respective bidders. Those different evaluation results had to be consolidated in order to arrive at a final value per bidder and which would then eventually be used to determine a preferred bidder.

The formula that was used as previously indicated already is best value and best value would indicate the value derived from the consolidation of the different offers, would be a summation of the military value plus the industrial participation value and the financing value, so those three

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elements would then be added together and would carry equal weight to arrive at a best value figure. In that formula best figure or "BV" would best value and that best value would be the summation of the three. Military value would be the
5 Military Performance Index which is the outcome of the evaluation of the technical performance offered by the different offerers, divided by the offered cost, programme cost, not the financing cost, I mean the programme cost, the industrial participation value index and I would explain that later on is a
10 combination of both the Defence Industrial Participation and the National Industrial Participation, the DIP and the NIP indices and then a financing index, those three are added together, but I will explain in what manner that was done.

ADV SELLO: Before you go to the next slide while we
15 are still on slide 49, if we understand you correctly best value for each offer must be determined and that determination is based on the formula that you have provided.

MR GRIESEL: That's correct.

ADV SELLO: I'm going to ask you to please turn to
20 Griesel-1, volume Griesel-1 and page 131 thereof. That particular document starts at page 108. Have you located page 108 Mr Griesel? Handwritten 108 at the top right corner, you should have a page, a page number.

MR GRIESEL: 108 yes, yes.

25 ADV SELLO: 108. Could you identify this document for

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record purposes?

MR GRIESEL: This document starting on page 108 is an internal audit report compiled by ARMSCOR internal auditors with the title "Audit Reports Foreign Package Proposals".

5 ADV SELLO: Thank you. Now could you turn to page handwritten 131 of that document? If you go a page back at 130 the main heading is, paragraph 3.4 "Submarines" at the top left corner. Now at 131 sub-subparagraph 3.4.1.4 under "Observations", please read what's stated there into the record.

10 MR GRIESEL: The paragraph (3.4.1.4) under "Observations" reads:

15 *"The evaluation results for the Military Performance Index given in paragraph 16 of the report could not be substantiated by either the Quality Engineering or the Internal Audit members of the team doing the audit based on supporting data given in the respect".*

ADV SELLO: Thank you. Could you explain for us, or explain to us what that particular observation means?

20 MR GRIESEL: I would need to make suppositions if I had to explain what that means, from what I can read from the document it seems that the audit teams could not find sufficient information to independently verify the results of the Military Performance Index but that is just my understanding of it.

25 ADV SELLO: And based on the formula you have put up

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in instances where the Military Performance Index cannot be determined what impact does that have, if any, on the determination of best value?

5 MR GRIESEL: The Military performance figure would have a significant impact on the best value result in the sense that military performance combined with the cost gives you military value and that weighs 1/3 of the total figure or point which would be allocated to the respective offerers.

10 ADV SELLO: Thank you. You may continue with your presentation.

MR GRIESEL: Chair if I may just on the same document just the next paragraph actually indicate that this figure was a cause for concern but it was later on or subsequently verified again and it was found that there was a \$1 million difference and that this would not influence the final result of the evaluation, just as a point.

20 ADV SELLO: Thank you for pointing that out to us Mr Griesel. I see it makes reference to Mr JG Grobler who suggests that this verification was done and the contents of what you have just pointed out will be taken up with him because if I understand correctly we do not have the documentation before us today to verify that this verification in fact did take place.

25 MR GRIESEL: If I may continue. Chair, before I continue with the actual description of the formulas used I would like to

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educate the respective project teams who were responsible for the evaluation of the different categories in the offers. The received proposals were evaluated by 12 project teams, those being seven programme related teams for the technical appraisal comprising members from the respective arms of service, ARMSCOR and the Defence Secretariat, so there were seven programmes and each of those programmes had a unique value system and a project team which evaluated the received offers or that category of the received offers against those previously approved value systems.

There was one national industrial participation team for the appraisal comprising members from DTI, there were three defence industrial participation teams for the defence industrial participation appraisal comprising members from ARMSCOR, the SANDF and the Defence Secretariat, and then there was one financial team for the financing appraisal comprising members from ARMSCOR, Defence Secretariat, South African National Defence Force, Department of Finance and financial institutions.

And if I may just remind the Commission again that when we solicited RFO's, Request for Offer from the shortlisted bidders it was indicated that the offers should comprise the four sections being the technical section indicating to what extent they met the technical requirements, the two industrial participation sections dealing with defence industrial

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participation and national industrial participation, and then they also had to provide then their offers, indications of financing benefits that could accrue to South Africa, in other words what financing options would be available to finance
5 each of these respective types of equipment that they are offering.

ADV SELLO: Before you look at the individual teams could you explain how the one NIP team and the one finance team operated or related to the seven individual programme
10 related teams?

MR GRIESEL: Chair, if I understand the question correctly the seven technical teams for the seven different products, each of those product types had a unique value system pertaining specifically to the requirements for each of
15 those product types. As far as the NIP, DIP and the financing was concerned it was a standard value system because those value system were not affected by the type of equipment, so it was a single value system that was used and there were in the case of the financing side one team which evaluated the
20 financing offers from all of those, the prospective bidders or bidders and the NIP and DIP teams evaluated against the same value system if that is what the question was.

ADV SELLO: Yes it was, and thank you.

MR GRIESEL: Chair, I will now indicate the composition
25 of each of the teams that evaluated each of the seven

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programmes and the Commission will see that as far as the financing team is concerned, and I think to a large extent the NIP team those were the same people evaluating each of these programmes, and may I just ask the Commissioner would you like me to read each one of those names or should I just allow the Commission time to look at each of these slides because I've got seven slides with the composition of each of those teams.

CHAIRPERSON: It seems we have got all names written down here, we can have a look at the names at our own time, thank you.

ADV SELLO: Before you quickly scan through the other teams please remind the Commission what equipment the ALFA team was dealing with and do so in respect to each team, they tend to have names different from the actual equipment, so just for reminding purposes.

CHAIRPERSON: I'm sorry Advocate Sello, let me rephrase what I said to the witness. We do have the names here, we can go through them at our own time unless if at all there's a special reason why you want to mention anyone. Thank you.

MR GRIESEL: Chair I don't have a special reason, I just do not want to go through too quickly and not allow the Commission time to look at it. The ALFA team were responsible for the evaluation of the advanced light fighter aircraft and I must just point out to the Commission that in

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each of these slides the Commission will notice that under the heading of "Technical" there are two arms and this is just to indicate the personnel from the armed service, those would be the uniformed people from the Department of Defence or the SANDF, and then the members of, or the ARMSCOR representatives on the technical teams, and there would be the Defence Industrial Participation team, the National Industrial Participation teams and the Financing teams, so these were all the people that were responsible or involved with evaluation of the four different sections of the offer for the advanced light fighter aircraft.

The next one would be, and I must just mention again that these are in no specific order, well they are in a specific order, I ordered them alphabetically. The next one is the Corvette team, similar structure, just different people, the next being the LIFT team which is the Lead-in fighter trainer team, the next being the Light Utility Helicopter team, then the Main Battle Tank team and the Maritime Helicopter team and lastly the Submarine team.

ADV SELLO: If you could go a slide back on the Submarine team. When you introduced the teams you explained that as far as technical evaluation was concerned ARMSCOR and the arms of service DOD worked jointly to conduct that evaluation, is that correct?

MR GRIESEL: That's correct, they formed an integrated

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project team.

ADV SELLO: I would like to refer you to a document we have considered the internal audit report, that will be Griesel-1 page 130 and again it's under the heading 3.4 "Submarines", and in particular I would like you to have regard to sub-
5 subparagraph 3.4.1.2 again under "Observations", if you could read that particular observation into the record and explain what it means in the context of the role that was played by ARMSCOR and the arms of service on technical evaluation.

10 MR GRIESEL: Paragraph 3.4.1.2 and the heading "Observations" reads:

*"The methodology used during the evaluation is described adequately but the full composition of the team is not disclosed, nor are any details given with
15 regard to the actual overall scoring process. Though some more detail is given in the two supporting documents final scoring results are given for all factors in the evaluation criteria with brief explanatory notes. There is no evidence of
20 ARMSCOR involvement in the evaluation process given in this report through the supporting reports namely the Logistic Evaluation Report and the Product Evaluation Report do indicate ARMSCOR participation".*

25 ADV SELLO: And what we need clarification of as what

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does it mean that "there is no evidence of ARMSCOR's involvement in the evaluation process".

MR GRIESEL: Chair, this report relates to the evaluation reports which were submitted for each of the programmes and the normal expectation would be that the evaluation report would contain the names of all the members who participated in such a report. I can only assume, I have not seen the report, that that specific report did not contain necessarily the names of all the members of the evaluation teams, standard procedure would be that the report would indicate all the names. The fact that they are alluding to not being able to verify ARMSCOR's participation in this evaluation I again would have to give my interpretation of this, I'm sure this will be further elaborated by the respective programme managers who will still appear before this Commission, but I know that in the case of the Corvette team the evaluation report was signed by the SA Navy representative and not by the ARMSCOR programme manager as normally happened in terms of our normal processes, hence the observation that no proof could be found of ARMSCOR's participation.

ADV SELLO: Thank you Mr Griesel, we will take it up with the requisite team, this point, thank you. You may continue with your presentation.

MR GRIESEL: Thank you. Chair, just a word on the integrated project teams. The integrated project teams

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consisting of members from both ARMSCOR and the Department of Defence were established for each of the product systems and those other teams which I indicated to the Commission now. The appointment and the responsibilities of the members were in accordance with VB-1000, VB-1000 being the Acquisition Policy, the joint Acquisition Policy does provide for integrated project teams having to be formally appointed.

The integrated project teams were responsible for firstly preparation of the Request for Information and Request for Offer documentation based on the user requirement statements. They were responsible for development of the third order value system in terms of paragraph 15.c of the DOD Policy Directive 4/147. If I may remind the Commission that is the Ministerial Policy Directive which establishes the three order, or three orders of value system.

This one would be the lowest value system which would be the value systems which would evaluate the functionality of each of these product systems, the offers relating to industrial participation and also to the financing options. They were, the project teams were responsible for the adjudication of the received offers against the approved value systems and they were subsequent to the appointment of the preferred bidders responsible for negotiating the technical contents of the contracts and negotiating the supply terms which formed part of the (indistinct) agreements, and I will

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later on address the structure of the contracts, but the technical teams were responsible for negotiating the technical portion of the contracts, in other words what exactly the deliverables should be and according which specification they should be delivered.

I'll now continue with the offer evaluation consolidation and recommendation process and this is a very complex slide indicating how the second order evaluation was performed and how the best value figures were arrived at. The Commission will recall that there were the value systems pertaining to the technical performance evaluation for each of the programmes, there was a value system for the NIP, or the DIP, and also for the financing options, so what this diagram indicates is that there would be a Defence Industrial Participation offer and a Defence Industrial Participation value system.

The DIP evaluation teams, the three DIP evaluation teams would then evaluate the received Defence Industrial Participation offers against the Defence Industrial Participation value system. Similarly the NIP value or team would evaluate the NIP received offers against the NIP value system and there would be one team. Those two results per programme were then moderated by the Chief of Acquisition of the DOD and the Chief Director from the DTI and the reason for this moderation was firstly to ensure that there was no double accounting

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between the DIP and the NIP offers which were received because the evaluation were done by separate teams and this was to ensure that the same work was not offered under both DIP and NIP and that there would then be no double accounting there, so that moderation was done and then at the same time the two results from the per programme or per offerer from the DIP evaluation and the NIP evaluation were added together and that provided a moderated IP index.

On the technical evaluation there were technical teams per programme, there was a technical value system per programme and the intention of the technical value system was that the offered products could be evaluated against the functionality that was offered, in other words there were a large set of criteria per programme set which intended to measure all the important performance factors for each of those equipment types and the technical offers which were received were then evaluated by the respective technical evaluation teams against that approved value system.

The output of that evaluation would then be a Military Performance Index which would merge the performance figure, which would be the result of this evaluation against those criteria and as I explained yesterday for each of those criteria a point figure of merit would be allocated by the individual members of the evaluation panels depending on the extent to which the offered product met that specific criteria.

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5 A Military Performance Index or figure was then derived from that, that was divided by cost, by offer to price and that then yielded a Military Value Index. On the financing side a similar exercise there was a financing value system and each of the financing sections of the received offers were evaluated by the Financial Evaluation team and that yielded a Financing Index. Now I must just explain what this index means, because we at the end of the day have to add three groups of information which are dissimilar in a certain manner

10 the total score for each of these, or for each of these value systems, even within the technical value systems the total possible score differed from product to product and that score was dependent on the number of criteria which the value system contained because each of those criteria would be

15 scored, so the total possible score for each of those were different depending on the number of criteria, so one cannot just add the three raw scores because that would then give you a certain weighting depending on the total possible score which is not what the intention was.

20 So in order to allow those three different scores to be added they each had to be normalised and the process of normalisation entails allocating a 100 points to the offerer scoring the highest score and that would be done by just dividing that score by itself, multiplied by a 100 and each of

25 the other scores would be divided by the same number and

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multiplied by a 100 so in all cases the highest scoring offerer in each of those categories would receive a 100 points and the rest would then be relatively lower depending on what their scores were. So, this exercise yielded the NTIC's for the financing sections, military value sections and the industrial participation sections.

ADV SELLO: Before you go on to SOFCOM getting back to the issue of moderation on the DIP and NIP results could you for the benefit of the Commission explain how a double point or double scoring would possibly occur in that.

MR GRIESEL: The offerers had to submit proposals of what they would do in terms of their industrial participation obligation. The industrial participation obligations were that they had to offer at least defence industrial participation, I stand under correction, 50% of the total cost of price of their offer and then the national industrial participation 50%, so at least there had to be, I think a 100% industrial participation in terms of value.

So, they had to propose in their offers projects which they anticipated they would execute, projects in terms of investment or technology transfer or potential sales which they would initiate from local industry, so these were all offers on, or projects which they had to offer on how local industry could benefit. Now the difference between Defence Industrial Participation and National Industrial Participation is the

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Defence Industrial Participation projects offered had to be projects which would benefit the defence industry whereas the national participation projects would be projects outside of the defence industry and could be anything else.

5 There could be a grey area where they could have projects offered in the Defence Industrial Participation as well as in International Industrial Participation areas, so they would then effectively for one project get the same points twice and the moderation exercise was to ensure that in each of these
10 offers that there was no project which was offered in both areas and which scored points in both areas, that would constitute a double counting.

ADV SELLO: Thank you, you may continue.

MR GRIESEL: Commissioner the three indices as I
15 explained with the highest scoring offerer scoring a point of 100, those three indices were then added together and this happened on the 1st and 2nd of July, this was done by the SOFCOM where each of these project teams presented the results to the SOFCOM and the SOFCOM then did the scoring
20 by adding those scores together.

 That adding together of the three indices per offerer then yielded the best value figure for that offerer and that best value figure was then also normalised where the highest scoring offerer would receive a figure of 100. And the highest
25 scoring offerer after this consolidation would then be the

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preferred supplier in terms of the evaluation formula that was used by the SOFCOM. The results of these evaluations against the respective value systems and the subsequent moderation thereof to provide the normalisation thereof and adding
5 together those tables of the results per offerer indicating who is the offerer scoring the highest value was then presented by the Chief of Acquisition to the AASB, AASB in turn recommended that to the AAC, the Armaments Acquisition Council chaired by the Minister of Defence who in turn
10 recommended that to the Ministers Committee and I will indicate the names of the ..., I think I have, and then also eventually that recommendation was made to Cabinet who finally approved the preferred bidders for each of the types of equipment that was offered. May I continue?

15 ADV SELLO: The chairman I think would like to pose a question to you, just pause a second.

CHAIRPERSON: Can we go back to that previous slide. I wanted you to go back to the previous slide because our copies doesn't have the last two items which is the Ministers
20 Committee and the Cabinet on the right hand side, so (indistinct).

ADV SELLO: Chair that is correct, we apologise. The two blocks were added after copies had been made for the Commission and it was necessary to add them just to show the
25 completeness of the entire process, so we do apologise, we will

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update your files over the lunch break.

CHAIRPERSON: No it doesn't matter, we have made notes.
Thank you.

MR GRIESEL: Commissioner, I would like to now present
5 the final evaluation results as presented to the AASB for each
of the equipment types and these are the results that emanated
from the consolidation exercise that was performed by the
SOFCOM. I would just like to start, these tables are all in a
similar format, so I would just explain on the first table what
10 each of these columns mean, the first column would indicate
the offerer country, the company and the product which they
offered and these were all the shortlisted products per the
equipment type.

Then there was the offered programme cost which is
15 the cost that the offerer offered for the supply of the equipment
in accordance with the requirements as stated in the Request
for Offer. Then they also offered the financing cost for each of
those offers. The third column indicates a total cost, now this
total cost is not used in the evaluation formula but it was there
20 for purposes of providing information with regards to what the
total cost would be being the actual acquisition cost, the
programme cost plus the cost of financing the two together
would yield the actual cost, if that financing option was utilised
for that specific acquisition and the figure in brackets is just a
25 then-present value calculation that was done at the time

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against the 30.5%.

The Military Performance Index is, as I explained the previous slide, is the index which is derived from the evaluation against the technical value system, the final points that each of these bidders scored was then normalised where the highest scoring bidder then received a score of 100 and the others would then relatively, would then receive relatively lower scores depending on what their actual raw score was.

The Military Value Index is then derived by dividing the military performance score by the programme cost and normalising that to 100, so this would be the, effectively the value for money index. As I explained yesterday by evaluating the performance offered against the value system you get a performance score depending on to what extent the offer achieves or exceeds the required performance per category or per criteria and if you divide that by cost you then effectively get a value for money indication.

Similarly the IP value index was derived by dividing the, or by normalising the IP scores for each of the bidders by the highest score which gives the highest scoring offerer a score of 100. The third last column there "Military plus IP Index" again was not used in the evaluation but was there to indicate looking purely at military performance industrial participation who scored the highest without taking into consideration the financing offers.

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The Financing Index was then again derived from the evaluation of the financing offer against their value systems, again normalising it. Then the Best Value Index was obtained by adding the Military Value Index to the IP Value Index and the Financing Index. Those three, financing, IP value and military value were added together and again normalised and to 100, so the offerer receiving the highest score here of 100 would be the preferred bidder in terms of that evaluation process that was followed.

In this specific case of the advanced light fighter aircraft I can point out that both the (indistinct) of Germany, of the AT-2000 and the French Dassault company offering the Mirage 2000 did not offer any financing. One of the decisions of the SOFCOM was that companies who did not offer or did not comply to any one of these criteria would not be excluded but would be evaluated and the results would then be shown, so in this case those two companies received zero for the financing part as can be seen from the financing indices there, so they immediately lost before they even started at least 66% or 30% out of the total possible score because each of those weighed 1/3 of the total score. So, in the case of the advanced light fighter aircraft the preferred bidder was the SAAB JAS-39 offered by UK and Sweden.

In the case of the Corvette's there were five offers from four different offerers, as can be seen there the German

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frigate consortium offered two alternatives, the Meko 200 and the Meko A200 and for those two the IP and the financing offers were exactly the same but they did differ in functionalities, so they received different functional scores.

5 So the five bidders were then from the UK, the GEC F-3000, the Meko 200 and the Meko A200's from the German Frigate Consortium, the Lafayette (indistinct) patrol Corvette from France and the Bazán 590E from Spain, and in this case by adding those three indices together the highest scoring offerer
10 was the GFC Meko A200 scoring 100.

ADV SELLO: Before you move from that slide we note that the last listed there is Spain Bazán 590 and under "Military Value Index" it appears to have scored a 100. And if one has regard to the German Meko A200 it appears to have
15 scored under Military Value Index 91.9. Please explain therefore how the eventual best value results came out as they did which is to indicate that eventually the Meko A200 ended up with the best value, better value over the Spain Bazán.

MR GRIESEL: Yes Commissioner, the Military Value
20 Index, this one here where Bazán scored the highest is the result of the evaluation against the military performance, in other words the functionality evaluation against the value system divided by cost. The military value is determined by the Military Performance Index divided by the cost, so in the
25 case of Spain their equipment had a much higher *distribusie?*

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The cost of the Spanish offer was lower than that of the German offer and the lower the cost the higher the Military Value Index would be, so although the German frigates had a higher performance index due to the fact that the Spanish offer or the Spanish Corvette had a lower cost that yielded a higher military value because military value is always military performance divided by cost, so although they had a higher military value that counted a 1/3 of the total score.

The IP Value Index indicated there together with the Financing Index were responsible for the other 2/3's of the total score, so the way in which the Meko A200 could operate the highest best value score was because their IP Value Index was higher, was much higher than any of the others and because the normalised figures there indicate the difference it's not ranking, it's a difference depending on what the offers were, so if you had scored much higher than the other contenders in any one of those categories it could actually pull you up whereas you could have scored lower in both of the others, this is what happened in this case and it also happened in some of the other cases where one of the sections of the offer they scored much better than any of the others and that would then build them up in terms of the final score. I don't know if that was sufficient.

ADV SELLO: Maybe it was. Would it be fair to say to you then in order to properly understand how the Meko A200

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ended up ranked highest is an issue that will be explained by the industrial participation scoring and the financing scoring, that's what pulled it through eventually? Sorry, I won't say ... If I can just correct myself that is what resulted in it scoring
5 higher than the Bazán notwithstanding the military performance, the Military Value Index of Bazán.

MR GRIESEL: Chair I assume that the people talking about the IP would, could indicate how they arrived at that score but the fact remains on the final evaluation that they scored
10 significantly higher than their contenders, I'm referring to the German frigates and that would be the reason why in spite of them scoring lower on military performance they still ended up as being the preferred bidder because of the much higher score relative to the others for the industrial participation.

15 ADV SELLO: Thank you. Please continue with your presentation.

MR GRIESEL: The next one would be the Lead-in fighter trainer where there were four bidders on the shortlist being the Hawk 120 from British Aerospace, the Aero Vodochody L159
20 from the Czech Republic, the Aermacchi MB-339 from Italy and the Aermacchi Yak-130 from Italy and (indistinct) and Czechoslovakia(indistinct) Russia. In this case by adding those three indices to normalised indices together, the Aermacchi MB-339 from Italy scored the highest best value
25 score and in terms of the SOFCOM evaluation they would then

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be the preferred bidder that would be recommended.

Looking at the light utility helicopter there were three offerers, the Eurocopter, the EC635 (indistinct) Agusta A109 from Italy and the Textron Power N427 from Canada. In this case the Agusta 109 scored the highest in terms of best value, they actually scored the highest in all the categories, military performance, defence military value, IP value as well as the, not the financing area but the IP and military value.

For the main battle tank there were two contenders being the Vickers Challenger 2E and the Leclerc from France and in terms of this evaluation the Vickers Challenger 2E scored the highest best value score. It should just be noted that the main battle tank was recommended by the SOFCOM to the AASB, it was part of the initial seven programmes which were evaluated but it was excluded from the final SDPP contracts.

NOTE: Please ensure that the witness speaks into the microphone. Transcription of the witness's evidence proves difficult.

MR GRIESEL: Then the maritime helicopter there were two contenders, the (indistinct) Super Lynx from Westland in the UK and the Cougar AS532 from Eurocopter in France, in this case the Lynx 300, the Super Lynx from Agusta, from Westland in the UK scored the highest score. It should again be noted that in the final contracting the maritime helicopter

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was excluded as part of the package contracting although in terms of the decisions taken there it was contracted at a later stage but it was not considered to be part of the final package contracts which were signed.

5 Then on the submarine there were four contenders, the GSC209 1400 (indistinct) from the German Submarine Consortium, the Scorpène from DCN in France, the S1600 from Fincantieri in Italy and the Type 192 from (indistinct) in Sweden and from the scores the (indistinct) submarine scored
10 the highest and best value score and were then recommended as the preferred supplier.

 The consolidated evaluation results which I just indicated to the Commission now were presented to the AASB on the 8th of July, all of them, and one of them again later on,
15 on the 16th of July. During the presentation to, by the SOFCOM to the AASB on 8 and 16 July the Chief of Acquisition of the DOD who was the presenter then also introduced a non-costed option for the Lead-in fighter trainer.

 This non-costed option was a consolidation of the
20 evaluation results for the Lead-in fighter trainer but it excluded the cost. This implied that the normalised Military Performance Index without having been divided by cost was added to the normalised industrial participation value and financing indices and the exclusion of cost in the military value then brought
25 about a change to the best value scores and also in the ranking

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of the offerers as I will indicate Chair.

ADV SELLO: If you could go back to that slide that you have just spoken to, you state at point 2 that during the presentation by SOFCOM to the AASB on 8th and 16th July the
5 Chief of Acquisition of the DOD introduced a non-costed option for the LIFT. Please explain to the Commission the role of SOFCOM and the establishment of determination of that non-costed option.

MR GRIESEL: Chair, the SOFCOM was responsible for
10 the final consolidation of the results in the different categories and it was the SOFCOM that then came up with the results, the best value results. In terms of the evaluation formula which had previous been developed by the SOFCOM, this formula by means of which the military value industrial participation and
15 the financing indices were added together. That formula that the SOFCOM developed essentially was the costed option for all of these programme types. The reason why I stated this presentation was by the SOFCOM, those were the results which the, for each of the categories the results which were obtained
20 by means of the formula which the SOFCOM developed and was approved, was then presented to the AASB.

The non-costed option was an option or an alternative which did not conform to the evaluation formula which was developed by the SOFCOM and as far as my
25 recollection goes it was also not presented to the SOFCOM as

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an option, it was presented to the AASB as an option which used the same information as for the costed option of the LIFT but the actual cost of the offers were then excluded from the final equation.

5 ADV SELLO: Mr Griesel, there is a document that has been added to your bundle and a copy has been made available to the commissioners, it's headed "Confirmation Notes of the International Offers Work Session held in the Umfolozi Room of the Apollo Centre in (indistinct) on 1 and 2 July 1998", a copy
10 is available for yourself if you don't already have one and for your legal representatives and they shall be distributed in two seconds. No Chair, not that one. It would appear it's a new file of Griesel-1, it has been added to Griesel-1 and on the index it appears as document number DG14 from pages 154 to
15 171. Apologies Chair, we hope to locate this document momentarily. Thank you. I think the witness has located the document. Could you explain what this document is Mr Griesel?

MR GRIESEL: Chair, these are titled confirmatory notes
20 of the international offers work session held in the Umfolozi Room of the Apollo Centre in (indistinct) on the 1st and 2nd of July. The 1st and 2nd of July were the dates on which the respective programme teams presented their results to the SOFCOM and which then subsequently led to the consolidation
25 of those results leading to the best value figures which I

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presented to the Commission now. So these are confirmatory notes.

ADV SELLO: Thank you, and you were part of that workshop?

5 MR GRIESEL: Yes.

ADV SELLO: Please refer to handwritten, it would now be our page 157, apologies, quite a number of numbers appear on these documents, we are working on the handwritten number, I think it should read 157. It starts with paragraph 22
10 and please have regard to paragraph 29 Mr Griesel on that page and read the provisions ... Oh, under the heading "LIFT" and please read what's contained therein into the record.

MR GRIESEL: Under the heading "LIFT" paragraph 29 it states:

15 *"The two options that must be provided are:*

a. An option including acquisition cost and;

b. An option excluding acquisition cost".

ADV SELLO: So, we know from this document that SOFCOM required both an option including acquisition cost and
20 one excluding acquisition cost. Taking into consideration what is stated at paragraph 29 and why do you state in your evidence that SOFCOM dealt only with that costed option.

MR GRIESEL: Chair, I must first point out that these are confirmatory notes, there was no SOFCOM meeting subsequent
25 to this meeting which could ratify the minutes, just for the

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record further I was present at that meeting, I have no recollection that the SOFCOM made a decision that the non-costed option had to be pursued. The SOFCOM also as a committee had no authorisation to recommend an option like
5 that because the SOFCOM had to develop an evaluation formula, the second order evaluation formula, that is the formula that was used to do the consolidation of all the results and those are the results which I presented to the Commission earlier on and they were all done in terms of the approved
10 evaluation formula which included cost for each of those programmes. What was presented to the AASB in the case only of the Lead-in fighter trainer are two alternatives, we had costed and non-costed option, as far as my recollection goes there it was not a recommendation from the SOFCOM.

15 ADV SELLO: Thank you. Please continue.

CHAIRPERSON: Just hold on. Thank you.

ADV SELLO: Thank you Chair. Mr Griesel, you may continue.

MR GRIESEL: Chair, I would now like to present the
20 results of the long costed option for the Lead-in fighter trainer as derived by excluding the cost, the programme cost indicated in the first column. How this exclusion was done is the Commission will recall that Military Value Index is the result of the, is the military performance, that part over there, divided
25 by the financing cost or the programme cost. By excluding the

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cost from this equation all that happened was that the Military Performance Index actually then became the Military Value Index although military value would now be a misnomer because the value is not included in there any longer, so those two were just simply made the same and by then adding this new Military Value Index to the IP value and the financing index a new best value result was obtained and in this case whereas in the costed option the Aermacchi aircraft received the highest best value figure by excluding cost the BAe Hawk now received the highest figure.

I must just point out to the Commission something in the issue of ... This is the wrong slide. Of Military Value where an aircraft that actually has a higher performance in reality than an aircraft which does not have it, it could still receive a lower military performance index because that military performance index is determined by the role in which that aircraft is intended to be used.

ADV SELLO: Now going back to the formula that you explained was applied in determining the ranking of the offers could you explain how that particular formula finds application in this non-costed option?

MR GRIESEL: Chair it does not, because the formula that was used for the costed options which is the formula that was developed by the SOFCOM included cost in the Military Value Index, that formula provided for a military performance figure

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to be divided by the programme cost and that would then, from that would then be derived the military value, that Military Value Index would be added to the IP and the financing indices to yield the best value index. The moment you take the programme cost out of the Military Value Index it is not the same formula any longer.

ADV SELLO: Are you aware of the formula that was used to arrive at the best values as reflected in the slide?

MR GRIESEL: Yes Chair, as I indicated earlier on all that was done is the same slide used for the costed option was used but the Military Value Index was made equal to the Military Performance Index, in other words cost was not part of the index any longer and in terms of the spreadsheet the same addition sum was made by adding military value to IP, to financing to yield the best value although this Military Value Index which is indicated here does not include cost any longer.

ADV SELLO: If you do know Mr Griesel what would be the basis of calculating the best value in the manner you have described, on whose authority was this formula introduced into the evaluations?

MR GRIESEL: If the question is who performed this action yes, I know who it was, it was me on the instruction of Chief of Acquisition, I developed or did all the calculations for them, for the SOFCOM in my capacity as secretary, so all the tables which I indicated to the Commission were the actual

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tables which were presented to the AASB. So, the calculation of best value here was a calculation which was performed by me based on the information that was presented to the SOFCOM the 1st and 2nd of July. On instruction of Chief of Acquisition I forced those figures in the Military Value Index to be the same as the military performance, in other words I did was took cost out of the equation and it then yielded a different result.

ADV SELLO: And for what purpose did you generate this table?

MR GRIESEL: The request at the time was to generate a table like this which would then be indicated as an Option B for the LIFT aircraft. At the time I did that I had no idea what it was going to be used for, I did that under instruction.

ADV SELLO: Did SOFCOM ever have the opportunity to consider this table and if so, what was their decision regarding the table?

MR GRIESEL: Chair, the SOFCOM as a committee never met again post the 1st and 2nd of July when the evaluation results were presented to them and the consolidation was done over that two day period. The tables indicated here were never as tables presented to the SOFCOM as a committee.

ADV SELLO: Did you prepare any other tables, non-costed option results in respect of the other equipment?

MR GRIESEL: Negative, I didn't.

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ADV SELLO: So is it your testimony that only the LIFT was, had a best value based on exclusion of cost?

MR GRIESEL: That is correct.

ADV SELLO: You indicated earlier in your testimony
5 that SOFCOM then made presentation of these evaluation results to the ASB on the 8th and 16th of July, correct?

MR GRIESEL: Yes, the results were all presented to the AASB on the 8th of July by the Chief of Acquisition and that presentation then included the non-costed option as an
10 alternative. On the 16th of July this meeting ended inconclusively as far as the LIFT is concerned and yes, on the 16th of July the AASB meeting only the LIFT was addressed, none of the others, the preferred bidders that emanated from these evaluations were accepted by the AASB on the
15 8th of July.

ADV SELLO: Commissioners, there are further documents in the quotation file placed in front of you, these have an index, in fact they are two documents and the index should indicate that they are numbered 172 to 186, that's the
20 first one. The second document is numbered 187 to 211. Both of these are the minutes of the AASB held on the 8th and 16th July 1998 respectively. In terms of order of the documents they would follow the SOFCOM minutes we've just considered and they would be part of Griesel-1, the pagination has been
25 effected such that the flow is logical. Copies of these minutes

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have been made available to the witness and to the witness's legal team. Have you located the minutes Mr Griesel? Mr Griesel I see you are struggling. For ease of reference please use this copy. The first minute Commissioner Musi would be
5 handwritten 172. It's a document dated the 21st of October 1998 and it has as its heading "Minutes of the Special AASB International Offers held at 09h30 on 8th July 1998 in the Auditorium DHQ". Now Mr Griesel, you were a part of this meeting weren't you?

10 MR GRIESEL: That's correct, I was present.

ADV SELLO: Could you quickly take the Commission through these minutes with specific reference to the evaluations, the ranking and the recommendations made to the AASB.

15 MR GRIESEL: Commissioner, the minutes reflect the presentation that was made regarding the evaluation results of each of these projects. If I may refer to page 180 there would start the actual tables and these are exactly the tables that I indicated to the Commission now, they were the tables that
20 were presented to the AASB, it was just the second part to the tables, the second table of which indicated the industrial participation values which I didn't deem of importance to present now but from page 180 to page 186, those pages indicate the actual presentation that was made to the AASB and
25 pages 185 to 186 would then indicate the costed and non-

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costed options for the Lead-in fighter trainer. As the Commission will then see that for none of the other equipment types was there an alternative option other than the approved or the evaluation against the approved formulas, it was only for the lead-in fighter trainer that the two options were introduced being the cost and non-costed option.

The, at this meeting the AASB accepted the recommendations of the SOFCOM regarding the preferred bidders for all of those equipment types except for the Lead-in fighter trainer which was referred back for further investigations to be done, further actions and it was then again presented at a subsequent meeting on the 16th which I was then not present at.

ADV SELLO: Do you know whether the investigations relating to the LIFT were ever conducted and if so, by whom and what was the outcome of such investigations?

MR GRIESEL: Chair I do not have personal knowledge of the investigations, those were investigations which were done by the Air Force into specific aspects relating to logistics and relating to the evaluation, the detailed evaluation of certain subsections of the functionality evaluation. As far as my knowledge goes those investigations were performed by the Air Force, not by ARMSCOR, so there was no reevaluation performed by the integrated project teams and at the meeting of the 16th the Air Force provided feedback to the AASB

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regarding the investigation that they had done.

ADV SELLO: Please refer to page handwritten 176 of that document. It has its ... 176. And that page has its last paragraph, paragraph 27, and please firstly read into the record what is stated in paragraph 27 at subparagraphs thereto.

MR GRIESEL: Under paragraph 27, this is a paragraph relating to the presentation on the Lead-in fighter trainer, the decision was that:

- 10 *“a. The following issues regarding this evaluation needs resolution firstly considering the spread of offers across the cost performance spectrum, the fairness (integrity) of the evaluation must be confirmed;*
- 15 *b. The 12.5% weighting allocated to training flight evaluation must be checked.*
- c. The penalisation of offers excluding integrated logistic support given the short time to respond needs to be reviewed.*
- 20 *d. The decision by the AAC during the 30 April 1998 briefing on the shortlist of offers required the project team to consider a solution taking cost into account and a solution where cost was not taken as a deciding factor”.*

25 ADV SELLO: Thank you Mr Griesel. Because you were a

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part of this meeting I'm going to ask you to the extent that you are able to, to unpack and explain to this Commission what exactly was meant by (a), (b), (c) and (d), in each respective instance. Chair, I notice it is 10 minutes before lunch, I don't
5 know if the witness would require more time to take us through these and whether you would want him to start or should we take a lunch adjournment?

JUDGE MUSI: Let's carry on.

ADV SELLO: Thank you Chair. Now Mr Griesel, having
10 read that paragraph 27 and its sub-parts into the record could you explain to this Commission and help us understand what was meant by 27(a) and what result was expected to flow from that evaluation if it is an evaluation.

MR GRIESEL: Commissioner, I will attempt. I'm sure that
15 my colleagues will be specifically talking on the LIFT and would shed more light onto this. With your permission I will start with subparagraph (b), subparagraph (a) would need a bit, a longer discussion, so I will with your permission do that last. Subparagraphs (b) and (c) were requirements to the Air Force
20 to verify things. The subparagraph (b) relates to 12.5% weighting allocated to training flight evaluation which must be checked.

In the value system for the LIFT aircraft the value system contained different sections where different aspects of
25 the performance of the aircraft was evaluated and in one of

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those sections there was a subsection where points would be allocated to training flight evaluation, in other words where the Air Force actually flew the aircraft and allocated points to the performance of the aircraft as a trainer aircraft. The AASB requested, and this was specifically aimed at the Air Force to just reconfirm that the 12.5% weighting which was allocated to that specific subsection was in fact an appropriate weighting which they did report back on that at a subsequent meeting.

Subparagraph (c) relates to penalisation of offers excluding integrated logistic support, given the short time to respond it needs to be reviewed. The Commission will recall that the LIFT response time was very short because the RFO's were sent out later, so there was approximately a month if I remember correctly response time that the contractors had to respond with their offers. There was a value system which was previously approved and what the integrated project team did was they evaluated the offers strictly in accordance with that value system.

Some of the offerers did not provide a sufficiently comprehensive offer on integrated logistic support and they were then penalised therefore, and if I remember correctly in this case British Aerospace, the Hawk, was penalised. So the request was that they should in fact be, it should be reconsidered whether it was fair to penalise it given the short time and I'm sure that one of the next presenters will spend

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more time on whether that was (indistinct) or not.

The subparagraph (d) as far as my recollection goes nothing more than just a statement, it did not need to be verified by anybody, it was a statement that in a previous meeting with the Minister of Defence, there was an indication that a (indistinct) approach should be followed and that was construed as not necessarily taking cost into account. Subparagraph (a) ...

ADV SELLO: Before you go to subparagraph (a) in (d) it states that "there is a decision by the AAC to project teams to consider a solution taking cost into account and a solution where cost was not taken as a deciding factor", are you aware of that decision?

MR GRIESEL: I was not at the AAC meetings, I did not see the minutes, I heard about the minutes I therefore cannot otherwise speculate if I have to speculate about that.

ADV SELLO: As a member of SOFCOM are you able to state whether all the project teams were informed of this decision of the AAC and took what was stated therein into consideration when conducting evaluations?

MR GRIESEL: No Commissioner, there was no such instruction. I cannot even verify that such an instruction in those specific words existed, in other words that there was an instruction that both costed and non-costed options should be taken into consideration because that was not what the

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SOFCOM did in none of the projects. There was a single formula which included cost which was used for the evaluation and the consolidation done by the SOFCOM, it was all done in accordance with that formula.

5 ADV SELLO: Thank you. I interrupted you, you may continue.

MR GRIESEL: With reference to subparagraph (a) my recollection of what this, unfortunately the minutes do not contain a deliberation, my recollection of where this
10 subparagraph (a) comes from is in the presentation regarding the Lead-in fighter trainer, as part of that specific presentation a graph was shown of the results of the Request for Information, information which came back, which plotted the measured performance of the aircraft, of all the aircraft that
15 were evaluated against the cost of the aircraft. It was also on that graph where the threshold was set of, if I remember correctly 65% functionality which determined which of the aircraft types would then go on the shortlist, all those above that 65% functionality.

20 In that graph there were two groups of aircraft in terms of their cost, so there were two scatters of two, two groups of aircraft, the lower cost aircraft which normally also had a lower performance and the higher cost aircraft which had a higher performance. Above that line of 65% most of the
25 aircraft were then in the higher performance, higher cost

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category except for one which was the Aermacchi aircraft which was above the 65% but for which the cost was as was visible on the slides there, approximately half the cost of the Hawk, much lower than the others. So, the argument that the AASB was, that it would not be fair to compare all of these aircraft on the same basis taking cost into consideration whereas they then very obviously fall into two different cost categories and it was after that explanation that the AASB said that this notion of the taking cost out of the equation should be further considered.

5
10 ADV SELLO: Thank you Mr Griesel. Now to your knowledge were these issues resolved as required by the AASB?

MR GRIESEL: Chair, referring to the minutes of the 16th of July where I was not present there was feedback from the Air Force (indistinct) to the issues of the 12.5% and also the penalisation of the offerers, the logistics. I cannot recall whether subparagraph 1 was sufficiently resolved and subparagraph (d) was basically just a statement, it was not something which had to be investigated.

15
20 ADV SELLO: Then in summary in as far as 27(b) and (c) is concerned you advised that this matter be taken up with the Air Force and you are not able to direct us into the right direction as to who conducted the exercise stated in 27(a)?

MR GRIESEL: Chair, if I may just have time to refer to the minutes of the meeting of the 16th, as far as my

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recollection goes there was feedback from the Air Force and if I remember correctly from the minutes Brigadier General Pieter Vivije from the Air Force actually gave that feedback on those items but I was not there, so I cannot comment.

5 ADV SELLO: Chair, may we give the witness the opportunity to look at the minute he is referring to, it is the second document in your bundle but maybe he might require time to apply his mind thereto and then respond to the questions as I have posed them.

10 CHAIRPERSON: I think in that case then let's adjourn until 14h00 to give him the fullness of time to have a look at those minutes. Thank you, we'll adjourn.

(Commission adjourns)

(Commission resumes)

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

MR GRIESEL: I do.

ADV SELLO: We are ready to proceed Chair, thank you. Before we broke for lunch Mr Griesel you were going to consider the minutes of the 16th of July 1998 in order to advise us who considered the issue raised in paragraph 27(a) of the minutes of the 8th and what the outcome of that consideration was.

CHAIRPERSON: On which page is the minutes?

25 ADV SELLO: Chair, the minute we were dealing with

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before we broke for lunch is pages 172 to 185, the document following should be the minute of the ASB of the 16th of July 1998.

CHAIRPERSON: It will be on page?

5 ADV SELLO: It will be on page 187.

CHAIRPERSON: 187.

ADV SELLO: That is the minute that the witness wanted to consider over lunch to answer who dealt with the question that was said to require resolution listed in paragraph 27(a) on
10 page 176 of the minute of the 8th of July and he said to respond thereto he would need to read now the minute that appears from page 187 and he will be in a position to answer those questions and I think he may very well be. Mr Griesel, are you able then to shed light on the matter?

15 MR GRIESEL: I will attempt Chair. If I may refer the Commission to the minutes of the 8th of July, specifically the portion, the section under page 176, page 176 paragraph 27, those were the issues that needed to be evaluated or that were evaluated that needed resolution and there was a report back
20 at the meeting of the 16th of July and at subparagraph 27(a) the first issue was "considering the spread of offers across the cost performance spectrum, the fairness (integrity) of the evaluation must be confirmed".

25 Chair, this issue resulted from a discussion regarding the higher performance of the Hawk aircraft or the

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perceived higher performance which was not scored or for which they did not get higher points or points as high as there was a perception they should have received, and if I may just explain to the Commission how the evaluation of these products all worked and before I do that the answer or the feedback on that section I presume would be in the minutes of the 16th on page 188(5).

If I may just explain to the Commission how the value systems are drawn up and how they are scored, a value system for any product emanating from the URS is drawn up in accordance with what the requirement of the user is and what the eventual role of the equipment would be and the value system is drawn up in accordance with that, in other words if in the case of the Lead-in fighter trainer aircraft the requirement was for a trainer aircraft, the URS called for that and the value system was drawn up in a way to evaluate the functionality of all of these products that were offered in the role of being a trainer aircraft.

The fact that the Hawk aircraft had additional functionality over and above that which would normally be required for a trainer aircraft, they did not receive any additional score for that functionality and this was the issue which was alluded to in the discussion, so although the Hawk aircraft has certain capabilities beyond that of a trainer aircraft that aircraft was only scored as a trainer aircraft and it could

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be, it can be seen from the evaluation results that the Aermacchi which had a price of approximately half of that of the Hawk actually scored higher in military performance than what the Hawk did and this was the reason why, of, this is the
5 result of the way in which the evaluation was done.

If the Air Force wanted an aircraft to be used in the role of a trainer aircraft and the user requirement stated that they want certain functionality as a trainer aircraft that aircraft was evaluated in its role as a trainer aircraft, not as an aircraft
10 with additional capabilities, so that was the issue that needed to be clarified at the meeting of the 16th because there was a question that the Hawk aircraft actually has so many more capabilities than what the others have, why did it not score higher on military value or military performance and this is the
15 reason, this is how all of the different prototypes were evaluated, they were evaluated purely on what the intended use of that specific product would be, so that item was clarified in paragraph 5 of the meeting of the 16th of July.

CHAIRPERSON: I'm sorry, just before you pass that point
20 is it a fact that the Hawk had other capabilities which the Aermacchi did not have?

MR GRIESEL: Yes Chair, the Air Force would be in a better position to respond to that than me, they are better equipped to respond from a user perspective but yes, the Hawk
25 aircraft does have capabilities beyond that of the Aermacchi

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aircraft in the sense that it can carry weapons which the Aermacchi cannot carry, but those were not, those were not capabilities which were scored in the evaluation because that was not the intended role or the requirement for this aircraft, so if the user has a requirement for a product that can do something specific they do not necessarily get scored over and above for functions other than what was called for.

If a product scores better in criteria that are called for than others they do get a higher score in those specific criteria but if there's no criteria that says this hypothetically, this aircraft must be able to carry ordnance, must be able to carry bombs or something like that, if there is no requirement for that in a trainer aircraft then they will not get additional points for the fact that it can do that because that was not the requirement.

ADV SELLO: And just to follow up on that question for clarity, is it your evidence that on the intended use the Aermacchi still scored higher than the Hawk?

MR GRIESEL: If I may just refer back to the actual scores, on military performance in the fourth column we will see that as far as military performance is concerned the Aermacchi actually scored higher than what the Hawk scored or the Aermacchi scored 100 whereas the Hawk scored 96.2 and this is exactly the result of the manner in which the evaluation was done, the manner in which the value system was drawn up

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to measure only those functionalities which is required by the user and which are dictated by the intended role of that specific piece of equipment. And it was from this evaluation where the question arose during the meeting of the 8th of July but the Hawk can do so much more than the Aermacchi, how could it be that the Hawk scored lower than the Aermacchi and this is the reason why.

ADV SELLO: Thank you. You may continue.

JUDGE MUSI: But doesn't it make the Hawk a superior craft if you take into account that it is also a combat craft? Evidence was led here that it is used also to supplement the work of the Gripen because it's got those fighting capabilities which the Aermacchi doesn't have.

MR GRIESEL: If I may respond to that. This is exactly the point Chair, in retrospect as things unfolded it could be that the Hawk now can be used in roles which it was not originally intended to be used because it has got that capability but when we embarked on this programme the user Requirement Statement leads you in developing the value system.

If the user requirement is that we need a trainer aircraft and the trainer aircraft must be evaluated as a trainer aircraft you cannot score it additionally for functions which it has over and above that which is required, so because we at the end of the day have to evaluate in terms of value for

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money, so if we want a trainer aircraft which would be a smaller, relatively lower cost aircraft an offerer which provides you with the most advanced aircraft that is available at twice the price, it would not be value for money to buy that aircraft just because it has got so many more functions, you have to evaluate it in terms of the requirement that exists and the role in which it is intended to be used.

If it is subsequently used in different roles because it has that capability it has no impact on the value system that was used based on the user requirement at that time. So, the user requirement at that time was for a Lead-in fighter trainer aircraft which had to have certain capabilities and it was evaluated as trainer aircraft, not as a fighter aircraft.

ADV SELLO: Thank you Chair. If I may pose a question flowing from that, in your experience what influence if any does an RFO issued by ARMSCOR have on the intended supplier's decision to put forward one type of equipment and not another?

MR GRIESEL: Chair it would ... If the supplier chose to offer equipment which is superior or has got additional functions which were not called for and they are functions which would increase the price it would be to their detriment because at the end of the day this is how the evaluation is done, the evaluation is done on the basis of what is the requirement and what is the intended role and those criteria are drawn up, the Request for Offer is very clear to the

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supplier in what is it that we want and to provide us an offer for and they are in a competitive bid situation with other offerers who are going to offer a piece of equipment that complies to those requirements, so if they do offer equipment which is of a higher capability but also of a higher cost it could penalise them and it probably would penalise them in a competitive bid situation because they are all going to be evaluated on a similar basis based on the value system as it exists and at the end of the day the cost is going to play a role which means that they would be penalised.

ADV SELLO: Thank you Mr Griesel, you may continue, thank you.

MR GRIESEL: Chair on the minutes of the 8th of July paragraph 27(b) on page 176 there's no specific reference to the 12.5% weighting allocation and the further evaluation thereof in the minutes of the 16th, so I cannot give you a one-on-one reply or response based on the feedback that was provided on the minutes of the 16th, but if I may continue to subparagraph (c) which related to the "utilisation of offers excluding integrated logistic support given the short time to respond needs to be reviewed", that is addressed in subparagraph (b) on page 188 where the project team headed by Brigadier General Vivije presented the military value system, it also then indicates that only information contained in the offers was evaluated. In reply to CMDF's question about

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the significance of the statement the project team presented the result of the logistics support evaluation and highlight the lack of credibility they have in the relatively low point assessed for the BAe offer and this goes about the lower point and this comes out in the detailed presentation that was made regarding the evaluation, it is not part of the high level but in this high level result is a subsection which relates to logistic support and what logistic support packages the offer is proposed in response to the Request for Offer.

10 I'm led to believe that the BAe response in terms of the logistics support was not of comparable quality to that of the other offerers, it was lower, and that they were assessed on the basis of their response, the fact that they had an aircraft which was already flying which has been sold to other countries and for which logistic support analysis should have been done, logistic support systems should have been developed did not have an influence on the way in which they were evaluated because they were evaluated purely on what they presented to us in their offer, so if they gave us a substandard offer they got the lower score.

The fact that they actually had for this aircraft, or they might have had a better logistic support product available than what they offered to us could not influence the final score and this is what the last part of paragraph on page 188 is indicating, that just highlighted the lack of credibility and as

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referring to the offerer they have in the relatively low point assessed for their BAe offer. If that is sufficient?

Then subparagraph (d), 27(d) of the minutes of the 8th of July relating to the decision by the AAC during the 5 30 April 1998 briefing on the shortlist of offers required the project team to consider a solution taking cost into account and a solution where cost was not taken as a deciding factor. There is no single resolution in the meeting of the 16th of July to that issue but it refers to, it's referred to in paragraph 6 on 10 page 188 of the minutes of the 16th.

It's clear from these minutes that there was no instruction to evaluate both costed and non-costed options. If I may read to the Commission the response, paragraph 6 on page 188:

15 *“Chief of Acquisition contends that the AAC instruction to adopt a visionary approach that involves major international defence companies in the LIFT acquisition resulted in the generation of two options in the evaluation team and SOFCOM 20 recommendations”.*

Now the evaluation team did not evaluate and could not evaluate on cost and option, the non-costed option came out as an option post evaluation by the project teams, they evaluated on the basis of functionality and there was a cost, so all that 25 was done in the non-costed option is just the cost was ignored,

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so my interpretation is that the notion of a non-costed option comes from this AAC instruction for which I do not have the minutes, I do not have that instruction but reading from the feedback provided by Chief of Acquisition that the instruction to adopt a visionary approach was entered as also including a non-costed option for the LIFT.

ADV SELLO: Just as a by-the-way, in the event that you do, having read this into the record, are you in a position to describe what a visionary approach is?

10 MR GRIESEL: No Madam.

ADV SELLO: Thank you. Now going back to our minutes of the 8th of July and that's at page 176 of that bundle and to paragraph 27(a), (b), (c) and (d) in light of the answers you have given with reference to the minute of the ASB of the 18th of July did the responses given with regard to the issues raised in paragraph 27 have an effect on the evaluation of the LIFT as it was undertaken by the LIFT team?

MR GRIESEL: No, it had no effect on the evaluation by the LIFT team, the LIFT team evaluated in terms of the prescripts and they evaluated in a similar manner as any of the other requirements or products, product teams or integrated product teams did the evaluation, there was no instruction to them, if I understand correctly, that they should evaluate both the costed and non-costed option, no.

25 ADV SELLO: If you could go back to the LIFT costed

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results? Yes, thank you. Are we therefore to understand that

...

CHAIRPERSON: Just hold on, on what page is it?

ADV SELLO: It's at page 6-4.

5 CHAIRPERSON: 64.

ADV SELLO: Of the slides. Thank you Chair. Is the Commission to understand that after the issues raised in paragraph 27(a) to (d) were addressed as reflected in the minute of the 16th of July of the AASB meeting the results as reflected on your page 64 remained unaffected, i.e. the Aermacchi coming in at 100 and therefore having the best value?

10 MR GRIESEL: No reevaluation was done and this was confirmed in the minutes of the meeting of the 16th, no reevaluation was required, so the results as presented to the SOFCOM by the project teams stood, there was no reevaluation done, there were no changes to the results, so those, for the costed option that would remain the result.

15 ADV SELLO: Thank you. Earlier in your testimony you stated that SOFCOM had a two-day work session on the 1st and the 2nd of July and that most of that session are now what appears from pages 154 of Griesel-1, do you confirm that?

20 MR GRIESEL: Yes, that's correct.

ADV SELLO: You mentioned that after the 2nd of July SOFCOM never had a meeting.

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MR GRIESEL: As far as my notes goes there were no further meeting of the SOFCOM as a committee other than the presentation that was made to the AASB.

5 ADV SELLO: And we now learn from the documents, the minutes and pages 174, pages 172 being the minute of ASB of the 8th of July and 187 being the minute again of the ASB of the 16th of July that as regards the evaluation results there were no other meetings, is that correct?

10 MR GRIESEL: No, there were no other meetings, the meetings of the 1st and the 2nd of July was the meeting where the consolidation was done and that was it.

ADV SELLO: The document that we have just been reading from, that is the 16th of July 1998 AASB minute, if you could have regard to that Commissioners, that is at page, it's 15 from page 187 and at page 189 thereof and in particular what's numbered as (b). The paragraph is fairly long but maybe for to avoid confusion I should ask you to read the entire paragraph and then I will pose my question.

20 MR GRIESEL: Subparagraph (b) on page 189 of the minutes of the 16th of July states that:

25 *"The information presented to the AASB but not to the SOFCOM was to inform the AASB. Traceability of the international offers information must be assured. Chief of Acquisition confirms the existence of the SOFCOM data pack handed out to*

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5 SOFCOM members attending the 1st and 2nd July
SOFCOM work session. The information presented
to the Special AASB held on 8 July 1998 is
traceable to this data pack which is under formal
configuration and control at ARMSCOR. The
chairman stresses the point that the minutes of this
meeting did not reflect a preferred option. The
SOFCOM made two recommendations for the LIFT
project to the AAC on 13 July. The first
10 recommendation (A) was an option taking cost into
consideration and the second recommendation being
an option excluding cost as a determining factor.
The chairman advised that from the DOD
perspective only the costed option should be
15 considered and that the AASB thus support the first
recommendation (A)".

ADV SELLO: Thank you. My first question is the second
sentence of that paragraph, the third sentence sorry, starting
with "Chief of Acquisition confirms the existence of a SOFCOM
20 data pack handed out to SOFCOM members during the 1st and
2nd July SOFCOM work sessions", could you explain to the
Commission what is meant by SOFCOM data pack?

MR GRIESEL: Chair, the SOFCOM data pack was a pack
which was handed out to members of the SOFCOM for purposes
25 of the consolidation and this contained the results of the

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different evaluation teams or the evaluation reports and that was the information which was then presented and also used to compile the consolidation.

ADV SELLO: And we understand from the minutes that
5 this data pack is under the control of ARMSCOR and you so confirm?

MR GRIESEL: At the time it was, I would assume it is still but yes, the data pack contains the evaluation report.

ADV SELLO: And lastly on that paragraph halfway
10 through the statement is made: "The SOFCOM made two recommendations for the LIFT project to the AAC on 13th July", now emphasis here on 13th July because we just understood that presentations to the ASB were on the 8th and the 16th of July, are you aware of a SOFCOM presentation to the
15 AASB on the 13th of July?

MR GRIESEL: To the AAC.

ADV SELLO: My apologies, to the AAC, so yes thank you for the correction. Is the suggestion that SOFCOM made a recommendation on the LIFT project to the AAC on the
20 13th of July?

MR GRIESEL: I'm not aware of any recommendation that the SOFCOM made to the AAC, similar to the presentations to the AASB which was made by Chief of Acquisition as SOFCOM. I would assume that he could have made a presentation to the
25 AAC, I have got no knowledge of any presentation to the AAC

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at that time.

ADV SELLO: Let me understand, I need to draw a distinction between Chief of Acquisition and SOFCOM, currently my question concerns SOFCOM and any presentation it would or could have made to the AAC on the evaluations.

MR GRIESEL: I have no knowledge of the SOFCOM making any presentation to the AAC meeting in that period. SOFCOM's last gathering as a committee was on the 1st and the 2nd of July.

10 ADV SELLO: Considering the reporting and decision making structure that you shared with the Commission earlier on, that's yesterday, was it anticipated that SOFCOM would make submissions, recommendations, presentation to the AAC at any juncture?

15 MR GRIESEL: No. Chair, the SOFCOM made the presentations to the AASB, the intention was to make a presentation on the 8th for the AASB. In terms of the normal structure the AASB would then recommend to the AAC. That is the reason why a presentation was made to AASB and not
20 directly to the AAC. The fact that there was a second meeting on the 16th which was not a special meeting but there were presentations made at that meeting was to clarify the unresolved issues relating to the Lead-in fighter trainer for recommendation to the AAC.

25 ADV SELLO: And if you could just complete that

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statement "for recommendation to the AAC by" which forum?

MR GRIESEL: By the AASB.

ADV SELLO: Thank you. I think that covers, that clarifies the issues that I wanted to discuss with you, so you
5 may proceed with your presentation.

MR GRIESEL: Alright. Chair, I presented the non-costed option results of the Lead-in fighter trainer to the Commission and the process from there on was SOFCOM recommended the result of the costed options to the AASB on the 8th of July,
10 AASB met on the 8th and the 16th of July ...

CHAIRPERSON: I'm still trying to get the page.

ADV SELLO: Apologies Commissioners, that would be page 71 of the slide, the slideshow. Thank you Mr Griesel.

MR GRIESEL: The AASB met on the 8th and the
15 16th of July 1998 as we discussed from the minutes and they submitted their recommendations to the AAC. The AAC submitted their recommendations to the Ministers Committee and the Ministers Committee in turn submitted their recommendations to Cabinet relating to the preferred bidders in
20 all of the categories of equipment.

ADV SELLO: At point 2 you mention that ASB submitted their recommendations to the AAC, in regard to all the bidders and in respect of each category do you know what recommendations were made to the AAC by the AASB?

MR GRIESEL: I do not have minutes of those meetings, I
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was not there but from the AAC meeting of the 8th and the 16th of July they would have presented the preferred bidders as per the SOFCOM recommendation or the SOFCOM evaluation results and I would assume that they would have recommended
5 both the cost and non-costed option for deliberation to the AAC but I cannot verify that.

ADV SELLO: It's okay, thanks. Please continue.

MR GRIESEL: Just some information on the Ministers Committee, the Ministers Committee was the committee to
10 whom the AAC presented the results for the Ministers Committee to recommend to Cabinet for final approval of the preferred bidders, the Ministers Committee comprised at the time Mr Thabo Mbeki as chairman of the Ministers Committee and deputy president of the Republic. As far as the Minister of
15 Defence is concerned Mr Lekota was eventually the Minister of Defence in the Ministers Committee but initially it was Mr Modise, Mr Alec Irwin as Minister of Trade and Industry, Mr Trevor Manuel as Minister of Finance and initially Ms Sigcau as Minister of Public Enterprises, subsequently Mr Radebe.

20 The preferred bidder recommendation, you may continue to the next slide, the evaluation results and indicated preferred bidders that were presented to the AASB, AAC and the Ministers Committee and subsequently to Cabinet for approval were all presentations and were not part of the project
25 governance documentation that would normally be submitted to

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structures such as the AASB and AAC. What I mean by that is that the presentations normally made to the, or that would normally be made to the AASB and AAC in terms of acquisition matters would be the milestone documentation as indicated previously which would contain all the necessary information relating to the approval of milestones in the acquisition process.

What was presented to the AASB and AAC in this case was only the preferred bidders or recommendations regarding preferred bidders for the respective programmes and was not the standard milestone documents which would be presented to those forums.

Post the SOFCOM consolidation the procurement process was outside of ARMSCOR control and I need to stress this that in the normal process the selection of preferred bidders or approval of preferred bidders and subsequent to that the approval of contracts on those preferred bidders would be a sole responsibility of the ARMSCOR Tender Board. In the case of the SDPP's ARMSCOR was part of the SOFCOM but after the SOFCOM recommendations were made to the AASB and AAC it came up in the structures up to Cabinet and it was outside of the control of ARMSCOR.

ADV SELLO: And if you could just clarify that, if the procurement process by then fell outside ARMSCOR'S control, under whose control was it?

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MR GRIESEL: I would assume that once it went into the AASB, AAC it was those (indistinct) DOD forums and it was also then the AASB and AAC which is, the AAC is the Minister who would then recommend to the Ministers Workgroup and the
5 Ministers Workgroup would recommend to Cabinet, so I would assume that it would be at the end of the day guided and directed by Cabinet because they would be the final approval authority and not the ARMSCOR Tender Board who in the normal instance would be the final approval authority.

10 ADV SELLO: Do I understand you correctly to suggest that we might want to investigate whether then it was under the control of Cabinet but you cannot definitively say so?

MR GRIESEL: Chair ,I would, it would lead to speculation if I had to speculate as to who, under whose control it was.

15 ADV SELLO: Thank you. Please continue.

CHAIRPERSON: Advocate Sello, before you continue I agree with the Advocate that we shouldn't speculate, you must tell us what you know. Will I be correct to say that what you know is that this process was outside, the approval process
20 was outside the ambit of ARMSCOR? You were part of ARMSCOR that time and I'm sure you can give us a direct answer without speculating.

MR GRIESEL: Yes Chair, it was outside the ambit of ARMSCOR but I cannot say under whose control it was.

25 ADV SELLO: Thank you Chair, thank you Mr Griesel,

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you may continue.

MR GRIESEL: Chair, in terms of the policies and practices which I submitted to the Commission, the ARMSCOR internal policies and practices which dictate the process for approval of value systems, requests for offer, preferred bidders and also the subsequent contracting this action would then constitute a deviation from ARMSCOR's standard procurement processes. ARMSCOR would normally be solely responsible for authorising and appointing preferred bidders, in this case it went outside of the control of ARMSCOR.

If I may the continue on to the phase of contract negotiations and contract authorisation, during November 1998 Cabinet announced the preferred suppliers that had been selected, Cabinet approved the establishment of the International Offers Negotiation Team to negotiate the umbrella agreements with each of the preferred suppliers in respect of the SDPP and to finalise the financing arrangements with financial institutions. The International Offers Negotiating Team was led by a chief negotiator and reported to the Ministers Committee and also directly to the Deputy President as and when required.

Chair, I would like to, I included a slide just to indicate the ARMSCOR contracting model and what the typical .. Is that the right place for it? What the standard ARMSCOR approach is with regards to appointment of contractors and

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subcontractors. This slide illustrates the composition of a project team which would, ARMSCOR, for every project we would establish a Joint Project Team comprising members from the Department of Defence and from ARMSCOR and they would then develop value systems, request for offers based on a user requirement specification which ARMSCOR would obtain from the Department of Defence.

The ARMSCOR policy is that we would solicit offers from respective main contractors for any specific acquisition requirement that we have. We would then, the main or possible main contractors would then be responsible to identify all subcontractors and subsystems which they would require to place them in a position to respond to the Request for Offer. The selection of subcontractors would be a responsibility of the main contractor, ARMSCOR would go through selection process as described in our practices of evaluating the responses against value systems and the preferred supplier would then be submitted to the ARMSCOR board for approval and we would then subsequently contract the selected main contractor.

ARMSCOR as a matter of policy does not nominate its subcontractors or subsystems except in special cases and I will mention the special cases now. So, in terms of normal policy ARMSCOR would then by virtue of the contracting relationship which we have with the main contractor exercise control over the main contractors and we would only have an

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oversight function over the subcontractors and the reason why we require an oversight function over subcontractors is where subcontractors would in some cases supply subsystems which would be built into a main system there might be cases where we would need to, for example, form quality control over those subsystems prior to them being integrated into the main system but we do not as a matter of policy nominate subsystems or subcontractors.

The exception which I mentioned now where we would in some cases, and even in the case of the SDPP's it did happen, would be where we would require customer furnished equipment to be used as subsystems where we have some equipment which needs to be integrated into this, or where for strategic reasons we would need to prescribe specific types of equipment and an example in point would be where we have secure communications equipment where we would not want secure communications equipment from anybody that we have no control over, we would for strategic reasons then, if there is a requirement for secure communications equipment to be integrated into a system we would then nominate that specific equipment but that would only be in exceptional cases and for strategic reasons where one would then specify some kind of subsystem but normally we would not nominate subsystem suppliers, and the reason for that is should we nominate subsystems or subsystem suppliers we normally require from

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the appointed and contracted main contractor to assume all responsibility with regard to the (indistinct) performance of the equipment, so we would contract them to provide a system to us meeting certain prescribed specifications and they would then be evaluated against their (indistinct) complying with those specifications.

If we were to nominate subsystems or subsystem suppliers we would then automatically start assuming some kind of responsibility towards the performance of the (indistinct) equipment. If that system, subsystem supplier or subcontractor does not perform and we have nominated them then we would have to assume part of the responsibility for non-performance and we do not do that as a matter of policy, so this was just to explain to the Commission what our policy with regards to prime contractors and subcontractors is.

In terms of the contract negotiations post the approval of the preferred bidders during the period of approximately one year between the date of approval of the preferred suppliers and the date of contract signature negotiations were conducted at two tiers, firstly the appointed International Offers Negotiating Team conducted negotiations resulting in umbrella agreements with the suppliers and I will indicate what these umbrella agreements are, they also negotiated financing agreements with financial institutions and they had the responsibility to align the equipment quantities

and delivery phasing with the negotiated funding.

We will also see from the final contract placed that apart from those systems which were not contracted at all, that in many of the cases the quantities of equipment actually
5 differed, became lower than what the original quantities were for which we called for in the Request for Offer and this all was during this period of one year when the International Offers Negotiating Team had to balance the funding or availability of funding and the affordability thereof with the supply of
10 equipment, the cost of equipment based on the numbers of equipment and so forth and also the phasing of the supply of, or delivery of the equipment.

Then there was a second tier of negotiations by the project teams, each of those project teams mentioned earlier
15 on and those negotiations much lower level but much detailed negotiations regarding the actual technical items to be supplied resulted in the supply terms to the umbrella agreements. It's not moving.

ADV SELLO: Chair apologies, we appear to be
20 experiencing a little technical glitch, could we be afforded about two minutes for Mr Griesel to sort this technical problem out.

CHAIRPERSON: We'll just wait here.

ADV SELLO: Thank you Chair.

25 **(Recording machine switched off.)**

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MR GRIESEL: We've resolved the technical problem. This is an explanation of what the umbrella agreements are, the umbrella agreements provided in principle agreement with regards to certain elements of the contract at a high level for instance including but not limited to NIP and DIP undertakings, performance guarantees as well as the price of the system and to the umbrella agreements there were schedules, annexures and appendices containing detailed specifics of the individual elements agreed to in the umbrella agreements.

10 The supply terms to the umbrella agreements contained the commercial as well as the technical specifications of the product, so the umbrella agreements was a high level agreement with the suppliers indicating their undertakings with regards to NIP and DIP without the specifics, what the performance guarantee requirements are, what the price is, what the phasing of the cost would be and so forth and then below that were the supply terms which contained the detailed information regarding the specific items which had to be delivered, how they were going to be measured, how they were going to be paid for, how they were going to be evaluated and so forth, both on the technical side as well as the NIP and the DIP side.

20 Then there were NIP and DIP agreements which contained the obligations of the offerers with regard to NIP and DIP. The contract negotiations, the two tiers of negotiations

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and the subsequent agreements again constituted a deviation from the standard ARMSCOR procurement processes. In ordinary course of ARMSCOR's standard procurement process ARMSCOR would be solely responsible for the negotiations and
5 conclusion of contracts with the preferred suppliers.

In the case of the SDPP's the IONT which was led by an independent chief negotiator who eventually reported to Cabinet negotiated the high level agreements through the respective preferred suppliers and also made the eventual
10 submission to Cabinet to obtain approval to enter into the contracts with the respective suppliers, so this area, this process was outside of the area of control of ARMSCOR as previously mentioned. Just some notes on the IONT. The IONT consisted of the following members, Mr ...

15 ADV SELLO: I do apologise. Please go a slide back, I just want to pose one question for clarification to you and in dealing with this slide you again emphasised the point that the process was outside the area of control of ARMSCOR. Please refer to Griesel-1 page 115 to 116 and in particular paragraph
20 2.21, and I would ask you to read what's stated in 2.21 into the record and paragraph 2.21 at page 115, thank you Chair. Sorry, if you could just read that into the record and to the extent that you are able to, to explain what is quoted therein, taking into consideration the point you make that by this time
25 the process was outside of the area of control of ARMSCOR.

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MR GRIESEL: Chair, this document referred to here is an internal audit report, this compiled by ARMSCOR internal auditors and on page 115 paragraph 2.21 I will read:

5 *“According to ARMSCOR’s Act ARMSCOR as represented by the Board of Directors is accountable for all contracts placed. In the minutes of the board of directors meeting of 26 May 1998 the following was minuted:*

- 10 *• The ARMSCOR board is the penultimate step before the recommendations are submitted to the Cabinet by the Minister of Defence.*
- 15 *• The ARMSCOR’s board responsibility for the contract continues up to the point where the Minister makes a recommendation to the Cabinet.*

20 *Due to the complexity and importance of these international defence package deals a combined effort approach is followed by ARMSCOR and other parties, i.e. decision making, project teams, contract negotiation et cetera. The impact of this approach on ARMSCOR’s accountability should be considered”.*

ADV SELLO: Are you able to explain or shed further light on what is stated in this paragraph?

25 MR GRIESEL: Ma’am I would again need to speculate if I,

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because I do not have the context, I was not in the board meeting, all I can state is that it is true that in in terms of the Act ARMSCOR is responsible, but as I indicated earlier on in the presentation the ARMSCOR board could not approve the contracts because there was no funding and I would assume that is the reason why the ARMSCOR board would assume the responsibility to ensure that all the contractual issues are properly addressed but they would need to refer it to a higher authority to approve based on the fact that international funding had to be obtained and that this would be an implication outside of the control of ARMSCOR. ARMSCOR could not approve any contracts if they did not have the financial authority from the (indistinct).

ADV SELLO: Thank you. In the light of you are not able to assist the Commission in understanding what the phrase “The ARMSCOR board is the penultimate step before the recommendations are submitted to the Cabinet by the Minister of Defence”, is that the case?

MR GRIESEL: I cannot, I would need to speculate if I ...

ADV SELLO: Thank you, I would not call for your speculation. Thanks for your assistance. You may continue.

MR GRIESEL: Okay. Chair, this basically concludes it, in explaining the process that we followed I had different sections which addressed the different phases of the project but those sections were ...

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ADV SELLO: My apologies, I just confirmed with my senior here Advocate Sibeko, I think you skipped page 80, 8-0.

MR GRIESEL: I actually ... Apologies, I started with that yes. The IONT consisted of the following members; Mr Jayendra
5 Naidoo as chief negotiator and chairman, then there was the technical and DIP domain addressed by the then-CEO of ARMSCOR who led the technical and DIP negotiating workgroups and he was supported by the Chief of Acquisition of the Department of Defence. The NIP domain was addressed
10 by the acting director Industrial Participation of the DTI and the financing domain addressed by the senior manager Budget Office of the Department of Finance, and that constituted the International Offers Negotiating Team.

ADV SELLO: Just for completeness are you able to state
15 who the CEO of ARMSCOR at the time was who then became a member of the IONT?

MR GRIESEL: The CEO of ARMSCOR was Mr Llewellyn Swan, Chief of Acquisition was Mr Chippy Shaik, the NIP domain, the acting director Industrial participation was Mr R
20 Pillay and the senior manager Budget Office of the Department of Finance was Mr Roland White.

ADV SELLO: Thank you very much, please continue.

MR GRIESEL: Chair, then as I went through the presentation I addressed the different phases of the process
25 starting from when we solicited requests for information from

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industry up to a point where the contracts were signed, but those sections I, in between them I actually added additional information, so for the benefit of the Commission if you would allow me I would just have one section where I run through the
5 entire process just to bring it altogether.

The Request for Information were submitted to embassies of nine countries for forwarding to possible suppliers in their countries and that was to determine whether they had a product that could satisfy the requirements of the
10 SANDF. 37 Responses were received on the 31st of October 1997, those RFI responses were evaluated according to the previously approved value systems, shortlist of acceptable products were determined from the Request for Information response evaluation.

15 During February 1998 the Request for Offer for the shortlisted products in six equipment categories which excluded the LIFT were submitted via the military attachés of the respective countries or the suppliers. The closing dates for the submissions for, of the best and final offers ranged
20 from 11 May to 15 May 1998 for the six categories of equipment. The Request for Offer for the Lead-in fighter trainer lagged behind the initial six equipment types and the RFO for the LIFT was sent out on the 11th of May 1998 and responses received back on the 15th of June of 1998.

25 The request for offers were required that the final

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offers should consist of four separate sections per submission, and those four separate sections were a section containing the technical and pricing information, two sections relating to the economical advantage for the South African Defence and non-
5 Defence related industries and that would be the Defence Industrial Participation and the National Industrial Participation offers which the respective bidders would make, and then there was a fourth section required which should contain the proposed financing arrangements.

10 The received proposals were evaluated by 12 project teams and those 12 project teams were seven programme related teams for the technical appraisal comprising members from the respective arms of service, ARMSCOR and the Defence Secretariat, one national industrial participation
15 team for the NIP appraisal comprising members from DTI, three defence industrial participation teams for the defence industrial participation appraisal comprising members from ARMSCOR, South African National Defence Force and the Defence Secretariat and there was one financial team for the financing
20 appraisal comprising members of ARMSCOR, Defence Secretariat, SANDF, Department of Finance and financial institutions.

The consolidation process, the results provided by each project team was normalised to a score of 100, those were
25 presented individually to the SOFCOM on the 1st and

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2nd of July 1998, the independent group scores were, per type were consolidated by the SOFCOM to arrive at a preferred supplier per equipment type. A recommendation per programme was compiled by the SOFCOM, the AASB and the AAC were
5 briefed on the results and that was followed by a special Ministerial briefing to the then-Deputy President, Minister of Defence, Minister of Trade and Industry, Minister of Public Enterprise and Deputy Minister of Defence on the 31st of August 1998.

10 On the 18th of November 1998 a briefing was held to, or was presented for Cabinet, Cabinet approved the preferred suppliers for each of the equipment types and authorised that negotiations be entered into with the preferred suppliers in order to arrive at an affordable contracting
15 position with the respective suppliers.

Subsequent to Cabinet approval of the preferred suppliers the preferred suppliers were notified by letter under the signature of the chairman of ARMSCOR of their selection as preferred suppliers. The unsuccessful bidders were
20 simultaneously notified that they weren't selected as preferred suppliers. Following on the Cabinet approval of the preferred suppliers the International Offers Negotiating Team was formed comprising *inter alia* members from the Department of Defence, ARMSCOR, Department of Finance, Treasury and the
25 Department of Trade and Industry.

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The International Offers Negotiating Team negotiated umbrella contracts and financing arrangements at a high level and the respective programme teams negotiated the technical terms with the respective suppliers in order to finalise the configuration of each of the equipment types while remaining within a predetermined cost ceiling and that cost ceiling was indicated to them by the International Offers Negotiating Team.

Upon conclusion of the negotiating process a final briefing was presented to Cabinet on the 1st of December 1999, Cabinet authorised the signing of contracts with the suppliers of the Corvette's, submarines, Lead-in fighter trainer, advanced light fighter aircraft and the light utility helicopter. These contracts were subsequently signed on the 3rd of December 1999.

ADV SELLO: Are you aware, sorry, I think you've gone a slide forward, could you go one back? In the context of the discussion we had as regards the approval of bidders in respect of the LIFT, the signing of the contracts in respect of the LIFT, do you know what the eventual selection was?

MR GRIESEL: The contracts were signed with BAe for the Hawk aircraft.

ADV SELLO: Thank you.

MR GRIESEL: May I continue?

ADV SELLO: Please continue.

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MR GRIESEL: Okay, the contracts were then signed on the 3rd of December 1999. Then just to summarise the deviations from standard ARMSCOR processes which were applicable at the time, the Department of Finance evaluated the financing component of the offers, that was outside of ARMSCOR, and there was a deviation from standard ARMSCOR procurement process where the evaluation did not simply take place on technical industrial participation and cost grounds, in these cases there was also a section relating to financing which would not normally form part of our evaluation process because in terms of the normal evaluation process the funding would be provided by the Department of Finance, so there would be no need to solicit financing options from prospective bidders.

After the consolidation of the evaluation results the proposed preferred suppliers were recommended by the SOFCOM to the AASB and subsequently to the AAC and the Ministers Committee. The next stage was approval by full Cabinet of the contracting decision arrangements which occurred on or about 1st of December 1999.

The contracts were signed on the 3rd of December 1999. In terms of ARMSCOR standard tendering contracting process ARMSCOR as the tender board would have been responsible for all phases of this process. In the case of the SDPP the decisions regarding the selection of the preferred

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bidders and the awarding of the contract was not made by ARMSCOR Tender Board but rather was made by Cabinet. The signature of the contracts was only subsequently ratified by the ARMSCOR board.

5 ADV SELLO: Could you explain what ratification by the ARMSCOR board of these contracts mean?

MR GRIESEL: Chair, I cannot explain what the intention was at the time, what I can explain is what the normal process in ARMSCOR is and that is these contracts were amongst
10 others signed by the chairman of ARMSCOR, the normal process in ARMSCOR is that if a contract is approved for whatever reason, signed, not approved by the full Board by rather by the chairman of the Authorisation Committee, that it has to be taken to the Board at a later stage for ratification.

15 The term "ratification" has subsequently changed in ARMSCOR to be "noting" because once it's signed, it's signed, the board does not really have any say any longer, so it still has to be, and in terms of our current processes if for whatever reason a contract could not be taken to the full board or to the
20 Authorisation Committee for their consideration, and it is signed by the chairman, then it has to be submitted to them at a later stage for ratification and nowadays for noting. Whether that was the intention at the time I cannot say.

ADV SELLO: Do you know the date on which this
25 ratification was effected by the ARMSCOR board?

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MR GRIESEL: I do not have the exact date, it was somewhere in early March I would think.

ADV SELLO: Well, I dare say by the look of things we might not finish today, so would you be able to establish that
5 for us overnight?

MR GRIESEL: Yes, I would.

ADV SELLO: I would appreciate it, thanks. Yes, you may continue, thanks.

MR GRIESEL: Chair, then that was a summary of the
10 process followed from the Request for Information phase to the point where the contracts were signed. The last section of my presentation would relate to the two internal ARMSCOR audits that were conducted into the process.

ADV SELLO: To assist the Commissioners please permit
15 me and confirm that the audits you are about to speak to, the reports form part of your bundle Griesel-1 and that these are to be found Commissioners, the first is DG12 from pages 108 to 137 of Griesel-1, and the second report is DG13 from 138 to 153 for reference purposes. You may continue Mr Griesel.

MR GRIESEL: Chair, the SDPP process was the subject
20 matter of two internal audit reports requested by the then-general manager of Aero Maritime ARMSCOR, requesting the Internal Audits Division as well as the Quality Engineering Services Division in ARMSCOR to conduct these audits into the
25 process. The first internal audit report was carried out over

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the period 6 to 13 November 1998 and the second internal audit report was produced on the 21st of July 1999. These audits were performed on the request of the general manager Aeronautics and Maritime in order to enquire whether the process followed during the evaluation of the SDPP were proper and transparent.

Internal audits were carried out by Mr JG Grobler of Internal Audits, Dr VJ Van Tonder and Mr W Van der Walt from the Property Engineering Services Divisions. The audit reports concluded that no evidence of improper conduct was found on the part of any of the ARMSCOR employees involved in the evaluation of the various proposals, the reports of the teams that evaluated the technical merits of the proposal were adequate and contained sufficient information to verify the adequacy or the procedure that were followed and the appropriateness of the recommendations made to the SOFCOM.

The first internal audit report concluded that although the evaluation were not performed strictly to APROC-097 since the process was influenced by parties outside of ARMSCOR the basic principles and rationale in determining best value for money were applied.

ADV SELLO: Are you able to explain what the term "influenced by parties outside of ARMSCOR" means in this regard?

25 MR GRIESEL: The ARMSCOR practice that was

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applicable at the time, APROC-097 indicated that the evaluation team should be led by ARMSCOR, that the evaluation report should be signed by the appointed structures within ARMSCOR in terms of the delegations. There were some cases where those reports were not signed by ARMSCOR but it was signed by parties outside of ARMSCOR, the final reports which were submitted to the SOFCOM containing the evaluation results.

ADV SELLO: Are you able to specify who these parties outside ARMSCOR were?

MR GRIESEL: I cannot provide an exhaustive list, I know that in the case of the Corvette's, and I assume the submarines those reports were signed by the then-South African Navy and not by ARMSCOR.

ADV SELLO: Thank you, please continue.

MR GRIESEL: The Minister of Defence Policy for dealing with the SDPP's stipulated a multi-tier approach to be followed during the assessment of offers, the policy outlined a three order evaluation to be performed and according to the SOFCOM constitution it managed the second order evaluation. The calculations of Military Performance Index values were verified by hand calculations based on data included in the reports.

They were verified to be within a few percent in all cases, except for the submarine. Mr JG Grobler after the audit confirmed the accuracy of the calculations made (indistinct)

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submarine proposals during a further investigation. On instruction of the SOFCOM all final offers were evaluated and no offerer was excluded due to non-compliance with any critical requirements. It must be noted that all offers were considered to meet the Defence Force's minimum technical requirements and the reason why the internal auditors made this note is that in terms of ARMSCOR normal process where we have critical requirements any offerer that does not meet all the critical requirements would be excluded from further evaluation.

10 In the case of the SDPP's a SOFCOM decision was made that all offerers should be further evaluated. Since all of those offerers were actually selected or were shortlisted based on the fact that they all met the minimum threshold requirements of that was stated by the users and that is how they came onto the shortlist, so the SOFCOM indicated that if there were any of these criteria which were not met they should be further evaluated and the Commission will recall that for example in the case of the advanced light fighter aircraft, the EADS on their aircraft as well as Dassault for the Mirage 2000 did not offer any financing option, those were specific requirements of the RFO and under normal procedures if any offerer did not supply the required information as stipulated in the RFO they would have been excluded from the evaluation. In this case they were evaluated the results were presented.

25 ADV SELLO: Just to clarify you stated that the inclusion

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of those bidders who did not comply with critical requirements was based on a decision by SOFCOM specifically do you say?

MR GRIESEL: Yes, SOFCOM indicated that during the evaluations if there were some of these bidders who did not
5 meet the full requirements they should still be evaluated and presented for full visibility to the decision makers as to what the situation was, they should not just be excluded and no further visibility given to them.

ADV SELLO: As a member of SOFCOM can you, are you
10 aware of any policy directive that authorises SOFCOM to take such a decision?

MR GRIESEL: No Ma'am.

ADV SELLO: Thank you, you may proceed.

MR GRIESEL: The evaluations were not performed
15 strictly to APROC-097, selection for contractual bid resources and as the process was influenced by parties outside of ARMSCOR the basic principles and the rationale of determining best value for money were applied. The Ministry of Defence Policy for dealing with International Defence Equipment Offers
20 dated the 8th of August 1997 stipulated a multi-tier approach to be followed during the evaluation of these offers.

The Policy outlined a three order evaluation to be performed and according to the SOFCOM constitution it managed the second order evaluation. No first order
25 evaluation in terms of the policy has been performed and it is

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uncertain whether some other first order evaluation has been performed that could account for the change in recommendations regarding the LIFT.

5 The second audit report findings, even though a number of concerns exist regarding procedures followed, the role of programme teams, accountability and actions by parties outside of ARMSCOR, no evidence was found that could indicate gross misconduct within ARMSCOR and with regards to the execution of work. They also found that negotiations were
10 conducted professionally and with integrity, that was the, those were the findings from the internal audit reports.

Chair, I would just with your permission just indicate some of the recommendations made by the Joint Investigating Team into the Special Defence Packages and to
15 what extent those recommendations pertaining to us were in fact implemented. The following recommendations of the Joint Investigating Team consisting of Public Protector, National Prosecution Agency and the Auditor-General into the SDPP process related to the Acquisition Policy. Paragraphs 14.2.1
20 of the JIT Report stated:

*"It is recommended that the policy document referred to in paragraph 3.2.5 above (VB-1000) be further refined with specific reference to the lessons learnt from the acquisition process and the
25 investigation as reflected in this report. The staff*

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of Department of Defence and ARMSCOR involved in procurement should be properly trained to ensure that they assimilate and fully understand the policy with a view to its effective implementation”.

5 Paragraph 14.2.6 of the JIT Report indicates that:

“Adequate audit trails with particular emphasis on the visibility of supervision, decision making and assumption of responsibility should be in place at appropriate levels in the procurement process”.

10 And paragraph 14.2.11 states that:

“The guidelines contained in the Defence Review that relates to the selection and appointment of subcontractors must be followed and steps taken to ensure that an open and fair process is (indistinct) for the selection of subcontractors”.

15

The implementation of those recommendations subsequent to the release of the JIT Report and total review of the DOD ARMSCOR Acquisition Policy was initiated amongst others addressing the recommendations from the Joint Investigating
20 Team. This culminated in the promulgation of the DODI Act 5/2003 and known as DAP-1000 on the 1st of September 2004. This document was subsequently reviewed and the updated version was implemented on the 1st of July 2010. And that is my conclusion Chair.

25

I would like to conclude by stating that although

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there were a number of deficiencies, and this is quoting from the internal audit report:

5 *“... a number of deficiencies to the standard ARMSCOR procurement process, ARMSCOR executed its mandate in respect of the SDPP acquisition to meet as effectively and economically as may be feasible the armaments requirements of the Republic as determined by the Minister including armaments required for export”.*

10 Thank you Chair.

ADV SELLO: Thank you Mr Griesel. Chair, just to state for the record the minute of the AAC of the 13th of July which I, a meeting I discussed briefly with Mr Griesel, that minute has been located and I would beg the Commission’s leave to give
15 Mr Griesel a copy of this minute to consider overnight and I will continue with leading him on a few aspects relating to this minute, so his testimony in chief is not concluded yet and I would just beg for the Commission’s indulgence that he be permitted to continue tomorrow.

20 It has been brought to our attention that in light of the traffic problems experienced yesterday outside the building and the difficulty people had to go through just to exit that we may finish slightly earlier today and as it is, it is 15h30 and according to the manner in which we would like to present our
25 testimony Chair this would be the appropriate time to then take

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that adjournment and the witness will consider these minutes overnight and that will be about the only issue left to canvass tomorrow morning barring one or two questions arising.

CHAIRPERSON: We will adjourn until tomorrow morning.

5

(COMMISSION ADJOURNS)