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CHAIRPERSON: Advocate Lebala.

ADV LEBALA: Morning Chairperson, Commissioner Musi, we are ready to proceed. I suppose the first formal procedure is to reaffirm that Mr Vermeulen is still under oath.

5 MR VERMEULEN: I do.

CHAIRPERSON: Thank you.

ADV LEBALA: Thank you Chair, Commissioner Musi. Mr Vermeulen just to refresh you to remind the Commission where we are, we are at the stage where we have four remaining
10 bidding countries, France, Germany, Italy, Sweden, the RFO's are back, you have testified that the RFO's are a commitment, we are adjudicating, consequences have to arise from the process of the RFO's, we are engaged in a programme where we process the value systems of the RFO's, that's where we
15 are, am I right?

MR VERMEULEN: Yes Chair, that would be correct.

ADV LEBALA: Now we were on page 7 of your, I beg your pardon, page 8 of your slides, I would like us to go back there.

MR VERMEULEN: Certainly Chair.

20 ADV LEBALA: A very critical ... I beg your pardon, page 8 yes, that's where we were. To refresh ourselves that yesterday we went through this slide and to refresh, like I say, to refresh ourselves this slide introduce three tiers that were underpinned on the MOD Policy 4/147 on the 2nd of July 1997.
25 Now you advised us that the role that the Integrated Project

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Team played when you were involved is at the lower tier, that is tier three, am I right?

MR VERMEULEN: Yes Chair, you are right.

5 ADV LEBALA: Now at that level you were engaged with what we call the technical Military Value Indices of weighing the RFO, am I right?

MR VERMEULEN: Yes Chair, my involvement was applying the value system in applying the weights contained within that value system so as to arrive at a basic result.

10 ADV LEBALA: And at that stage we are looking at three indices, the RFO responses that we also called engineering management component, you were also looking at the submarine product and you were also looking at the integrated logistics systems.

15 MR VERMEULEN: That would be correct Chair.

ADV LEBALA: We also know that at this level there are either silo teams that focus on the industrial participation, the NIP and the DIP and the financial option.

20 MR VERMEULEN: They would also be working at that level Chair.

ADV LEBALA: But your role is on the technical military value side and that has been confirmed.

MR VERMEULEN: Yes, I can confirm that Chair.

25 ADV LEBALA: Now you told us that where you were involved on the technical military side you came with a basic

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evaluation scores, results that were submitted to a team that we were calling the moderator team.

MR VERMEULEN: That's correct Chair. Chair, the project officer who forms part of the IPT, would have been in possession of all those results so that he could consolidate those results into his RFO evaluation report.

ADV LEBALA: And I don't know why we erred yesterday, we kept on referring to Mr Howell instead of Rear Admiral Howell who was part of that moderation team, am I right?

MR VERMEULEN: Yes, Admiral Howell who was Director Naval Acquisition at that time, he played the role of moderator in that exercise.

ADV LEBALA: And he was in that moderation team with Commander Reed, is that correct?

MR VERMEULEN: That is correct Chair.

ADV LEBALA: Now thank you Chair, at this stage we would like you to look at the bundle that we handed to you, the bundle that created controversy the previous week, we call it the Critics bundle, it's actually, it's called the Declassified Documents" bundle, not the Critics bundle. We are going to request you to look at this bundle jointly with the Critics bundle, but let's start with the declassified documents bundle. Commissioner Musi, Chair, you will see on the introductory page, page 1 of the bundle it's an index that draws your attention to the different components part of the self-same

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bundle, we want to take you through item 4 and 5 of this bundle. At this stage I would like to draw your attention to item 5 and I would like you to go to page 118. Are you at page 118 Mr Vermeulen?

5 MR VERMEULEN: Yes, I am Chair.

ADV LEBALA: I note that the chair and Commissioner Musi are still locating page 118. I'm waiting for direction from the commissioners whether they are at page 118. Thank you Commissioners. Please look at page 118 Mr Vermeulen, I
10 would like you to look at the paragraph headed "Title Page", can you see?

MR VERMEULEN: Yes, I can Chair.

ADV LEBALA: Please identify this document.

MR VERMEULEN: The "Title Page" reads "Project Wills
15 Submarine Evaluation".

ADV LEBALA: Of significance is I would like you to go down and go to the paragraph headed "Date of Original Issue".

MR VERMEULEN: The date of original issue of the document reads 25 June 1998.

20 ADV LEBALA: Let's go to the next page 119, I would like you to identify paragraph headed "Approval Page" and read what you see in that paragraph.

MR VERMEULEN: Chair, the approval page contains the following information that the document was compiled by
25 Captain AJC Reed, the Submarine Evaluation Team leader and

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was moderated by Director Naval Acquisition, Rear Admiral JG Howell.

ADV LEBALA: Now in simple terms how would you qualify this document if you were to talk to it, what would you say to the Commission now, what comes to your mind when I refer you to page 118 and 119?

MR VERMEULEN: Chair, I gather the main purpose of this document is to evaluate the basic results and transform these results into a military value.

ADV LEBALA: I would also like to draw your attention to page 99 of the self-same document, page 99, it's on the same bundle Chair, if you look at page 1 of the Declassified bundle you will see that it's item 4. Now we are parting ways with item 5, we are going to item 4. Are you at page 99 Mr Vermeulen?

MR VERMEULEN: I am Chair.

ADV LEBALA: I note that the chair and the commissioner are also at page 99. I would like you to identify this document with title page, look at the paragraph headed "Title Page".

MR VERMEULEN: Chair, the title of the document reads "Project Wills Value System for the Evaluation of the RFO".

ADV LEBALA: I would like you to go down and read the paragraph "Date of Original Issue".

MR VERMEULEN: The date of original issue reads 26 March 1998.

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ADV LEBALA: Please turn to page 100. I would like you to read the column paragraph headed "Approval Page" and everything written in there.

MR VERMEULEN: Chair, the approval page reads that the
5 document was compiled by Mr GW De Muynk who was the project engineer at that time, the responsible party was signed by Commander AJC Reed who was project officer Project Wills, and the document was approved by Rear Admiral AN Howell, Director Naval Acquisition, it was also approved by Admiral
10 Simpson Anderson, Chief of the Navy and it was also approved by Mr Shaik who was Chief of Acquisition.

ADV LEBALA: Now let's pause there, we note that for instance if you look at the paragraph headed "Responsible", the date is the 11th May 1998, I'm talking of the column where we
15 see Commander Reed's signature, can you see?

MR VERMEULEN: Yes, I can see Chair.

ADV LEBALA: Just below that there's also the paragraph headed "Approval", the date is 11 May 1998 and the signature is that of Rear Admiral Howell.

20 MR VERMEULEN: That's correct Chair.

ADV LEBALA: We also note the date that is in the next paragraph headed "Approval", the date is 11 May 1998 and the signature is that of Admiral Simpson Anderson.

MR VERMEULEN: That's correct Chair.

25 ADV LEBALA: We also see the paragraph headed

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“Approval”, Chief of Acquisition, the signature is that of S Shaik and the date is 12 May 1998.

MR VERMEULEN: I can confirm that Chair.

ADV LEBALA: Now let’s look at your statement page 6
5 paragraph 3.15, I would like to complete this picture by reading
what your statement alludes to, I hope the Commissioners are
with us, page 6 of your statement paragraph 3.15:

*“The technical evaluation of the offers was done
using the RFO value system prepared on the
10 26th March 1998 by Mr Gregory De Muynk who was
the appointed SA Navy project engineer at that
time”.*

Now this page talks to that, am I right?

MR VERMEULEN: Yes, it does Chair.

15 ADV LEBALA: Let’s read further:

*“The value system was approved on the
12th May 1998 by Mr Shamin Shaik, Chief of
Acquisition, Rear Admiral Anthony Howell, Director
Naval Acquisition and Vice Admiral Robert Simpson
20 Anderson, Chief of the SA Navy”.*

MR VERMEULEN: Yes Chair, that’s correct.

ADV LEBALA: Now what is significant is what date was
taken having drawn your attention to the date of the
11th May 1998 that appears three times and only one date that
25 appears on the 12th May 1998 in the column “Last Approval”?

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MR VERMEULEN: Yes Chair there is an omission there, the dates regarding Chief of the Navy and a Director Naval Acquisition should have read the 11th of May as opposed to 12th of May.

5 ADV LEBALA: Now of significance and I don't think it's that important, it just has to complete the picture which is painted here because of this, the importance of this document, the date that was considered was the date on which Mr Shaik signed, am I right?

10 MR VERMEULEN: Yes, that signifies the approval of the document.

ADV LEBALA: Now whilst we are there let's pause and go back to, we'll come back to this important line of your testimony, I would like us to go back to page 8 of the slide on the projected. We have to complete some important aspect before we come back to the value system of the RFO page 8, what we were on, the self-same document we were on, yes, yes. Now on the lower tier what has become clear is where you played a role, that's where the Integrated Project Team was busy making an adjudication and deciding the military value of the RFO's. Now going to the second tier how many important players were in the second tier, that's the middle tier, we know that SOFCOM played an important role, were there other parties and committees that played a role?

25 MR VERMEULEN: Chair, as far as I know SOFCOM played

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that role at the middle tier and as it came up in Mr Griesel's testament there were a number of DoD members and ARMSCOR members that made up the composition of the SOFCOM.

ADV LEBALA: Now we have to assist the Commission to appreciate how the SDPP's came into being bearing in mind that ARMSCOR processes were in place. You remember you testified in your introduction last week about cardinal projects and non-cardinal projects?

MR VERMEULEN: Yes, I recall that Chair.

10 ADV LEBALA: And just to refresh the Commission we said that cardinal projects are those that are worth R80 million upwards.

MR VERMEULEN: Yes Chair, I wasn't exactly sure of the amount, I said it could have been R80 million or a R100 million if I recall correctly, and I also indicated that an important consideration for cardinal project is the political profile of a specific project as well.

ADV LEBALA: Well, we've been told that cardinal projects now are worth R100 million but it's neither here nor there, but during the SDPP's we were told that they were R80 million.

MR VERMEULEN: I accept that Chair.

ADV LEBALA: Now are you alive to the Armaments Acquisition Control Board?

25 MR VERMEULEN: I am vaguely Chair, I've never had any

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dealings at that level with a board of that nature.

ADV LEBALA: Now you're being an ARMSCOR employee I would like you to assist the Commission because the testimony of Mr Griesel dealt with this aspect and for us to complete the picture of what we started with by referring you to those pages we have to go through this looking at the middle tier. The Armaments Acquisition Control Board was chaired by the Chief of Logistics, does it refresh you?

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MR VERMEULEN: Not particularly unfortunately Chair, I have no knowledge of the composition of those boards and unfortunately I'm not very qualified to comment on the composition and in fact their role and responsibility.

ADV LEBALA: Do you remember you were present when Mr Griesel was testifying?

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MR VERMEULEN: I was present Chair.

ADV LEBALA: Short of saying Mr Griesel told us that the Armaments Acquisition Control Board chaired by the Chief of Logistics played a role in the middle tier in as far as the non-cardinal projects are concerned, does it refresh you?

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MR VERMEULEN: It does vaguely Chair.

ADV LEBALA: And Mr Griesel also told us about the Armaments Acquisition Steering Board chaired by General Steyn, the Secretary of Defence, does it refresh you?

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MR VERMEULEN: Chair, in all honesty I can't say that it does. Unfortunately I have not been involved at that level and

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I don't know the mechanisms involved at that level unfortunately.

ADV LEBALA: Now of significance is Mr Griesel told us that both boards are very important because they determine
5 how non-cardinal projects are handled in that middle tier. Do you remember, and please if you don't, feel free to say. Mr Griesel's testimony informed us that if a project is worth less than R80 million during the SDPP's, I suppose today if it's worth less than a R100 million it goes from SOFCOM to the
10 Armaments Acquisition Control Board and then it goes to the Armaments Acquisition Steering Board and a decision is made there, do you remember?

MR VERMEULEN: Yes, I do recall that Chair.

ADV LEBALA: Now in that middle tier we are informed
15 having followed Mr Griesel's testimony that SOFCOM, Armaments Acquisition Control Board, Armaments Steering Control Board plays an important role, do you agree?

MR VERMEULEN: I would assume that to be correct Chair.

ADV LEBALA: Now let's go back, I wouldn't like you to
20 lose me, I don't want to lose you and I don't want to lose the commissioners, the reason why we are bringing this is we now know the following, that you played a significant role in the lower tier where you look at the military value, where the technical evaluation of the RFO of these four bidders,
25 remaining countries, were being considered. You came with a

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score, you pushed it upward to the second tier where these three components play a role, do you agree?

MR VERMEULEN: Yes Chair, if I may reiterate I did play a role in the establishment of the basic scores. My colleague the project officer then took those as an input to his RFO Evaluation Report which drove out the military value and that was in turn submitted to the SOFCOM for further evaluation.

ADV LEBALA: Thank you. In all fairness to you, you did not submit it directly to SOFCOM, you submitted it to the moderator team that we talked about, the team of Commander Reed and Rear Admiral Howell, am I right?

MR VERMEULEN: Yes Chair, that's a correct assessment.

ADV LEBALA: Now what has become clear is that if it was a non-cardinal project worth less than R80 million during the SDPP's, worth more than R100 million today, there's a way in which it would behave because of the three role players in that middle declassified tier, SOFCOM, Armaments Acquisition Control Board, Armaments Acquisition Steering Board, it would just end there, do you agree?

MR VERMEULEN: Based on what you have outlined that would appear to be correct Chair.

ADV LEBALA: Now we just want the Commission to appreciate these three important tiers because the significance of the previous pages we read to you in the Declassified bundle is going to appear clearly to them when they appreciate where

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we are going now. Let's come nearer home, the vernacular is we are dealing with the SDPP's, it's over R100 million, am I right?

MR VERMEULEN: That's correct Chair.

5 ADV LEBALA: That's the reason why it pushes up, isn't it?

MR VERMEULEN: That would be right.

ADV LEBALA: Now it pushes up to the upper level, upper tier, we'll call it level 1, cardinal level, is that correct?

10 MR VERMEULEN: Yes Chair, that would be correct.

ADV LEBALA: Now let's look at the players in that upper level. I'll refresh you, if you remember say you remember, if you don't remember, you don't remember. An important committee plays a role in that upper level, the first committee
15 is the Armaments Acquisition Council, does it refresh you?

MR VERMEULEN: Yes Chair, for cardinal projects the AAC would have to get involved in the approval process, specifically the Minister of Defence.

ADV LEBALA: Yes. I think we have completed what I
20 wanted to ask you who chairs it, it's being chaired by the Minister of Defence.

MR VERMEULEN: Quite so Chair.

ADV LEBALA: At this stage the executive, the politicians, permit me to say the decision making powers at government
25 level play a role isn't it?

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MR VERMEULEN: They play a vital role Chair.

ADV LEBALA: There's another committee also there, we are pushing it up within that upper level called the Committee of Cabinet Ministers.

5 MR VERMEULEN: I'm not familiar with that organisation Chair.

ADV LEBALA: Let me refresh you. During the SDPP's that committee was chaired by Deputy President Mbeki, does it refresh you?

10 MR VERMEULEN: Yes, it does.

ADV LEBALA: And the composition of that committee consisted of, because it was a committee of cabinet ministers it consisted of the Minister of Department of Trade and Industry who was then Mr Alec Erwin, does it refresh you?

15 MR VERMEULEN: Yes, Chair.

ADV LEBALA: It also composed of the-then Minister of Finance who was Mr Trevor Manuel.

MR VERMEULEN: I do recall that.

ADV LEBALA: It also composed of the Minister of Public
20 Enterprise, initially it was Stella Siqcau and then Mr Jeff Radebe subsequent thereto, does it refresh you?

MR VERMEULEN: I would have to guess at that one Chair.

ADV LEBALA: And then obviously there's the Minister of Defence who was initially Mr Joe Modise and then Mr Lekota.

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MR VERMEULEN: I remember that clearly Chair.

ADV LEBALA: Remember we are still at that upper tier where executive plays an important role, it pushes further up in that tier, it goes to the Cabinet, does it refresh you?

5 MR VERMEULEN: Yes Chair, I does.

ADV LEBALA: And during that time the head of the Cabinet was President Mandela.

MR VERMEULEN: I remember that Chair.

ADV LEBALA: Now that completes the picture. I suppose
10 the Commission starts to appreciate the role that you played at the lower tier where you part ways with the significance that the Integrated Project Team played by presenting those basic scores in the technical evaluation, that is the military value of these RFO's of these four countries, the moderation team took
15 it and they took it higher. From there we do not know what happened.

MR VERMEULEN: That would sum it up Chair.

ADV LEBALA: I would like to part ways with this slide, now the Commissioner will appreciate where we are taking you
20 in your testimony. Remember we are in the life cycle of the submarine, we have started with the RFI's, we eliminated, now we are at the RFO stage, only four are remaining, we have to make a decision who do we prefer or who the Navy refer or who the country prefers and there were significant processes that
25 play a role, remember your testimony is about the process up

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until we bring the submarine back to South Africa. We have completed the picture in as far as the RFO evaluation is concerned where you played a significant role, is that correct?

MR VERMEULEN: That's correct Chair.

5 ADV LEBALA: Now we are still on the Declassified Documents, please look at page 99. Now we now know that the technical evaluation of the offers has been done, the value system has been effectuated, the process is starting where decisions have to be made as to which of the four countries is
10 being selected, am I right, we are going there now.

MR VERMEULEN: That's correct Chair, that would be right Chair.

ADV LEBALA: Now let's look at what played a significant role bearing in mind that we have parted ways with your role,
15 we have given the basic scores, the moderation committee or moderation team has taken them somewhere, is that correct?

MR VERMEULEN: That is correct Chair.

ADV LEBALA: The document that I've referred you to on page 99, did you play a role in compiling it?

20 MR VERMEULEN: Yes Chair, I did play a role in compiling the value system.

ADV LEBALA: Now let's look at page 104, we are going into the nitty-gritties into the derivation of the value system to understand why we chose one above the other. Paragraph 5, I
25 would like you to read it, 5.1.

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MR VERMEULEN: Chair, paragraph 5.1 reads as follows:

“The offerers must essentially respond to three aspects of the RFO visa vie the RFO itself, the Integrated Logistic Support and the Technical Performance, the latter two being applicable documents to the RFO”.

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ADV LEBALA: Let’s pause there. These three important indices, did they carry the same weight?

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MR VERMEULEN: No Chair they didn’t, they were weighted, they were weighted unequally.

15

ADV LEBALA: Now you are informing the Commission that to make a better informed decision in looking at the RFO of these four countries three important indices have to be looked at, the RFO itself, the Integrated Logistic Support and the Technical Performance.

MR VERMEULEN: That’s right Chair.

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ADV LEBALA: Now let’s simplify it further for the Commission, the RFO itself, remember we are talking about the RFO where we are using a process, a value system that has to assist in making a decision to choose the bidder, that’s where we start to involve the military value. Now we are still talking about the RFO within the RFO, please simplify it for the Commission.

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MR VERMEULEN: Yes Chair, essentially that first category the RFO, it should read in effect the RFO Response. What we

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adjudicate there is the level of detail that the contractors respond to with respect to the guidelines in the RFO and I'll be giving some examples, I can do it at this stage if it's an opportune time. For instance there are a number of documents that we place in the RFO that they must respond to, one of them is a Statement of Compliance, they have to unequivocally state their compliance to our requirements, in other words they would have to run through the functional requirements of the specification and they will have to formally commit in writing as to whether they fully comply, partially comply or do not comply. I'm just taking you back to the fact that an RFO response is formal and binding, so we expect that of our contractors.

ADV LEBALA: Thank you. I know that in the beginning you tried to simplify the integrated logistic support and the role that it plays.

MR VERMEULEN: Yes Chair, the integrated logistic support value consists of a number of parameters, for instance the design influence of logistics on the product system, how integrated logistic support will be managed during the course of the production phase, we expect some statistical related data to be provided by the offerers in terms of reliability and availability and maintainability of equipment, we would want to get a good indication of the supply support, in other words the spares provisioning that would be provided in the offer and there are a number of others which I will address when I take

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you through the value system itself.

ADV LEBALA: Thank you. And the technical performance?

MR VERMEULEN: Yes, the technical performance category
5 has the most parameters included in it and this addresses the characteristics of the submarine itself.

ADV LEBALA: Thank you. And then let's complete paragraph 5.1, it says:

10 *“... the latter two being applicable documents of the RFO”.*

What does that mean?

MR VERMEULEN: Chair what that means is in the RFO there were a number of annexures and this included the functional requirement specification which also included the ILS logistic
15 support requirements.

ADV LEBALA: Now I'm not going to take you through paragraph 5.3, for you to appreciate it let's read what 5.2 says:

20 *“These three aspects of the offer are mutually exclusive and collectively exhaustive but are obviously not of equal weight”.*

Now explain to the Commission.

MR VERMEULEN: Basically what the author is saying there they can be evaluated separately but together they form a whole as well, they form a complete picture, they can however
25 be isolated in terms of the evaluation of that specific

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parameter.

ADV LEBALA: Let's complete the picture at this stage as a background because we have to come back to it, I would like you to simplify it by taking the commissioners to Annexure "RMV4" page 78 of your statement, Annexure "RMV4", page 78 of your statement. The commissioners will draw our attention to whether they have got the page 78. Okay. Now you have just laid the background that at this stage we are looking at the military value, the derivation of the value system and three important indices play a role, the RFO itself, that is the RFO response, the Integrated Logistic Support and Technical Performance and you say they are not of equal weight. Now just explain the top paragraph on page 78 so that the commissioners should appreciate those weights. I'm talking about the paragraph headed "Value Result 1 Submarine Military Value", but please identify this document before you do that.

MR VERMEULEN: Chair, this document is the submarine RFO value system that was used for adjudication of the four bids. At a high level we have the Submarine Military Value, there are three high level categories, that includes the RFO requirements, the ILS requirements, Integrated Logistic Support requirements and the Submarine Product requirements. The weightings attached to those are respective weightings, for the RFO requirements it's 6.54%, the ILS requirements is 67.51% and the submarine product requirements are 25.95%,

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the three of which make up 100%.

ADV LEBALA: Now if I were to ask you to simplify it by saying what are these percentages, the weights, supposed to tell us when you look at these four countries?

5 MR VERMEULEN: Chair before considering the four countries just looking at the value system structure itself essentially what it's telling us is that in terms of relative importance a lot of importance was attached to the ILS component and the background to that is if you recall we went through an RFI
10 process some time before this and based on the information gleaned from these four bidders it would appear that there was very little to choose from in the products, the diesel-electric submarines themselves and this is actually borne out when we did the evaluation with the RFO tenders.

15 You will see during the course of my presentation that they score very closely when it comes to the product itself, so we decided within this, the IPT, to rather focus more on the support aspects, the ILS aspects of the submarine product system, notwithstanding the fact that we give serious
20 consideration to the submarine product itself, we have to do that because you must bear in mind that with the RFI, with the responses to the RFI those are non-binding proposals, so a bidder could provide you with a specification at that stage that you can't hold him to, he could provide certain parameters in
25 that specification at the RFI which he can change during the

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course of the RFO, and this does happen, so you still have to go through the process of carefully evaluating the submarine product itself, notwithstanding the fact that it is a lower percentage, it's obviously very important, the reason why it's been weighted relatively lower is because we focus more on support aspects during the RFO phase.

ADV LEBALA: Now we now know that three important indices are being considered when the military value, the technical value of the RFO's are being considered to weigh these four countries and they are not of equal value. Now you say that the ILS, the Integrated Logistic System is the highest and it can be borne by what the commissioners can see as 67.51%, am I right?

MR VERMEULEN: Yes Chair, the Integrated Logistic Support, that requirement was equated to 67.51%.

ADV LEBALA: Now you mentioned that support is more important than performance in as far as looking at the four countries is concerned, it means we are looking at the submarines from these four countries, we have to be satisfied from what you say that the support provided by the submarine produced by those four competing countries is more important than performance, is that what I understand you to be saying?

MR VERMEULEN: Chair it is, but you have to see it in context of the information gleaned during the RFI process. Obviously the submarine itself is of vital importance, but at the

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RFO stage we rather focus more on the ILS component because we had a very good idea from the RFI of what the submarine product system would look like and of course we confirmed that during the RFO process with the bids. It was a question of focusing more on ILS, on Integrated Logistic Support at this stage of the adjudication.

ADV LEBALA: Now let me understand. Looking at page 78 the three indices, the RFO requirements from what you say relates to performance. The submarine product requirement relates to performance, and the ILS requirement which state 67.51% relates to support.

MR VERMEULEN: Yes Chair, but to summarise that in my own words if possible, the RFO requirements relates to the manner in which the shipyard would conduct the production phase essentially. It provides you with a level of information which you can evaluate in terms of how this shipyard will manage the production phase and I'll go into that in more detail and give you specific examples at the opportune time.

Integrated Logistic Support, that relates directly to how this product will be supported post-delivery and then of course the submarine product requirement relates to the product, the submarine itself and that will apply during the life cycle of the submarine which in this case is designed for a 30 year period.

ADV LEBALA: Now in the context in which you say would you

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like to simplify it to the Commission because you kept mentioning that the performance of these four competitor submarines is not that important compared to the Integrated Logistics Support requirement, do you remember?

5 MR VERMEULEN: Yes I do Chair. Relative importance was given less to the submarine itself at this stage, correct.

ADV LEBALA: Now I understand you to be saying the ILS focuses on that which assists the support systems of the submarine once it has left the manufacturer, it means it has
10 left Germany, it's on its way to South Africa, it arrives in South Africa, now what make it to keep going on taking voyages, just what could qualify as the Integrated Logistics System by way of an example?

MR VERMEULEN: Yes Chair if I may, some concrete
15 examples in that respective support exactly what you've said is one item would be the technical manuals, the documentation that gets delivered together with the submarine. Obviously that in terms of information transfer, that forms a very vital category, the training aspects, the training is a very important
20 aspect especially when it comes to a product like the submarine, it has a lot of potential to be a dangerous product. The individuals who operate and maintain those submarines have to be well trained, so these are typically the areas that we're addressing integrated logistic support. Another
25 important one is the spares provision, what we strive to obtain

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is a five years spares holding for the Navy so that when the Navy took delivery of the submarine they would at least have a kick-start in terms of spares provisioning.

ADV LEBALA: Now paragraph 5.3 I don't want us to spend time, I think you have laid the foundation, we may come back to it later. The RFO addresses matters such as, I think you have given examples, is there one that you would like to simplify amongst the, now we are focusing on these three important indices that qualify the military value, the RFO requirement, the (indistinct) requirement, the submarine product requirement. Just give practical example to address the RFO, remembering that it only counts 6.54%.

MR VERMEULEN: Chair, ...

ADV LEBALA: Give examples, just focus on example, I don't want you to be technical, just focus on examples.

MR VERMEULEN: Chair, one example that comes to mind is the Draft Engineering Management Plan. First of all it's a draft because the process will be as such that one of these four bidders will eventually enter into a negotiation phase and you will finalise those documents, just bear that in mind. The Engineering Management Plan gives me a good measure of the amount of effort that the shipyard would place into managing this project, in other words the Engineering Management Plan will drive out the processes that they will follow, it will drive out the team that they intend putting at our disposal, we would

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expect a project of this nature, remember these shipyards are not only focused on our product, a lot of them are producing products for their own navies and for other clients, so we would expect to see a significant level of dedication in terms of personnel provided for our project and that's what I would be looking for in this Engineering Management Plan, I'd expect to see a project engineer allocated for the South African project for instance, as well as other specialists like an integrated logistics support manager.

10 Another very important consideration in the RFO response is that acceptance test procedures, ARMSCOR places a lot of importance on acceptance testing, on qualification of products and we will go into that later on in my statement. We would expect to see in the acceptance test procedures we would expect the offerer to give us a detailed account of how he would qualify this product on our behalf during the production phase, so a lot of emphasis would be placed on that, we would expect to see a number of, a great level of detail in terms of the factory acceptance testes, the harbour acceptance test and the sea acceptance test, and that would be conveyed here under RFO response, so that's what we would be looking at there. I don't know if those examples will suffice.

ADV LEBALA: Just to piggy-back on your examples to simplify them, if you look at how much courtesy, respect or listening or meetings they have with the level of dedication

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provided for the product, does that include how many lunches you have with them, how many tests do you do, how many trips you take, how many projections they make on the screens to show you what product is going to be produced, does it include
5 models that they produce, they sit down with you as you come in, they give attention, they give you German coffee, I would like you to simplify so that it should be appreciated.

MR VERMEULEN: Yes Chair, if it included lunches I would have preferred to give this a much higher weighting, Chair
10 unfortunately it didn't include lunches. It was essentially, what I'd be looking for there is what resources with the shipyard provide for managing this project. I would be expecting, and it will come out during the course of my presentation, we would have regular meetings with the contractor and we would expect
15 to see specialists at these meetings who can report coherently to us, whether it be on the subject of quality integrated logistic support, acceptance tests, we expect to see a comprehensive team allocated to this project given the costs of this project.

ADV LEBALA: Acceptance test procedures, I think that
20 has become clear now what you are talking about, acceptance test procedures, could I reduce it to the following; the product is done, it's still in Germany, was it in Hamburg or Kiel?

MR VERMEULEN: There were two shipyards involved which make up the German Submarine Consortium, the one shipyard,
25 the junior shipyard was known as Nordseewerke and the senior

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one was Howaldtswerke Deutsche Werft. Howaldtswerke Deutsche Werft was based in Kiel and ThyssenKrupp was based in a town called Emden which is near the Dutch border.

ADV LEBALA: Now at this stage are you looking at the following; how many times they take the product, remember the product is produced I suppose to the ocean to test how deep it goes into the thick of the ocean, the sea tests, the acceptance tests, at the harbour they also look at it, is that what you are talking about?

10 MR VERMEULEN: Yes. Chair, I intend going into a fair amount of detail on the acceptance tests, perhaps at this stage just to give a broad-brush overview, the acceptance test would be a bottom-up approach, we would start before a system is even integrated into the submarine at the factory level, this could have been in South Africa or Germany, some of our products were, the subsystems were produced locally, so we'd evaluate, we'd witness all the acceptance tests at the factory.

20 Then once these systems are integrated into the submarine we would again take part in the integration tests at the harbour, the harbour acceptance test mean the submarines alongside, and then ultimately we would carry out sea acceptance tests, so you will see it's a bottom-up approach towards qualifying this product.

ADV LEBALA: Thank you. Next is, I think you have simplified it to the Commission, page 105, the Integrated

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Logistic Support Management, short of saying the submarines are back in South Africa we look into the future whether there are spare parts that would support them and make them to make voyages and serve the purpose for which they serve. I think as an example that comes on my mind, that's very clear I suppose.

MR VERMEULEN: Yes Chair, that is what it's all about.

CHAIRPERSON: Just hold on, 105 of which document? Of which bundle?

10 ADV LEBALA: I beg your pardon Chair, page 105 of the Declassified bundle, I beg your pardon Chair, I beg your pardon. Just to refresh you Chair he was breaking down, the witness was breaking down these three important indices of the value system, the RFO itself, the Integrated Logistic Support and the Technical Performance, he's giving examples, and this is demonstrated by these pages, page 105 the Integrated Logistic Support, we've given examples of it. Page 5, 105 paragraph 5.5 the Technical Performance, do you want to deal with classical, simple example that explains it?

20 MR VERMEULEN: Certainly Chair. Chair, this would involve the actual characteristics of the submarine itself, its performance, in other words how it would perform at sea, its maximum speed, its endurance, its manoeuvrability, it's survivability, these are the issues that would get addressed here, the combat system, the combat output, in other words

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how many torpedoes it can carry, its weapon capability, stealth capability comes into this, obviously a submarine is inherently a very stealthy product, its survivability is very dependent on its ability to remain undetected.

5 Habitability. The submarine has to perform lengthy missions, I'm sure my Navy colleagues told you the mission durations of a submarine, it's a very confined space, it has a complement of 30 crew members, so you've got to provide a good measure of habitability so that these people can be
10 comfortable. So, these are typically, it's a broad variety of parameters that are included under the submarine performance.

ADV LEBALA: At the bottom of page 105 there's a paragraph headed "Note", I would like you to read it and explain it to the Commission. Please read the first sentence,
15 the paragraph headed "Note".

MR VERMEULEN: Chair this note reads as follows:

*"The evaluation of the technical performance is based on the value system used for the RFI evaluation except that the assessed categories have
20 been reduced from 11 to 8. The logistic type implications have now been included in the Integrated Logistic Support matters".*

ADV LEBALA: Just simplify it, how do you talk about the evaluation of the technical performance which is based on the
25 value system used for the RFI evaluation when you are talking

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about the RFO evaluation?

MR VERMEULEN: Yes Chair, if you recall at the RFI stage we also had an RFI value system and we built on that, essentially when we looked at the RFO value system we didn't
5 start afresh, we saw what we had done there, we saw that worked well and we did a bit of consolidation and improvement. We restructured the document slightly based on hindsight experience during the RFI phase, so it was merely a bit of housekeeping more than anything else than anything more
10 significant than that just to make it a more robust document and a more usable document.

ADV LEBALA: Let's go to page 106 of the same bundle Chair, Declassified Documents' bundle page 106. Paragraph 6 "*Modus operandi* of the Value System" we see to the left its
15 first level RFO weighed factor, in the middle Integrated Logistics Support, to the right the Technical Performance, these three indices are the most critical at all times when you look at the technical military value, am I right?

MR VERMEULEN: That's correct Chair, it plays a major role
20 in the weighting.

ADV LEBALA: Now do you want to simplify the second level, the parameters to the left, the parameters to the middle and the parameters to the right. Remember the parameters to the left is RFO, the parameters to the middle is Integrated
25 Logistic Support, the parameters to the right is Technical

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Performance. You are rehashing the importance of these three components that the Commission has to time and again appreciate, you could just take two examples.

MR VERMEULEN: Certainly Chair. Chair, at this level we
5 carry out, in determining the weights we do what we call a pairing analysis where you will take a parameter and you will measure that and this is what the whole team participates in, you will take a specific parameter and you will weight it off, you will do a comparison against all the other parameters and
10 you will give, if you consider it more important it will get a value, less important it will get a value. In so doing you build up a weighting of it, it's basically a force decision making process once again which drives out a result.

So you will take a specific value, for instance if I
15 can, a contract work breakdown system right at the top, you will compare it to the ILS elements and you will compare it to the submarine performance elements and you will do a similar comparison in itself, within the actual RFO response you would do a pairing analysis there as well, so you're continuously
20 weighing off a single parameter against all the other parameters and that drives the other result.

ADV LEBALA: Please go to page 109 of the self-same bundle, Declassified Documents. Now up to so far you have just laid the background to demonstrate what considerations
25 played in as far as the derivatives of value system is

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concerned, what three important components play a role that has become clear to the Commission, the RFO, the Integrated Logistics Systems and the Technical Performance of the submarine. Now we are looking at team compositions where the integrated team played a role, where any other teams played a role, page 109 Chair paragraph 9. My attention is being drawn that it is teatime Chair.

CHAIRPERSON: Thank you, I think we'll adjourn until 11h40. Thank you.

10 **(Commission adjourns)**

(Commission resumes)

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

MR VERMEULEN: I do.

15 CHAIRPERSON: Thank you.

ADV LEBALA: Mr Vermeulen before we adjourned we were looking at the technical evaluation of the offers using the RFO value system prepared on the 26th March 1998 by Mr De Muynk, you remember?

20 MR VERMEULEN: I remember Chair.

ADV LEBALA: And we were on page 109 having dealt with the derivation of the value system to demonstrate that when the technical military value is being considered three important indices play a role, the RFO itself, the Integrated Logistic Support and the Technical Performance and there are different

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weights being given to them, am I right?

MR VERMEULEN: Yes, you're right Chair.

ADV LEBALA: Of significance is the fact that the Integrated Logistic Support enjoins the heavier weight of 67.5% and the RFO 6.54%, and the Technical Performance 25.9%-odd,
5 is that correct?

MR VERMEULEN: Yes Chair.

ADV LEBALA: Now before we part ways my colleague drew my attention to something on page 105 to complete this
10 part of your testimony before we go to the teams where the Integrated Project Team to which you were a member where you served as a programme manager plays a significant role. Let's go to page 105, the bottom paragraph headed "Note". Now up to so far we appreciate that the RFI's have got their own value
15 system which is just meant to eliminate, it's just an invitation, it doesn't carry weight, you testified about that, am I right?

MR VERMEULEN: That's correct Chair.

ADV LEBALA: And we know that the RFO's are very important because they assist in the decision making and we
20 use them to adjudicate hence we are at the stage where we have to determine who are we choosing amongst these four bidders from these four countries.

MR VERMEULEN: Yes Chair.

ADV LEBALA: Now of significance of what you say in the
25 last sentence on these paragraphs having explained why the

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RFI evaluation comes into the picture when we are dealing with the RFO, when you say, I mean when this paragraph says, please explain ... For us to appreciate I think I should recapitulate and read the whole paragraph. "Note", page 105
5 of the Declassified bundle Commissioners:

"Note. The evaluation of the technical performance is based on the value system used for the RFI evaluation except the assessed categories have been reduced from 11 to 8".

10 Would you like to explain that please?

MR VERMEULEN: Yes Chair. At the RFI stage a value system was prepared for a different purpose, it was nevertheless a detailed value system and if I could just remind the Commission the purpose primarily of that value system at
15 the RFI stage was to eliminate contenders that didn't have the potential to go it the next round. Notwithstanding that it was a detailed value system it included, it focused mainly on the submarine characteristics itself.

When we came to the RFO value system we
20 obviously drew up a new value system, it was for a different function, however, instead of reinventing the wheel we obviously took previous efforts into account and where they were appropriate or applicable we would reuse that information, we just restructured the document a bit better, obviously we
25 had learnt a bit more during the lead-up to the RFO, we had

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received a number of offers in the RFI stage and that contributed towards a more complete value system in the RFO phase. We were obviously mindful of the fact that the RFO value system was a far more relevant document than the
5 previous round.

ADV LEBALA: Now back to the declassified bundle page 109, we are looking at the teams that play important roles in the technical evaluation of the offers of the four countries using the RFO value system. Remember ... I beg your pardon
10 Commissioners, I'm waiting for Mr Vermeulen to be comfortable. Are you comfortable Mr Vermeulen?

MR VERMEULEN: I'm fine, thanks Chair.

ADV LEBALA: We are at the stage, remember we are busy with the RFO value system, we are looking at the teams
15 now that played a role in the technical evaluation of the four shortlisted countries. Now page 109 paragraph 9, the teams, the Wills' team members involved in the development of the value systems are as follows; 9.1, the project team. Remember you explained what's a project team, we don't have to go back
20 there, I think it has landed on the minds of the commissioners.

*"The Project Wills Project Team consists of
Commander AJC Reed, ...".*

What does "POPW" stand for, are you able to tell us?

MR VERMEULEN: Yes Chair, "POPW" stands for Project
25 Officer Project Wills, and if I may just say the next line "PEPW"

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stands for Project Engineer Project Wills.

ADV LEBALA: And below that it's Mr GW De Muynk.
What does "PEPW" stand for?

5 MR VERMEULEN: Chair, "PEPW" stands for Project Engineer
Project Wills.

ADV LEBALA: Now the commissioners would appreciate
why earlier on we took you to those pages that demonstrate
that Mr De Muynk played a significant role in the preparation of
the RFO value system, you remember?

10 MR VERMEULEN: I do Chair.

ADV LEBALA: Now, Mr R Vermeulen, that's yourself, am I
right?

MR VERMEULEN: That's right, Chair.

15 ADV LEBALA: Now that's the first team in which you play
a role, we'll be looking at them time and again. Now at this
stage we know that you are a programme manager as qualified,
what was your role?

MR VERMEULEN: My role from the outset of Project Wills
was that of a programme manager Chair.

20 ADV LEBALA: Thank you, that confirms what has become
common cause before the Commission. 9.2 "Evaluation Team
for Top Level Values", please read it.

MR VERMEULEN: 9.2 reads:

25 *"Evaluation Team for Top Level Values. The
following people were involved in the Submarine*

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Military Value which includes the RFO versus the ILS, versus the product as well as the RFC value system”.

5 ADV LEBALA: What does the RFC value system stand for?

MR VERMEULEN: It’s a good question Chair, I can’t answer that right now.

10 ADV LEBALA: Okay take your time, breathe in, it’s alright, as long as before you finish your testimony you would have assisted the Commission. All that we know at this stage we are looking at the Military Value System, looking at these three indices in relation to the teams that play a role , that’s what’s significant now. Let’s look at the composition of that team, we see that Commander Reed is in that team, Mr Muynk
15 who prepared the RFO value system is in that team, yourself in that team, Mr Erasmus from ARMSCOR, Mr Jordaan, ARMSCOR Command and Control, is that Captain Jordaan?

MR VERMEULEN: No, this is a different individual Chair, this is an ARMSCOR employee at that time.

20 ADV LEBALA: Thank you, I’m just asking for interest sake. Mr C Van der Merwe, Submarine Design Authority Representative.

MR VERMEULEN: That’s correct Chair.

25 ADV LEBALA: I see that in this team we also have experts.

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MR VERMEULEN: Yes Chair, we had a number of experts that were allocated to assist with the value system from ARMSCOR as well as the Navy. If I could just say Chair, if you don't mind me interjecting, I think that RFC is actually a typing error, I think it should read RFO value system.

ADV LEBALA: Thank you, I did not want to suggest that it is actually, because we are busy with that I thought that when I'm telling you what we are busy with it would refresh you but thanks a lot, it's clarified, it's RFO value system. To complete it, as well as the RFO value system in that paragraph 9.2 now what does evaluation team for top level values mean?

MR VERMEULEN: Chair that would have been, the top level is the three high level categories namely the RFO response, the ILS value and the submarine product value.

ADV LEBALA: Now paragraph 9.3, please read it.

MR VERMEULEN: 9.3 reads:

"The Evaluation Team for ILS Values:

- *Captain J Rabe (Commander Submarine Flotilla – COMS-SMFLOTS".*
- *Commander R Martin (Logistics Officer – LOGO)*
- *Mr GW De Muynk (Project Engineer – PEPW)*
- *Mr Vermeulen*
- *Mr Erasmus (ARMSCOR Logistics)*
- *Mr Jordaan (ARMSCOR Command and Control)".*

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Another division within ARMSCOR at that time.

- *Mr Zietsman (Head of the Submarine Design Authority).*
- *Mr Karel Van der Merwe (Submarine Design Authority Representative)*”.

5

ADV LEBALA: I know the importance of experts in this team, why is that so?

10

MR VERMEULEN: Chair, you need a mix of essentially three categories of personnel to assist with this exercise, you need the project team obviously dealing with the programme, you need technical experts, you need logistics experts and you also need operational experts.

15

ADV LEBALA: 9.4, Evaluation Team for Technical Performance Values, the composition is Captain Rabe again, Commander Martin. Now what does “COMSFLOT” stand for, Captain Rabe?

20

MR VERMEULEN: It’s Captain J Rabe and he was the commanding officer of the submarines flotilla, that’s what COMS-SMFLOTS stands for.

ADV LEBALA: Thank you. Commander Martin, LOGO, what does LOGO stand for?

MR VERMEULEN: Commander Martin was a logistics officer and that’s what LOGO stands for.

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ADV LEBALA: That’s De Muynk, we know De Muynk, and that’s yourself, and Mr Van der Merwe, we’ve already qualified

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him. We know that you are almost in all the teams.

MR VERMEULEN: That would be correct.

ADV LEBALA: What qualifies you to be in all the teams?

MR VERMEULEN: My role as a programme manager, given my
5 portfolio would force me to be involved at those levels.

ADV LEBALA: Well, the Commission would appreciate
why we spent a lot of time asking you to simplify what's a
programme manager, thank you, it's becoming clear now. 9.5,
Evaluation Team for Submitted Offers, please read the
10 composition of that team.

MR VERMEULEN: Rear Admiral Howell, Director Naval
Acquisition. Commander Reed, Project Officer Project Wills,
Mr Zietsman who was Acting Project Engineer. If I could just
elaborate on Mr Zietsman's position at this stage, Mr De
15 Muijnck, the original project engineer was involved in a car
accident and Mr Zietsman took over at that stage. Myself,
Captain Rabe and Van der Merwe, D Erasmus ARMSCOR
Logistics, A Jordaan, ARMSCOR Command and Control,
Commander N Marais, Submarine Design Authority, Weapons,
20 Electrical Specialist, and Mr Dirksen, also from the Submarine
Design Authority, Submarine Design Representative.

ADV LEBALA: What is significant is that you were part of
this evaluation team.

MR VERMEULEN: I was a part of the team.

25 ADV LEBALA: Did you sign anything?

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MR VERMEULEN: Chair, I signed a lot of documents. I'm not quite sure exactly what you are referring to.

ADV LEBALA: I've got to be careful not to ask you over-inclusive question, in relation to the evaluation team. I was following up on, you were part of the evaluation team, did you sign anything?

MR VERMEULEN: No Chair, my involvement and my ARMSCOR colleagues as well as a lot of these Navy individuals, we played a role in ensuring that all the parameters had been addressed, together obviously with the flotilla, we also played a role in driving out the relative weighting of the parameters, so those mechanisms we played a role with. The actual value system itself as you can see was approved at a higher level within the SA Navy.

ADV LEBALA: You remember we initially took you to page 118 and 119 of the self-same bundle. Chairperson, Commissioner Musi, Declassified bundle page 118, just to refresh you, and 119, it is the Evaluation Report which has been signed by Commander Reed and Rear Admiral Howell. Does that refresh you?

MR VERMEULEN: Yes, it does Chair.

ADV LEBALA: Now all members that we see on paragraph 9.5 forming part of the Evaluation Team for Submitted Offers played a role in the facilitation of this report.

MR VERMEULEN: All the members that played a role in the

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establishment of the value system. This document is the evaluation, the outcome of the value system.

ADV LEBALA: Look at page 119, the Declassified bundle Chair, Commissioner Musi. Let me elicit a comment from you, when Captain Reed and Rear Admiral Howell were signing, before I even do that let me not be unfair and shortchange you and the Commission, look at "Compiled By", it's precise that it's Captain Reed, am I right?

MR VERMEULEN: That's correct Chair.

ADV LEBALA: And we see that under that it's Submarine Evaluation Team Leader.

MR VERMEULEN: Yes Chair.

ADV LEBALA: You have qualified him as that in your statement and throughout your testimony, you remember?

MR VERMEULEN: Yes, I did.

ADV LEBALA: And right in that paragraph and column "Responsible Authority - DAPD", can you see?

MR VERMEULEN: Yes, I see that Chair.

ADV LEBALA: So he was acting in a representative capacity of the DAPD that we now know stands for?

MR VERMEULEN: Defence Acquisition and Procurement Division.

ADV LEBALA: So you agree, you do agree that he was acting in that representative capacity?

MR VERMEULEN: Yes Chair, at this stage both Captain Reed

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and Admiral Howell had been seconded to the newly formed DAPD organisation.

ADV LEBALA: That has been clarified. Below there is a signature compiled by, do you recognise that signature
5 immediately below?

MR VERMEULEN: Yes I do Chair, that's Captain Reed's signature.

ADV LEBALA: Now comes "Moderated by", can you see?

MR VERMEULEN: Yes, the moderator in this case was
10 Admiral Howell acting in his capacity of Director Naval Acquisition.

ADV LEBALA: To the right in that column there's designation column DNA.

MR VERMEULEN: Yes, DNA standing for Director Naval
15 Acquisition.

ADV LEBALA: Now we are satisfied that this Evaluation Report that starts on page 118 in as far as these two pages are concerned ending at 119 has been compiled by Captain Reed and signed and moderated by Admiral Howell.

MR VERMEULEN: That's right Chair.
20

ADV LEBALA: Now let's look at the team on page 110 paragraph 9.5, it's still the self-same Declassified bundle Commissioner Musi, Chairperson. We see at the top it's Rear Admiral AN Howell, Director Naval Acquisition whom we now
25 know moderated the Evaluation Report, and below that it's

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Commander AJC Reed whom we now know compiled the Evaluation Report.

MR VERMEULEN: That's correct Chair. At the time of the value system compilation Captain Reed was still a commander,
5 he was subsequently promoted to captain.

ADV LEBALA: And we note that you were part of that team.

MR VERMEULEN: I was part of that team Chair.

ADV LEBALA: Now would it be fair, and I'm eliciting your
10 comment here, would it be fair to say Captain Reed and Admiral Howell were signing on behalf of this team?

MR VERMEULEN: Yes, you could say that Chair.

ADV LEBALA: Let's talk about you. Did you approve this report?

MR VERMEULEN: No, I didn't approve the value system, I
15 merely provided contributions towards it.

ADV LEBALA: What contribution?

MR VERMEULEN: In the weighting exercise as well as the parameters. I was involved in a number of discussions with
20 typically the submarine user specialist in drawing up the parameters around the submarine performance, I was involved with discussions with Integrated Logistic Support specialists, ensuring that we had covered the ILS element comprehensively and with the RFO response those were mainly my inputs in fact.

ADV LEBALA: Let us become clear that you played a
25

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significant role in the value system. My question is did you approve this Evaluation Report?

MR VERMEULEN: No Chair, I've played a significant role in establishing the formulation of the document, I however never approved it, the Navy chose to approve the document.

ADV LEBALA: Did you see it before it was signed?

MR VERMEULEN: Yes, I would have been very familiar with the document before it was signed.

ADV LEBALA: That's not my question Mr Vermeulen. Did you see it before it was signed as in looking and considering it?

MR VERMEULEN: Yes, I would have seen this document before it was signed.

ADV LEBALA: Your other colleagues, fairly speaking we can't take them all, do you have an idea as to whether for instance, take number 3 Mr D Zietsman, are you alive to the fact that he's seen it before or not?

MR VERMEULEN: Mr Zietsman would have seen the value system, he played an important role in the formulation of the value system as well.

ADV LEBALA: I'm talking about the report.

MR VERMEULEN: The Evaluation Report?

ADV LEBALA: Yes.

MR VERMEULEN: I beg your pardon.

ADV LEBALA: Remember the following, I've got to be fair

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to you not to ask an unfair question. These two pages, remember we took you through them initially before we come back to them because we wanted to refresh you. They relate to the Evaluation Report, am I right?

5 MR VERMEULEN: Chair, I think if I may I'd like to give an explanation here just for clarity, there are two separate documents involved here, the value system itself which is a document established before the bids are received, which is an important criteria, we have to lodge the signed document to our
10 Procurement Secretariat before the bids are received so that there can be no potential tampering with this document once bids are made available to this team. So, prior to the receipt of the bids, the value system would have been compiled and approved.

15 The next report that Advocate Lebala is alluding to is the RFO Evaluation Report. That comes after the event, after the value system process has been followed, after adjudication has been completed Captain Reed and Admiral Howell then compiled an RFO Evaluation Report which contains
20 the military value. What this value system does is it drives out the basic results, that's what it strives to do, prices are not considered, you merely address the parameters and you drive out a result based on the consultative process within that team using the specialists at your disposal and you will drive out a
25 basic result. Captain Reed and Admiral Howell then took those

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results and they compiled an Evaluation Report where they brought in the normalisation, the military value, and that was in turn submitted to SUBCOM, sorry, to SOFCOM, I beg your pardon, thank you, for consideration and consolidation.

5 ADV LEBALA: Thanks for the clarity. Perhaps we should start here and I suppose you understand the importance of this report because it's what brought matters to a head that we should adjourn the previous week amongst other things. Now what was the purpose, look at Chair, Commissioner Musi, we
10 are still on page 110, the Declassified bundle paragraph 9.5, what was the purpose of this Evaluation Team, paragraph 9.5?

MR VERMEULEN: This Evaluation Team's responsibility was a formulation of the value system that we would later use to drive out a result, a force decision making result, a rational
15 decision for a selection.

ADV LEBALA: But look at what the topic tells us, please assist. The topic says, the theme of this paragraph says: "Evaluation Team for Submitted Offers", it does not tell us Evaluation Team for the Value System, it says the Evaluation
20 Team for Submitted Offers, the offers have been submitted.

MR VERMEULEN: No Chair, the Evaluation Team for Submitted Offers, in other words it's in an anticipation of the offers being received.

ADV LEBALA: Thanks for that clarity, I suppose those
25 who would like to take that line of questioning beyond, they will

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assist. Now I've got to go past this. Let's go to page 119 again. If we look at page 119 noting the signature of Reed, noting the signature of Captain Reed I beg your pardon, due respect to Captain Reed, Admiral Howell, looking at what you see on page 110 in 9.5, Evaluation Team for Submitted Offers with their names being there, I see you already want to comment, please comment before I then ask you this question.

MR VERMEULEN: Chair, it is clear that in the RFO Evaluation Report those individuals' names, including my own, do not appear in this report.

ADV LEBALA: Now let's close by saying you did not sign, that has become clear, you did not sign the Evaluation Report.

MR VERMEULEN: I did not sign the Evaluation Report.

ADV LEBALA: Did you play a role in the Evaluation Report?

MR VERMEULEN: No Chair, I did not play a role in the Evaluation Report.

ADV LEBALA: Did you see the Evaluation Report before it was signed?

MR VERMEULEN: No Chair, in fact I only saw this document recently when preparing my statement for this Commission.

ADV LEBALA: Now let me ask you an unfair question, please look at page 110 paragraph 9.5. We know about you, but we did not see, you didn't sign it. Do you have an idea as to whether your other colleagues who are part of this team,

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you've qualified what that team was doing, what this team was doing, that has become clear, I'm asking you a separate question, did they see the Evaluation Report?

MR VERMEULEN: Yes Chair, certain of these colleagues participated in the Evaluation Report. If you read the RFO Evaluation Report it's got a number of appendices in which those three categories are mentioned, the RFO response, the ILS value and the submarine product system value. There's a separate report which forms an attachment to that RFO Evaluation, so yes, they were involved with those specific reports but that doesn't imply that they were involved in the main body of the RFO Evaluation Report. It doesn't necessarily imply, they may have been or they may not have been, I couldn't say, but they were solicited to provide inputs to that report in the form of annexures which you can see attached Chair. I take it that answers the question Chair.

ADV LEBALA: Did you have an opportunity to discuss the Evaluation Report with anyone before it was signed?

MR VERMEULEN: No, I did not Chair.

ADV LEBALA: Let's be specific. Look at page 119 and you will appreciate why we are rounding here because we are shooting to where your testimony starts to address positively the nub of why you are standing before the Commission. Did you have an opportunity to speak to Captain Reed before the Evaluation Report was signed?

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MR VERMEULEN: Chair, I spoke to Captain Reed on many occasions, we both formed part of the Project Executive for Project Wills, I however do not have any recollection about talking about this specific report.

5 ADV LEBALA: Fair enough. Now let me be specific, I've asked you a broad question too, I don't know why I keep on doing that, did you speak at any time with Captain Reed immediately before the Evaluation Report was signed? You would have talked to him, we know that you were part of the
10 team and I've demonstrated it, that's the reason why we had to take you through where you play a role, in the teams where you play a role in the teams with and that's where the testimony starts to be relevant. Did you, let me repeat the question, did you at any time immediately before the Evaluation Report was
15 signed spoke to Captain Reed about the Evaluation Report?

MR VERMEULEN: Chair, I do not recall at any stage having discussions with Captain Reed concerning the content of this Evaluation Report.

ADV LEBALA: Any remarks about the Evaluation Report
20 not going to the content that you discussed with Captain Reed?

MR VERMEULEN: No, I didn't discuss the document in any way. As far as I can recollect I had no discussions with him on the subject.

ADV LEBALA: What about the moderator Rear Admiral
25 Howell?

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MR VERMEULEN: The same can be said for Admiral Howell, I don't recall having any discussions with him and I can only assume that the reason was that this was done within the DAPD division and not specifically within the IPT as a whole.

5 ADV LEBALA: Ordinarily please explain, if you can, ordinarily was the Evaluation Report supposed to be ... Go to page 119. Ordinarily as a programme manager the importance that you play, the seniority, the fact that you came with your hat on as an employee of ARMSCOR, now we are seeking your
10 comment in relation to the ARMSCOR processes, ordinarily was the Evaluation Report supposed to be signed by these two role players Captain Reed and Rear Admiral Howell to the exclusion of ARMSCOR representatives including you?

MR VERMEULEN: No Chair, ordinarily within the standard
15 processes applied by ARMSCOR the programme manager would have played an important role in signing the value system together with the process assurer and that would be submitted to a division within ARMSCOR and it would be referred to in a submission prepared for the board of directors at the
20 appropriate time, so yes, I would have played a major role and I would definitely have had to sign the value system under normal ARMSCOR procedures.

ADV LEBALA: Now I would like us to part ways with this
subject, let's go back to the slide page 8. Slide number 8.
25 Now according to your testimony we know that you were part of

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the Integrated Project Team looking at the technical value at that lower level, you compiled your basic scores, we know that you have been mingling with different teams, amongst the teams that you also participated in was Captain Reed and Rear
5 Admiral Howell, now we know that those basic scores were elevated up to the moderating team consisting of Captain Reed and Admiral Howell, am I right?

MR VERMEULEN: That's correct Chair.

ADV LEBALA: And we now know that they prepared an
10 Evaluation Report that would draw your attention to, that was signed by both of them.

MR VERMEULEN: That's right Chair.

ADV LEBALA: What has become clear is that you don't
15 have ... No, prior to testifying today after those basic scores were given to them when it was elevated up you did not know what was contained in the Evaluation Report.

MR VERMEULEN: Yes Chair, when I say I did not know what
20 was contained in that report one must bear in mind that there were annexures to that report that I would have been involved with during the actual assessment process. The recommendations and the calculations with respect to the military value I had no knowledge of.

ADV LEBALA: To be precise you did not see what was
contained in that report?

25 MR VERMEULEN: Yes Chair.

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ADV LEBALA: Thank you. Please look at page 122 of the Declassified bundle. Now we are going into the rudiments of the evaluation itself. We've started way back from the RFI to the RFO to the teams, being left with four countries, now we
5 are looking at the processes involved in the evaluation and the methods. Please read the paragraph headed "Evaluation". Commissioners, page 122 paragraph 6.

MR VERMEULEN: This paragraph reads as follows:

10 *"Methodology. In order to fully appreciate the result the evaluation philosophy needs to be understood. All the proposals were previously found to be technically acceptable to the SA Navy. This was established in the first round or Request for Information phase, thus in drawing up the value
15 system for this best and final offer phase the majority of the emphasis was put into ascertaining the logistic support and through-life costing elements that would drive out the cost of ownership and attempt to reduce the acquisition risk, hence
20 the weighting of the various elements reads as follows:*

- *Response to the RFO or engineering management, 6.54%.*
- *The Technical Evaluation, 25.95%.*
- 25 • *Logistic Evaluation, 67.51%".*

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ADV LEBALA: Now what is significant in this paragraph is that the performance compared to the substance is not that important, hence the proposals were found to be technically acceptable to the SA Navy, is that correct?

5 MR VERMEULEN: Yes Chair, what this is referring to is the responses to the RFI and the outcome of that RFI and the contents of that.

ADV LEBALA: Of course the commissioners have heard about this, it's on their mind but at that stage you were
10 eliminating. At the elimination stage the performance is not important because the submarines of these four countries can perform the same, it doesn't matter, at the RFI stage.

MR VERMEULEN: That's correct Chair, and also bearing in mind the fact that when a formal offer is received you would do
15 a formal evaluation of those performances.

ADV LEBALA: Now that has become clear in this paragraph, it's what you said earlier, you have laid a foundation that the Integrated Logistic Support is critical.

MR VERMEULEN: I would say that Integrated Logistic
20 Support is weighted very heavily in terms of importance.

ADV LEBALA: Critical important?

MR VERMEULEN: I would hesitate to use the word "critical" because in our terminology critical means go-no-go, especially in the light of the value system. So, it had an important
25 weight, relatively it was very important but I would not deem it

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to be critical.

ADV LEBALA: Thank you Mr Vermeulen, you are teaching me not to ask evaluative questions. It was important.

MR VERMEULEN: Very much so Chair.

5 ADV LEBALA: That's the reason why it's giving the weight of 67.51%.

MR VERMEULEN: Correct.

ADV LEBALA: Now let's read paragraph 7 "Value System".

10 MR VERMEULEN: Paragraph 7 "Value System" reads as follows:

15 *: "The submarine military value system applied during the evaluation was approved jointly by Chief of the Navy and the Chief of Acquisition. It was derived directly from the value system applied during the RFI phase being essentially an expansion of the technical detail and the inclusion of a more comprehensive logistic scoring system. The value system was duly registered and sealed by the*
20 *ARMSCOR Secretariat on the 12th of May 1998 before the receipt of the offers".*

ADV LEBALA: Let's not waste time, this what you say in paragraph 3.15 page 6, if the Commissioners would like to confirm that, they could look at it, they could look at it, we
25 have laid a foundation for that, we are moving now. Go to the

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next paragraph.

MR VERMEULEN: Paragraph 8 reads:

5 *“The evaluation was executed by the Department of
Defence from the 18th to the 29th of May 1998 by a
Naval Evaluation Team under the leadership of
then-Commander AJC Reed with Director Naval
Acquisition Rear Admiral Junior Grade AN Howell
acting as moderator and Chief of Acquisition, Mr S
Shaik as coordinator between the Military, IP and
10 Financing Evaluation teams when the need arose”.*

ADV LEBALA: This what you say in paragraph 3.15 on
page 6, do you agree?

MR VERMEULEN: I do Chair, it’s in line with it.

ADV LEBALA: Something of significance that we have to
15 draw your attention about is look at paragraph 3.14 of your
statement on page 6, page 6 of your statement Commissioners,
page 6 paragraph 3.14. This would be appreciated against the
following background, at this stage four countries are
shortlisted, we’ve received their RFO’s, we are waiting now
20 looking at the parameters, we have to make a decision.
Paragraph 3.14 says:

*“The technical evaluation followed shortly thereafter
over the period of 18 to 20 May 1998”.*

Here it’s two days. In page 122 of the Declassified Documents
25 paragraph 8, just to correct and bring clarity if need be, let me

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read it again:

“The evaluation was executed at the Department of Defence from 18 to 29th May”.

Now do you want to comment about that? I just want to ..., I
5 hope the Commissioners are noting what we are trying to do.
Here the technical evaluation took two days in your statement
from the 18th to the 20th May 1998, in the evaluation report
prepared by Captain Reed, moderated by Rear Admiral Howell,
it says from the 18th to the 29th of May 1998, do you want to
10 comment?

MR VERMEULEN: Yes Chair, I'm sure that the 18th to the
29th of May would be more accurate, a substantial amount of
work has to take place during an adjudication of this nature
and I doubt if we could have accomplished this in two days, so
15 I would agree that the 18th to the 29th is a more accurate date
and that I made an error in my statement.

ADV LEBALA: Thank you Mr Vermeulen. Paragraph 9, let
me read it to you, page 122 Declassified bundle:

*“The Evaluation Team evaluated all the proposals
20 simultaneously in the three major categories
indicated in the preceding paragraph”.*

Of course we are still with the military evaluation, the three
categories is the RFO, Technical Evaluation and Integrated
Logistics Systems:

25 *“Where information was scanty or missing clarifying*

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5 *information was obtained from the offerer through
the ARMSCOR Procurement Secretariat. Response
time was good and generally complete. Each
element of the value system was thoroughly debated
with constant reference to the definitions. In
general the response to the ILS element lacked
detail despite a very detailed logistic specification
with exclusive response information”.*

10 Now this is very important, the ILS is very important, it’s giving
67.59% compared to the other two areas, indices of technical
performance and the RFO, but something is being said here,
would you like to simplify and let me read it to you on page
123:

15 *“In general the response to the ILS elements lack
detail despite a very detailed logistic specification
with explicit response information”.*

Please explain.

MR VERMEULEN: Yes Chair, we did struggle to get
appropriate level of details out of the offerers and there is a
20 mechanism in dealing with the offerers which we invoked.
ARMSCOR has got very strict instructions in dealing with a
project team, or programme manager dealing directly with a
bidder, it’s not allowed, so the procedure is to work through
the Procurement Secretariat and it works two ways, essentially
25 I can request further information for clarification purposes and

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likewise the bidders can request information for clarification purposes from the client, either way you work through the Procurement Secretariat and that process took place, we tried to extract more information in certain cases and we would get
5 responses from the bidders to clarify certain issues, this is the normal process in doing an adjudication of this nature.

ADV LEBALA: Let's look at now what brings matters to a head, the performance results. That's where the critics are going to come and tell you that they don't understand why we
10 ended up with the German Submarine Consortium, they don't understand why Germany succeeded, we are going there now. "Performance Results", that's the heading at page 123 of the Declassified bundle. Now I suppose it's starting to be appreciated where we started, difficult as it is, where we tried
15 to explain concept, why these three important indices are very important, why we kept on spending time so that the Commission should appreciate the RFO value system that get broken down when you go to the technical military valuation where you played a role, why we look at the RFO response, the
20 Integrated Logistics Systems and the Technical Performance.

Now the puzzle is starting to fit, the vernacular becomes why did we choose the German Submarine Consortium, here comes the issues, "Performance Results" paragraph 10:

*"The results of the evaluation of the individual
25 components of the proposals are indicated in the*

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following table; ...”.

Now what has become common cause, four countries were shortlisted, was the supplier DCNI Scorpene (France), German Submarine Consortium (Germany), Fincantieri (Italy), Celsius
5 Kockums (Sweden). Now we see in this column that the four countries are there and the different evaluation results that they received, can you see?

MR VERMEULEN: Yes, I can see Chair.

ADV LEBALA: Now this part of the testimony,
10 unfortunately Commissioners we are not shortchanging you, given the fact that these documents got to be availed, albeit it is said that the Commission has received them in, what did they say, in a stick some time ago, we wish we could have ...

JUDGE MUSI: Memory stick.

ADV LEBALA: ... presented them to you on the, through
15 slides, but we have to do with what we have. We didn't have time, we also had to prepare to go through them and our generous colleagues from ARMSCOR legal team assisted us to appreciate this documentation, hence we can't project it on the
20 board because this is very critical but let's deal what we have. I'm going to request you to take the Commission through all these important diagram that we see and its headings. Now what has become clear is as follows, the three important indices are going to influence this result, those indices are the
25 Technical Evaluation, the Logistic Evaluation, the Engineering

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Management which is called the RFO. Now let's start with what makes everybody to raise eyebrows, permit me to say this, and the critics, let's start with the Logistic Evaluation, the ILS and see what the Germans that succeeded got against the other
5 competitors.

We know up to so far that the Logistic Evaluation weighs 67.51%. Now let's look at the results and please put them in the record so that the Commissioners should know. Let's see whether on the slides that you gave us we could, I
10 beg your pardon. My colleague reminds me that ... Oh my goodness, my colleague reminds me that there are slides that could probably assist us, I don't remember. Let's deal with what we have. Oh yes, okay, I was being shortsighted, my
15 colleague kept on saying that we could use these slides. I'm shortsighted, I will ask you to explain in relation to what we see on page 123.

Now the commissioners will remember the following when you start this explanation that the three critical areas are the RFO which talks about Engineering Management, the
20 Technical Evaluation and the ILS, Integrated Logistics Systems. I want to start where it itches most, where the critics say the German Submarine Consortium got the lowest marks in the Integrated Logistics Systems that we kept on demonstrating that it's very critical and important, please explain.

25 MR VERMEULEN: Yes Chair, I would in fact be far more

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comfortable walking this Commission through this table that's in front of us and the slide as opposed to trying to interpret the results from an evaluation report that I was not involved with. If I could walk you briefly through this, through these results, and please tell me if I need to provide more detail or whether I need to speed it up.

I would like to draw your attention to the RFO response value, you will notice the topics under that include a draft contract work breakdown structure, a draft engineering management plan, a statement of compliance, the submarine specification, a draft configuration management plan, a draft quality assurance plan, acceptance test procedures, draft technical transfer, technology transfer plan and the price breakdown. Sorry.

ADV LEBALA: Now we know that this constitutes 6.5%, am I right?

MR VERMEULEN: Yes, it does.

ADV LEBALA: Now let's simplify this for the Commission, we see that the document is "Submarine Value System Summary Sheet". At the top its "Parameter Title", now in brackets it's "(DCN)", let the Commission know that DCN is from France.

MR VERMEULEN: That's correct Chair.

ADV LEBALA: The Scorpene from France.

MR VERMEULEN: It's the Scorpene submarine supplied by the shipyard DCN International.

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ADV LEBALA: And let the Commission know that GSC is the German Submarine Consortium, the successful bidder, am I right?

MR VERMEULEN: That's correct Chair, GSC is the German
5 Submarine Consortium responsible for the production of the Type 209 1400 Mod Submarine.

ADV LEBALA: And Fincantieri, it's Italy, is that correct?

MR VERMEULEN: That's correct Chair, Fincantieri is a
10 shipyard based in Italy and they, at that stage they offered a S1600 Submarine which was a derivative of a class of submarine used by the Italian Navy called the Sauro Class, so this was a modernisation of that particular configuration.

ADV LEBALA: And the Kockums is from Sweden?

MR VERMEULEN: Yes, Celsius Kockums is a Swedish-based
15 shipyard and they were offering a Type 192 submarine, it's based on the Gotland Class submarine used by the Swedish Navy.

ADV LEBALA: Now if we can I would like the Commission to appreciate, now you are going to explain and I'm not going
20 to interject unless we have to bring clarity, we want the Commission to also appreciate those three tiers, you remember them going up, you remember?

MR VERMEULEN: Yes, I do Chair.

ADV LEBALA: Do you remember why we are talking about
25 the SDPP's as being country-to-country programme of

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acquisition?

MR VERMEULEN: Yes, I understand the significance of that
Chair.

ADV LEBALA: And if need be, if you can, explain to the
5 Commission why the first tier is very important where the
executive would play a role, remember we are still going to
negotiations too to demonstrate that after the chosen bid the
negotiations still have to go in, if need be and if you can.

MR VERMEULEN: Chair, unfortunately I can't contribute
10 much to the involvement at Level 1, at Cabinet level, I quite
honestly don't know if they played any influencing role on the
selection of the preferred supplier of the submarines, I
honestly can't tell you that.

ADV LEBALA: Okay, leave it out. Now please take the
15 Commission through what we have on the slide.

MR VERMEULEN: Chair, on the slide the "RFO Responses",
essentially those are the parameters that were considered and
you will notice the scoring. This score incidentally in this
category is 1 to 5 where 1 is essentially where the requirement
20 is not met. 2 would indicate that the requirement is met, in
other words that the bidder meets the minimum requirements in
the specification. 3, that it's substantially better than the
minimum requirement and so on, it goes on to exceptionally
better at 5. So, what is important to note here, 2 would
25 indicate that it meets the requirement of the RFO.

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5 So, you could see for instance in this case if we take an example ATP's, Acceptance Test Procedures, in this particular case you would see the GSC score is a 5 because they would have provided a comprehensive account of how they would go about the qualification of the submarine, DCN would have met, would have provided slightly more than what was requested in terms of information, these two bidders obviously didn't meet the requirement, they didn't elaborate on those specific issues, I just use those as an example.

10 And how the scores would work is nested behind these figures is the weighting, in other words if I can just take an example, if you take the draft contract work breakdown structure this particular bidder scores a 2, so that would be 2 out of 5 because remember the maximum score is a 5. You would then multiply that by the weighting for that specific line, it's not shown here, it's shown in Annexure "RMV4", you would have the weighting.

15 Through that parting analysis it would have a unique weight, and then you would multiply that by the 6.75% which is allocated to that category RFO Response and that would automatically, and then those would be summed up, all of the outcome of those calculations would be summed up into that score, in other words these bidders there, DCN would have scored 3% out of a total of 6.51%, wherever it is, and likewise
20 with the GSC ... Sorry, 6.54%. And GSC would have scored
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4.66% out of a maximum of 6.54% and likewise with the other two bidders.

ADV LEBALA: Now what does it tell us in this category that we know weighs 6.54% and that we know goes to performance, not to substance? The German Submarine Consortium was number 1, am I right?

MR VERMEULEN: Yes, just a slight correction if I may Chair. The outcome of this category would give you an indication of the response to the RFO's, not to submarine performance, that comes later on.

ADV LEBALA: What is significant is that the German Submarine Consortium was number 1, we see that the Italians were number 2, we see that the Swedes were number 3 and the French were number 4.

MR VERMEULEN: Correct, but that's not the whole picture as you are aware Chair, that builds up to the total score.

ADV LEBALA: We are looking at the figures at the moment.

MR VERMEULEN: Yes we are, in isolation we are looking at the figures, correct.

ADV LEBALA: Under this heading yes. Anything you want to add?

MR VERMEULEN: Not at this stage Chair.

ADV LEBALA: Now let's go to what creates a controversy, the ILS and its importance.

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MR VERMEULEN: Yes, I can comment on that. It's a well-known fact that the GSC did not perform as well as the others in this category and perhaps I can give you some background into what I believe is the reasons for that. The Type 209
5 submarines that we were supplied by Germany was an export submarine, the German Navy did not use those specific types of submarine, they produced them for the export market of which South Africa was one of many clients. I believe the reason why they performed badly here was they don't, the German shipyard
10 does not have a good, has not built up a large knowledge base of supporting those particular submarines, they hand them over, they do a contractual handover to their foreign clients, in this case South Africa, and the South African Navy will then go and operate these submarines, it will do its own spares
15 analysis, it will determine whether the handbooks are essentially good enough after some years of use and this type of information does not necessarily get fed back to the shipyard, the Navy is not down to provide a shipyard with any information unless it deems it to be beneficial to the Navy.

20 So, the shipyards, they produce submarines and they, their expertise does not necessarily lie in the area of supporting those submarines. One example, probably the most severe would be the supply support. Now the supply support is where the shipyard having a knowledge of their submarines
25 should be able to make a good recommendation as to what your

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supply support needs would be for a five year, at least a five year period post-delivery. We found with Fincantieri they had a very good knowledge of typically what their product would require in terms of onboard spares and depot-based spares and they provided an abundance of information in this regard and they were scored accordingly.

Sorry, just to bear in mind without trying to make this more complicated, we decided or the ILS specialists involved here requested us to rather score the ILS out of 10, they wanted a final resolution, they felt that they would be able to score with more accuracy, we eventually brought it back to 5 just in case you notice that in this category it's a total of, it's a scale of 1 to 5, in this category it's a scale of 1 to 10 where 5 is the minimum requirement. That meets the specification, the 5.

So you can see in many cases here Fincantieri had a very sound knowledge of the ILS, the Integrated Logistics Support requirements which would be required to support that product once it's in service and they scored accordingly, they scored very well here in this category whereas the GSC came last and that gets reflected in the total score which you will see shortly.

ADV LEBALA: Now we will hear the reasons if need be. What we know at this stage with the ILS which plays a significant role constituting 67.51%, at this stage the Germans

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are number last, the Italians are number 1, the French are number 2, the Swedes are number 3, the Germans are number last.

5 MR VERMEULEN: That sums it up Chair. Chair, perhaps I could just use the opportunity to give a few examples of ILS or would you feel I have covered that adequately?

10 ADV LEBALA: I think it has landed on the chair. Remember I kept on twisting, turning that don't be technical, short of saying when the ship has left the manufacturer's place what do we do to make this ship to function, the spare parts, the manuals of repairs, all those things, I mean that's what you are talking about with the ILS, you are not talking about that instant moment. Yes thank you, it has landed, I think it has landed. Next.

15 MR VERMEULEN: Chair, in this particular portion of the value system we deal with the submarine product value which again is broken down into lower level categories, we start off at number 1 with the submarine performance and you will see a number of parameter listed under here, the displacement of the submarine and its dived-attitude, the mean draft of the submarine, if you want me to elaborate on any of these I can, the ability to do a static dive, in other words to dive the submarine without having any speed for manoeuvrability, the dive speed that the submarine can do whilst submerged in a sprint mode, the dive speed maximum, the acceleration, the

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submarine endurance at speed, these are the considerations here, the range which is obviously an important characteristic given our coastal area, the dive depth which I mentioned as an example on the 4th of October, the dive depth *versus* a crush depth, in other words what is the safety margin for the design of the submarine, it can achieve an operating depth, how far can it go below that before it implodes on itself.

The system monitoring and automation inherent within that submarine, its manoeuvrability capabilities for instance heeling and trimming. Indiscretion ratio, a very important operational consideration for the submariners, the submarine is a very stealthy product, it wants to stay dived under the waves for as long as possible, it only comes up to the surface to suck in oxygen so that it can run its diesel engines which in turn charge its batteries and then it dives immediately thereafter, and so on .

The diving time from surface to periscope depth, the speed at which the submarine can get to periscope depth if it finds itself in a hazardous situation, those are the parameters that are covered in this category, and you can see the outcome of the scores. They are very close. As I mentioned earlier on Chair there's very little to choose from in terms of the submarine, a diesel-electric submarine performance, we nevertheless were obligated to go through this exercise to ensure that the submarines on offer would fully meet the

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Navy's specification. Can I continue Chair? Sorry, with Navy compatibility an important characteristic.

This essentially goes around how well these submarines would fit into the Navy's, into the user system.

5 You will remember yesterday I mentioned that there would have been huge challenges with the Upholder submarines given their inherent size, they were two and a half times the size of a Daphne submarine, so here we consider the Navy's infrastructure and how the submarines would fit into that, how
10 compatible they would be with the Navy user system and that is what is driven out in that particular category. Can I proceed to the next Chair?

ADV LEBALA: I think the Commission's attention has to be drawn to the following; we are dealing with performance, we
15 are not dealing with substance at the moment, am I right?

MR VERMEULEN: Yes, we're dealing with the performance of the actual submarine itself.

ADV LEBALA: Now you have testified that the performance is not that significant, that's why the ILS is very
20 important because it deals with substance of the submarine.

MR VERMEULEN: Yes, the ILS was definitely weighted as a more important category, nonetheless I just want to illustrate to the Commission the comprehensiveness of this value system and the fact that notwithstanding that the product value was
25 not equated as high as ILS, it still had to be fully evaluated.

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ADV LEBALA: Now this constitute 25.95% of the weight, isn't it, the submarine product value?

MR VERMEULEN: The submarine product value total 25.95%, correct Chair.

5 ADV LEBALA: Now let's look at what the countries got. If you look at the SM Performance combined with the sound compatibility, number 1 is the Italians at 23.2%, number 2 is the Swedes at 23%, number 3 is the Germans at 22.6%, number 4 are the French with 22%, is that correct?

10 MR VERMEULEN: That was the outcome of the value system Chair.

ADV LEBALA: Now whatever that means up to so far the Germans have only been number 1 under the RFO Response Value which is performance driven, which constitute only
15 6.54%, up to so far.

MR VERMEULEN: That's a correct assessment Chair.

ADV LEBALA: Yes you may proceed, we're left with 25 minutes before we take a lunch break.

MR VERMEULEN: Can I proceed to the next slide Chair?

20 ADV LEBALA: Yes Sir.

MR VERMEULEN: Chair this slide continues with the submarine performance, here we start evaluating the onboard sensors, the navigation system, the sensors themselves, the most important sensor for a submarine is the acoustic or sonar
25 senses, it addresses all of those parameters and this, these

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parameters here you have to read in conjunction with the submarine requirement specification that accompanied the RFO which will indicate the actual values of all these items. There are some sensitive equipment on here, for instance the
5 electronic warfare system, we have a search periscope, the attack periscope, all of those parameters are dealt with under here.

In the next one is your combat management system, it's your databus, your action information system, guidance
10 modes for your torpedoes, your torpedo fire control system, the ability to engage, have simultaneous engagements and salvo firings, all of that sort of information is contained within the combat management system. You then deal with your onboard communication systems, your underwater telephone, your low
15 frequency, high frequency, very high frequency, ultra-high frequency *et cetera*, your SATCOM and your external data link in which you transfer tactical information, so that would be covered under that specific slide. And then there's further slides, all of these Chair, and I'm happy to go through them,
20 constitute the submarine performance.

ADV LEBALA: Now we note on this slide that the results are as follows; the Italians are number 1, the Germans are number 2, the French are number 3 and the Swedes are number 4, is that correct?

25 MR VERMEULEN: Yes Chair, that's correct.

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ADV LEBALA: You may proceed. Chair I beg your pardon, it's one minute to lunch, is it an appropriate time to adjourn Chair?

5 CHAIRPERSON: Yes, maybe let's adjourn for lunch. I was trying to (indistinct), I don't think that we have copies of these slides. During the lunch adjournment can copies be made for us, it would make life much easier if we have copies of these slides.

10 ADV LEBALA: Chair we beg your pardon, and this is a very critical piece of testimony on which this aspect turns, we will do our best to do that, we apologise, we beg your indulgence.

15 CHAIRPERSON: Yes. I'm sure that you will try and do your best, but can you make sure that we do have them when we start because I think this deals with very critical information and we'll follow it much easier if we do have copies.

20 ADV LEBALA: Chair, without influencing you please go to lunch knowing that only in one instance with the German Submarine Consortium number 1, in all other areas they were number last or the third. Let it be the theme, whatever it means, you will appreciate when you come back why we are driving this point in relation to the testimony that follows, but we'll make the slides document available to you. Thank you.

25 CHAIRPERSON: Thank you Advocate Lebala, we'll adjourn for lunch.

(Commission adjourns)

(Commission resumes)

NOTE: Witness confirmed to be still under oath.

CHAIRPERSON: Thank you.

5 ADV LEBALA: Thank you Chair. Before we adjourned the
commissioners requested that we should make a copy. Before
we adjourned, thank you, the commissioners requested that we
should make copies for them of the slides that are being
projected, I'll beg leave to hand two copies. I recognise that
10 Commissioner ..., the chairperson has got a copy and
Commissioner Musi also has a copy. Unfortunately the copies
have not been numbered, what I will do is I will try to simplify
it for the commissioners that we are on this page starting from
the beginning. Now at this stage we were on page, we have
15 completed page 3, we are going to page 4 which is headed at
the top "Combat Output" Chairperson, Commissioner Musi, that
is paragraph 4 "Combat Output".

You will see that the left it's paragraph 4 and at the
top it's "Combat Output". Now I'm going to request the
20 Commissioners just for the sake of expediency to mark that
page, page 4 and if it will simplify things going ahead as to
which page is it, so the next page will be 5, the page before
that will be page 3 but let's concentrate on page 4 at the
moment.

25 Chairperson you will see that there's a paragraph

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headed, 4 "Combat Output", below that there is paragraph 5
'Stealth", below that there is paragraph 6 "Survivability", and
there's paragraph 7 "Design" and 7.1 "Design Maturity". I know
that the Commissioners are simplifying it for themselves, they
5 are paginating and indexing the document. I'm waiting for
direction to confirm that we are on the same page 4. I see the
commissioners are nodding, that's a page which is headed
"Combat Output" and it's the same page which is on the slide
being projected and being discussed, so you may proceed from
10 here, but just to refresh you we up to so far went through the
most important indices that the Military Evaluation looks at, the
Technical Evaluation and those indices are the RFO and the
Integrated Logistics Systems and the Substance Performance of
the Submarine, they have different weights and we've
15 demonstrated that what is important according to your
testimony is not the performance but the substance of the
submarine. Am I right?

MR VERMEULEN: Yes Chair, if I may be allowed to just
recap slightly, there are three major categories that constitute
20 the value system, the first is the RFO Response which is
allocated a weighting value of 6.54%, the ILS component, the
ILS value which has a weighting of 67.51%, and the submarine
performance which we are busy evaluating right now and which
that slide includes, comes in at 25.95%.

25 ADV LEBALA: I should have actually said the submarine

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product and not the substance, thanks a lot as deferred, important index yes. We are on page 4, you may proceed.

MR VERMEULEN: Thank you Chair. Chair, this particular page as I mentioned falls under the category, one of the main categories of submarine performance, it includes characteristics such as a combat output, which is broken down into sublevels, it includes a number of tubes and the reloads, the torpedoes themselves, what type of torpedoes that the tubes would be compatible with, whether it has an ability to launch missiles through those tubes, sea-mines, whether ..., basically the combat capability of the submarine itself, bearing in mind of course that a submarine is a warship and that's what its main role is.

Also very importantly as I've mentioned previously is the stealth characteristics, the ability to, for the submarine to remain unseen or undetected, albeit it on the surface or dived in a subsurface mode, its survivability, its capability to withstand damage and to remain operational and its ability to sail home safely. And then we also address design, design maturity, an important aspect that the Navy focus on is that they are always concerned about getting products that are mature in their design, they don't want to experiment with a new design, in other words with a prototype type of product, they are looking for mature products that are being used operationally so as to lower their risk when they receive these

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products, so that also was allocated some importance as well, we looked at the life expectancy of the submarines, the number in operation, the life cycle state, where they would appear, are these submarines 15 years old, however; the design evolution, how has its design evolved since its first concept to contemporary submarines and the layout, the layout is obviously important as well.

ADV LEBALA: Now let's summarise. In as far as paragraph 4 "The Combat Output" is concerned the Italians were number 1, the Germans were number 2, the French were number 3, the Swedes were number 4, is that correct?

MR VERMEULEN: Yes Chair.

ADV LEBALA: In as far as paragraph 5 is concerned on "Stealth" the Swedes were number 1, the Germans were number 2, the French were number 3 and the Italians were number 4, am I right?

MR VERMEULEN: That's right Chair.

ADV LEBALA: In as far as paragraph 6 is concerned on "Survivability" the Italians were number 1, the Swedes were number 2, the Germans were number 3 and the French were number 4. Is that right?

MR VERMEULEN: Yes Chair.

ADV LEBALA: In as far as design is concerned the Germans were number 1, there was a tie between the Italians and the Swedes and the French were number last.

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MR VERMEULEN: That's right Chair.

ADV LEBALA: Now at this stage we are still looking at performance, this is not substance.

5 MR VERMEULEN: Correct Chair, we are looking at submarine performance still.

ADV LEBALA: And we know that it measures up to 25%-odd, is that correct?

MR VERMEULEN: Quite correct Chair.

10 ADV LEBALA: Now let's go to the next page, paragraph 7.2 which is headed page 5 Chair, Commissioner Musi, the paragraph headed "Growth". Yes, you may proceed, let me see whether the commissioners are with us? I see they are nodding, you may proceed Sir.

15 MR VERMEULEN: Thank you Chair. Chair, the categories included on this slide also fall within the submarine performance. Growth, we're looking at the ability, remember we're looking at a submarine that has to last for a minimum of 30 years in operation, there will be changes no doubt that take place in the evolution of this product when it's in operation and
20 we want to, the idea here was to evaluate the potential for growth with respect to electrical power, auxiliary system, the databus you know with computer systems there are bigger and bigger demands of electronic, of data throughput, so we obviously want to do, we don't want to be in a situation where
25 the Navy would have to do major expenses to do modifications,

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we want to lay a good foundation for that submarine to be modified during the course of the 30 years if it needs to be at all, so we must make sure that we've got sufficient electrical power, typically we'd look at a 20% growth margin or whatever.

5 Okay, the next one is "Standards", obviously very important for a military vessel, especially a submarine, we look at the various standards that were used by the shipyards in design, shock and vibration very important. EMC stands for electromagnetic compatibility, the onboard systems have to be
10 compatible, they mustn't interfere with each other, radiation hazards, we obviously don't want to endanger our personnel by subjecting them to unnecessary radiation hazards that can harm their health.

Ergonomics, that's essentially another, it's human
15 engineering. The layout must obviously be conducive to easy operation. Environmental conditions, it's obviously got to operate with extreme environmental conditions both submerged as well as on the surface. SI Units, it must use Système International d'unités, metric units. Workmanship we look at
20 workmanship aspects and eco, if there are any green friendly standards, not that there are many with the submarine but it was considered in any case.

We look at redundancy and what I mean by
redundancy here, and this focuses on the critical mission
25 equipment mainly, redundancy, if you look at the design of the

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submarine how many diesel engines does it have, if it loses a diesel engine can it still operate, that's redundancy, are there backup systems in place for the submarine to continue functioning and more importantly to arrive home safely, so yes, we address redundancy, obviously it's very limited in the submarine given the space constraints but there are areas where you can provide redundancy, you can have a fully redundant switchboard for instance, you do have measures of redundancy.

10 Your sensors, you would have two gyro compasses in case one falls over, similarly with your sensors, there's certain sonars which can double up and carry up working, you have a graceful degradation of equipment in other words. Habitability, this goes around the ability of the crew members to be able to operate reasonably comfortably at sea within the mission duration of the vessel, and here we look at the messing, the eating facilities, the bunking facilities, entertainment system, obviously you've got to keep sailors entertained, they are sea for many days and they're below the surface. There's a galley which is the kitchen, sanitation, air quality, your ventilation system, bunking, that's what you'd include under habitability Chair.

ADV LEBALA: Now I would like you to simplify paragraph 8 "Habitability" by taking us to the first page of the slide, what I would say is the face of the slide, go to the face of the slide

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and explain habitability just to an extent to which you can to simplify it for the commissioners.

MR VERMEULEN: Certainly Chair. To give you an idea, okay this slide is obviously, it's not a detailed picture but it can give you an idea of the submarine layout, if you look at the aft side
5 of the submarine from this area aft to the ... Sorry.

ADV LEBALA: I see that the commissioners have just been presented with an index document, so I would like us to go back because they were paging through it. We are on the
10 face of the document that we've just presented to you, that is where you see the submarine outlay itself, that's where the witness is drawing our attention to. You may go there Mr Vermeulen.

MR VERMEULEN: Thank you Chair. Just a quick overview of
15 the physical configuration of a submarine if I may to illustrate the parameter for habitability. From the rudder here right through to this, about a third of the way into the submarine, this is typically an unmanned area of the submarine, personnel will only go, venture into this area for maintenance reasons,
20 it's obviously a very uncomfortable area, it's very hot, very noisy, you've got four diesel engines operating here, you've got the main motor, you've got the electrical switchgear as well, so that's an uninhabited area normally. You have a soundproof bulkhead or wall here to reduce noise so that the personnel in
25 this area can operate in a more comfortable state, in here you

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will have the helmsman and the plainsman, these are the crewmembers who actually steer the submarine and keep it in a correct attitude. You will have your electrical switchboards here, propulsion monitoring and control.

5 Forward of this you will have the combat information centre, the basic nerve centre of the vessel. Over here you will have five multifunction consoles, the captain resides here during his normal operational duties, you will have the navigation area, you will have a radio room carrying all your
10 communication equipment which is the screen compartment. Then forward of this you will have the officers' wardroom, this on the starboard side of the vessel, the bunking for the officers is on the portside of the vessel, you don't see it unfortunately in this picture

15 Again forward of that you will have the junior rates' mess facilities and their sleeping facilities as well, their bunking arrangement is on top of the spare torpedoes here, that's where they will sleep and that's where the majority of the crew will be accommodated. And then forward of that it's also
20 an unmanned area essentially and that's your torpedo tubes and you can see some sonar equipment right up forehead of the submarine.

ADV LEBALA: Now we are looking at performance of the submarine, am I right?

25 MR VERMEULEN: Correct Chair.

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ADV LEBALA: But isn't it critical that we start to realise that in actual fact performance is significant?

MR VERMEULEN: You are quite right Chair, it is very significant.

5 ADV LEBALA: You have just taken us through what plays a significant role from safety to habitability, to adjustments, to mechanism, isn't it?

MR VERMEULEN: I've done that Chair.

10 ADV LEBALA: Now where is the ILS here which carry 67%-odd?

MR VERMEULEN: The ILS as the name implies is Integrated Logistic Support. The ILS is inherent throughout the submarine in a way, for instance an example of this is you will carry onboard spares here, you will have spares distributed throughout the submarine for various equipment, that is part of 15 the onboard ILS, you will have technical manuals onboard, should you encounter failure on the submarine the personnel onboard will have to effect repairs on that, you have an electronic computerised maintenance system spread throughout 20 the submarine where an operator can go and logon and he can, you can get an electronic datasheet which will help him in carrying our repairs, so logistics, and of course training, training is inherent in every one of the people onboard the submarine, that's an integral part of ILS as well, so ILS is very 25 much an overlay of the submarine itself.

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ADV LEBALA: Now would I be right to say before I part ways with this line of eliciting evidence, to say for the spare parts, for the Integrated Logistics Systems to function the submarine must perform, isn't it?

5 MR VERMEULEN: Yes, the two are inextricably linked Chair, one cannot operate without the other.

ADV LEBALA: I've got to be careful not to testify, actually you have persuaded me of being discussing with my colleague that in actual fact performance is more significant
10 than the Integrated Logistics Systems?

MR VERMEULEN: Chair, that's a topic that can be debated at length amongst submariners. You could argue the one is more important than the other, the one can't operate without the other, it's very much, as I say, they are inextricably linked.

15 ADV LEBALA: Alright, let's look at the self-same page. What is interesting Commissioners, we are on page 5 of the slide bundle, let's call it slide bundle, slide bundle Commissioners, the observations that come out of that "Growth". The margins are so close but what remains is that
20 the Italians are number 1, the Swedes are number 2, the French, actually there's a tie between the Germans and the Swedes, and the French are number 3, am I right?

MR VERMEULEN: That's correct Chair.

ADV LEBALA: Explain to the commissioners why are the
25 margins so close in this index of the performance growth.

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MR VERMEULEN: Yes Chair, with respect to a diesel-electric submarine it's very difficult to design growth margins into a submarine, you are very constrained in terms of space, so it follows that they would be very close in score because there's
5 very little one competitor would be able to offer as opposed to the other.

ADV LEBALA: Now let's go back, when the RFI's were being requested, remember the Minister wrote a letter, we wrote to several countries inviting them, does it mean even
10 those that were eliminated would be very close on the 702 Index [sic] on scoring?

MR VERMEULEN: One would assume that that would follow Chair yes, they should be.

ADV LEBALA: Now let's look at 7.3, something is very
15 interesting there, now would you agree with me if I were to say we are still on performance, here we are looking at what one call modern first world needs, ergonomics, how people sit on chairs, the environment, I've got to be careful not to testify, it doesn't play an important role in some continents given the
20 challenges that we are facing, the workmanship, eco-green, why are the margins similar, there's a tie there, would you like to explain?

MR VERMEULEN: Yes Chair. The submarine design have evolved over the years and as I say with diesel-electric
25 submarines there's actually very little to choose from in terms

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of standards. You will find the shock and vibration levels that the equipment gets subjected to are all extremely similar, they operate within similar environments, so they've all got to withstand the same levels of shock, the electronic equipment
5 must all be able to withstand the same levels of vibration and still to continue operating, so it is quite, it is actually understandable that submarines of, that were on offer all basically used the same design standards. There aren't that many that go around ... Remember, these submarines are all
10 essentially from NATO, so they would have used very similar standards within the design.

ADV LEBALA: Now this index relates to comfort to be measured by how we relate to the environment, am I right?

MR VERMEULEN: I'm sorry, could you repeat that please?

15 ADV LEBALA: It relates to how comfortable you find yourself, how you sit in the submarine in relation to the environment and the eco-green?

MR VERMEULEN: The eco-green, that actually refers to ... That would apply for instance when a submarine enters a
20 foreign port, does it comply with the fuels that are allowed in that port, if it doesn't you could find the submarine or any other ship has to remain outside that port if it doesn't comply with the eco standard which are becoming more and more important in the European environment.

25 ADV LEBALA: In the African environment?

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MR VERMEULEN: We're certainly trying to get there as well
Chair.

ADV LEBALA: So what does mean? Give an example,
when the submarine arrives at a harbour in Lagos, would it be
5 treated differently as when it arrives at a port in Spain?

MR VERMEULEN: More than likely that would be the case,
but as I think we should be aware these submarines the Navy
doesn't only intend using them in African waters, they will go
to any, they could go to any other foreign continent and be
10 expected to port there.

ADV LEBALA: Thank you. Let's look at redundancy,
something remarkably also happens there, it's tied. Can you
see?

MR VERMEULEN: Yes Chair, I can see.

15 ADV LEBALA: Why is that so?

MR VERMEULEN: Chair, for similar reasons, you are very
constrained in your flexibility in the design. For instance you
can only have one electric motor, you can, however, double up
on other areas, for instance high pressure compressors, bilge
20 pumps, electrical suppliers, so the designers are very limited
in how much redundancy they can actually provide you with
because it's always a sacrifice.

ADV LEBALA: Now that's still performance?

MR VERMEULEN: Yes, this is subcategory of performance.

25 ADV LEBALA: Now you said that the test could be *inter*

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alia by way of example you pose yourself a question as to if this submarine loses one diesel engine, can it function with the remaining engine.

MR VERMEULEN: Yes Chair, that is what we refer to as
5 graceful degradation, you don't want a catastrophic situation where you lose a major component and you find yourself unable to return home or surface.

ADV LEBALA: Isn't it more important than the spare parts?

10 MR VERMEULEN: You could argue that Chair but if you remember the rationale we applied we had already, we knew that the submarines, as you can see that it is borne out here, are very similar in performance, so we didn't have to, we mustn't confuse the importance, the operational performance of
15 a submarine to the evaluation in the bids, it's two separate things if you understand where I'm going. We focus on the RFO, on the ILS component because we knew, and it proved to be correct that the submarines would all score very closely in terms of submarine performance, so we focused our attention
20 on ILS in terms of weighting, however, obviously we had, we were obligated to look at all these parameters as well, they just didn't score as high, that's all.

ADV LEBALA: Yes, but that's where I also join issue with you, isn't it true that operational importance would assist in the
25 evaluation?

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MR VERMEULEN: If definitely does assist Chair, it plays a major role.

ADV LEBALA: I'll leave it at that. Number 8, very close, how crew members operate at sea, the margins are very tight
5 but let's look at it, the French are number 1, the Italians are number 2, the Swedes are number 3 and the Germans are the last, is that correct?

MR VERMEULEN: Yes Chair, that's correct.

ADV LEBALA: Let's go to page 123 of the Declassified
10 bundle, the paragraph headed "Performance Results" page 123 Chairperson, Commissioner Musi, the paragraph headed "Performance Results", I would like the Commissioners to draw attention as to whether they are with us? Page 123 of the Declassified bundle, that paragraph headed "Performance
15 Results". I see the commissioners are with us. Now in line with what you have taken us through and looking at this table that we see, now let's start by reading paragraph 10 just below the paragraph headed "Performance Results":

*"The results of the evaluation of the individual
20 components of the proposals are indicated in the table".*

Before you even look at this table what we've just went through here, does it play a significant role in correlating with what we see on these tables?

25 MR VERMEULEN: Chair, I think what plays a significant role

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with regard to those scores will be reflected in my next slide and then you will see it follows a logical flow. The next slide that I'd like to show is the total scores and then you will see the basic results that come out of this value system, and that is a step that we'd go to before the consolidation of the results, one would have to evaluate the basic scores first.

ADV LEBALA: Thank you Mr Vermeulen, take the lead and take the Commission through your next slide.

MR VERMEULEN: Thank you Chair. Chair, what you see before you here is a summation of those scores that we've been dealing with.

ADV LEBALA: Chairperson, Commissioner Musi, you will find this on page 6 of the slide bundles, page 6 of the slide bundles. Now let's simplify this for the commissioners, let's introduce this document, it's headed "Submarine Military Value", it deals with the technical evaluation, am I right?

MR VERMEULEN: That's what it deals with, yes.

ADV LEBALA: Now in terms of those three tiers that we demonstrated it's a level at which you as a programme manager together with members of the Integrated Project Team played a significant role, is that correct?

MR VERMEULEN: That's correct Chair, this is a summation of all those low level scores.

ADV LEBALA: That's before your basic scores are given to the moderation team that takes, that took them to SOFCOM,

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that is going higher into the second tier, is that right?

MR VERMEULEN: That's correct Chair.

ADV LEBALA: Now please explain to the Commission.

MR VERMEULEN: Thank you. Chair what you see in front of
5 you here is the total scores from those three categories and
you will see that the GSC scores a total of 60.2%, Fincantieri
scores a total of 74.7%, DCN, the Scorpene submarine scores
64% and the Kockums, the Type 192 submarine scores a total
of 64%. What I'd like to ... There are two key factors which
10 have to be taken into consideration when evaluating these
scores and these two key factors, and they play a significant
role in the normal adjudication process that ARMSCOR would
follow in terms of the outcome of value system, and the one is
performance, and the immediate question is do these scores
15 fall within the minimum requirement of the Navy's specification
and they do, all of these scores meet the minimum
requirements that the Navy put forward in their specifications.

I mentioned earlier on, in fact it was yesterday
Chair that during the evaluation process of the value system at
20 no time do we consider score, the only inference to score was
in the price breakdown if you recall under the RFO response,
we have not brought in scores at all as yet to the value system,
when I go to the next slide you will see we do this, so there are
two key factors, the first factor is all of these products meet
25 the Navy's specification.

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ADV LEBALA: I think so that we should assist the Commission go back to that slide, the slide is hanging, we haven't assisted them. Explain which country is which and in terms of the percentages, I think they have the document in front of them, tell them which country has got 74.7%, remember we are talking about the total score isn't it?

MR VERMEULEN: Yes we are, we are talking about the total scores Chair and allow me to elaborate on the slide, Germany, the German Submarine Consortium with the Type 209 submarine scored 60.2%, Italy from the Fincantieri Shipyard and the S1600 submarine scored 74.7%. France with the Scorpene submarine from DPCI Shipyard scored 64%, and lastly Celsius Kockums, a shipyard based in Sweden with a Type 192 submarine scored 60.4%.

ADV LEBALA: Now in terms of the total scores having considered all those three indices that inform the military value the Germans were the last, the Italians were the first, the French were the second, the Swedes were the third and the Germans were the last.

MR VERMEULEN: Correct, with respect to the basic scores that was the outcome.

ADV LEBALA: What do you mean when you say these are the total scores?

MR VERMEULEN: The total scores consist of the RFO Response score, the submarine performance score and the ILS

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value score, it's the total of all three.

ADV LEBALA: Now what has become clear is that having considered, irrespective of the weights, what has become clear is that the Germans are the last.

5 MR VERMEULEN: Correct Chair, they scored the last, they scored the lowest.

ADV LEBALA: Yes, you may proceed.

MR VERMEULEN: Chair, what I'm showing in this slide, I mentioned the two key factors, the first is the submarine
10 requirement, the Navy's functional requirement and I pointed out that all four of the bidders met that requirement, albeit the GSC coming last, but the nevertheless met the specification. We now bring in as a final step, we bring in the contract price and you can see there I've got them in brackets, I'm sorry for
15 the slide's unclear, I believe you can see it in your paper copy that's in front of you Chair. You will notice there that the German Submarine Consortium comes in at R4.3 billion, the next bidder would be Fincantieri which comes at R5.132 billion, the next one would be DCN which comes in at R5.241 percent
20 [sic] and then lastly would be Celsius Kockums which comes in at just over R5.5 billion.

In terms of the normal evaluation process that ARMSCOR would do we would look at firstly do we meet the Navy's requirements, we would then look at the price, based on
25 these results as programme manager if I was going to make any

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recommendation to a higher, a more senior body I would recommend in the submission that the GSC gets selected based on the fact that they meet the Navy's requirements and they are 18% cheaper than their nearest rival, in Rand-terms that amounts to R799 million, and on that basis I would write a submission to my board of directors if you were following the normal ARMSCOR procedure in which I'd make the following recommendation; that the GSC would be nominated as the preferred supplier, I would then request authorisation to continue to enter into a negotiation phase with that said supplier so that I could negotiate a contract baseline.

I just want to point out if I may Chair, that using that process, the normal ARMSCOR process, I would have to approach the board of directors twice, the first time I would write a submission where I would recommend a preferred supplier and I'd ask for authorisation to enter into a negotiation phase, the next stage would be once that negotiation phase is complete I would again have to approach my board of directors with the submission to, for the placement of a contract.

In both instances my submission would have to address risk, it's a very important factor to ARMSCOR and it always has to be addressed. Now initially I would state in my submission that even though I'm recommending entering into a negotiation phase with the GSC as a preferred supplier I would

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mention that there's risk, there's no doubt about it that the GSC did not perform well and the main reason is because of integrated logistic support, that is clear, there is no argument about that, it came out in the force decision making process, however, where there is risk there is also abatements to risk and I would go on to say that if given the opportunity to negotiate there are measures where you can alleviate such risks and I would explain the negotiating strategy, how we would go about mitigating those risks, however, as we know this normal process was not followed, we did not use the normal ARMSCOR process.

What followed next here was these basic scores were then taken up by the project officer who compiled together with Admiral Howell compiled an RFO Evaluation Report in which the normalisation took place of those scores as to make them compatible with the other indices, i.e. the financing indices and the IP indices, so that was the next step here at this tier.

ADV LEBALA: Now let's simplify it, at one time I was losing you, I hope the commissioners were not, I did pick up what you were saying in themes. Let's go back, we are on page 7 of the slide bundle. You said: "If I was going to recommend ...", what do you mean?

MR VERMEULEN: Chair what I mean there is after having completed the value system and arriving at the scores, after

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having seen that the GSC meets the requirements contained within the specification I would then consider the prices and it is clear that they are considerably less expensive than their rivals and on that basis I would recommend them as being
5 nominated as a preferred supplier.

ADV LEBALA: Now this means that we did not recommend, am I right?

MR VERMEULEN: No Chair, we didn't follow the normal ARMSCOR procedure where the programme manager would have
10 been expected to do that, we followed a different procedure based on the SOFCOM approach.

ADV LEBALA: Now to be precise, which means that you did not recommend, yes or no?

MR VERMEULEN: I made no recommendation whatsoever.

15 ADV LEBALA: Anyone from ARMSCOR in the teams that we referred to made any recommendations?

MR VERMEULEN: No Chair, the only officials that made recommendations was the project officer and Admiral Howell who were seconded to DAPD at that stage, they made a
20 recommendation in the report which incidentally in the, possibly a convoluted manner arrived at the same conclusion that I did, in other words they also recommended in their report from what I've read that the GSC was the best value for money in terms of the technical performance, the submarine.

25 ADV LEBALA: Now let's be precise, price played a

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significant role, I've got to be careful, price played a role. I've got to avoid evaluative questions, price played a role?

MR VERMEULEN: Chair yes, price always plays a role, we just mustn't confuse the issue and we must bring it in at the appropriate time but it certainly plays a role.

ADV LEBALA: Let's look at what we have, in terms of the ILS that constitute the 67%-odd of the weight, the Germans were not number 1, is that correct?

MR VERMEULEN: That's correct Chair.

10 ADV LEBALA: In terms of the RFO Response the Germans were not number 1.

MR VERMEULEN: In terms of the RFO Responses I think they were in fact number 1 if I'm not mistaken.

15 ADV LEBALA: Well, we've clarified that thanks, in terms of the RFO they were number 1. In terms of the submarine performance they were not number 1.

MR VERMEULEN: Correct Chair, they were not number 1.

ADV LEBALA: In terms of the overall performance they were not number 1?

20 MR VERMEULEN: In fact in terms of the overall performance they came last.

ADV LEBALA: As at that stage, if you are able to respond, please respond, did price play a significant role?

25 MR VERMEULEN: At that point price definitely comes into play and plays a significant role.

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ADV LEBALA: Now let's go back again. Do you remember the third tier where you played a significant role as a programme manager together with the Integrated Project Team members at the third tier?

5 MR VERMEULEN: Sorry Chair, could you repeat that question please?

ADV LEBALA: Do you remember at the third tier, remember there are three tiers at the lower level tier where you had your hat on as a programme manager being part of the
10 Integrated Project Team where you were looking at the technical military value?

MR VERMEULEN: Yes sorry, I recall that Chair.

ADV LEBALA: Did price play a role?

MR VERMEULEN: It does, it would play a role if you followed
15 this process but to answer your question no, it did not play a role.

ADV LEBALA: What happened when you elevated it to the moderator team? It's a different question, did price play a role when it went up to the moderating team?

20 MR VERMEULEN: Chair as I said earlier on the RFO Evaluation Report that was established or compiled by DAPD, I didn't play a role in that, I only got access to that report within the last few weeks, in fact the last week or two when preparing a statement. I wasn't privy to that report prior to this time, so
25 it would be very difficult for me to actually comment on the

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content and the philosophy applied within that report. I don't feel that I'm well-placed to be able to do that because I know that I'm bound to not speculate in front of this Commission.

ADV LEBALA: Fair enough, but you know that you've eventually seen the report before you came to testify, am I right?

MR VERMEULEN: Correct, I have seen the report before testifying.

ADV LEBALA: Did price play a role?

10 MR VERMEULEN: From what I've read in the report it does play a role, yes.

ADV LEBALA: In what sense?

15 MR VERMEULEN: Chair, SOFCOM provided instructions on how to go about establishing a military value, and the military value is inclusive of the score as well as the price, so they were at this stage, to achieve a military value they'd have to incorporate price in order to get a figure of merit.

ADV LEBALA: As at the time when you were testifying before the Commission, are you aware of any other factors that play a role, that played a role?

20 MR VERMEULEN: No Chair, basically at this point after having arrived at the basic scores my role in the selection process came to an end. What happened next was we received word that the German Submarine Consortium had been selected as the preferred supplier. I know that there were other

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selection processes in play, but we were working in silos, so I didn't know what the outcome of those were, so from my perspective where I sat it could have been any one of the four bids that won the overall competition.

5 ADV LEBALA: Fair enough but you are still not responding to my question and thanks for clarifying and giving us that information. I'm saying that as at the time when you are standing before the Commission, noting that you have subsequently read the Evaluation Report you could have
10 considered a number of documents, you have consulted with a capable legal team, you consulted with us, are you aware of any factor that played a role other than price?

MR VERMEULEN: As far as I understand it was the price and the score that played a role.

15 ADV LEBALA: Now we've arrived at a stage where I would like you to simplify what made the Germans to be number 1 and let me explain to you why this question is very important at this stage, the critics say if it's true that the ILS ... I beg your pardon, I've got to be precise. If it's true from the
20 testimony that we have heard, from the documents that we have been referred to, that we took you through, that the ILS, Integrated Logistics Systems evaluation which constitutes 67.51% played a significant role, the Germans would not have been number 1?

25 MR VERMEULEN: That is a correct statement, the ILS did

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play a significant role and hence the Germans were not number 1.

ADV LEBALA: To be precise the critics say the Italians should have been number 1.

5 MR VERMEULEN: Yes Chair, and I'd like to draw you to the value system once again and indeed you can see the Italians, Fincantieri did score the highest and that was largely due to their good performance in the ILS category.

ADV LEBALA: Now before we part ways with this part of
10 your testimony I would like you to simplify to the Commission because it is said something was done to push the Germans to be number 1 other than which you have demonstrated, which you have conceded, which we have seen, we know that the total score did not favour them, up to so far we know that it's only
15 the price that favoured them. Now I want you to demonstrate to the Commission if you can what's that that assisted the Germans to be number 1 if you could simplify it by looking at the scruff and what ought to have happened.

Now if there was a consideration that made the
20 Germans to be number 1 please take the Commission into your confidence and explain it, looking at the price, we know that the price simplified things and assisted them, giving what you have testified.

MR VERMEULEN: Yes Chair, at the risk of labouring a point
25 there are basically two ways that you can approach this, the

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first is considering the basic score which meets the requirement of the Navy specification and then you bring in the price, bearing in mind that ARMSCOR's mandate is to provide the client, in this case the South African Navy with a product that meets its specification and its best price, that is our job, possibly oversimplifying it but in a nutshell that's what we do. That's why I would have had no hesitation in saying right, the GSC meets the specification, who is the cheapest, the GSC is, I wouldn't hesitate to recommend to my board of directors that they get nominated as a preferred supplier.

We would be able to indicate to our client, the Navy that their specification has been fulfilled, it had been met, and in terms of the taxpayer we would be able to show that we are spending the least amount of money in meeting this requirement, however, there was another approach and that was a SOFCOM approach. SOFCOM had to deal with a complex problem in that they were considering other indices over and above the military value, there was an industry of IP, Industrial Participation, and the industry of the financing, now you had to find a way of making all these values compatible so that you could include them all in one equation and that's where the normalisation process comes into play, so those are the two aspects that are in place.

ADV LEBALA: Now let's simplify it and be specific with the price, look at the prices, what's that which advantages the

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Germans in terms of price if you were to calculate the differences in Rand and cents? Remember you told us that the German offer was R4.333 billion, the offer of the Italians was R5.132 billion, the offer of the, is it the French, was R5.241 billion, and the offer of the Swedes was R5.567 billion, just try and unpack and simplify the advantages in Rand and cent.

MR VERMEULEN: Basically the price difference would go around primarily the ILS, the Germans didn't offer the same amount of spare parts for instance as the Italians did, so their bid, then they would have been scored accordingly as they would, so that would account to a large extent for price difference, and then also basically in the price for the submarines themselves, the GSC were more competitive with their pricing. It is true that as things stand here the scope of supply differs. The Fincantieri, the Italian shipyard offered more in terms of the ILS package than the Germans did.

ADV LEBALA: In terms of price differences can you measure how much we are paying less as against the other how much is the South African Navy and the South African National Defence Force paying less?

MR VERMEULEN: In terms of the difference in the total price Chair?

ADV LEBALA: That's my question.

MR VERMEULEN: Chair, the difference is R799 million.

ADV LEBALA: Between who and who?

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MR VERMEULEN: That would have been between the GSC and their nearest rival Fincantieri. Fincantieri as you can see, comes in at R5.132 billion as opposed to the R4.33 billion offered by the GSC.

5 ADV LEBALA: Now given what you have said what are you saying about the fact that irrespective of what is before the Commission, that which has become stable, that which you concede in terms of the total price, in terms of the ILS, the RFO we know that the Germans were ahead but we can even
10 look at the percentages, but we know that they were not ahead in other areas, actually they came number last, would you say it's true that the price propelled them up?

MR VERMEULEN: Are we talking about in the SOFCOM evaluation?

15 ADV LEBALA: No, I'm talking about the conclusions based on what you have testified about.

MR VERMEULEN: Yes Chair, the price would definitely play a significant role, as with any product the price is an important factor.

20 ADV LEBALA: Do you know whether DIP ... Actually I don't know why I assume that you know DIP, do you know this DIP, and I beg your pardon Mr Vermeulen, I don't have to lead evidence this way, do you know what is DIP?

MR VERMEULEN: Yes Chair, that's Defence Industrial
25 Participation.

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ADV LEBALA: Now we know that it's divided into NIP and DIP, am I right?

MR VERMEULEN: No Chair, if I could just correct you slightly, you have industrial participation which consists of
5 National Industrial Participation handled by the DTI and also consists of Defence Industrial Participation, so under IP, Industrial Participation, you've got those two categories.

ADV LEBALA: Thanks for correcting me. Actually I don't know why I'm pre-empting your testimony. There is industrial
10 participation which is divided into NIP and DIP, am I right?

MR VERMEULEN: Correct Chair.

ADV LEBALA: Now are you able to talk to both or are you able to talk to one?

MR VERMEULEN: Chair, the only part of DIP that I can talk
15 about, and I intend doing it later on in my statement, is you can also break DIP down as well, DIP is broken down into direct DIP which is directly related to the submarine product in this case and then you have DIP which could impact any other application within the Defence Force, it could for instance
20 impact ammunition for the Army as an example, so you have the two, you have DIP and direct DIP and obviously I was interested in our direct DIP because that has a direct influence in the support of the submarine.

ADV LEBALA: I know that you mentioned that you were
25 going to testify about DIP, you are not going to testify about

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NIP.

MR VERMEULEN: Correct Chair, I have no knowledge of the NIP whatsoever.

5 ADV LEBALA: Did DIP play a role in propelling the Germans up?

MR VERMEULEN: I couldn't say. It would depend on the outcome of the DIP Evaluation and I didn't have privy to that information.

10 ADV LEBALA: As at the time when you are testifying are you aware that DIP plays a role in propelling the Germans up or not? Are you aware or you are not aware?

MR VERMEULEN: No, I'm not aware Chair.

15 ADV LEBALA: Okay. Are you aware of any formulas that were used in coming to a decision that made the Germans to be the preferred bidder? We know now that the Germans became the preferred bidder, am I right?

MR VERMEULEN: Yes, the Germans were nominated as the preferred bidder.

20 ADV LEBALA: Do you know of any formulas that were used that could be compared, if there are any, that would assist the Commission to appreciate why the Germans became the preferred bidder?

25 MR VERMEULEN: Yes Chair, in Mr Griesel's testament, statement, he described the process in which the military value formula had to be applied and the guidelines were such that

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from what I remember from his statement is that the military value, the total score would be divided by the total price. I'd like to again, however, state that I was not involved with that process, so I didn't actually do those calculations, I merely
5 arrived at the basic results reflected in that slide, I didn't attempt to do any normalisation of those results, it wasn't asked of, it wasn't required that I perform that function, that function was taken over within the DAPD.

ADV LEBALA: Now would you like to simplify it in terms
10 of figures if one were to rely on the slide to explain how in Mr Griesel's testimony the total score divided by the total price assisted the Germans to be number 1?

MR VERMEULEN: Chair, I couldn't comment on that as I was
15 not involved in that process, I didn't actually formally take part in those computations.

ADV LEBALA: My question is, it has become clear that you did not take part, but are you able to compute it with your technical background and your expertise in this area?

MR VERMEULEN: Yes Chair I would, it's in fact simple
20 arithmetic, it would be a question of dividing each respective score with its associated price.

ADV LEBALA: Now let's simplify it, does it mean that we will take the, let's take the Germans, we will take the 60.20% total score they got and divide it by R4.333 billion, am I right?

25 MR VERMEULEN: That's correct Chair, you would take each

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one of the bids and divide them by their respective prices, the one who scores the highest would then receive 100 points according to Mr Griesel's description, that would receive a 100 points then, and the others would then be measured against the percentage of that winning score.

ADV LEBALA: Now what does that mean again? It means in as far as the Italians were successful are concerned would take 74.70% and divide it by R5.132 billion?

MR VERMEULEN: That sounds logical Chair.

10 ADV LEBALA: And the rest logically follows with the Swedes and the French?

MR VERMEULEN: I concur with that, yes.

ADV LEBALA: This calculation, would it make the Germans number 1?

15 MR VERMEULEN: From what I understand, and you would have to do the sums, it would not in fact make them number 1.

ADV LEBALA: I beg your pardon?

MR VERMEULEN: I think if you had to do those sums you would find that they would not be number 1.

20 ADV LEBALA: Please assist me, I thought that you said that during Mr Griesel's ... We know that it's not you who said that, you said during Mr Griesel's testimony he said that the military value formula was applied and in that formula you take the total score and divide it by the total price.

25 MR VERMEULEN: That's correct.

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ADV LEBALA: My question is, unless you want us to test it, and if we could be certain that if we do the Germans would be number 1, we don't have to do it but it's evidence that must come before the Commission, do you want us to try it?

5 MR VERMEULEN: Chair, that would be up to the Commission.

ADV LEBALA: Before we even go there is there another formula and I like the fact that you mentioned that if you were to be involved, we know that you are not involved, how would you do it? Just a minute, just a minute, I see the
10 commissioners are conferring and I wouldn't like us to lose them, I don't know whether they seek clarity or they need assistance.

CHAIRPERSON: I'm sorry Advocate Lebala, you can continue.

15 ADV LEBALA: My colleague, I think refreshes me, I don't have to be unfair to you, let me understand. Are you saying that if we were to use that formula of Griesel the Germans wouldn't be number 1, of taking the total score and dividing it by the total price?

20 MR VERMEULEN: Chair I would be speculating, I haven't done these calculations, I do have a fundamental problem with the recent questions I have received in that according to my understanding I was requested to testify on my specific involvement in this procedure. I'd again like to reiterate that
25 my involvement ended with the calculations of the basic scores

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for this value system, I did not attempt and I was not required to take this a step further, so basically anyone sitting in this room can do those sums and come up with an answer, I'm not necessarily qualified to do that and I certainly, it was not in my
5 Terms of Reference to do that.

ADV LEBALA: Mr Vermeulen, I've got no doubt that you would do your best to assist the Commission and I've got no doubt that the legal team that represents you has teamed up with us, that's why such an efficient statement, if I may say,
10 has been prepared on your behalf, but as you may imagine we have a challenge as Evidence Leaders to assist evidence to come before the Commission and I'll try my best not to ask you unfair questions. Be rest assured that I'm certain that Mr Solomon has a right to object if he thinks I'm asking you unfair
15 questions and I'm certain that it's out of respect for the Commission, not only the relationship which is one that I share with him, he's not doing me a favour, I'm certain with his skill he would have objected. What does that mean, I'm going to ask you this question unless you say you can't answer it.

CHAIRPERSON: I'm sorry, maybe let me intervene at this
20 stage, once you understand that you were not involved with the further process but then I thought you said that if at all you take the question of price into account whether Germans would have been number 1 or not is simple arithmetic and I think that
25 is why there was a follow-up question. Advocate Lebala, do

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you say that you were involved, but then your answer was for him to determine that it's simple arithmetic you would take the total score and divide it by the price, you said it's simple arithmetic. Now his follow-up question is using that simple
5 arithmetic what are the results that you come up with? He doesn't say that you were involved, his question was premised on the fact that you know what Mr Griesel had said and secondly you then say that now if you take the price and divide it, if you take the total score and divide it by the price would
10 the Germans still be number 1, and your answer was: "This is simple arithmetic". Now use the simple arithmetic in order to answer that question. Thank you.

MR VERMEULEN: Okay Chair, it is simple arithmetic. I don't sit with a calculator in front of me, however, I can gage that
15 having done that arithmetic Fincantieri would more than likely, and perhaps somebody with a calculator can do these sums, they would certainly do it better than I can in my head, they should arrive at a result. I understand and I respect the Commission in prompting me to try and answer these questions,
20 I still feel that this particular question should be put to the appropriate people who were involved in this process and they exist, these people are available and they would be far better qualified to give a complete and comprehensive answer as to the philosophy used in arriving at a normalised score.

25 ADV LEBALA: Mr Griesel, perhaps ... I beg your pardon,

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I beg your pardon, let's wait for the commissioners to finish conferring.

CHAIRPERSON: Okay Advocate Lebala.

ADV LEBALA: Could you park this question and we allow
5 you to, I just want us to save time, I'll go on with other
questions and to narrow you could take a calculator because
it's a simple arithmetic formula. We acknowledge the
following, hence we try to lead you to documentation that talks
to other names and the vernacular of the subject is clear, that
10 there are other witnesses that can talk to these subjects, and
they will come and explain but we are just asking you from your
expertise and experience that on this simple mathematical
formula are you able to tell us whether the Germans would be
number 1 or not, and let's park it for tomorrow, you could make
15 a note of that.

MR VERMEULEN: Chair, please don't think that I'm being
uncooperative to this Commission, I'm trying my best to provide
as much information and evidence as possible regarding my
role that I undertook during this process, however, I maintain,
20 and I don't understand why I would be expected to go and plug
those results into a spreadsheet, anybody can do that, you
don't have to be a qualified submariner, you don't have to have
experience in systems engineering, anybody can do that, I
don't quite understand why I would be requested to do this
25 particular calculation.

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ADV LEBALA: I'll tell you why Mr Vermeulen. I could go and do it but I cannot testify, I'm bringing this evidence through you and at the moment you are the witness better qualified and that's my difficulty. Up until Commander Reed
5 comes, if we find him, up until Rear Admiral Howell comes, if we find him, because they have prepared this evaluation report, you have to assist the Commission in line with your testimony which has been very helpful thus far, that's the difficulty that we have and those are ordinary rules of leading evidence
10 before any forum, the tribunal, the court, an arbitration and a commission, does that make sense?

MR VERMEULEN: Yes, it does Chair. I understand your point. I'll prepare a spreadsheet for you and show you the outcome based on the guidelines that Mr Griesel presented to
15 the Commission.

ADV LEBALA: And in all fairness to you there is a reason why we took the Commission through the three tiers, we wanted to show the Commission where you cut off. True, we know that going up you played no significant role. Remember we asked
20 you a question, did the political executive players also play a significant role, these questions were not asked in the abstract, you would appreciate with time as to why we lead in that direction, but let's continue. If you were to do it, now let's say you've got an ARMSCOR hat on, how would you do it.
25 We know that Mr Griesel told us that given the new

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developments that came in, and I think the policy MOD 4/147 played a significant role in this regard, there were other players, there were political executive heads that played a role, a lot of things were happening, there's no longer a question of a non-cardinal project, it was a bigger project, the SDPP's were a big project, we've demonstrated that. Given that how would it be done according to you? We know the challenges and the difficulties, how would it be done?

MR VERMEULEN: Within the guidelines of SOFCOM it would, to reiterate we would take in the individual scores, divide them by the price, the one who scores the highest, regard it as a figure of merit, would then receive, would be allocated 100 points and then all the losing scores would be allocated a percentage against the winning score. I'm quite happy, I'll prepare a spreadsheet which will explain that a bit further tomorrow if the Commission so wishes.

ADV SOLOMON: Mr Chair, could I, with your leave, could I come in at this point? I haven't wished to interject and allow Advocate Lebala to proceed as he deems fit in leading this evidence, I do think though we require a ruling, I've let Mr Vermeulen deal with lines of questioning where he has no personal knowledge, I don't think it's particularly helpful to the Commission, and I do object to it because if this precedent is set I have other witnesses who are waiting in the wings who likewise were project managers, I know I speak for Mr B Smith,

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who I think is the next witness who was involved in the Corvette's, he has a similar difficulty that his role stopped where Mr Vermeulen did in regard to this part of the process, the evaluation process, it's true that Mr Vermeulen was then
5 involved once the preferred bidders had been selected although Mr Smith, he wasn't, someone else was involved, but be ..., let's leave that distinction aside.

I think it's not particularly helpful and it's unfair to the witness to get him to engage in an exercise which any
10 person can do, he is not familiar with what that formula was, he is relaying what he heard from Mr Dawie Griesel in his evidence, it's not something at all within his personal knowledge, it's not within his expertise and I think it sets a dangerous precedent and it should not be allowed and I'd ask
15 the Commission to rule that he not be engaged overnight in performing the exercise that Advocate Lebala has asked him to do. Thank you.

CHAIRPERSON: Thank you. Advocate Lebala, do you want to reply to that?

20 ADV LEBALA: Chair, there's merit in my colleague's objection and I'll part ways with it because what simplifies what we are seeking to achieve is what the witness has just told us now that he prepared the slide in line with what he would have done which means it would be easier for us to do
25 the comparisons and there could be incremental questions

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arising from what he says now lately that remember he says that you take the individual scores and divide them by price which means that he says that he would go and take the response to the RFO, divide it by price, take the technical
5 evaluation, divide it by price and the logistic evaluation and divide it by price and adapt it to the percentages and he will come up with the score, that he can testify to, is that correct Mr Vermeulen?

CHAIRPERSON: Just hold on before you go there, there
10 was an objection, I thought you will first respond to the objection before you go on with you know, the next question.

ADV LEBALA: Thank you Chair, I think I concede that there's merit in my learned friend's objection and I'll leave that question, I accept that this witness does not have to do that
15 exercise, particularly given to what the witness has just told us now that which he can do that he can even relate to a slide in terms of calculations.

CHAIRPERSON: So I suppose, if I understand you well, you are prepared to deviate from the kind of questions that you
20 were putting to the witness, as he said it's a simple calculation, I'll also try and make my own calculations, so we don't have to press the witness about asking him to make calculations.

ADV LEBALA: Thank you Chair, that's correct, especially
25 where we are told about Mr Griesel's testimony in as far as the

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military value formula applied of the total score divided by the total prices concerned, but this witness now has said he can talk about (indistinct) individual scores are divided by price and they get adapted to a percentage, hence I say in that case
5 let alone the fact that my learned friend's objection has got merit then this witness will still rescue us and the rest is on record, we can do our own calculation up until the right witness comes to assist us with the calculation.

CHAIRPERSON: I thought you were saying that you are
10 going to abandon that type of questions that you were putting to the witness and if that is the position maybe let's get to the next questions. If at all at some stage we will need somebody who will help us to do the simple calculations we'll try and see if we can get somebody to help us with the simple calculations.
15 Maybe let's get to the next questions.

ADV LEBALA: Chair, I don't have to show the disposition of a bulldog tenacity and I'm not, but this witness says, and I think my learned friend's objection is one thing, my learned friend says as far as Griesel's testimony on the total points,
20 scores divide by price is concerned please leave this witness alone, it's not fair, but this witness volunteered something which is very critical, this witness says oh, in as far as the individual scores and price how it had been done or how ARMSCOR would have done it, he says he can testify about,
25 hence, and that evidence must come and land before the

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Commission because it's very important, you will understand that it could be used to compare that which when the right witness come to testify about what Mr Griesel said is concerned.

5 CHAIRPERSON: Advocate Lebala let me go to what I said, your colleague objected and I thought you said that the objection is valid. If at all the objection is valid then I think that should be the end of the type of question that you are asking. Can we get to the next questions?

10 ADV LEBALA: Thank you Chair, we'll proceed to the next question. Thanks for your patience Chair, we'll proceed to the next question. I would like us to look at your statement.

CHAIRPERSON: I'm sorry Advocate Lebala, if you don't mind can we look at the statement tomorrow morning instead of
15 doing it now?

ADV LEBALA: I'm in your hands Chair.

CHAIRPERSON: I see it's already 15h30 I'll want to break at 15h30 because of the difficulties that we normally have when we knock off at 16h00. Can we continue tomorrow with this
20 witness?

ADV LEBALA: Thank you Chair.

CHAIRPERSON: Thank you, we'll adjourn.

(COMMISSION ADJOURNS)