

14 NOVEMBER 2013

PHASE 1

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

MR FERREIRA: I do.

ADV MPHAGA: Thanks Chair and Commissioner Musi. Mr
5 Ferreira today we have indicated that we'll make a presentation before we finalise the whole statement.

MR FERREIRA: Morning Chair, good morning
Commissioner. The presentation I intend making today is going to cover the period after signing the contract until the items
10 were delivered into the South African Air Force. As you can see on the presentation here is the Hawk Aircraft, these was one of the tests that we performed, dropping (indistinct) bombs in order to determine the accuracy of the weapons system. To summarise (indistinct) I'll go over this master schedule up
15 there. Reported points I want to point out on this schedule is that tranche 1 was placed in April 2000, the tranche 2 was in ...

ADV MPHAGA: Sorry Mr Ferreira, just for the commissioners to follow, your own page 2 presentation?

MR FERREIRA: Well, presentation page 19.

20 ADV MPHAGA: Page 19.

MR FERREIRA: Sorry Sir. Commissioner I'm sorry that I went ahead, I (indistinct) my own mind sometimes. Let's start again. Important the contract was signed in December 1999. The tranche 1 started in April 2000 and then the tranche 2 the
25 next 12 aircraft was in July 2002. The aircraft initially was

14 NOVEMBER 2013

PHASE 1

scheduled for delivery, the first 12 aircraft tranche 1 at the end of 2005 and the next 12 aircraft in the beginning of 2006, that's what contract (indistinct). Then here in December 2005 the ARMSCOR Board approved the phase acceptance of the aircraft and deliveries. In May the AAC agreed with this approval and in June 2006 the first 10 aircraft were delivered at operational capability 1. We will describe all these capabilities later in the submission.

In October another group of aircraft was delivered at operational capability 2b and in November 2007 a third group of aircraft was delivered at operational capability 3, (indistinct) 3b. In April 2009 over a year we (indistinct) was delivered in fully with operational availability 3d and in the meantime we have upgraded this aircraft one more level of capabilities and that was delivered in January 2004.

This is only to give an overall picture around what happened, important to know is that the Air Force required these aircraft to be delivered as the Impala's have already been phased out and they had a commitment against the World Cup in 2010 and they needed to start training pilots to be ready to be converted onto the ALFA Aircraft which arrived in 2008 to be ready for the World Cup. The Hawk's also participated in the World Cup for protection.

If I go to page 20, throughout the submission we said the Hawk has to fill the gap between the ASTRA at the

14 NOVEMBER 2013

PHASE 1

bottom and the ALFA at the top, so this is where the Hawk fitted in, in the Air Force strategy. I do not want to repeat all of the things but only to reemphasise its main objective is basic jet conversion and operational training because it can carry weapons and it also is capable of fulfilling collateral mission roles as indicated there. And at the bottom right we indicated what courses should take place per year utilising this aircraft.

On page 20, page 21 sorry, statements is made that the Hawk Aircraft is an old airframe, old aircraft (indistinct in the early 1970's. If you look how the Hawk Aircraft evolved, starting at the Hawk (indistinct) from which the Goshawk is used for training the American pilots for to land on aircraft carriers was developed, then you had the Hawk 60 series, from there they developed the Hawk 100 and the Hawk 200. The Hawk 100 is a dual seater, the Hawk 200 is a single seater, and this is an operational aircraft.

Based on those two aircraft they developed the Lead-In Fighter for Australia which is the dual seater and the aircraft is based on the work done for Australia. One example is that the fatigue life with this aircraft, it had a very bad fatigue life when they started off, our aircraft here's fatigue life is 10 000 flying hours and this is due to continued improvement in the structure and in the product as it evolved over time.

14 NOVEMBER 2013

PHASE 1

JUDGE MUSI: Sorry. Did you say the Hawk 100 is a dual seater or single seater?

MR FERREIRA: Commissioner, the Hawk 100 is the dual seater and the Hawk 200 is the single seater.

5 JUDGE MUSI: Where is it in our programme here we only have Hawk 100, I haven't seen any Hawk 200? Do we have?

MR FERREIRA: Commissioner, all our aircraft is dual seaters, there is Hawk 200's flying, I haven't got the list here but some of the Asian countries do have Hawk 200's and I also
10 think Bahrain also got Hawk 200's. I must say after our aircraft the Hawks were sold to Bahrain, eight Hawks', and the United Kingdom is busy replacing their T1's with the new one which is called the AJT, but they are all dual seaters. It's only, the single seaters, there are very few that fly the single
15 seaters, and it's used in operational conditions.

JUDGE MUSI: We don't have single seaters?

MR FERREIRA: Excuse me?

JUDGE MUSI: We don't have single seaters?

MR FERREIRA: Commissioner, we don't have single
20 seater, we only have dual seaters.

JUDGE MUSI: Thank you.

MR FERREIRA: The only aircraft of our fleet which is different is the flight test instrumented aircraft that is also a dual seater; in that case they removed the one seat and
25 installed a data recording pack in the place of the seat. On

14 NOVEMBER 2013

PHASE 1

page 22 very high overview of a Hawk (indistinct) aircraft as you can see painted in our national colours. What makes ours unique from the previous aircraft is that we had the Ardour 951 engine to which we will go back later in. Our airframe is based
5 on the Hawk MK127 which the last was built for Australia and we got our own unique South African RSA avionic suite which, if you want to compare it is very similar to what the Navy now called a combat suite.

Moving to page 23, the contracting model, because
10 the Ardour 951 was offered to us in replacement of 871 the development of the Ardour, the total BAe Rolls Royce responsibility. That's why there's a dotted line. The way that the United Kingdom works is that Rolls Royce is the design authority in their system, so they devote an engine and clear it
15 and certify it on their own and then, and BAe, BAe only oversees the programme.

The engine that they developed for us, the 951 was fly-tested down in the Cape at TFDC as part of a Rolls Royce and Air Force agreement and we had no insight over that fly-
20 testing except in looking at the results. So, this programme took place parallel to our programme and all that we, the interface we had with it was that that engine was installed in our aircraft and it should have been certified.

We placed the contract on BAe as the main
25 contractor, they then contracted into South Africa (indistinct)

14 NOVEMBER 2013

PHASE 1

Aviation for the final assembly of the aircraft and the (indistinct), the contracted Advanced Technology Engineering in Midrand for the distribution system, the mission computer, the stores management unit and to manage the development test and evaluation phase and they contracted into INS which became AVITRONICS for the (indistinct) monitor system for engine health.

Now this system that's been provided by INS was previously integrated by BAe on their aircraft for Canada, it flies on the Australian aircraft, it flies on Bahrain as well as on the AJT. So this unit developed by us in South Africa is used in all the latest Hawk's and not only in our Hawk. ATE as the main subcontractor for the mission system, they have placed contracts out on test flight and development centre at TNTC for the flight testing, the development test evaluation flight testing. They had an agreement with DoD that they will put up facilities there, the buildings in exchange for the DoD providing them with the fuel.

That agreement wasn't part of our contract and it was an agreement directly between ATE and the DoD. ATE also contracted IDI for our very high frequency and ultra-high frequency radius that went into this aircraft. They contracted Telemat in the Cape for the interrogator friend or foe, then they contracted Sextant in France for a smart head-up display, the multifunction display, the upfront control panel and the

14 NOVEMBER 2013

PHASE 1

inertial reference system, global positioning system, these were all contracted to Sextant and Sextant had some DIP agreements for the work they got here which I cannot elaborate on. Then they contacted Winton in the United Kingdom for the video system, the recording of the imagery through the head-up display and storing it onboard, they had Shelton for all the antennas on the aircraft and then AVITRONICS for the radar warning receiver who subcontracted Winton for the chaff and flair dispenser, but the heart of this avionic system lies here, the mission computer, the stores management unit, all the algorithms, all the software there and all the software here were done by ATE.

The airframe changes from (indistinct) I do not intend to discuss every airframe change but all what we indicate here is by putting in our own avionic systems and the engine one can see the impact it has on all the existing structures of the aircraft which had to be either re-engineered or recertified or tested in terms of the (indistinct). It's not a case you pull out one box and put in another box and you fly, you have to go and (indistinct) this whole area because there is different mass distributions, the different methods of how things are being attached into the aircraft and all these are engineering activities that took place during the development of the programme.

On page 25 we indicate the systems that changed,

14 NOVEMBER 2013

PHASE 1

all these were changes that was done to the cockpit, the area of the pilot, these are changes to the policy (indistinct) seat and its own flying suits. There had to be changes due to the engine removal of the existing control system by putting in the
5 FADEC system, there were some changes in these areas. The whole nosecone were redesigned to fit our avionic systems, because all our boxes went into an area over here and down in the bottom of the wheel-bay, into the area over there, so that is where they had to pack all our equipment.

10 As can see there is not really much space on the aircraft to put things away, it becomes very difficult. When I looked at the engine our engine ...

CHAIRPERSON: I'm sorry, before we proceed, Advocate Mphaga I'm not quite certain, is there anything which turns
15 around the evidence that you are presenting here? Is there anything which turns around it, and to be honest with you I'm lost where the engine is supposed to be in this Hawk Aircraft or where it's not supposed to be, I'm not quite sure if it has anything to do with our mandate. Or maybe even before you
20 reply, he is your witness, maybe let me hear from other counsels whether this type of evidence that are being given and the type of (indistinct) that we are being fed with, do they in any event have any impact on our mandate?

ADV SOLOMON: Chair, Commissioner Musi, from our
25 perspective we don't see this to be of particular relevance, it's

14 NOVEMBER 2013

PHASE 1

really informative only and I don't think it's part of the work of the Commission to delve into this level, I don't know that there's any controversy in regard to these engines in relation to the aircraft in question. We know when it comes to the LUH there's a question mark around the engines but we don't believe insofar as the LIFT's and the ALFA's are concerned. Thank you Chair.

CHAIRPERSON: You are right, it might be informative but it confuses me because I don't understand. Maybe let me hear from Advocate, what is your view about the type of evidence that we are now having?

ADV CANE: Chair, the Department of Defence very much welcomes Chair and Commissioner Musi's attempts to confine the evidence to what's relevant to the Terms of Reference. We see absolutely no relevance in considering the makeup of the Hawk unless it formed part of defending the valuation process but for that to take place one would then have to have a comparison with the relevant contenders, simply displaying what was actually acquired, how it was modified and (indistinct) after the fact is well outside of this commission's mandate and our submission would be to urge the Commission not to delve into such matters because if you would allow it in this instance we can imagine many others where we would be sitting for months trying to understand technical detail which is actually not going to assist the Commission and may in fact

14 NOVEMBER 2013

PHASE 1

end up hijacking the Commission's work, so we would strongly support the Chair (indistinct) to limit the evidence. As you please.

CHAIRPERSON: Thank you. I hear you say that you know
5 we'll be sitting here for months trying to understand the details, I can assure you I will sit here for a long time before I can understand this detail and it's not going to help me in any way. So I think maybe in all fairness to Advocate Mphaga maybe let's adjourn for 10, 15 minutes and then review your
10 position.

ADV MPHAGA: Chair, I'm agreeable. Maybe we simply over-prepared and provided more detail but I think we can basically complete this by the last slide which Mr Ferreira wants to explain, which I think would be relevant to the
15 Commission.

JUDGE MUSI: Page?

ADV MPHAGA: Chair, I'm advised that the slides that we thought that were in this presentation, they are not yet there, maybe if we can adjourn and we can just add them so that we
20 can discuss them when we start.

CHAIRPERSON: Yes, maybe let's adjourn and then from there try and review your position whether you still want to go on with those slides or not.

ADV MPHAGA: Thanks Chair.

CHAIRPERSON: Thank you. We'll adjourn for, until 11h10,

14 NOVEMBER 2013

PHASE 1

11h15?

ADV MPHAGA: Yes, 11h15.

CHAIRPERSON: 11h15, thank you.

(Commission adjourns)

5

(Commission resumes)

NOTE: Witness confirmed to be still under oath.

CHAIRPERSON: Advocate Mphaga.

ADV MPHAGA: Thanks Chair. Thanks for the time given to consider your suggestions and proposals. We have considered your proposals Chair and we are agreeable that much of the detail in the presentation is not necessary at this stage, however, we have also noted that the presentation has documents which are the interface to the DIP process that will give the commissioners an overview in respect of the DIP process, so in that respect we have excluded documents which we think that they have got detail which is not necessary, but that which interfaces with the DIP process insofar as the subcontractors that were identified and further also indicating the components which were assembled locally by subcontractors to the suppliers, so we think that that would create a picture when the DIP process will be discussed. So Mr Ferreira will just take us through those relevant documents. Thank you Chair.

CHAIRPERSON: Thank you.

25 MR FERREIRA: Chair, Commissioner, to indicate what on

14 NOVEMBER 2013

PHASE 1

these programmes got some DIP (indistinct) I would like us to go to page 23 in your bundle. The final assembly at Denel and the (indistinct) will be addressed by the DIP team, the ATE work done by, will be for the mission computer systems and there's a DIP connection to that, those will be terms of directive (indistinct) as well as terms of technology.

NOTE: Note that the witness is not speaking into the microphone, rendering his voice inaudible. Transcription of his evidence proves difficult.

10 MR FERREIRA: The (indistinct) system will be (indistinct) involved with the (indistinct) systems in terms of DIP. The Thompson CFF or (indistinct), there is some DIP activities directly associated with this activity, all the others are South African supplied components which also will be considered as direct DIP when DIP makes their presentation.

15 If we look on the aircraft I will not go through the build of the aircraft but this is, sorry Sir this is on page 33. What I would like to indicate here is the wing was totally built in the United Kingdom as a complete unit, the fuselage was totally built in the United Kingdom as a complete unit. These items were then exported in containers to South Africa. All the (indistinct) that took place here are putting the wings onto the fuselage and putting in all the components into the aircraft was done at Denel as part of the DIP work, they also did the testing of this and then the (indistinct) for acceptance to South African

14 NOVEMBER 2013

PHASE 1

Air Force. These were all DIP activities.

The tail (indistinct) was built by Denel (indistinct) in South Africa and was installed onto the aircraft. Denel also built some (indistinct) for the Bahrain aircraft as well as for the United Kingdom, the Hawk aircraft. These were all (indistinct) when we speak about final assembly this is the work that was done at Denel. In terms of the mission systems AT-Air which sits over there ...

ADV MPHAGA: Can you just refer to a page.

10 MR FERREIRA: I refer to page 27. AT-Air in fact is replacing one of the British Aerospace internal divisions as the mission system design authority, all work associated with the (indistinct) capability was considered as Technology Transfer which will be addressed as part of the DIP programme. And 15 then on page 54, these were the things that we considered for Gripen where we tried to summarise between the two programmes with consultation on the support organisation to ensure the raw proposed method (indistinct) do not compromise Gripen intentions, agreed common Hawk/Gripen support 20 philosophy for similar items, ensure Hawk discusses with (indistinct) suppliers leads to a common Gripen philosophy.

We tried to match the two support environments into as close as possible and this materialised, the fact that we are using some of the Gripen test equipment to test some of the 25 Hawk equipment on that. We (indistinct) we ensured the

14 NOVEMBER 2013

PHASE 1

common training philosophy is developed, so you don't need to
(indistinct) two different philosophies from the Hawk to the
Gripen, we also shared some common training devices, a
database being developed and there was the general monitoring
5 of the Hawk and the Gripen logistics to ensure synergies with
respect to approach and depth. This ends my, this part of the
submission.

An LRU is line replaceable unit and used in order to
repair an aircraft. Interesting, one of our contractual
10 requirements we spoke about a ranging, spoke about the radar
simulation and one of the tests performed was the eight aircraft
in the air with on a data link and (indistinct) to achieve that
this photograph was taken.

ADV MPHAGA: Thank you Mr Ferreira. You also indicated
15 that you wanted to at least show on the presentation the
question of the cost and non-costed point on page 471, Chair
471 of Volume or File 2. And if I may maybe read into the
record the relevant portion in page 471 is that:

*"During the work session with members of the
20 Project Ukhozi Control Council held on
24 April 1998 the Project Team recommended that
the taking into consideration an acquisition, cost,
limit or approximately \$3 million (indistinct) should
be done for the jet trainer class of aircraft because
25 of the affordability while providing (indistinct) value*

14 NOVEMBER 2013

PHASE 1

and real jet handling and performance”.

And in explaining this paragraph you wanted to take us through the diagram on page 33, it is on Volume 3 Chair, which was provided. Page 33.

5 MR FERREIRA: Chair, Commissioner, yesterday when we tried to explain this in words I think it's very difficult, so what we did is we went along and we are now going to try and explain what happened graphically. When the IPT at the end after the Request for Information Evaluation we made a
10 presentation to the Ukhozi Control Council on 24 April what was presented to them was a graph like this. This indicates ... Sorry. This indicates that there are two clusters of aircraft, there's a cluster sitting over there which was considered as an aircraft with a good operational capability and there was a
15 cluster of aircraft sitting over here which was recorded as normal aircraft more training orientated.

Then the IPT proposed to the shortlisted contenders they select the aircraft out of this cluster of aircraft, this was presented to the Ukhozi Control Council on the
20 24th of April 1998. At that meeting the Council requested that the following should be considered, the aircraft with a Military Value above 60 which is that red line, an aircraft with a cost effectiveness index on lifecycle cost of 8 or above, so those aircraft with the red dots were then identified at the Ukhozi
25 Control Council on the 24th of April.

14 NOVEMBER 2013

PHASE 1

The next meeting was Ukhozi Control Council which was held on the 13th of April. This was presented to that meeting on the 13th, the recommendation, they relooked at this and said no, the Military Value should be at 86 which is the blue line and cost should not be taken into account. Sorry, 68. And cost should not (indistinct), which effectively meant that all the aircraft above that line should be considered. They also at that meeting then removed the AMX-80 from that because they say this aircraft is more an operational aircraft with very limited training capability. Then this was presented to the combined AASB/AAC and the AASB/AAC they removed the MIG80 from the list because of our experience with the Russians.

On the next page I want to graphically show you what happened in terms of the timeline. The Ukhozi high level Value System and spec was presented to the Ukhozi Control Council on the 19th of January 1998. On the 3rd of February they approved the RFI's to can be issued, the Staff Target, Staff Requirement was submitted for approval on the 20th of February, on the 16th of March the AAC approved the Staff Target and Staff Requirement, on the 7th of April and on the 8th of April there were two meetings on the Value System. The RFI went out on the 9th of March and the closing date was the 16th of April.

It looks there that the Value System was only

14 NOVEMBER 2013

PHASE 1

approved after the closure date, however, there was an instruction that said the RFI will not be distributed, the proposals, until the Value System had been approved. Then we had a meeting on the 24th of April where the Project Team
5 proposed these aircraft based on less capability and lower cost, those aircraft were proposed.

At the same meeting the Ukhozi Control Council said we would look at the Military Value above 60 and the lifecycle cost effectiveness above 8, which was the red aircraft
10 on the previous slide. The next meeting we had was on the 30th of April, again there was a special Ukhozi Control Council which in fact was a special Air Force Command Council meeting, at that meeting they proposed that the Military Value should be 68 and no cost taken into account, those aircraft still
15 then were considered and the AMX wasn't excluded. That meeting was in the morning.

In the afternoon there was an AASB/AAC meeting where these shortlisted contenders were proposed. At this meeting the afternoon the MIG80 was then excluded from the
20 list. These meetings then were ratified on the Ukhozi meeting on the 5th of May. On the 12th of May the RFO's were issued out with a closing date on the 15th of June. The value system was approved by the Ukhozi Control Council on the 8th of June and was signed by the Chief of Acquisitions on the
25 11th of June based on the RFO Value System that came back

14 NOVEMBER 2013

PHASE 1

there, there were two proposals to be put up onto the table, the one was the Military Value cost effectiveness on the risk moderated value which ranked the aircraft in terms of the 339, the L159, the Hawk and the Yak, as well as there was a Military Value with no cost taken into account which ranked the aircraft, but this time the Hawk and L159 changed positions. I believe with this schematic and the previous one you might have a better understanding of what was trying to be said in words on page 471.

10 ADV MPHAGA: Thanks Mr Ferreira for that presentation. Maybe whilst you are there before the chair and Commissioner Musi go back to their seats, maybe let me take you through the minutes on page 478. You will see the minutes here are stated as the "Minutes Of Special Ukhozi Control Council Meeting 15 22 August 1998 held at SAAF Headquarters Room B101 on 24 April 1998 at 10h00" and I can see that amongst people who were present it was yourself, am I correct Mr Ferreira?

MR FERREIRA: Yes Chair, you are correct.

20 ADV MPHAGA: And when I look at the agenda amongst other things in respect of constitution of the meeting, the meeting did not quorate, am I correct?

MR FERREIRA: That's correct Chair.

ADV MPHAGA: However, it was indicated on paragraph 2.1.1 that:

25 *"The members present did not satisfy the*

14 NOVEMBER 2013

PHASE 1

requirements for a quorum; therefore the decisions made at the meeting will have to be confirmed at the next Ukhozi Control Council meeting”.

Do you confirm that?

5 MR FERREIRA: That’s correct Chair.

ADV MPHAGA: And it is at this meeting that a presentation was made by you amongst others.

MR FERREIRA: That’s correct Chair.

10 ADV MPHAGA: Now if you look at page 482 it deals with the presentation of results from LIFT Evaluation dated 24 April 1998, am I correct?

MR FERREIRA: That’s correct.

15 ADV MPHAGA: On page 483 it details what constituted the presentation, firstly it talks about the LIFT of offers received, recommendations for elimination list, Value System, result against Value System, cost information provided, Military Value *versus* (indistinct) cost, Military Value *versus* admission cost, Military Value *versus* direct operating cost, a discussion and lastly recommendations. Am I correct Sir?

20 MR FERREIRA: That’s correct Chair.

ADV MPHAGA: I’m not going to go through the detail in respect of the other components of the presentation but just go to ... Thank you Sir. I’m not going to go through the other components of the presentation and I would rather go to your
25 recommendations on page 492. So the recommendations at

14 NOVEMBER 2013

PHASE 1

page 492 were that the current jet trainers MB339-FD. CASA C101, L59 and L139. Can you just explain that to the Commission what does it mean? 492 Commissioner Musi.

MR FERREIRA: Chair, these were all those aircraft which
5 was in the second group identified as jet trainers with a limited operational capability and not in the group which were more considered to deal with operational, with more operational capability.

ADV MPHAGA: So would I be correct that during your
10 presentation to the Ukhozi Control Board the technical team recommended this jet aircrafts?

MR FERREIRA: That's correct.

ADV MPHAGA: So the Ukhozi Board then, it must have
15 overruled the recommendations by then including the other components of the jets as you have already indicated in the diagram.

MR FERREIRA: That's correct.

ADV MPHAGA: Was it because of the exclusion of the cost
component?

MR FERREIRA: Chair, as I recall from that meeting I recall
20 that there was a long argument around whether we should not go for the PC-9 which is a propeller aircraft, and it was then said that we should not look at propeller aircraft because we actually are training or jet. That debate I can specifically
25 remember. There was also a question, if you look at that risk

14 NOVEMBER 2013

PHASE 1

that was proposed to us that all these other aircraft were at the lower end of the training capability except for the 339 and the pushing up the value above 60% was to limit to make sure that you get the best functionality available. You must also
5 remember that 60% here meant that the aircraft who received 60 got 60 points against a 100, an ideal aircraft would have been one for a 100, but we said no one got a 100, so somewhere there was a limitation, it was felt that 60 is a good limitation, it means you get a good quote in aircraft.

10 I also want to mention in the record here that an aircraft that exceeded the requirement didn't score extra points. If we allowed aircraft that exceeded the requirements the top aircraft might even have scored higher or the (indistinct) capability, so we expected aircraft with a certain
15 capability lesser airspeed of 400 knots, it's our minimum requirement, but we would like an aircraft of 450 knots. 430 would score maximum points, this aircraft could do 480 knots, and it would not score anymore.

Based on that an aircraft scoring 60% actually only
20 meets our discriminatory requirements at 60% because if it met all our discriminatory requirements it would have received a 100 whereas an aircraft that receives 30 only met our requirement by 30%. And if I recall correctly the debate was there that anything below 60 should not be considered because
25 it's nearly half of what we wanted, although they all met our

14 NOVEMBER 2013

PHASE 1

minimum requirement but desirable they are not all there.

ADV MPHAGA: Thanks Mr Ferreira. Then when you page to page 493 we find the minutes of the 30th of April 1998 of Ukhozi Control Council meeting and I can see that you were
5 also present at this meeting, am I correct?

MR FERREIRA: That's correct Chair, I think the minutes' heading was wrong; this was in fact a Special Air Force Command Council Meeting as reported at the next meeting.

ADV MPHAGA: Thanks for that correction. But what is
10 important also from this minutes is in paragraph 3, it indicates the purpose of the meeting but it was to confirm the decisions which were taken at the Special Ukhozi Control Council Meeting of 24 April 1998 where there was no quorum, am I correct?

MR FERREIRA: That's correct.

ADV MPHAGA: And on page 494 paragraph 5.1.2 it simply
15 confirms what you have already presented to the commissioners in respect to the fact that the aircraft who should receive an RFP were those with a Military Value above 68% with cost not being taken into account.

MR FERREIRA: That's correct.

ADV MPHAGA: Now if we move to page 735, or you still
20 want to comment?

MR FERREIRA: Before we move on what that decision
effectively meant is if you look at this graph the L59 was
25 removed from the shortlist, possibly be removed, remember it

14 NOVEMBER 2013

PHASE 1

still had a value above the 60 but if you look at the cost effectiveness at that point it had a cost effectiveness of below 8 and when they said that they did not cost the count that aircraft effectively were removed as a possible contender because we say no cost, so they actually, they increased the performance up to that level and all those aircraft, there's none of them, even if he brought in the cost effectiveness they would not have been removed.

ADV MPHAGA: I think what is also important on page 494 is paragraph 5.1.3 which says that:

“The shortlist will be tabled at the AAC meeting scheduled for 13h30 on 30 April 1998 for their approval”.

Can you see that?

MR FERREIRA: That's correct; the meeting took place in the afternoon.

ADV MPHAGA: Were you part of that meeting Mr Ferreira?

MR FERREIRA: I can't recall that I was part of that meeting.

ADV MPHAGA: And yesterday also you referred the Commission to a memorandum on page 735. The memorandum is dated 19 July 2000. I think what escaped us was to enquire as to what was the purpose of this memorandum; maybe can you just inform the Commission?

MR FERREIRA: This memorandum was drafted by a

14 NOVEMBER 2013

PHASE 1

colleague of mine in response to certain questions which I believe was on the, (indistinct) and the SCOPA asked for questions and he responded to them by asking specific three questions in their report and this is, this summarises what happened and that's why this memorandum was written in response to statements made by them.

ADV MPHAGA: But in particular you referred the Commission to paragraph 2.2 where you tried to indicate the reasons why the cost and non-costed was taken, on page 736.

MR FERREIRA: The issue of cost and non-cost option came up and when we looked back into where did this originate from in terms of the minute I say the first time it was minuted that the LIFT Evaluation should not take cost into consideration was when the LIFT RFI Evaluation Results were presented in a Special Ukhozi Control Council which was (indistinct) command council 22B on 30 April 1998 where we indicated there. As I indicated the only difference between that and the previous meeting, if you remove the cost from the previous recommendation then the L159 should also have been considered because that was the only one that was excluded on the 24th because of cost.

ADV MPHAGA: Thank you Mr Ferreira, I think that would end my questions relating to this topic of cost and non-costed. Commissioners, I think we will be reverting back to the statement, so maybe if ...

14 NOVEMBER 2013

PHASE 1

CHAIRPERSON: Yes Advocate Mphaga.

ADV MPHAGA: Thank you Chair. Chair, the witness has according to him completed the presentation in his statement and at this stage I would want to take him through the Auditor's Report. It is marked File 1, "Auditor-General's Report". I should mention Chair that I realise that one of the requirements in the report was that it was solely prepared for Parliament by the Auditor-General and we have contacted the Auditor-General who has given his consent that we may proceed to use it, so I just want to give you that comfort. Mr Ferreira, the Auditor-General's Report which was prepared based on the request of SCOPA, and I guess that you were also part of the people who were interviewed by the Auditor-General in respect of the preparation of this report, do you agree to that?

MR FERREIRA: I agree Chair.

ADV MPHAGA: Now I just want to take you through some, I'm going to take you through some findings and comments made in Chapter 5 of the report of the Auditor-General so that you can respond thereto if possible. I see on page 59 of the report, the numbers are at the bottom of the pages Chair. 59, page 59 Chair. It's Volume 1 of the Auditor-General's Report.

JUDGE MUSI: Mine goes up to page 54 and thereafter it starts 164.

NOTE: Parties are busy sorting out documentation.

JUDGE MUSI: Thanks.

14 NOVEMBER 2013

PHASE 1

ADV MPHAGA: Thanks Chair. In actual fact when you read from page 58 paragraph 5.2.17 it says that:

5 *“Held interviews with the following role players to discuss areas of concern and to verify the correctness of findings in this report”.*

So when you proceed to page 59 under paragraph c under “Technical” there’s Mr Brits, Mr Kock, Mr Van Heerden and then Mr J Ferreira “Evaluation Team Member”, is that your name Mr Ferreira?

10 MR FERREIRA: That’s correct.

ADV MPHAGA: Now on page 65 of the report paragraph 5.4.8 an observation is made there that:

15 *“The above responses were evaluated in accordance with an AFT proposed Value System. Values were allocated to the following aspects, airframe performance, onboard systems, avionic systems, supportability systems, acquisition cost index and operating support cost index. Evidence could not be found that the relevant authority approved this*
20 *Value System”.*

Can you comment on that?

MR FERREIRA: Chair, in preparation of my statements I was also looking for this document and I could also not find the document, so I have to confirm what’s stated here.

25 ADV MPHAGA: Then if we proceed to page 69 paragraph

14 NOVEMBER 2013

PHASE 1

5.4.15, it records a letter which was compiled by General G L Meiring and Mr P D Steyn, the Secretary of Defence to the Minister of Defence on 2 July 1997 regarding a briefing for the State President on the status of the RSA UK Strategic Partnership Proposal, and then in there ..., you will tell me if you are able to comment Mr Ferreira, it talks about the Advanced Fighter Trainer, it says:

10 *“The British proposal does not correspond with the SAAF preference option which is an aircraft capable of bridging the gap between basic flying training on the ASTRA and Cheetah-Medium Fighter Replacement and of accomplishing combat missions successfully”.*

Under A they mention that:

15 *“The Hawk option is not optimal because cheaper options exist for the (indistinct) requirements satisfied by the Hawk. The Hawk’s difficulties experienced by Malaysia amongst others indicate further problem areas besides the fact that the*
20 *Hawk is due to be taken out of service by the British”.*

Any comment on that?

MR FERREIRA: Chair, I cannot make a comment. Only looking at the dates this must be in response to a package deal
25 made by the British to the Government in February of that year

14 NOVEMBER 2013

PHASE 1

and I have no insight into this documentation and I cannot comment on that either.

ADV MPHAGA: And they also mention that the Gripen is custom designed for a small country and for a (indistinct) requirement. Any comment on that?

5
MR FERREIRA: As I said I cannot comment, these two aircraft included originally in the government-to-government offer made by the United Kingdom in February 1997 and I believe that the first part of this was handled by (indistinct) and not by us and as I say I know when the brief took place (indistinct) and up to that point we were not involved in the process, so I cannot comment.

10
JUDGE MUSI: Can I just enquire, I shouldn't get confused myself, I see here we are talking; they are talking about the AFT and not the LIFT or the ALFA but the AFT.

15
ADV MPHAGA: Thank you, yes Chair. It's still at the AFT stage but there are criticisms that are made against the Gripen which I thought Mr Ferreira would comment on.

20
MR FERREIRA: Chair to clarify I did see the offer made by the United Kingdom to South Africa and that offer there included, at that time included Hawk's and Gripen's as well as the submarine and this is in our terms an unsolicited proposal made by them to our government. At that point in time we were still busy in the AFT procurement and if you recall back during that time we were at the point to issue the request for

25

14 NOVEMBER 2013

PHASE 1

proposals, awaiting for approval and neither of these aircraft were at that time in the shortlist.

ADV MPHAGA: Thank you Commissioner Musi. Proceed to ...

5 CHAIRPERSON: I'm sorry, just before I also get a bit confused; will this be at the time prior to the splitting of the two projects? You had only one project which was the fighter aircraft project and then later on it was then split into the advanced fighter and the trainer. Will that be during that period
10 or is it after that period?

MR FERREIRA: Chair, we were at that period we were still looking at the AFT replacement, the Air Force was still in their strategy of the three-tier training and then as I said before in February 1997 the United Kingdom came and they made an
15 offer outside any of the work that we were busy doing to the government followed by the French, followed by the Germans.

ADV MPHAGA: Let's proceed then to page 73, page 73 paragraphs 5.6.1.2; I just want to read the observations of the Auditor-General where it says that:

20 *"The RFI Technical Value System presented to and approved by the UCC at a meeting held on the 7th October 1997 was used as a weeding out process and five contenders were eliminated. As at the date for receiving RFI'S back could not be determined it
25 could not be ensured that the RFI Technical Value*

14 NOVEMBER 2013

PHASE 1

System had been approved before the RFI's were received and therefore the risk existed that the Value System could be changed to favour a bidder".

Can you just give a comment on that?

5 MR FERREIRA: If you recall the RFI's for the package deals were sent out not by us but through the CEO of ARMSCOR and the (indistinct), we did not know what (indistinct) on there. There could be a possibility for us to change those systems but it wasn't possible because we were a
10 team and according to my knowledge that the RFI Value System were already been submitted for approval at Ukhozi Control Council before the RFI's were closed but I cannot, I don't have any detail on that today.

ADV MPHAGA: Okay, thank you Mr Ferreira. Then let's
15 proceed to the ALFA RFO issue on page 79, it deals with the ALFA RFO paragraph 5.6.2.1, it says there:

*"An RFO was issued on 14 February 1998 to BAe SAAB, Dassault and Daimler Benz Aerospace with
20 14 May 1998 as the final date for submission of offers. The issuing was authorised by the Minister of Defence at the AAC on 28 February 1998. The issuing of the RFO before the approval by the Minister of Defence is in contradiction with the approved procurement policy".*

25 Can you just give a comment on that?

14 NOVEMBER 2013

PHASE 1

MR FERREIRA: Chair, if I recall all RFO's for the packages were issued on instructions, if I remember correctly by the Council of Defence and before we went at the AAC, (indistinct) same also appeared to the other package deals.

5 ADV MPHAGA: And then on page 80 paragraph 5.6.2.3 it deals with the Revised Staff Target:

10 *"On 20 February 1998 the Revised Staff Target 2/1994 for 38 aircraft and Staff Requirement 2/1995 for Project Ukhozi were submitted for approval. On 16 March 1998 the chairperson of the AAC approved the revised Staff Target and Staff Requirement for Project Ukhozi".*

And then it deals with the total acquisition cost but there is an observation made by the Auditor-General that:

15 *"The Staff Target and Staff Requirement were therefore approved after the RFO's had been sent out which is contradiction with the approved programme and procedure".*

Can you commend on that Mr Ferreira?

20 MR FERREIRA: Chair, a Staff Target and Staff Requirement follow a process and my observation is that this was already put into the process in February 1998 through the Ukhozi Control Council and to the Air Force Command Council. It takes a certain time to get (indistinct) in order to achieve, to
25 be at the AAC approval. Our RFP was based on the Staff

14 NOVEMBER 2013

PHASE 1

Target and it was already being put into the system for approval at the AAC.

ADV MPHAGA: Let's proceed to page 82 I think the first paragraph on page 82 after the diagram. It deals how the Military Cost Effectiveness Index was calculated and there's an observation made there by the Auditor-General that:

"Although the Value System requires that the military value is divided by the lifecycle cost in order to get the Military Cost Effectiveness Index the programme cost was used instead".

Can you just comment on that?

MR FERREIRA: If I recall, and I can't find it quickly now, there was an instruction from the SOFCOM people for the formula to be used where they defined what the, how the cost should be determined. I know that in our military, in our evaluation reports we (indistinct) with both Military Value and with cost, (indistinct) cost as well as with lifecycle cost, but the recommendations that we put forward we all took into the programme cost and not lifecycle cost.

ADV MPHAGA: But there is also reference that this calculation or evaluation did not have any effect to the final ranking of the bidders, am I correct?

MR FERREIRA: That's correct.

ADV MPHAGA: And I see in the next paragraph (a) it refers to the BAe SAAB Gripen and it, the reference there by

14 NOVEMBER 2013

PHASE 1

the AG in black, in dark, it says:

5 *“No RFO’s were sent to the US as a result of the embargo against ARMSCOR. The re-export license had been requested but not yet granted at the time of the evaluation. The aircraft certification was also still in process. The transfer or strategic technologies to SA local industry would be very limited”.*

Could you just assist with that?

10 MR FERREIRA: Chair, I can recall in that period we did speak to general dynamics and we were looking at the F16 but we could not approach them for a formal Request for Proposal as also presented before there’s (indistinct) signature on the contracts, we were still waiting for export licenses on the
15 Gripen. It was problematic to buy American items at that time and we did not issue them with any request for offers, however, we did speak to them on the F16 as a possible aircraft.

ADV MPHAGA: Thank you Sir. Now let’s move to page 93 in respect of the LIFT RFI, page 93 at paragraph 5.8.1.1. It
20 refers, it says that:

25 *“On 3 February 1998 the UCC approved that RFI’s be issued to ensure that the LIFT process was synchronised with the other programmes under the SDPP process. The RFI was issued to 20 suppliers on 9 March 1998. RFI’s had therefore been issued*

14 NOVEMBER 2013

PHASE 1

before the Staff Target and Staff Requirement were approved by the AAC on 16 March 1998”.

What is your comment to that Mr Ferreira?

MR FERREIRA: As a project we've already had the RFI
5 been submitted or the Staff Target, Staff Requirement
submitted on the 20th of February into the system, I agree it
was only approved on the 16th of March. As I explained before
there is a period in the defence system for approval of
documents, however, yes, the Staff Target, Staff Requirement
10 as our basis for the information to get a Request for
Information.

ADV MPHAGA: Did that have any problems with the
integrity of the evaluation process?

MR FERREIRA: No Chair.

15 ADV MPHAGA: Now on page 94 paragraph 5.8.1.2, I'm
going to read the paragraph there, it says:

*“From the minutes of the UCC dated 7 and
8 April 1998 it was noted that the Value System for
the evaluation of the replies to the LIFT RFI's was
20 approved. (Indistinct) mentioned that this approval
was given after the replies had been received on
6 April 1998. Although it was noted that a decision
was also taken at the meeting of 7 April 1998 that
proposal shall only be opened after approval of the
25 final Value System, the risk existed that*

14 NOVEMBER 2013

PHASE 1

manipulation of either the Value System or the RFI's could take place".

Can you just explain that?

MR FERREIRA: What is minuted here is correct, they said
5 that these RFI's were not returned to us, we had no control
over them, they were returned to our Procurement Secretariat
and even through their process it takes at least a day to have
all the pages (indistinct) and I can confirm that we did not open
these RFI's until the Value System was approved on the
10 8th of April. Yes there is always a risk but going, we know, we
drafted the RFI's, so we knew the information, we could not
change the proposals from the contenders, the only risk is that
(indistinct) you know the contenders answers you can go and
change the values, but then it should have been a group effort
15 in order to achieve this.

ADV MPHAGA: Now on page 99 it refers to the minutes of
the Joint AASB/AAC Forum of 30 April 1998, page 99. Here I
would read the paragraph 5.8.1.10 and if you are able to you
can just comment, it says:

20 *"Minutes of the Joint AASB/AAC Forum of
30 April 1998 reflected in paragraphs 8 and 9 that
the Project Team presented the meeting with an
affordability analysis of LIFT contenders".*

Is it the same meeting where you say you were not sure
25 whether you were present or not?

14 NOVEMBER 2013

PHASE 1

MR FERREIRA: Yes Chair.

ADV MPHAGA: But it is the same meeting which was held immediately after the Ukhozi Special Control Board Council Meeting?

5 MR FERREIRA: The meeting was held in the afternoon.

ADV MPHAGA: Now if I proceed then it says:

“Without cost considerations the selection process is biased towards the higher performance category aircraft”.

10 Would you agree with that statement?

MR FERREIRA: That’s correct, that’s as indicated before.

ADV MPHAGA: And it further says that:

15 *“These aircraft are, however, also significantly more expensive to acquire, operate and maintain, therefore unless additional funding could be found to support the acquisition of a more superior aircraft the Air Force would have to take cognisance of budgetary constraints in the selection process”.*

What’s your comment on that?

20 MR FERREIRA: I agree with the statement that they made there.

ADV MPHAGA: Now the Auditor-General emphasised there that the Minister in the same meeting, Minister of Defence cautioned the meeting that:

25 *“A visionary approach should not be excluded as the*

14 NOVEMBER 2013

PHASE 1

5 *decision on the acquisition of a new fighter trainer
aircraft would impact on the RSA Defence Industry's
chances to be part of the global defence market
through partnership with major international defence
companies, in this case European companies. With
this vision the most inexpensive option may not
necessarily be the best option. The Minister
requested that the DoD Acquisition Staff should
bear this vision in mind during the selection
10 process".*

Do you have any comment on that statement?

MR FERREIRA: I cannot make a comment on that
statement.

ADV MPHAGA: Now let's proceed then to page 100
15 paragraph 5.8.1.11. It says there:

*"On 5 May 1998 the approval of the combined AASB
and AAC on 30 April 1998 of the recommended
shortlist was presented to the Ukhozi Control
Council".*

20 Is that the same meeting that you referred to in that
memorandum Mr Ferreira?

MR FERREIRA: I'm quickly looking. That's correct Sir and
Chair.

ADV MPHAGA: That is on page 736 paragraph 2.2?

25 MR FERREIRA: Page 736 yes, that's correct. Yes Sir, Let

14 NOVEMBER 2013

PHASE 1

me get my ... Could you repeat your question please?

ADV MPHAGA: Let me read it for you on page 736 paragraph 2.2, it's said there that:

5

“On 5 May 1998 the approval by the combined AASB/AAC on 30 April of the recommended shortlist was presented to the Ukhozi Control Council”.

So it is the same meeting that I'm referring to here, am I correct?

MR FERREIRA: That's correct.

10

ADV MPHAGA: Now back to paragraph 5.8.1.11 it indicates there that:

15

“At this meeting it was minuted that the reason why the recommendation to the combined AASB/AAC was not based on cost effectiveness was because it was felt that the cost constraints for the inclusion of the LIFT into the SDP's should be determined by the AAC”.

What's your comment to that statement?

20

MR FERREIRA: I can confirm that that was minuted at the meeting and we take into consideration at that point of time all these SDP Packages were still putting in prices, there was no limitation put on how much these prices were, what the maximum prices would have been and based on that I believe the reason they did not cost is because they were, as they said there the AAC should determine what should be in and what

25

14 NOVEMBER 2013

PHASE 1

should be out in terms of affordability. It wasn't our (indistinct) project's decision to do that.

ADV MPHAGA: Thanks Chair. Chair, we have realised during our consultations that it appears that the documents that were given to us and yourselves from page 102 to 132 the pages are missing and we basically wanted to also discuss the observations of the AG in regard to those pages, so all of us, we don't have those pages, except Mr Ferreira, so we have requested the office to assist in getting those pages, we just want to check if they have been able to do that. Maybe if we can adjourn?

CHAIRPERSON: How long do you think you are still going to be with this witness? Just a rough explanation.

ADV MPHAGA: Oh Chair, from this AG's Report we'll just briefly deal with the Internal Audit Report and then from there we will deal also with the Critics Bundle, so I guess that we can be busy until the close of business today, but we also have challenges Chair, I think my colleague Mr Solomon would want to refer to specific documents which we are waiting for classification for re-examination and then we are also waiting, I thinking a note from BAe in respect of the Supply Terms of both the Hawk and the Gripen. We hope to get permission from them, but we have not yet received it, so we would be busy today maybe with the Critics Bundle and tomorrow if possible still deal with the Supply Terms.

14 NOVEMBER 2013

PHASE 1

CHAIRPERSON: So, if at all we adjourn now what time should we come back?

ADV MPHAGA: I think if we come back at 14h00 Chair, we may be able to have at least made copies of the relevant pages which are missing and we hope maybe by that time we may also have got a note from BAe to use the documents, if not we can then use them tomorrow.

CHAIRPERSON: Good, okay thank you. Then we'll adjourn until 14h00.

10 **(Commission adjourns)**

(Commission resumes)

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

MR FERREIRA: I do.

15 CHAIRPERSON: Thank you.

ADV MPHAGA: Thanks Chair for your indulgence. The files have been, the missing pages actually have been corrected. Thanks. I'm now proceeding to page 115, there is paragraph 5.9.4, I just want your comment on this statement that:

20 *"The export application regarding the US components in the Gripen had to be submitted because previous applications do not automatically apply to this specific offer. It was not clear as no*
25 *evidence could be found during the investigation if*

14 NOVEMBER 2013

PHASE 1

the re-export license for US sourced equipment was granted”.

Can you just comment on that statement?

MR FERREIRA: Commissioner it was confirmed that the
5 export license was provided, otherwise we would not have been
able to place the contract on BAe Systems for the Gripen.

ADV MPHAGA: Thanks. Page 120. I think it will relate to
the meeting of the AASB held on 16 July 1998, I just want to
refer you to the remarks which relate to the Chief of
10 Acquisition then, Mr Chippy Shaik and just get your comment if
you can, in paragraph 6. It says there:

*“The Chief of Acquisition contends that the AAC
instruction to adopt a visionary approach that
involves major international defence companies in
15 the LIFT acquisition resulted in the generation of
two options in the Evaluation Team and SOFCOM
recommendations. The Chief of Acquisition further
advised the meeting that the above sensitivity
analysis is new information that has not been
20 presented at any SOFCOM meeting and that the
LIFT project was restricted by time factors. Only
six weeks were made available from the RFO to the
final evaluation results. This prevented the LIFT
Team from requesting additional information
25 pertaining to the logistic and its value detail*

14 NOVEMBER 2013

PHASE 1

resulting in the lack of credibility according to some of the evaluation results”.

Can you comment on that statement?

MR FERREIRA: Chair, the (indistinct) request for offers participated in the AFT programme, some of them even participated in the ALFA programme and all the contenders had the same period in order to respond to the information that was requested to them, so I don't believe that any ... Okay, if some contenders were able to provide detailed data on the request I can't see why other (indistinct) could not have done that. I believe additional time would have had improved the results, the offers we received from the contenders.

ADV MPHAGA: Let's proceed then to page 125. Are you with me? On paragraph 5.9.2, paragraph 125, paragraph 5.9.12.

MR FERREIRA: Which page?

ADV MPHAGA: 125, paragraph 5.9.12, it relates to the minutes or the Special Ministerial briefing on 31 August 1998, paragraph 11 thereof says:

“After a discussion it was decided by the ministers present that the Hawk should be recommended as the preferred option. The decision to recommend the Hawk was based on national strategic considerations for the future survival of the defence aviation sector and the best teaming up

14 NOVEMBER 2013

PHASE 1

*arrangements offered by the respective bidders.
(Indistinct) programme is offered with the best
advantage to the state and local industries
(indistinct) in the final communication for the
5 preferred bidders programme”.*

Are you able to comment on that statement?

MR FERREIRA: Chair, this was addressing between SOFCOM and the Ministerial Committee, I did not (indistinct) and I cannot provide any comments on this statement.

10 ADV MPHAGA: If we proceed then to page 157, 157, I think its paragraph 5.12.7, I think you have dealt with it in the previous paragraphs which relates to whether the timeframes prevented the LIFT team to acquire additional information pertaining to the logistic engineering detail. Are you agreeable
15 that this resulted in the lack of credibility afforded to some of the evaluation results?

MR FERREIRA: I do not agree that there was lack of credibility, as I said before all the contenders had the same period of time to complete their responses, all of them was
20 involved previously in the programmes, so I believe that the data that was provided, the difference in data was due to the offerer’s approach to our Request for Information, our Request for Offer.

ADV MPHAGA: Page 162 paragraph 5.13, you will indicate
25 if you are able to comment. The Auditor-General indicates

14 NOVEMBER 2013

PHASE 1

that:

5 *“According to documentation the Minister could
have influenced decisions made by certain role
players during the process to select the BAe SAAB
as the preferred bidder for the Gripen and Hawk
Aircraft. Furthermore during the investigation it
became apparent that preference was given to BAe
SAAB by making changes to value systems midway
through the process. This caused the Hawk Aircraft
10 to be ranked first followed by the MB339-FD. The
MB339-FD could have been acquired much cheaper
whilst also meeting the SAAF LIFT requirements
adequately”.*

Just elaborate on that.

15 MR FERREIRA: Chairperson, as part of the Evaluation
Team I agree with the last paragraph that the MB339 could
have been acquired much cheaper whilst also meeting the SAAF
requirements, it was as indicated in our evaluation reports. On
the other statements here I can make no statement, the
20 changes to the Value System I assume they are referring here
to the costed and non-costed of which we had no insight, we
had insight over but no control over. Thank you.

25 ADV MPHAGA: If we proceed on the same page 162 I just
need your comment on the recommendations that the Auditor-
General made paragraph 5.14.1, he says:

14 NOVEMBER 2013

PHASE 1

5 *“Changes made to approve value systems should only take place in exceptional circumstances; such changes should be properly motivated, approved and documented. It should also be ensured that such changes are not to the advantage of a specific bidder”.*

Any comment?

MR FERREIRA: I agree with the last paragraph that says
10 *“It should be ensured that the changes are not to the advantage of a specific bidder”.* On the technical evaluation we did not change our approach in terms of either the criteria or the parameters, above the technical evaluation we had no control over, if they refer here to the changes of the costed and non-costed approaches I cannot comment on that because I
15 was not directly involved in those changes.

ADV MPHAGA: 5.14.2 says that:

20 *“More effective checks and balances should be built into the system for evaluating offers to ensure that all bidders are given the same chance to succeed. This should also ensure that the evaluation systems cannot be manipulated to the advantage of a bidder”.*

Any comment?

MR FERREIRA: Chair, I can only speak from the technical
25 evaluation on this issue. I believe from a technical evaluation

14 NOVEMBER 2013

PHASE 1

we did give all the bidders an equal opportunity to win. The fact that our recommendations were not fed through to the final selection we had no control over and I don't, if the systems were manipulated it was above the technical evaluation we were responsible for.

ADV MPHAGA: I will jump 5.14.3 as it relates to the Affordability Team, on page 162 paragraph 5.14.4 it states that:

“Proper approved (indistinct) staff targets and Staff Requirements should be done to ensure that all possible consequences before final acquisition are taken into account. During this determination it should be ensured that the planned acquisition will address the operational capability needed as well as the future sustainability thereof”.

Can you comment on that?

MR FERREIRA: Chair, in a normal acquisition process this would have applied. We must remember we are not speaking here about the normal acquisition process, as I said earlier we were on the path of a normal acquisition process when the process was stopped and the government-to-government packages were introduced, given the available timescales things did happen, the auditor needed the timescales of the overall government to government management group that we might have (indistinct) in certain areas with RFO's without the

14 NOVEMBER 2013

PHASE 1

Staff Target being approved but where we did receive the Staff Targets and the Staff Requirements were already in the process of approval, it did not reach the final point of approval.

ADV MPHAGA: 5.14.5,

5 CHAIRPERSON: I'm sorry Advocate Mphaga. Is there any of the projects which were finalised without the Staff Target and the Staff Requirements having been approved?

MR FERREIRA: Chair, speaking on these (indistinct) where I've indicated it happened I cannot speak on the other
10 programmes, when I come to provide the evidence I think they will provide the status where they were at the point of contracting.

ADV MPHAGA: And what is the position in the programme that you were involved in?

15 MR FERREIRA: Chair, in our programme if I go back to the ALFA we started off as the AFT, we had the approved Staff Target, we have approved Staff Requirement when we continue, we went up to the point where we are going out on the Request for Offer when the process was stopped and the government-to-
20 government package deals were initiated. Then we had to revise our documentation for the so-called two-tier system, we went out on an RFI for the two-tier system after the Revised Staff Target had already been in the process of the approval. Once we received the RFI's we were then instructed to go into
25 a three-tier system with the LIFT.

14 NOVEMBER 2013

PHASE 1

As I indicated earlier this morning our Staff Target, Staff Requirement was already submitted for approval but our Request for Information went out before approval. I believe this was discussed by General Bayne in his submission as the Staff Target, Staff Requirement is a DOD responsibility and we did act on instructions to continue ahead with the procurement before these documents have been approved. This was with instructions from the top downwards given to us.

ADV MPHAGA: Thanks Chair. 5.14.5, it says:

10 *"The budgeting procedures for acquisition of*
armaments should be followed as prescribed. No
approval for any acquisition must be granted unless
budgeted for. If due process is followed
negotiations before final contract could be limited,
15 *therefore if proper budgets were in place it should*
not have been necessary to reduce aircraft
functionalities during negotiations in order to stay
within budget funds".

Can you comment on that?

20 MR FERREIRA: Chair, we are actually, the question here
is the DOD's responsibility, in terms of our acquisition they are
there to ensure that funds area available for us to do
contracting, again I would like to point out that we are busy
here with an abnormal acquisition, then that the budgets were
25 not available. If you look in terms of the IONT one of their

14 NOVEMBER 2013

PHASE 1

tasks was to look at affordability, all we did is we looked at the requirements, we put a proposal forward of preferred contenders with an indicated price and IONT then had to negotiate with the different suppliers the affordability of the different contracts. The reduced aircraft functionalities was as a result of the IONT that came back and with a (indistinct) understanding between them and BAe Systems of removing some functionalities in order to meet the baseline or the cost. We as a team responded to that by proposing alternative functionalities to be reduced in order to try and meet the saving that was (indistinct) on the programme.

CHAIRPERSON: Also for my own understanding am I right to say this statement will be correct under normal procurement processes of ARMSCOR, but unfortunately with the SDPP we're dealing with something which is out of the ordinary? Will this statement be correct as far as ARMSCOR is concerned that before you proceed with a project funding must have been made or DOD must have given me and taken that funding is available?

MR FERREIRA: Chair you are correct. The normal process we would have gone out on (indistinct) information, we would have wrote a study report indicating what we would have to make or buy the items, based on that my colleagues in the DoD would have written an acquisition plan, submitted it to the their approval authorities. Once that acquisition plan has been

14 NOVEMBER 2013

PHASE 1

approved the Defence Force would have made money available for us to continue. Only then we can go out and we can ask for a financial authority from the DOD. Once the authority is given we place the contract, if we don't get financial authority we cannot place the contract.

ADV MPHAGA: Thank you. In a follow up to the chair's question during the AFT Acquisition process that was in budget because it was then before the SDP Process, am I correct?

MR FERREIRA: You are correct, at our programme there was a long term planning in the Defence Force where they had put money away for the replacement of Impala Aircraft. We were in the process of, at the point of going out on the Request for Proposal and at that point in time the process was stopped and everything would fall in line with the strategic ... The process continued, the Defence Force would have had money available as with some of the other programmes also which was included in the SDP Packages.

ADV MPHAGA: Thank you. I think paragraph 5.14.6 relates to the World Cup 2010 and but maybe just to hear your comments on it, it says:

“As the cancellation of tranches 2 and 3 will mean that the country will be without an operational capability after 2010 action plans to timeously provide the funds for the acquisition of all tranches should be compiled and approved at an appropriate

level”.

Do you have any comment to that?

MR FERREIRA: My understanding was that all funds was available and that the (indistinct), we had to tell or notify the contractor that we do not want to continue but as at that time there was no indication that funding would not be available. I understand also that the loan agreements made provision for all the funding.

ADV MPHAGA: And 5.14.17 says:

“Normally accepted good procurement practices for future acquisition of armaments should be incorporated in existing policies”.

Any comment?

MR FERREIRA: I believe some of the recommendations have already been incorporated in the DOD documents which already flowed down into the ARMSCOR process and documents also.

ADV MPHAGA: We will leave then 5.14.8 to the NIP and DIP. On the next page 164 5.14.9 it states that:

“Due to the size of such acquisitions a sufficient time should be made available to properly determine needs, draw (indistinct) plans, evaluate offers and contract for acquisition in order to give credibility to the results”.

Does that relate to maybe the LIFT?

14 NOVEMBER 2013

PHASE 1

MR FERREIRA: Chair, we followed the normal acquisition process for LIFT, I'm going to go back to AFT. We start in 1994 with AFT; only in 1997 we were at the point to go out on the Request for Proposal. It was about a three year period.
5 (Indistinct) on LIFT today we would have followed the same process in order to get to a product at the end of the day. As you can recall the whole LIFT came in very late in the programme and I believe the team did their uttermost to ensure first of all to get (indistinct) documents out there and second of
10 all to try and bring it within the timescales of the SDP Packages.

ADV MPHAGA: Thank you. And lastly 5.14.10, it's quite a strong statement, it says that:

15 *"The relevant bodies with authority should make proper recommendations to ensure that the Cabinet does not have to decide on the best acquisition options as was said by the AAC. This in a sense meant that the acquisition process for LIFT was a fruitless exercise".*

20 Can you comment on that?

MR FERREIRA: Well, I think where we are sitting today and looking at all the effort that was put in by the Project Team to move forward and at the end a final decision taken on the basis, on other factors than was put forward by us in terms of
25 the evaluation I must say I need to agree with the statement.

14 NOVEMBER 2013

PHASE 1

ADV MPHAGA: Thanks Chair. Chair, I will just briefly then move to the Internal Audit Report that is Volume 3. Thanks Chair. I'm advised that Mr Grobler from ARMSCOR will later come and give evidence in respect of this Internal Audit Report but for now I'll simply take Mr Ferreira on the relevant aspects of the audit. Mr Ferreira, the document before you is an audit report, it's a (indistinct) proposal which was on page 2, it indicates it was prepared or supported by the auditors and then it refers to several names there, Mr Van der Walt, Mr Van Tonder and Mr Grobler who is the internal auditor of ARMSCOR, am I correct?

MR FERREIRA: You are correct.

ADV MPHAGA: What is this relevance of the internal audit in respect of the systems evaluations and so on?

MR FERREIRA: Chair, the internal audit people actually went along and see whether we followed the procedures laid down in ARMSCOR for acquisition, normal acquisitions. If I recall correctly I think this audit was done at the end of the RFO phase and they were then, they gave comments on what, the activities that ARMSCOR performed up to that phase and whether ARMSCOR adhered to its internal rules and regulations.

ADV MPHAGA: Can I just hear your comments on just some a few observations made here, the first one is on page 6 paragraph 2.10. Page 6 paragraph 2.10 and I'll read it into the

14 NOVEMBER 2013

PHASE 1

record:

5 *“The value systems used during the evaluation process had all been finalised, formally approved and registered prior to the start of evaluation of the best and final offers. Extensive input from the SANDF user community [sic] had been incorporated in the value systems, however, in at least some cases the content of the Value System and specifically (indistinct) the value of the relative weights were known to the evaluators. This is undesirable as evaluators may be influenced by knowledge of the relative importance of parameters or could manipulate the results through knowledge of the relative weights, but no evidence was found*
10 *that manipulation had taken place”.*
15

Can you just maybe comment on this statement?

MR FERREIRA: Chair, as reported in terms of the ALFA and LIFT we were a core group of people, it consisted of four Air Force people and four ARMSCOR people that were
20 responsible for both programmes and we did not have the luxury of one group of people doing values and another group of people, knowledgeable people allocating the weights, however, we did make use of a consultant and we did make use of computerised software in order to assist us to determine the
25 weights and putting the values together. And if you look at the

14 NOVEMBER 2013

PHASE 1

number of parameters we were looking at (indistinct) your decision with your knowledge it's going to be a very difficult task, if it was only one or two parameters that was mentioned, perhaps it's possible, but we mentioned at least 50 plus
5 parameters in our evaluation.

ADV MPHAGA: Okay, moving back to the ... I was ahead of myself, page 5 of the same document. Page 5, 2.1, it says that:

10 *"During the execution of the audit no evidence of improper conduct was found on the part of any ARMSCOR employees involved in the evaluation of the various proposals".*

Is that still the case today?

15 MR FERREIRA: I believe with the current process being in place in ARMSCOR it's very difficult to have improper conduct. Today we even have a process (indistinct) to make sure we are applying the process correctly as we move forward.

ADV MPHAGA: Then on the same page paragraph 2.3 says:

20 *"The final decision regarding the LIFT contractor cannot be accounted for based on documentation supplied to the SOFCOM, however, it is recognised by the auditors that this decision was taken at a higher level and thus falls outside the scope of the*
25 *present audit".*

14 NOVEMBER 2013

PHASE 1

Can you just elaborate on that?

MR FERREIRA: Commissioner, normal acquisition the final decision would have been made by ARMSCOR in conjunction with our colleagues from the DOD and this would have been recorded in our submissions depending on the level of approval to either board of directors or to the authorisation boards. In this case the final recommendation was not done by ARMSCOR, as Mr Griesel has indicated in his statement our board (indistinct) to contract in March 2002. I agree with that in that they would not (indistinct) decisions that was not made in a normal ARMSCOR process, (indistinct) data which would have been available or a full decision process would have been available in the ARMSCOR filing system. Commissioner, ARMSCOR ratified the decisions in March 2000, not in (indistinct) incorrectly said so.

ADV MPHAGA: Thank you. And then on page 7 under 2.15, 2.15 reads:

“The evaluations were not performed strictly to (indistinct) 097 ARMSCOR procedures for the selection of contractual sources). Since the process was influenced by parties outside ARMSCOR, but the basic principles and rationale of determining the best value for money were applied. It is recommended that in future the role of process assurer should be allocated to someone in the team

14 NOVEMBER 2013

PHASE 1

doing the evaluation as it can be of great importance to prevent problems at an early stage”.

Can you just explain that?

MR FERREIRA: Commissioner, if it was a normal
5 ARMSCOR acquisition process yes, we would have followed the
(indistinct), but there was other directives given to the Project
Team which identified other role players in the project which
were considered and eventually drove the whole evaluation
process. In terms of the process assurer, the process assurer
10 is not somebody in the team but is somebody from our quality
assurance division that acts as a process assurer.

ADV MPHAGA: And the next paragraph 2.16 says:

*“The process of reaching consensus on evaluation
of specific parameters as used in the evaluation of
15 some programmes needs to be reconsidered, the
use of a (indistinct) e.g. the modified (indistinct)
technique which assists participants to focus on the
issues at hand amid cross-influencing”.*

Can you just elaborate there?

20 MR FERREIRA: I do not know to which programmes they
are specifically referring, as I said we made use of a
consultant, we made use of a computer programme vista and we
made use of (indistinct) comparison in order to select the
weights of the different parameters.

25 ADV MPHAGA: Thank you. I think I will leave the rest to

14 NOVEMBER 2013

PHASE 1

Mr Grobler himself who will be here to explain, take us through the Internal Audit Report in detail. Commissioner, maybe from here we'll move to the JIT report. Thank you Chair. Let me refer you to page 11, before then may I just get your confirmation, you gave evidence at the JIT, is it correct?

MR FERREIRA: I can't recall during the JIT, I gave evidence to the Auditor-General's investigation.

ADV MPHAGA: But you have had an opportunity to consider particularly Chapter 4 of the JIT Report?

MR FERREIRA: I have read Chapter 4 of the JIT Report and I was amazed that Chapter 4 is very similar, in fact paragraph to paragraph in the Auditor-General's report, in fact the Auditor-General's report provide more detail on certain elements than the JIT report was providing.

ADV MPHAGA: Will you agree with me that the findings on paragraph 4.12 on page 111 Chair, 4.12, that paragraph 4.12.1 to 4.12.7 deal with the same issues that we've already dealt with in the Auditor-General's report.

MR FERREIRA: Commissioner, I agree.

ADV MPHAGA: And further on page 112 paragraph 4.13 to paragraph 4.13.6 on page 113, those recommendations are similar to those given by the Auditor-General's report in respect of the systems that you were evaluating?

MR FERREIRA: Chair, I agree. (Indistinct) page 113 (indistinct).

14 NOVEMBER 2013

PHASE 1

ADV MPHAGA: I think I'm done with the JIT Report insofar as it relates to Mr Ferreira. The next one then would be the relevant criticisms in the Critics Bundle that were made in the submission, in the (indistinct) submission of Mr Holden and Van Vuuren, Mr Andrew Feinstein and Paul Holden. Alright Chair, to put them on record it is the joint submission of Andrew Feinstein and Paul Holden to the Commission of Inquiry into allegations of fraud, corruption, impropriety, irregularity (indistinct) Defence Procurement Packages, (SDPP) in January 2013. I will only focus the attention of the Commission on pages 117 and 118 of the submission. 117 to 118. I simply will request your comments on the allegations they made and where you are able to assist the commission you can say so. Now in paragraph 2 on page 117 they say that:

15 *"In summary a number of questionable decisions and direct interventions ensured that the Hawk and Gripen emerged as the preferred bidders for the LIFT and (indistinct) contracts".*

What is your response to that statement?

20 MR FERREIRA: If I look at that first statement I agree there might be a number of questionable decisions but I do not, I cannot support the statement made by direct interventions. If I refer to the (indistinct) I'm referring that we had a costed and non-costed proposed (indistinct) questionable decision.

25 ADV MPHAGA: And then they say first:

14 NOVEMBER 2013

PHASE 1

5 *“The entire SA Air Force Design was changed from a two-tier to a three-tier system despite the fact that this would end up costing considerably more in acquisition and lifecycle costs and despite the fact that every supplier had confirmed that the planes that were offered at this stage could neatly fit the requirements of a two-tier system”.*

Any comments on that?

10 MR FERREIRA: Commissioner, as I indicated for 30 years we had a three-tier system, for three months we were considering a two-tier system before we moved back to the three-tier system, so I do not agree with that costing of the two-tier system would have been better. The other statement I want to make is I also said I can't recall having (indistinct) but
15 that any of the countries that bought Gripen's after us are used in the two-tier system (indistinct) I can go and investigate that but I think the answer is going to be confirmed that they've all still go the (indistinct) tier training system.

20 ADV MPHAGA: Thank you. And then next paragraph they say:

25 *“The Gripen was chosen after a key component of the bids of its closest competitors was not submitted. Later information suggested that they repeated the requests that were apparently made to the other bidders to get their houses in order so as*

14 NOVEMBER 2013

PHASE 1

to continue their competition with the Gripen may have not been made at all”.

May you comment on that?

MR FERREIRA: If we refer to RFO the Gripen were up
5 against the paper aeroplane, the AT-2000 which was still in the
design phase, also against the Mirage 2000. If I recall there
were some (indistinct) not provided by the French, we asked for
them and they did not provide it. At the end of the day I
believe those were the only three aircraft that, there were only
10 two aircraft in that competition as the AT-2000 (indistinct) a
wish list that was designed in the future. And the, and I don't
think it gave the Gripen any advantages at the end of the day.

CHAIRPERSON: I'm sorry, so the simple answer is that this
statement is not correct?

15 MR FERREIRA: That's correct.

CHAIRPERSON: Thank you.

ADV MPHAGA: And thirdly there is an allegation that the
Hawk was selected after Mr Joe Modise intervened directly to
ensure that the cost of the aircraft would be excluded from the
20 evaluation process, which (indistinct) the Hawk bid as it was
considerably more expensive than the (indistinct) proffered by
Aermacchi. What is your comment?

MR FERREIRA: Chair, I cannot make a statement of the
fact of Mr Modise intervened, I have no inside information on
25 that, however, I can agree that the Aermacchi aircraft would

14 NOVEMBER 2013

PHASE 1

have cost less, or the less expensive than the Hawk Aircraft.

ADV MPHAGA: Then fourthly they say that:

5 *“Even with the cost excluded the Hawk was still not the favoured aircraft and was not only selected after BAe submitted a substantial and revised offer for their (indistinct) component, however, before a deal was signed the DTI discovered that the offsets offered by (indistinct)”.*

10 Maybe you may not be able to comment as it relates to the offsets or do you want to say anything?

MR FERREIRA: Chair, I cannot (indistinct) on the DTI, on the DIP, however, I can comment on the first sentence that either with the cost excluded the Hawk was still not, in terms of the technical evaluation the first ranked aircraft and it's 15 documented in our reports as such.

ADV MPHAGA: And the fifth criticisms is that after the Hawk and Gripen has been selected as the preferred planes there are huge cost and (indistinct) of anxiety amongst those responsible for making sure the Arms Deal was affordable. As 20 a result the (indistinct) team recommended that the purchase of the Gripen be delayed, deferred or cancelled outright, lest the Arms Deal (indistinct). Are you aware of that?

MR FERREIRA: I'm aware of that as during the 1999 contract negotiations but I cannot comment (indistinct) 25 international offer team's responsibility, IONT.

14 NOVEMBER 2013

PHASE 1

ADV MPHAGA: And the sixth criticism that they made is that:

5 *“To overcome this hurdle a tranche system was negotiated and approved whereby the South African Government would purchase the Hawk’s and Gripen’s in three tranches with the last two (indistinct) being cancelled if the Government so chose, however, this tranche system was illogical if South Africa did not adopt tranches 2 and 3, the*
10 *country would have been without any single seater Gripen fighters, leaving it without any air space combat capability. In addition BAe and SAAB had frontloaded the cost into the first tranche, meaning that if South Africa cancelled tranches 2 and 3 they*
15 *would pay a massive (indistinct penalty as the planes bought in the first tranche would on a (indistinct) be over 30% more expensive than if all the planes were bought in a single group”.*

Any comment?

20 MR FERREIRA: Chair, again the IONT (indistinct) the tranches, however, what I do want to point out, in fact on the tranches is that the first aircraft cost included all the development, non-recurring cost, for that reason they were more expensive (indistinct) directly to the Hawk, the first 12
25 Hawk’s were more expensive than the next 12 Hawk’s, because

14 NOVEMBER 2013

PHASE 1

all the non-recurring costs, development costs, engineering costs were included in the (indistinct) of those aircraft.

ADV MPHAGA: And the seventh criticism is that (indistinct) also noted that the SAAF did not have enough pilots
5 to fly the full set of Gripen's that they purchased. At that time the SAAF had a total of nine pilots while the Arms Deal committed South Africa to the purchase of a total of 28 Gripen Aircraft. Considering that the SAAF already had 50 Cheetah (indistinct) combat planes that would have been useable until
10 at least 2012 if not beyond, the purchase of the Gripen was illogical. Any comment?

MR FERREIRA: Chair, I cannot comment on that, that is a Defence Force related issue.

ADV MPHAGA: (Indistinct) General Bayne had already
15 dealt with it. Number 8 they say that on page (indistinct):

*"After the tranche system was approved it was discovered that the Arms Deal would still cost too much, requiring a reduction in cost. One way of doing this was to decrease the number of light
20 utility helicopters bought from 40 to 30".*

Are you agreeable to that?

MR FERREIRA: Chair, I cannot comment on that. That as an IONT activity.

ADV MPHAGA: And lastly they allege that:
25 *"The cost of the Hawk and Gripen's were so*

14 NOVEMBER 2013

PHASE 1

5 *considerable that the reduction of the (indistinct)*
still did not bring the Arms Deal within the approved
expenditure limits. Cost cutting exercises were
conducted on both the Hawk and the Gripen which
included removing significant elements of both
aircraft functionality. The result of these
exclusions was that the Hawk would lose
considerable value as a training aircraft while the
Gripen would end up being less technologically
10 *suitable for combat than the 50 Cheetah Aircraft*
already owned by the SAAF”.

Any comment on that?

MR FERREIRA: Chair, again this was an agreement made
by the IONT and the contractors and I can recall that there was
15 a record of understanding between the IONT and BAe Systems
where the BAe System proposed the reduction of certain
functionalities of the aircraft. We were asked to comment on
the (indistinct) understanding. We went through that and we
proposed our own reduction, not necessarily functionality but
20 also in terms of support equipment to try and achieve the
objective of the (indistinct) of understanding. There were some
elements which ... Okay, this was then discussed with the Air
Force, there were some elements which the Air Force felt they
could not (indistinct) functionality and one of them included the
25 (indistinct) and I believe this was later added as an option to

14 NOVEMBER 2013

PHASE 1

the contract and that is all that I can say on that involvement.

CHAIRPERSON: I'm sorry, can I ask the witness to look at the last sentence (indistinct). Are you saying that even on this one you can't comment where they say that?

5 *"The result of these exclusions was that the Hawk would lose considerable value as a training aircraft while the Gripen will the Gripen will end up being less technologically suitable for combat than the 50 Cheetah Aircraft already owned by the SA Air*
10 *Force".*

In other words here they are trying to compare the Gripen and the Cheetah, even on that one you can't comment?

MR FERREIRA: Chair, they were specifically referring here to the radar data pack mode 1, our Cheetah's had excellent
15 radar fitted into that aircraft. As you can recall I said the radar we got from the Swedes is not the Swedish radar, it is the export baseline with some functionality removed from. The radar offered to us was actually less functional than the one in the Cheetah, was a much more modern radar but without all the
20 functionality. Data mode 1 Package would have brought the radar up to the same level than in the Cheetah and it was documented by the Air Force, there is the report out where the Air Force say what would be the implications of not having these (indistinct) and the statement is made that in this
25 specific instance the Gripen was worse off than the Cheetah.

14 NOVEMBER 2013

PHASE 1

ADV MPHAGA: Thanks Chair.

ADV CANE: I'm sorry Chair, could I interject? It was extremely difficult sitting where I am, and I'm sure the fault is my own, to actually hear and understand that response. I wonder if the witness could please repeat it. Thank you.

MR FERREIRA: Chair, there was a record of understanding agreed between the IONT and BAe Systems, this record of understanding identified certain areas to cut cost in order to (indistinct), I don't know which baseline, we didn't know. But here he recommended the functionality should be removed on both the Hawk and the Gripen, it was not acceptable to the Project Team and to the Air Force, the Project Team with the Air Force then went along and proposed alternative functionality to be removed, and for instance we took one less simulator on the Hawk for instance. At the end of the day there was still an item which one was called the radar mode package 1, which the Air Force felt they could not live without and we did not, we could not put it with inside our (indistinct).

What that meant is that the Cheetah radar, the Cheetah has got very good radar in it and there are modes and functions in the Cheetah radar which is not in the standard Gripen radar that was offered to us. This package of radar modifications would have brought the Gripen radar up to a level that was to compare with the Cheetah. You will also remember the Gripen has got much more modern radar, so what was said

14 NOVEMBER 2013

PHASE 1

there then that unless the Air Force gets this, the radar package, the radar is not as good as the Cheetah radar and that package is one of the options that were put into the contract.

5 On the other areas the Gripen exceeded the Cheetah's performance, it was specific areas where the Gripen was worse off than the Cheetah, the other area if I recall correctly was the data link, this was the only two issues where the Air Force was concerned about not getting that functionality
10 delivered as part of the aircraft.

CHAIRPERSON: Maybe just as a follow up, do I understand you to be saying that the Cheetah was more suitable for combat than the Gripen because this is what the statement is saying and this is what I want you to answer to, forgetting about the
15 one or two items that you have mentioned, take the Cheetah as a product and look, try and compare with the Gripen as a product, would it be correct to say that the Cheetah was more suitable for combat than the Gripen? I think this is what (indistinct) are trying to say here.

20 MR FERREIRA: Chair, looking to the Gripen as an aircraft it's a much more capable, agile aircraft in air-to-air combat, although there might be certain roles where you need the most of the (indistinct) where the Cheetah would have been a better aircraft, but in totally seen the Gripen today I believe is a
25 much better fighting aircraft with the (indistinct) onboard and

14 NOVEMBER 2013

PHASE 1

also the way it was designed.

CHAIRPERSON: Advocate Cane, I suppose you have heard the answer?

ADV CANE: Thank you Chair that clarifies my question.

5 ADV MPHAGA: And, but the fact remains that the Cheetah had reached its lifecycle?

MR FERREIRA: Chair, (indistinct) Cheetah, it has got to the point where it has become very expensive to support, if we had to continue with the Cheetah we would now start looking at
10 obsolescence and you would start looking at programmes in order to modify it. The statement can be made if we didn't do the package deals the Air Force should have started around 2000 to 2003 looking at a replacement for the Cheetah because the Cheetah's maximum life for the single seater was 2012, so
15 by now that aircraft should have been replaced, we might have started (indistinct) them earlier (indistinct).

CHAIRPERSON: I'm sorry Advocate Mphaga, I'm sure this is my last question to the witness. Was it possible to extend the lifespan of the Cheetah beyond 2006 or 2007? Or 2012.
20 Was it possible?

MR FERREIRA: Chair, it might have been possible but it would have been at a very high cost to do that.

ADV MPHAGA: Thank you Chair. Chair, that concludes my questions in respect of the critics and what is left Chair is the
25 Supply Terms of the, both the system, the Hawk and the

14 NOVEMBER 2013

PHASE 1

Gripen. We have received a letter from BAe, they have raised certain concerns, we are dealing with them and we hope that by tomorrow we would have been able to resolve the problem, so if it is possible Chair to maybe adjourn until tomorrow to finalise the evidence of Mr Ferreira?

CHAIRPERSON: I think maybe at this early stage I should mention that whatever concerns that the BAe has, I think those concerns must be articulated in public, I think just bring it to their attention that I would want their concerns to be articulated in public.

ADV MPHAGA: Thanks Chair. They have expressed them in a letter to ARMSCOR and we are looking at it. The concerns are not ... It's only one item actually which we are concerned about which we are trying to resolve.

CHAIRPERSON: And I hope that that will be made available to us at some stage.

ADV MPHAGA: We will do so.

CHAIRPERSON: Thank you.

ADV MPHAGA: And Chair, I'm advised that Advocate Lebala would want to have Mr Nortjé come tomorrow morning to address the Commission on certain aspects, so he would want to start before we do tomorrow, so if it's possible then given that opportunity. Mr Solomon may be able to address that in detail.

ADV SOLOMON: Thank you Chair, Commissioner Musi.

14 NOVEMBER 2013

PHASE 1

With your indulgence we thought it best for Mr Nortjé to just give on the record a progress report with regard to the exercise that he's undertaken in respect of the documents rather than either for myself or Advocate Lebala to give it second hand, so
5 it's really just for him to report back to the Commission what he's been engaged in since he last stood down and what the prognosis is in regard to those documents. Thank you Chair.

CHAIRPERSON: Advocate Solomon, I'm not quite sure whether is it necessary for Mr Nortjé to personally come and
10 explain to us the difficulties that he has, I think tomorrow morning we will be, just be happy to get an explanation from you or from Advocate (indistinct), whatever is convenient, and I will tell you why I say so, I think the last (indistinct) sitting of this proceedings is going to be the 30th of November, in my
15 own mind I could be totally wrong, the probabilities are that we might not be ready for Mr Nortjé, we might not, if at all you know, there is still one or two other witnesses which are still going to be called I can't see how Mr Nortjé can possibly testify at (indistinct) because you know, we are left only with
20 two weeks and we intend not sitting the entire two weeks, probably out of the coming two weeks which is 10 working days we'll sit for about six, seven, at most eight working days, so I can't see Mr Nortjé coming in, and then two, I think it will also not be convenient that he should start giving evidence this
25 year, cut it short and then continue next year, I would prefer a

14 NOVEMBER 2013

PHASE 1

situation where if at all it is clear that we will be through with his testimony by the 13th that we hold it over until next year, so (indistinct) we'll be happy to get an explanation from you or from Advocate Lebala, it's not necessary for him to come here
5 just to give that explanation.

ADV SOLOMON: We're grateful Chair for that guidance and I'm sure Mr Nortjé will be grateful that he doesn't have to come simply to give that explanation; we'll put it on the record then tomorrow. Thank you Chair and Commissioner Musi.

10 CHAIRPERSON: Is this the right time to adjourn Advocate Mphaga?

ADV MPHAGA: Correct Chair, thanks.

CHAIRPERSON: We'll adjourn until tomorrow morning.

15 **(COMMISSION ADJOURNS)**